

# Notes on Draft:

8.2

- (1) ✓ Date each page at bottom ✓
- (2) ✓ VP 1a: Was par 2 to be included in view of Indian proposal. In any event it needs coding.
- (3) ✓ Where is introductory page?
- (4) ✓ Instruct typists to place as many items as possible on each page
- (5) ✓ Page 4, sec 5: Why 1/1/44 date? why not 7/1/44 or 1/1/45. I am troubled re proposed addition if general application is possible. Why not confine to occupied countries whose gold holdings are not ascertainable as of date possible.
- (6) ✓ Maybe we should label all proposals "alternatives" since "supplement" may be confusing cf P 4, ~~etc~~
- (7) ✓ In addition to single space to indicate J.S. Why do we not insert heading as "Joint Statement: Art III, Sect" in caps?
- (8) ✓ P 6 a: Sec 2, (1) Why do we need provisions plus purposes & policy. cf 1<sup>st</sup> alternate on P 6 c.
- (9) ✓ P 6 a: Sec 2 - Addition to Cond. prop. is badly worded & query re point of inclusion. Moreover, do we have condition OR to include in our & is language OK with them.
- (10) ✓ P 6(a) Item 4: Sec 4 should be (3). Do we need cross ref. to suspension prov? - -> think not.
- (11) ✓ P 6(a) correct last sentence in Sec 2 where collateral prov. is ambiguous
- (12) ✓ Our method of # our sections is maybe confusing?
- (13) ✓ Whose alternative B on P 8?
- (14) ✓ P 9 a: Could we accept UK's alternative B in lieu of ours on P 9. What about (c) on 9 (b) too?
- (15) ✓ Explain brackets on P 12 b, sec 12.
- (16) ✓ P 12 - Do we want to insert (c) under Sec 10 at this time? Should we also insert table as illustrative including average charges?
- (17) ✓ P 12 a; sec 11 - We are exposing ourselves by listing data required
- (18) ✓ P 12(c) - Alternatives on charges should follow our charge section. Break our alternative down & point other alternatives to be placed in juxtaposition
- (19) ✓ P 12 c. Can we code Supp D so as to facilitate pointing out // with our alternatives

B. Operations of the Bank

(Conditions under which the Bank may guarantee, participate in or make loans, the manner in which it will aid and encourage equity investment, provision for safeguarding funds lent by the Bank, guarantee of the value of the local currency assets of the Bank, provision for repayment of principal and interest, borrowing by the Bank, the limitation on direct and contingent liabilities of the Bank, the charges the Bank may levy, provision for reserves and distribution of profits, security and foreign exchange transactions the Bank may undertake, and other operations of the Bank.)

C. Organization and Management

(Establishment of governing boards, basis for voting, selection of officers, appointment of committees, location of offices and depositories, provision for by-laws and regulations, publication of reports by the Bank, withdrawal or suspension from membership, contingent liability of former members, and general liquidation of the Bank.)

D. Form and Status of the Bank

(Nature of the agreement establishing the Bank, the legal position of the Bank in member countries, immunities of the Bank and its assets, amendment of the Bank agreement and the relationship of the Bank to other international organizations.)

III. Other Measures for International Financial Cooperation

A. Monetary Proposals

(The use of silver for settling international balances; the earmarking of gold not belonging to the Fund; treatment of gold convertible exchange balances used by a country as a monetary reserve; treatment of currencies illegally held in another country.)

B. Additional proposals. *Freezing Reserves*



- (20) P 13, ~~but~~ Sec 2 get a \*
- (21) P 13a, I think Alternative B should be transferred  
over to last articles where we have our initial  
rate provision with more cross-reference at  
present point.
- (22) P 14a - Have we not got some different language  
now?
- (23) P 17 can we eliminate Alternative B without consent of Canada
- (24) P 20: poor integration in 11)(b); also want not some  
points left out of Cf report.
- (25) P 20a: sec 2 does not make sense
- (26) P 20 e - Reword in terms of management report
- (27) P 23 f - Proposed Supp B belongs after Sec 9
- (28) P 25 - What about new language in Sec 2.
- (29) P 26 - Alt A needs rewording
- (30) Where is table of contents

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PRELIMINARY DRAFT OF SUGGESTED ARTICLES  
OF AGREEMENT FOR THE ESTABLISHMENT OF AN  
INTERNATIONAL MONETARY FUND

Luxford

# 142

10/26/44

Beckett

The attached draft provisions are those which have been presented to the Secretariat and are not to be considered a complete set of alternatives. It is expected that further suggestions will be made and as they are presented to the Secretariat they will be distributed for inclusion in the attached draft. At the top of each page there is appended the pertinent section of the Joint Statement of Principles and immediately below appear alternative and supplementary texts submitted to the Secretariat.

In a number of instances, particularly in the case of draft provisions marked "Alternative A" the changes suggested either (1) did not appear to modify the substance of the Joint Statement and represented a change in language for purposes of clarity, or (2) were merely supplementary in character and for the purpose of inserting necessary details which had been omitted from the Joint Statement of Principles. For the convenience of the reader the Secretariat has noted changes and additions of this character where they appear in draft provisions marked "Alternative A". The symbols employed are:

- \* -- no change in substance
- # -- supplementary material

*γ - Change in substance*

2130  
206

Management Committee  
U.S. Luxford

Be (Edie) Chairman

Mexican (Montross)

Mitch (Behr)

USSR Bystrorf

China C.T. Miro

Disclaimers provision (37-a)

Pasovolsky & Lux  
Robbin / Robertson  
Beckett & Opie

9:00 PM  
bny/ks

Agenda Sub Committee

- UK
- USSR
- China
- Sw.
- U.S.

I. Purposes and Policies of the Fund

The Fund will be guided in all its decisions by the purposes and policies set forth below:

1. To promote international monetary cooperation through a permanent institution which provides the machinery for consultation on international monetary problems.
2. To facilitate the expansion and balanced growth of international trade and to contribute in this way to the maintenance of a high level of employment and real income, which must be a primary objective of economic policy.
3. To give confidence to member countries by making the Fund's resources available to them under adequate safeguards, thus giving members time to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.
4. To promote exchange stability, to maintain orderly exchange arrangements among member countries, and to avoid competitive exchange depreciation.
5. To assist in the establishment of multilateral payments facilities on current transactions among member countries and in the elimination of foreign exchange restrictions which hamper the growth of world trade.
6. To shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries.

Alternative A

Creation, Purposes and Policies of the International Monetary Fund.

*No change in substance*

# There is hereby established the International Monetary Fund, hereinafter referred to as the "Fund". It shall be guided in all its decisions by the following purposes and policies:

\* 1. To promote international monetary cooperation by providing permanent machinery for consultation on international monetary problems;

\* 2. To facilitate the expansion and balanced growth of international trade and to contribute thereby to the maintenance of a high level of employment and real income, which must be a primary objective of economic policy;

(Subdivisions 3 -6 same as in Joint Statement)

*OK*  
*OK*  
*to assist in the fuller utilization of international funds*



Alternative B

*Australia*

Purposes and Policies of the Fund.

The Fund will be guided in all its decisions by the purposes and policies set forth below:

*Shift in emphasis*

\* 1. [To promote international monetary cooperation through a permanent institution which provides the machinery for consultation on international monetary problems.]

*OK*

*Low in amount*

\* 2. To facilitate the expansion and balanced growth of international trade and to contribute to a high level of employment and real income which must be a primary objective of economic policy.

*OK*

*In*

\* 3. To make the Fund's resources available to members under adequate safeguards and to assist them to correct maladjustments in their balance of payments without resort to measures destructive of national or international prosperity.

*OK*

*Modify the provision with paragraph 4*

\* 4. To secure orderly changes in exchange rates among member countries where necessary to correct exchange disequilibrium, thus promoting exchange stability and avoiding competitive exchange depreciation.

*Unchanged or Boels*

\* 5. [To assist in the establishment of multilateral payments facilities on current transactions among member countries and in the elimination of foreign exchange restrictions which hamper the growth of world trade.]

\* 6. [In accordance with the above principles, to shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries.]

*OK*



Alternative C

(Add as subdivision 7)

# 7. To correlate procedures for exchange stability with a policy for the promotion of international investment by other international financial agencies and to evolve a working relationship with such agencies.

*Reserve*

Alternative D

(Substitute for subdivision 2)

\* 2. To facilitate the expansion and balanced growth of international trade, to assist in the fuller utilisation of the resources of economically underdeveloped countries and to contribute thereby to the maintenance in the world as a whole of a high level of employment and real income, which must be a primary objective of economic policy;

Alternative E

(Add as subdivision 7)

# 7. To promote and facilitate the settlement of abnormal indebtedness arising out of the war.

Alternative F

(Substitute for subdivision 4)

4. To promote exchange stability and avoid competitive exchange depreciation by securing, where necessary to correct exchange disequilibrium, orderly changes in exchange rates among member countries.



June 27, 1944

Art. I

- 1c -

Alternative G

(Substitute the following for subdivision 4)

- \* 4. To promote exchange stability.
- \* 5. To avoid competitive exchange depreciation by securing, where necessary to correct fundamental disequilibria, orderly changes in par values of member currencies.

1c

6/27/44

II. Subscription to the Fund

1. Member countries shall subscribe in gold and in their local funds amounts (quotas) to be agreed, which will amount altogether to about \$8 billion if all the United and Associated Nations subscribe to the Fund (corresponding to about \$10 billion for the world as a whole).

Alternative A

# Section . Countries Eligible for Membership.

The member countries of the Fund shall be those of the countries represented at the United Nations Monetary and Financial Conference whose governments accept membership in the Fund as provided in Article XIII.

Membership in the Fund shall be open to other countries at such times and in accordance with such rules as may be prescribed by the Fund.

\* Section . Quotas.


Each member country shall be assigned a quota. The quotas of the countries represented at the United Nations Monetary and Financial Conference shall be as follows, in terms of the United States dollar of the weight and fineness in effect on July 1, 1944.

<u>Country</u>	<u>Quota</u>
----------------	--------------

Quotas of other countries which become members of the Fund shall be determined by the Fund.

# Section . Time and Place of Payment.

Each country which becomes a member before the date fixed for the operations of the Fund to begin shall pay to the Fund at the appropriate depository the full amount of its quota on or before such date. Any country that becomes a member after such date shall pay the full amount of its quota on or before the date fixed by the Fund for such payment to be made. Any member country whose quota is increased shall pay the full amount of the increase within thirty days of the date on which the country approves the increase in its quota.

  
Sims 015  
Karlson y Bond  
re assigned  
Countries Comm  
64



- 2 a -

Alternative B

[Supplement to Article II, Section I, Alternative A: It is suggested to add to the text:]

Notwithstanding the fundamental principles on payment of quotas particular arrangements may be made with countries whose currency system has been disrupted as a result of enemy occupation. Such arrangements may not extend over more than nine months i.e., after nine months, at the latest, the obligations of the country will be the same as they would have been if such an exception had not been granted. The government of the respective country has to guarantee by a specific act that the Fund will not suffer any loss because of that particular arrangement.

2. The quotas may be revised from time to time but changes shall require a four-fifths vote and no member's quota may be changed without its assent.

Alternative A

\* Adjustment of Quotas.

The Fund shall examine, at intervals of five years, the need for adjustment of quotas. Changes in quotas <sup>by two-thirds</sup> shall require a four-fifths vote and the quota of a member country may not be changed without its consent.



3. The obligatory gold subscription of a member country shall be fixed at 25 percent of its subscription (quota) or 10 percent of its holdings of gold and gold-convertible exchange, whichever is the smaller.

Alternative A

\* Section . Initial Payments.

Each member country shall pay in gold the smaller of (a) twenty-five percent of its quota or (b) ten percent of its official holdings of gold and gold-convertible exchange on January 1, 1944. The data necessary to determine official holdings of gold and gold-convertible exchange shall be furnished by the member countries as provided in Article III, Section 11.

*Canada  
July 1 or  
Jan 1, 1945  
Occupied  
Countries*

Each member country shall pay the balance of its quota in its own currency.

*Unoccupied  
UK objects*

# Section . Payments When Quotas Are Changed.

(a) Each member country whose quota is increased shall pay twenty-five percent of the increase in gold. Each member country shall pay the balance of any increase in its own currency.

*Canada  
agrees*

(b) Each member country whose quota is reduced shall receive from the Fund an amount in its own currency or gold equal to the reduction in the quota. The Fund shall pay to such country only the amount of gold necessary to prevent reducing the holdings of the Fund of that currency below seventy-five percent of such country's new quota.

Alternative B

(Add at the end of Section 3)

*Belgium wants  
flat 75%, UK  
agrees*

*Russia*

"Any country represented at the United Nations Monetary and Financial Conference whose home areas have suffered from enemy occupation and hostilities during the present war, may reduce its gold payment to between seventy-five and fifty percent of the amount it would otherwise have to pay, dependent on the extent of the damage caused to it by the enemy occupation and hostilities."

*action*

Alternative C

(Substitute for 3)

The obligatory gold subscription of a member country shall be fixed at 25 per cent of its subscription (quota) or 10 per cent of its monetary reserves whichever is the smaller.

(Change underlined: definition of monetary reserves (= net official holdings of gold and convertible exchange) in section on definitions)

Alternative D

(Add at end of 3)

Any country represented at the United Nations Monetary and Financial Conference whose home areas have suffered substantial damage from enemy action or occupation during the present war, may reduce its initial gold payment to \_\_\_\_\_ per cent of the amount it would otherwise have to pay.

4a

10/27/44



III. Transactions with the Fund

1. Member countries shall deal with the Fund only through their Treasury, Central Bank, Stabilization Fund, or other fiscal agencies. The Fund's account in a member's currency shall be kept at the Central Bank of the member country.

\* Alternative A

Agencies Dealing with the Fund.

Each member country shall deal with the Fund only through its Treasury, Central Bank, Stabilization Fund or other similar fiscal agency and the Fund shall deal only through the same agencies.

UK  
likes

2. A member shall be entitled to buy another member's currency from the Fund in exchange for its own currency on the following conditions:

- (a) The member represents that the currency demanded is presently needed for making payments in that currency which are consistent with the purposes of the Fund.
- (b) The Fund has not given notice that its holdings of the currency demanded have become scarce in which case the provisions of VI, below, come into force.
- (c) The Fund's total holdings of the currency offered (after having been restored, if below that figure, to 75 percent of the member's quota) have not been increased by more than 25 percent of the member's quota during the previous 12 months and do not exceed 200 percent of the quota.
- (d) The Fund has not previously given appropriate notice that the member is suspended from making further use of the Fund's resources on the ground that it is using them in a manner contrary to the purposes and policies of the Fund; but the Fund shall not give such notice until it has presented to the member concerned a report setting forth its views and has allowed a suitable time for reply.

The Fund may in its discretion and on terms which safeguard its interests waive any of the conditions above.



Alternative A

Section . Conditions upon which Any Member Country May Purchase Currencies of Other Member Countries.

u.s. add to end

shall be entitled U.K.

A member country may buy the currency of another member country from the Fund in exchange for its own currency subject to the following conditions:

(1) The member country initiating the purchase needs the currency requested for making payments in that currency which are consistent with the <sup>provisions of this Agreement</sup> purposes and policies of the Fund;

\* (2) The Fund has not given notice under Article VI that its holdings of the currency requested have become scarce;

\* (3) The total holdings of the Fund in the currency of the member country initiating the purchase (after having been restored, if below that figure, to seventy-five percent of the quota of such country) have not increased during the previous twelve months by more than twenty-five percent of the quota of such country and do not exceed two hundred percent of the quota; and

(4) The Fund has not previously declared under <sup>Sec X</sup> this Article that the member country initiating the purchase is ineligible to use the resources of the Fund.

Should be broadened

The Fund may, in its discretion, waive any of these conditions on terms which safeguard its interests, including the requirement of such collateral or other security as it deems appropriate.

Needs new words

Section X. Declaring Member Countries Ineligible to Use the Resources of the Fund.

U.K. amended

Whenever the Fund <sup>is of the opinion U.K.</sup> determines that any member country is using the resources of the Fund in a manner contrary to the <sup>(Provision of the Fund)</sup> purposes and policies of the Fund, it shall present to the country a report setting forth the views of the Fund and stating a suitable time for reply. If no reply is received within the stated time, or the reply received is unsatisfactory, the Fund may, after giving reasonable notice to the country, declare it ineligible to use the resources of the Fund. After presenting a report to a member country under the <sup>first</sup> last sentence of this section, the Fund may <sup>(as)</sup> limit the use of its resources by the country. <sup>(b) declare it ineligible etc</sup>

Czech

6a

U.K





*Canada*

Alternative B

[Add at the end of subdivision (a):]

"If the Fund's holdings of the currency of a member country have remained below 75 per cent of its quota for a period not less than six months such member country shall be entitled, notwithstanding the provisions of V, 1, to buy another member's currency from the Fund for its own currency for any purpose, including capital transfers, provided, however, that purchases for capital transfers may not have the effect of raising the Fund's holdings of the currency of such member above 75 per cent of its quota."

*Seems like  
good idea*

*Consent of  
country whose  
currency  
required  
or currency  
over 75%*

*Australia  
(Brazil)*

Alternative C

[Add in place of subdivision (c):]

(c) The Fund's total holdings of the currency offered (after having been restored, if below that figure, to 75 per cent of the member's quota) have not been increased by more than 33-1/3 per cent of the member's quota during the previous 12 months and do not exceed 200 per cent of the quota.



*Project  
of  
Consolidation of  
Gold of the  
Admin. of  
Mex. objects*



A member proposing a change in the par value of its currency shall be deemed, unless it declares otherwise, to be proposing a corresponding change in the par value of the currencies of all territories under its jurisdiction. It shall however be open to a member to declare that its ~~proposal~~ proposal relates either to the metropolitan currency alone, or to one or more specified subordinate currencies alone, or to the metropolitan currency and one or more specified subordinate currencies.

June 28, 1944

Art. III  
Sec. 2

- 6c -

Alternative D

(Amend subdivision (a) as follows:)

It is suggested to change the term "consistent with the purposes of the Fund" to "consistent with the purposes and provisions of the Fund."

Alternative E

(Amend subdivision (d) as follows:)

The total holdings of the Fund in the currency of the member country initiating the purchase shall not exceed 125% of the quota during the first, 150% of the quota during the second, 175% of the quota during the third year of the operations of the Fund in that particular currency and 200% thereafter.

6c

6/27/44



Alternative D

[Amend subdivision (a) as follows:]

It is suggested to change the term "consistent with the purposes of the Fund" to "consistent with the purposes and provisions of the Fund."

3. The operations on the Fund's account will be limited to transactions for the purpose of supplying a member country on the member's initiative with another member's currency in exchange for its own currency or for gold. Transactions provided for under 4 and 7, below, are not subject to this limitation.

\* Alternative A

Limitation on the Operations of the Fund.

Unless otherwise provided in this Agreement, operations for the account of the Fund shall be limited to transactions for the purpose of supplying a member country, on the initiative of such country, with the currency of another member country in exchange for the currency of the country initiating the transactions or for gold.

*Ms. Comm. 1*



4. The Fund will be entitled at its option, with a view to preventing a particular member's currency from becoming scarce:
- (a) To borrow its currency from a member country;
  - (b) To offer gold to a member country in exchange for its currency.

Alternative A

Operations for the Purpose of Preventing Currencies from becoming Scarce.

The Fund may, if it deems such action appropriate to prevent the currency of any member country from becoming scarce, take either or both of the following steps:

- (1) Propose to the member country that it lend such currency to the Fund or, with the approval of the member country, borrow such currency within that country from some other source, but no member country shall be under any obligation to lend its currency to the Fund or to approve the Fund's borrowing its currency from any other source.
- \* (2) Offer to buy the currency of that member with gold.

UK approved

4. The Fund will be entitled at its option, with a view to preventing a particular member's currency from becoming scarce:

- (a) To borrow its currency from a member country;
- (b) To offer gold to a member country in exchange for its currency.

Alternative A

Operations for the Purpose of Preventing Currencies from becoming Scarce.

The Fund may, if it deems such action appropriate to prevent the currency of any member country from becoming scarce, take either or both of the following steps:

- (1) Propose to the member country that it lend such currency to the Fund or, with the approval of the member country, borrow such currency within that country from some other source, but no member country shall be under any obligation to lend its currency to the Fund or to approve the Fund's borrowing its currency from any other source.

\* (2) Offer to buy the currency of that member with gold.

Alternative B

(Substitute for III, 4(b))

To sell gold to a member country in exchange for its currency.



5. So long as a member country is entitled to buy another member's currency from the Fund in exchange for its own currency, it shall be prepared to buy its own currency from that member with that member's currency or with gold. This shall not apply to currency subject to restrictions in conformity with IX, 3 below, or to holdings of currency which have accumulated as a result of transactions of a current account nature effected before the removal by the member country of restrictions on multilateral clearing maintained or imposed under X, 2 below.

*as the title of 2nd - cont*

\* Alternative A

Multilateral International Clearing.

A member country shall be entitled to sell the currency of a second member country to such member and obtain payment in its own currency or gold so long as the second member country can buy the currency of the first from the Fund with its own currency.

This requirement shall be without prejudice to exchange restrictions which are authorized under this Agreement or requested by the Fund, and shall not apply to holdings of currencies of member countries which have accumulated as a result of transactions [of a current account nature] effected before the removal by the member country of restrictions on payments or transfers maintained or imposed during the [early] post-war transition period.

*No change in substance*

*Chair should be changed*

*Czech in violation of reqs to*

*no objection raised*

*Nothing in the previous section shall be deemed to modify or affect the obligation of a member country under ~~Article~~ IX (2) + IX (3)*

- IX (2) - monetary notes (p 29)
- IX (3) - no restrictions on current acct without approval of Fund. (p 31)

- 9 a -

Alternative B

3. To buy balances held with it by another member with that member's currency or, at the option of the member buying, with gold, if that member represents either that the balances in question have been currently acquired or that their conversion is needed for making current payments which are consistent with the provisions of the Fund. This obligation shall not relate to transactions involving:

- (a) capital transfers, except those transactions referred to in the second and third sentences of V(1):
- or (b) holdings of currency which have accumulated as a result of transactions effected before the removal of the member country of restrictions on multilateral clearing maintained or imposed under X(2) below:
- or (c) the provision of a currency which has been declared scarce under VI above:
- or (d) holdings of a currency which has been illicitly obtained:

nor shall it apply to a member who has ceased to be entitled under III(2) or VIII above to buy other members' currencies from the Fund in exchange for its own currency.

[To be transferred to Article IX as Section 3]



- 9 a -

Alternative B

3. To buy balances held with it by another member with that member's currency or, at the option of the member buying, with gold, if that member represents either that the balances in question have been currently acquired or that their conversion is needed for making current payments which are consistent with the provisions of the Fund. This obligation shall not relate to transactions involving:

- (a) capital transfers, except those transactions referred to in the second and third sentences of V(1):
- or (b) holdings of currency which have accumulated as a result of transactions effected before the removal of the member country of restrictions on multilateral clearing maintained or imposed under X(2) below:
- or (c) the provision of a currency which has been declared scarce under VI above:
- or (d) holdings of a currency which has been illicitly obtained:

nor shall it apply to a member who has ceased to be entitled under III(2) or VIII above to buy other members' currencies from the Fund in exchange for its own currency.

[To be transferred to Article IX as Section 3]

Alternative B

[Revise Section 5 as shown below and transfer entire revised text to Article IX, as section 3:]

"3. To buy balances held with it by another member with that member's currency or with gold, if that member represents either that the balances in question have been currently acquired or that their conversion is needed for making current payments which are consistent with the provisions of the Fund. This obligation shall not relate to transactions involving:

- (a) capital transfers.
- (b) holdings of currency which have accumulated as a result of transactions of a current account nature effected before the removal by the member country of restrictions on multi-lateral clearing maintained or imposed under X(2) below:
- (c) the provision of a currency which has been declared scarce under VI above;

nor shall it apply to a member who has ceased to be entitled under III(2) or VIII above to buy other members' currencies from the Fund in exchange for its own currency.




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Art. III  
Sec. 5

- 9 b -

Alternative C

[Substitute the following for (c) in Alternative B]



(c) "Holdings of currency acquired as a result of dealings which by the country's exchange regulations are considered illicit."

[Provision (c) which appears in Alternative B should follow as (d)]

June 27, 1944

Art. III  
Sec. 5

- 90 -

Alternative C

(with respect to Alternative B;)

It is suggested to add to "alternative B" instead of (c):

"Holdings of currency acquired as a result of dealings, which by the country's exchange regulations are considered illicit," and change the old (c) into (d), etc.

9c

6/27/44



6. A member country desiring to obtain, directly or indirectly, the currency of another member country for gold is expected, provided that it can do so with equal advantage, to acquire the currency by the sale of gold to the Fund. This shall not preclude the sale of newly-mined gold by a gold-producing country on any market.

\* Alternative A

. Acquisition by Member Countries of the Currencies of Other Member Countries for Gold.

Any member country desiring to obtain, directly or indirectly, the currency of another member country for gold shall, provided that it can do so with equal advantage, acquire the currency by the sale of gold to the Fund. Nothing in this Section shall be deemed to preclude any member country from selling in any market the new production of gold from mines located within territory subject to its jurisdiction.

7. The Fund may also acquire gold from member countries in accordance with the following provisions:

- (a) A member country may repurchase from the Fund for gold any part of the latter's holdings of its currency.
- (b) So long as a member's holdings of gold and gold-convertible exchange exceed its quota, the Fund in selling foreign exchange to that country shall require that one-half of the net sales of such exchange during the Fund's financial year be paid for with gold.
- (c) If at the end of the Fund's financial year a member's holdings of gold and gold-convertible exchange have increased, the Fund may require up to one-half of the increase to be used to repurchase part of the Fund's holdings of its currency so long as this does not reduce the Fund's holdings of a country's currency below 75 percent of its quota or the member's holdings of gold and gold-convertible exchange below its quota.

Alternative A

Other Acquisitions of Gold by the Fund

*Finance would like to include provision included*

\*(a) Any member country may at any time repurchase with gold any part of its currency held by the Fund.

(b) So long as a member country's official holdings of gold and gold-convertible exchange exceed its quota, the Fund in selling to that country the currencies of other member countries shall require that one-half of such sales be currently paid for in gold.

*Currency bank part of currency*

If during any financial year of the Fund, the payments in gold under this provision exceed one-half of the net sales by the Fund to such country, the Fund shall arrange to repurchase the currency of that country with gold to the extent of the excess.

*Bank's holdings* **Bad**

\*(c) If at the end of any financial year of the Fund the official holdings of gold and gold-convertible exchange of any member country have increased, the Fund may require up to one-half of the increase during the year to be used to repurchase with gold part of the holdings of the Fund of the currency of such country provided that the repurchase will not reduce the holdings of the Fund of the currency of such country below seventy-five percent of its quota, or the official holdings of gold and gold-convertible exchange of such country below its quota.



7. The Fund may also acquire gold from member countries in accordance with the following provisions:

- (a) A member country may repurchase from the Fund for gold any part of the latter's holdings of its currency.
- (b) So long as a member's holdings of gold and gold-convertible exchange exceed its quota, the Fund in selling foreign exchange to that country shall require that one-half of the net sales of such exchange during the Fund's financial year be paid for with gold.
- (c) If at the end of the Fund's financial year a member's holdings of gold and gold-convertible exchange have increased, the Fund may require up to one-half of the increase to be used to repurchase part of the Fund's holdings of its currency so long as this does not reduce the Fund's holdings of a country's currency below 75 percent of its quota or the member's holdings of gold and gold-convertible exchange below its quota.

Alternative A.

Other Acquisitions of Gold by the Fund

\*(a) Any member country may at any time repurchase with gold any part of its currency held by the Fund.

(b) So long as a member country's official holdings of gold and gold-convertible exchange exceed its quota, the Fund in selling to that country the currencies of other member countries shall require that one-half of such sales be currently paid for in gold.

If during any financial year of the Fund, the payments in gold under this provision exceed one-half of the net increase in the Fund's holdings of such currency, the Fund shall arrange to repurchase the currency of that country with gold to the extent of the excess.

\*(c) If at the end of any financial year of the Fund the official holdings of gold and gold-convertible exchange of any member country have increased, the Fund may require up to one-half of the increase during the year to be used to repurchase with gold part of the holdings of the Fund of the currency of such country provided that the repurchase will not reduce the holdings of the Fund of the currency of such country below seventy-five percent of its quota, or the official holdings of gold and gold-convertible exchange of such country below its quota.



7. The Fund may also acquire gold from member countries in accordance with the following provisions:

- (a) A member country may repurchase from the Fund for gold any part of the latter's holdings of its currency.
- (b) So long as a member's holdings of gold and gold-convertible exchange exceed its quota, the Fund in selling foreign exchange to that country shall require that one-half of the net sales of such exchange during the Fund's financial year be paid for with gold.
- (c) If at the end of the Fund's financial year a member's holdings of gold and gold-convertible exchange have increased, the Fund may require up to one-half of the increase to be used to repurchase part of the Fund's holdings of its currency so long as this does not reduce the Fund's holdings of a country's currency below 75 percent of its quota or the member's holdings of gold and gold-convertible exchange below its quota.

Alternative A.

Other Acquisitions of Gold by the Fund

\*(a) Any member country may at any time repurchase with gold any part of its currency held by the Fund.

(b) So long as a member country's official holdings of gold and gold-convertible exchange exceed its quota, the Fund in selling to that country the currencies of other member countries shall require that one-half of such sales be currently paid for in gold.

If during any financial year of the Fund, the payments in gold under this provision exceed one-half of the net increase in the Fund's holdings of such currency, the Fund shall arrange to repurchase the currency of that country with gold to the extent of the excess.

\*(c) If at the end of any financial year of the Fund the official holdings of gold and gold-convertible exchange of any member country have increased, the Fund may require up to one-half of the increase during the year to be used to repurchase with gold part of the holdings of the Fund of the currency of such country provided that the repurchase will not reduce the holdings of the Fund of the currency of such country below seventy-five percent of its quota, or the official holdings of gold and gold-convertible exchange of such country below its quota.



Alternative B

(Add at the end of (b))

*Russian*  
*Russia*

This provision shall not be applied during five year period from the beginning of the operations of the Fund to member countries who suffered particularly great damage from enemy occupation and hostilities.

*Loss of [UK]*

(Add at the end of (c))

This provision shall not be applied during the period of restoration of economy to the newly-mined gold of member countries, whose home areas particularly suffered from enemy occupation and hostilities.

Alternative C

Part 1

(Substitute for subdivisions (b) and (c))

URK

(b) If, at the end of the Fund's financial year, a member's monetary reserves exceed its quota, and the Fund's holdings of its currency have increased, the Fund may require that it shall use a part of these reserves to re-purchase its currency up to the point when its reserves have fallen by an amount not less than the amount by which, after this adjustment, the Fund's holdings of its currency have increased. Furthermore, if, after this adjustment (if called for) has been made a member's monetary reserves have increased during the year, the Fund may require it, whether or not the Fund's holdings of its currency have increased during the year, to use half of this increase for a further re-purchase of its currency from the Fund; provided, always, that these adjustments do not bring its reserves below its quota and the second adjustment does not bring the Fund's holdings of its currency below 75 percent of its quota.

*with gold or convertible currency and appropriate*

(Or alternatively, substitute for both subdivisions)

(b) If, at the end of any year, a member's monetary reserves after deducting its holdings of convertible exchange exceed its quota, and if the Fund's holdings of its currency exceed 75 percent of its quota, the Fund may require it to use its holdings of gold to reduce the Fund's holdings of its currency by half of the excess of such holdings over 75 percent of its quota.

Alternative C

Part 2

(Add at end of section:)

URK

( ) In estimating the amount of a member's monetary reserves for the purpose of the preceding paragraph, its holdings of a foreign currency, which has become convertible for the first time during the year in question, shall not be counted, provided that and insofar as the member possessed these holdings at the beginning of that year.



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Art. III  
Sec. 7

- 11 c -

Alternative D

(Substitute for (c))

*Belgium*

(c) If at the end of any financial year of the Fund,  
the official holdings of gold and gold-convertible  
exchange of any member country have increased as  
compared to that member's official holdings of  
gold and gold-convertible exchange at the moment  
of joining the Fund, the Fund may require . . .  
etc. . . . .

11c

ALTERNATIVE D

*Greene*

(Substitute for subdivision (b))

So long as a member's holdings of gold and gold-convertible exchange exceed its quota, the Fund in selling foreign exchange to that country shall require that one-half of the net sales of such exchange during the Fund's financial year be paid for with gold or gold-convertible exchange. The Fund, however, may in its discretion waive this condition with respect to any particular country if its application would reduce the facilities accorded by the Fund to that country in a way contrary to the purposes and policies of the Fund and in particular to the purpose stated in I(3).



*Suspected*

IV. 11. The Fund may require member countries to furnish it with information necessary for its operations as follows:

1. Official holdings of (a) gold, (b) gold-convertible currencies, and (c) other currencies, as defined for purposes of the Fund. (To be reported monthly)
2. Holdings, other than official, of (a) gold, (b) gold-convertible currencies, and (c) other currencies, as defined for purposes of the Fund. (To be reported monthly)
3. Production of gold. (To be reported monthly)
4. Foreign trade in terms of local currency values as follows:
  - a. Total exports and imports distributed by countries of destination and origin. (To be reported monthly and annually)
  - b. Total exports and imports distributed by commodities. (To be reported monthly and annually)
  - c. Exports and imports of all classified commodities distributed by countries of destination and origin. (To be reported at least annually)
  - d. Exports and imports in trade with individual countries distributed by all classified commodities. (To be reported at least annually)
5. International balance of payments, including (a) trade in goods and services, (b) gold movements, and (c) capital transactions. (To be reported at least annually)
6. International investment position, i.e., investments within the country owned abroad and investments abroad owned by



- residents of the country. (To be reported at least annually)
7. National income or gross national product. (To be reported at least annually)
  8. Industrial production. (To be reported at least quarterly)
  9. Price levels. (Indexes of commodity prices in wholesale and retail markets and of export and import prices to be reported as available from official sources)
  10. Buying and selling rates for foreign currencies. (Daily quotations to be reported weekly)
  11. Exchange controls. (Comprehensive statement of exchange controls in effect at the time of assuming membership in the Fund and changes thereafter as they occur)
  12. Arrears for commercial or financial remittances in terms both of the time lag in remittances and total amounts in arrears by types of arrearage. (To be reported monthly)

The Fund may arrange to obtain further information by agreement with the member countries.





Minimum Percentage Charges Payable by a Country on Fund's Holdings  
of Its Currency in Excess of Its Quota

Marginal Charges

*Handwritten notes:*  
Dutch  
UK  
Russia  
Switzerland

Amount of country's currency held by Fund as percentage of country's quota	Per cent per annum payable on excess currency during						Additional years
	First year Fund holds it:	Second year	Third year	Fourth year	Fifth year	Additional years	
100 - 125	1	1-1/2	2	2-1/2	3		
125 - 150	1-1/2	2	2-1/2	3	3-1/2		
150 - 175	2	2-1/2	3	3-1/2	4		Corresponding increases
175 - 200*	2-1/2	3	3-1/2	4	4-1/2		
200 - 225	3	3-1/2	4	4-1/2	5		
Additional amounts	Corresponding increases						

\*Full use of quota.

*Handwritten note:*  
Dr - Penalty more on  
duration than anti



10-27-44

Joint Statement - no provision

The following material has been suggested as an addition to  
Article III:

Alternative A

# Section . Transferability and Guarantee of the Assets of the Fund.

All assets of the Fund shall, to the extent necessary to carry out the operations prescribed by this Agreement, be free from restrictions, regulations and controls of any nature imposed by member countries. The currency of a member country purchased from the Fund shall always be accepted in payment of current account obligations due to that country. All assets of the Fund shall be guaranteed by the member countries against loss resulting from failure or default on the part of depositories in such member countries.

# Section . Charges and Commissions.

(a) Any member country buying the currency of any other member country from the Fund in exchange for its own currency shall pay a small uniform commission in addition to the selling rate fixed by the Fund.

(b) The Fund may levy a reasonable handling charge on any member country buying gold from the Fund or selling gold to the Fund.

(c) The Fund shall prescribe charges uniform among member countries which shall be payable by any member country on the amount of its currency in excess of its quota held by the Fund, as follows: not less than one per cent per annum on amounts up to twenty-five per cent; not less than one and one-half per cent per annum on amounts between twenty-five and fifty per cent; and charges similarly increased by not less than one-half per cent per annum for every additional bracket of twenty-five per cent of the quota, except that on amounts held by the Fund in excess of two hundred per cent of the quota of a country charges need not be uniform among all member countries. A further uniform charge on amounts in excess of the quota held by the Fund shall be levied as follows: a charge of not less than one-half of one per cent per annum on amounts held between one and two years; not less than one per cent per annum on amounts held between two and three years; and charges similarly increased by one-half of one per cent per annum for each additional annual period. Amounts held and periods during which they

12



have been held shall be determined by averaging the holdings of the Fund according to rules to be established by the Fund.

(d) All charges and commissions shall be paid in gold.

# Section . Furnishing Information.

Member countries agree to furnish the information enumerated below:

(Here insert information required)

The Fund may arrange to obtain further information by agreement with the member countries.

# Section . Consideration of Recommendations of the Fund.

Each member country shall give consideration to the views and recommendations of the Fund on any existing or proposed monetary or economic policy of such member country which tends, or may tend, to produce a serious disequilibrium in the international balance of payments of member countries.



Joint Statement - no provision

The following material has been suggested as an addition to

Article III:

Alternative A

# Section . Transferability and Guarantee of the Assets of the Fund.

III, 2 (10 yrs)  
All assets of the Fund shall, to the extent necessary to carry out the operations prescribed by this Agreement, be free from restrictions, regulations and controls of any nature imposed by member countries.

The currency of a member country purchased from the Fund shall always be accepted in payment of current account obligations due to that country. All assets of the Fund shall be guaranteed by the member countries against loss resulting from failure or default on the part of depositories in such member countries.

# Section . Charges and Commissions.

(a) Any member country buying the currency of any other member country from the Fund in exchange for its own currency shall pay a small uniform commission in addition to the selling rate fixed by the Fund.

(b) The Fund may levy a reasonable handling charge on any member country buying gold from the Fund or selling gold to the Fund.

(c) The Fund shall prescribe charges uniform among member countries which shall be payable by any member country on the amount of its currency in excess of its quota held by the Fund, as follows:

(Formula for charges to be inserted)

(d) All charges and commissions shall be paid in gold.

# Section . Furnishing Information.

Member countries agree to furnish the information enumerated below:

(Here insert information required)

The Fund may arrange to obtain further information by agreement with the member countries.

# Section . Consideration of Recommendations of the Fund.

Each member country shall give consideration to the views and recommendations of the Fund on any existing [or proposed monetary or] economic policy of such member country which tends, or may tend, to produce a serious disequilibrium in the international balance of payments of member countries.

*Make Signat. for.*  
*Fund assets free of local exchange controls*  
*member countries undertake to accept its currency in discharge of obligations*  
*loss of signatory*



*Keynes*  
*Direct*  
*Immune*  
*Provision*

*EMB*  
*Confine*  
*loss*

*Barbar*



*no long as holding*  
*excess of quota*  
*shall*  
*maintain*

*UK has*  
*some subject*  
*understand*  
*Don*  
*p 37-a*

*Hollander*  
*of*  
*p 37a*  
*B/D*

*of 19/2/41 re country be represented*



-- 12 a --

have been held shall be determined by averaging the holdings of the Fund according to rules to be established by the Fund.

(d) All charges and commissions shall be paid in gold.

#Section . Furnishing Information

The Fund may require member countries to furnish it with information necessary for its operations as follows:

1. Official holdings of (a) gold at home and abroad, (b) gold-convertible currencies distributed by currencies, and (c) other currencies distributed by currencies as defined for purposes of the Fund. (To be reported monthly)
2. Holdings, other than official, of (a) gold at home and abroad, (b) gold-convertible currencies distributed by currencies, and (c) other currencies distributed by currencies as defined for purposes of the Fund. (To be reported monthly)
3. Foreign-owned balances and short-term funds distributed by countries. (To be reported monthly)
4. Production of gold. (To be reported monthly)
5. Gold exports and imports distributed by countries of destination and origin. (To be reported monthly)
6. Foreign trade in terms of local currency values as follows:
  - a. Total exports and imports distributed by countries of destination and origin. (To be reported monthly and annually)
  - b. Total exports and imports distributed by commodities. (To be reported monthly and annually)
  - c. Exports and imports of all classified commodities distributed by countries of destination and origin. (To be reported at least annually)
  - d. Exports and imports in trade with individual countries distributed by all classified commodities. (To be reported at least annually)



- 12 a (continued)

7. International balance of payments, including (a) trade in goods and services, (b) gold movements, and (c) capital transactions. (To be reported at least annually)
8. International investment position, i.e., investments within the country owned abroad and investments abroad owned by residents of the country. (To be reported at least annually)
9. National income. (To be reported at least annually)
10. Industrial production. (To be reported at least quarterly)
11. Price levels. (Indexes of commodity prices in wholesale and retail markets and of export and import prices to be reported as available from official sources)
12. Buying and selling rates for foreign currencies. (Daily quotations to be reported weekly)
13. Exchange controls. (Comprehensive statement of exchange controls in effect at the time of assuming membership in the Fund and changes thereafter as they occur)
14. Arrearages for commercial or financial remittances in terms both of the time lag in remittances and total amounts in arrears by types of arrearage. (To be reported monthly)

The Fund may arrange to obtain further information by agreement with member countries.

# Section . Consideration of Recommendations of the Fund.

Each member country shall give consideration to the views and recommendations of the Fund on any existing or proposed monetary or economic policy of such member country which tends, or may tend, to produce a serious disequilibrium in the international balance of payments of member countries.



Alternative B

Insert the following in place of subdivision (c) in the second "Section" of Alternative A:

The Fund shall levy a charge uniform to all countries, at a rate not more than 1 percent per annum, payable in gold, against any country on the amount of its currency held by the Fund in excess of the quota of that country. An additional charge, payable in gold, shall be levied by the Fund against any member country on the Fund's holdings of its currency in excess of 200 percent of the quota of that country.

Alternative C

Insert the following in place of the fourth "Section" of Alternative A:

The Fund may make presentation to a member country on any existing or proposed monetary or economic policy of such member country which tends, or may tend to produce a serious disequilibrium in the international balance of payments of member countries.

The Fund shall not make such presentations which would require changes in the fundamental structure of the economic organization of a member country.

5/27/44

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IV. Par Values of Member Currencies

1. The par value of a member's currency shall be agreed with the Fund when it is admitted to membership, and shall be expressed in terms of gold. All transactions between the Fund and members shall be at par, subject to a fixed charge payable by the member making application to the Fund, and all transactions in member currencies shall be at rates within an agreed percentage of parity.

Alternative A

Section . Initial Par Values of the Currencies of Member Countries.

The par value of the currency of each member country shall be agreed with the Fund and shall be expressed in terms of gold or a gold convertible currency unit of the weight and fineness in effect on July 1, 1944.

Section . Transactions Governed by Par Values.

All transactions in the currencies of member countries shall be at rates of exchange within a stated percentage of parity fixed by the Fund.

All computations relating to currencies of member countries for the purpose of applying the provisions of this Agreement shall be on the basis of their par values.



Alternative B

1. The government of the U.K., and the Government of the United States will communicate to the Monetary Fund at its inauguration, the initial par value of their respective currencies, expressed in terms of gold. Within one month (or in the case of occupied countries, within one month of liberation) the other member countries wishing to adhere to the Convention will make corresponding communications. Notwithstanding this rule, member countries that have been occupied by the enemy need not make a definitive communication of the initial par value in the above sense until the reconstruction of their monetary system has been completed and the initial communication may be limited to giving a provisional par value. If the Directorate of the Fund finds a communicated initial or provisional par value reasonable, such par value shall come into force immediately for the purpose of the Fund. If, however, the Directorate should deem the communicated par value to be open to criticism, the question shall be the subject of further consideration with the member country in question, and the facilities of the Fund shall not be available to the member until agreement has been reached. All transactions between the Fund and members shall be at par subject to a fixed charge payable by the member making application to the Fund; and all transactions in member currencies shall be at rates within an agreed percentage of parity.



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2. Subject to 5, below, no change in the par value of a member's currency shall be made by the Fund without the country's approval. Member countries agree not to propose a change in the parity of their currency unless they consider it appropriate to the correction of a fundamental disequilibrium. Changes shall be made only with the approval of the Fund, subject to the provisions below.

3. The Fund shall approve a requested change in the par value of a member's currency, if it is essential to the correction of a fundamental disequilibrium. In particular, the Fund shall not reject a requested change, necessary to restore equilibrium, because of the domestic social or political policies of the country applying for a change. In considering a requested change, the Fund shall take into consideration the extreme uncertainties prevailing at the time the parities of the currencies of the member countries were initially agreed upon.

4. After consulting the Fund, a member country may change the established parity of its currency, provided the proposed change, inclusive of any previous change since the establishment of the Fund, does not exceed 10 percent. In the case of application for a further change, not covered by the above and not exceeding 10 percent, the Fund shall give its decision within 2 days of receiving the application, if the applicant so requests.



Alternative A

\* Section . Restrictions Against Changes in Par Values.

No change in the par value of the currency of any member country shall be made by the Fund without the approval of the country.

Each member country agrees not to propose a change in the par value of its currency which affects its international transactions unless it considers such action appropriate to the correction of a fundamental disequilibrium.

Section . Conditions on Which Changes in Par Values May be Made.

*Hansen*  
Changes in the par values of the currencies of member countries shall be made only with the approval of the Fund, subject to the provisions below:

(1) The Fund shall approve a proposed change in the par value of the currency of a member country if in the judgment of the Fund the change is essential to the correction of a fundamental disequilibrium. In particular, the Fund shall not reject a proposed change, necessary to restore equilibrium, because of the domestic social or political policies of the member country or because of its economic policies insofar as these contribute to the maintenance of a high level of employment and real income;

- \* (2) In considering proposed changes in the par values of the currencies of member countries, the Fund shall take into consideration the extreme uncertainties prevailing at the time the par values of the currencies of the member countries were initially agreed upon;
- \* (3) After consultation with the Fund, any member country may change the par value of its currency, provided the proposed change, plus all previous changes, whether increases or decreases, since the par value of such currency was initially agreed with the Fund, do not exceed 10 percent of the initial par value of such currency; and
- \* (4) Upon the request of a member country proposing a change in the par value of its currency, the Fund shall approve or reject the proposed change within two business days of receiving the request; provided that the proposed change, plus all previous changes, whether increases or decreases, made under this paragraph, do not exceed ten percent of the initial par value of that currency, or in the case of a country which changed the par value of its currency under (3) above, ten percent of the initial par value of that currency plus the percentage of change made under (3) above.

- 14 b -

Alternative B

*Australia*

3. The Fund shall approve a requested change in the par value of a member's currency, if it is essential to the correction of a fundamental disequilibrium. In particular, the Fund shall not reject a requested change, necessary to restore equilibrium, because of the domestic social or political policies of the country applying for a change nor one designed to meet a serious and persistent deficit in the balance of payments on current account accompanied by a substantially adverse change in the terms of trade. In considering a requested change, the Fund shall take into consideration the extreme uncertainties prevailing at the time the parities of the currencies of the member countries were initially agreed upon.

*Hansen*

(\*)



Alternative C

[Replace the last sentence of Section 3 with the following:]

In considering a requested change, the Fund shall take into consideration,

- (a) the extreme uncertainties prevailing at the time the parities of the currencies of the member countries were initially agreed upon, and
- (b) that the applicant country has been unable to obtain adequate resources to restore the equilibrium of its balance of payments from an international investment agency with which the Fund is in working relationship.

*Handwritten:* \*  
1334

*Handwritten:* on currency



Alternative D

[Substitute in place of Section 2:]

Subject to 5, below, no change in the par value of a member's currency shall be made by the Fund without the country's approval. Member countries agree not to propose a change in the parity of their currency unless they consider it appropriate to the correction of a fundamental disequilibrium.

Changes of the par value shall be made only with the approval of the Fund, subject to the provisions below if such changes would affect international transactions of member countries.

*Handwritten:* Russia



June 28, 1944

Art. IV  
Sec. 2

- 14d -

Alternative E

(It is suggested to add at the end of Section 2 the following:)

"In particular, the Fund shall take into full account that in a country where large-scale monetary disintegration will prevail at the end of the war, the fixing of exchange rates during the period of transition will be of a tentative nature."

14d

6/28/44



5. An agreed uniform change may be made in the gold value of member currencies, provided every member country having 10 percent or more of the aggregate quotas approves.

\* Alternative A

Uniform Changes in Par Values.

Notwithstanding the provisions of Section 3 of this Article, the Fund by majority vote may make uniform proportionate changes in the par values of the currencies of all the member countries, provided each such change is approved by every country which has ten percent or more of the aggregate quotas. Such uniform changes shall not apply against maximum changes under Section 4(3) and (4) of this Article.

Alternative B

A uniform change may, by majority vote, be made in the gold value of member currencies, provided every member country having 10 percent or more of the aggregate quotas approves.

Canada  
No change  
in  
substance

~~15~~



Member countries agree that they will collaborate with the Fund to promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation. An alteration in the par value of a member country's currency shall only be made on the proposal of the member country and only after consultation with the Fund, or its concurrence as indicated below.

2. Member countries agree not to propose a change unless it is required to correct a fundamental disequilibrium. Any such proposal made by a member country shall be dealt with by the Fund as follows:

- (a) If the proposed change inclusive of any previous change since the establishment of the Fund does not exceed 10 percent, the Fund, after consultation, will accept the proposed change.
- (b) If a proposed change ~~is not~~ not covered by (a) above does not exceed a further 10 percent, the Fund shall concur or object within 72 hours of receiving the application. On changes beyond 10 percent, the Fund shall give a reply within a reasonable time.
- (c) The Fund shall concur in a proposed change under (b) above if it is shown to be essential to the correction of a fundamental disequilibrium. In particular, the Fund shall not reject a proposed change necessary to restore equilibrium because of the domestic social or political policies of the country applying for change, or its economic policies in so far as they promote a high level of employment and real income. In considering a proposed change, the Fund shall take into consideration the extreme uncertainties prevailing when the par values of the currencies of member countries were initially agreed upon.
- (d) If the Fund considers that the proposal has not been shown to be essential



Joint Statement--No Provision



The following material has been suggested as an addition to Article III:

IV

Alternative A

*Dochter*

Protection of the Assets of the Fund.

No change in the foreign exchange value of the currency of any member country shall alter the gold value of the assets of the Fund. Whenever the foreign exchange value of the currency of any member country has depreciated to a significant extent, as determined by the Fund, such country shall compensate the Fund by paying to the Fund, within a reasonable time, an amount in its own currency equal to the reduction in the gold value of the currency of such country held by the Fund. Whenever the foreign exchange value of the currency of any member country has increased to a significant extent, as determined by the Fund, the Fund shall compensate such country by returning, within a reasonable time, an amount in the currency of such country equal to the increase in the gold value of the currency of such country held by the Fund.

The provisions of this Section may be waived by the Fund whenever uniform proportionate changes are made in the par values of the currencies of all member countries.



*Edie  
broken  
in two  
parts  
applied  
to  
changes  
& level  
of  
par  
values  
to  
divisions  
provision*



Joint Statement - No Provision

The following material has been suggested as an addition to Article IV.

Alternative A

Protection of the Assets of the Fund.

No change in the foreign exchange value of the currency of any member country shall alter the gold value of the assets of the Fund. Whenever the foreign exchange value of the currency of any member country has depreciated to a significant extent, as determined by the Fund, such country shall compensate the Fund by paying to the Fund, within a reasonable time, an amount in its own currency equal to the reduction in the gold value of the currency of such country held by the Fund. Whenever the foreign exchange value of the currency of any member country has increased to a significant extent, as determined by the Fund, the Fund shall compensate such country by returning, within a reasonable time, an amount in the currency of such country equal to the increase in the gold value of the currency of such country held by the Fund.

[ The provisions of this Section may be waived by the Fund whenever uniform proportionate changes are made in the par values of the currencies of all member countries. ]

Alternative B

(To be a separate section at the end of Article IV)

If separate currencies are used in different parts of the territory of a member country, the provisions of this article shall apply to each of these currencies.

*Robertson  
on May 1944*

16

10/27/44



V. Capital Transactions

1. A member country may not use the Fund's resources to meet a large or sustained outflow of capital, and the Fund may require a member country to exercise controls to prevent such use of the resources of the Fund. This provision is not intended to prevent the use of the Fund's resources for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking, or other business. Nor is it intended to prevent capital movements which are met out of a member country's own resources of gold and foreign exchange, provided such capital movements are in accordance with the purposes of the Fund.

\* Alternative A

Use of the Resources of the Fund for Transfers of Capital.

A member country may not use the resources of the Fund to meet a large or sustained outflow of capital, and the Fund may request a member country to exercise controls to prevent such use of the resources of the Fund. For failure to exercise appropriate controls the Fund may suspend a member country from making further use of the resources of the Fund.

This Section is not intended to prevent the use of the resources of the Fund for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking or other business. Nor is it intended to prevent capital movements which are met out of a member country's own resources of gold and foreign exchange, provided that such capital movements are in accordance with the purposes and policies of the Fund.

Alternative B.

A member country may not make net use of the Fund's resources to meet a large or sustained outflow of capital, and the Fund may require a member country to exercise controls to prevent such use of the resources of the Fund. This provision is not intended to prevent the use of the Fund's resources for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking, or other business, or in accordance with the provisions of the second sentence of III, 2 (a).

*No change in substance*

*Canada  
Treaty with  
Canadian  
proposal  
under  
III, 2(a)  
on p 66*

2. Subject to VI below, a member country may not use its control of capital movements to restrict payments for current transactions or to delay unduly the transfer of funds in settlement of commitments.

\* Alternative A

Limitation on Controls of Capital Movements.

Member countries may control international capital movements but no member country may exercise such controls in a manner which will restrict payments for current transactions or which will unduly delay the transfer of funds in settlement of commitments, except as provided in Article VI, Section 2, and Article X.



VI. Apportionment of Scarce Currencies

1. When it becomes evident to the Fund that the demand for a member country's currency may soon exhaust the Fund's holdings of that currency, the Fund shall so inform member countries and propose an equitable method of apportioning the scarce currency. When a currency is thus declared scarce, the Fund shall issue a report embodying the causes of the scarcity and containing recommendations designed to bring it to an end.

2. A decision by the Fund to apportion a scarce currency shall operate as an authorization to a member country, after consultation with the Fund, temporarily to restrict the freedom of exchange operations in the affected currency, and in determining the manner of restricting the demand and rationing the limited supply among its nationals, the member country shall have complete jurisdiction.

- 19a -

Alternative A

Section 1. General Scarcity

When the Fund finds that a general scarcity of a particular currency is developing, the Fund may so inform member countries and may issue a report setting forth the causes of the scarcity and containing recommendations designed to bring it to an end. In the preparation of such report there shall participate a representative of the member country the currency of which is involved.

Section 2. Scarcity of the Fund's Holdings

When it becomes evident to the Fund that the demand for a member country's currency seriously threatens the Fund's ability to supply that currency, the Fund shall formally declare such currency scarce and shall thenceforth apportion the existing and accruing supply of the scarce currency with due regard to the relative needs of member countries and the general international economic situation and any other pertinent considerations. The Fund shall issue a report either before or after declaring such currency scarce. The formal declaration shall operate as an authorization to each member country, after consultation with the Fund, temporarily to restrict the freedom of exchange operations in the affected currency; and, in determining the manner of restricting the demand and rationing the limited supply among its nationals, the member country shall have complete jurisdiction subject to the provisions of Article IX, Section 3.



VII. Management of the Fund

1. The Fund shall be governed by a board on which each member will be represented and by an executive committee. The executive committee shall consist of at least nine members including the representatives of the five countries with the largest quotas.

Alternative A

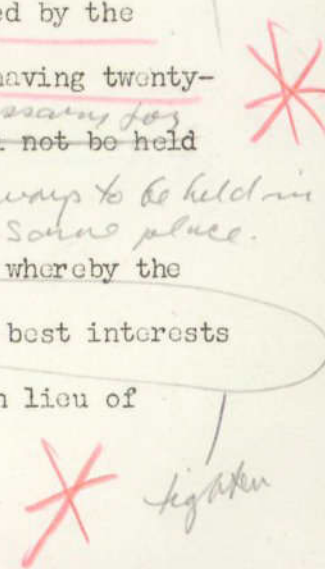
# Section . Board of Directors *Governors*

(a) The administration of the Fund shall be vested in a Board of Directors consisting of one director and one alternate appointed by each member country in such manner as it may determine. Directors and alternates shall serve for five years, subject to the pleasure of their respective governments, and may be reappointed. Any alternate may participate in all activities of the Board but he shall not vote except in the absence of his director. [The Board shall select from its members a chairman who shall serve for a period of two years.]

(b) The Board of Directors may delegate to the Executive Committee authority to exercise, until the next meeting of the Board, any powers of the Board, except the power to make uniform changes in the par values of all member currencies, the power to suspend countries from membership, and the power to liquidate the Fund. Delegated powers shall be exercised in a manner consistent with the purposes and policies of the Fund and the general practices of the Board.

(c) The Board of Directors shall hold an annual meeting and such other meetings as may be provided for by the Board or convened by the Executive Committee. Meetings of the Board shall be convened by the Executive Committee whenever requested by member countries having twenty-five per cent of the aggregate votes. Annual meetings shall not be held in the same country more than once in five years. *It shall not be necessary for always to be held in the same place.*

(d) The Board may by regulation establish a procedure whereby the Executive Committee, when it deems such action to be in the best interests of the Fund, may poll the directors on specific questions in lieu of calling a meeting of the Board.



Alternative A continued

(c) Directors and alternates shall serve as such without compensation from the Fund, but the Fund shall pay such reasonable expenses as are incurred by the directors and alternates in attending any meetings of the Fund or any committee of the Fund.

#Section . The Executive Committee Board

(a) There shall be an executive Committee consisting of the Managing Director, the directors representing the five member countries having the largest quotas and six other directors elected biennially by the directors who are not automatically members of the Committee. The Managing Director shall be chairman of the Committee. The Committee shall exercise all authority delegated to it by the Board of Directors, and shall be in continuous session at the principal office of the Fund. In the absence of any member of the Committee, his alternate on the Board may serve in his place. Members of the Committee shall be compensated by the Fund in an amount fixed by the Board.

Whenever a member country not having a director on the Executive Committee, has requested action or will be directly affected by a decision of the Executive Committee, the director representing such country shall be entitled to be present at the meeting of the Committee considering such request or decision, but he shall not be entitled to vote.

(b) In balloting for the elected members of the Committee, each director eligible to vote shall cast for one director all of the votes to which he is entitled under the first paragraph of Section 2 of this Article. The six persons receiving the greatest number of votes shall be members of the Committee, except that no person who receives less than sixteen per cent of the aggregate eligible votes shall be considered elected. When six persons are not elected on the initial balloting, a second balloting shall be held in which the person receiving the lowest number of votes shall be ineligible for election and in which there shall vote only those directors who votes for a person not elected and these directors all or part of whose votes for a person elected are deemed to have raised the votes cast for such person above

China  
18  
54  
X



Alternative A continued

seventeen per cent of the aggregate eligible votes. In determining whether any part of a director's votes raised the total of any person above seventeen per cent, there shall be considered as not forming part of the excess the votes of the director casting the largest number of votes for such person, then the votes of the director casting the next largest number, and so on until the total reaches seventeen per cent. Any director whose votes are partly not in excess and partly in excess shall be eligible to vote in the second balloting only to the extent of the votes in excess. If enough additional persons are not elected on the second balloting to bring to six the total number each of whom has received at least sixteen per cent of the aggregate eligible votes, further ballots shall be taken on the same principles until six such persons have been elected, provided that after five persons are elected the sixth may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.

(c) Each director who is automatically a member of the Committee shall be entitled to cast the number of votes allotted under Section 2 of this Article to the country which he represents. Each elected member shall be entitled to cast the number of votes to which the directors who elected him would be entitled. A member whose election is due in part to his having received a portion of the votes of a particular director shall be entitled to vote only those votes of such director which contributed to his election. When the provisions of the second paragraph of Section 2 of this Article are applicable to a vote on any question, the votes to which a member of the Executive Committee would otherwise be entitled shall be increased or decreased proportionately. The Managing Director shall have no vote.

(d) The Executive Committee may appoint such committees as it deems advisable. Membership of such committees need not be limited to directors and alternates.

Art.VII  
Sec.1

- 20 c -

Alternative A continued

# Section . The Managing Director.

The Board of Directors shall appoint and fix the compensation of a Managing Director of the Fund and one or more Assistant Managing Directors. The Managing Director shall be chief of the operating staff of the Fund and shall be a member ex officio of the Board of Directors.

Alternative B

[Insert the following in place of subdivision  
(c) in the first "Section" of Alternative A:]

(c) The Board of Directors shall hold an annual meeting and such other meetings as may be provided for by the Board or convened by the Executive Committee. Meetings of the Board shall be convened by the Executive Committee whenever requested by five member countries. Annual meetings shall not be held in the same country more than once in five years.



Alternative B

Amend the wording to provide for the following:

- U.K.
- III (a) A Governing Council, consisting of Councillors appointed by all the Member Countries, each Member appointing one Councillor. Each Councillor may appoint a substitute if he is unable to be present. The Council shall meet at least once a year!
- (b) A Directorate, consisting say of 12 Directors, of whom, say 6 shall be appointed by the Members having the 6 largest quotas, (the remaining 6 Seats being filled by Directors appointed by Members chosen for this purpose by all the Councillors excluding those representing the members with the 6 largest quotas. This right of appointment by the members chosen for the purpose shall be for two years; at the end of this period any of the members may be chosen again or other members may be chosen. The persons chosen as Directors need not be Councillors. The Directorate shall meet not less than once every three months.
- (c) The Directorate shall co-opt as Chairman a suitable person who is not a Director. The Chairman may appoint a Director to act for him as Deputy Chairman. The Chairman of the Directorate, if he is not a Councillor, may attend and speak at meetings of the Council. He shall be eligible to be elected as Chairman of the Council.
- (d) The Directorate shall appoint a General Manager, being a person of knowledge and experience of the business.
- (e) The Chief Assistants of the General Manager shall be appointed by the Directorate, on the proposal of the General Manager. The General Manager and his Chief Assistants shall be appointed under contract determinable by six months' notice on either side. The continuance of the service of each of these officials shall be considered by the Directorate after every period of 5 years.
- 20d

Alternative B continued

(f) The Chairman, the General Manager and all the members of the staff shall be paid such salaries and expenses and serve under such conditions as the Directorate may determine.

Voting. *UK proposal*

(b) On the Directorate, the Director appointed by the United States shall cast 3 votes, the Director appointed by the United Kingdom shall cast 2 votes, and all other Directors shall cast 1 vote each. The co-opted Chairman shall only have a casting vote.

In order to constitute a quorum for the Directorate there must be present Directors representing not less than one-half of the total voting power of the Directorate and not less than six in number.

Rules of Procedure.

The Council and the Directorate shall draw up such Rules of Procedure as are necessary for the conduct of their business, in conformity with the provisions of the Statutes. The Council's Rules of Procedure shall, *inter alia*, determine the manner in which annual and other meetings of the Council shall be summoned, and the method of voting for the election of Directors.

Functions.

*the Board shall not delegate this function*

(a) Council. In addition to the appointment of the Directorate, the Council shall have the following functions:

- OK* (i) Power to *accept new* invite non-signatory countries to become members;
- OK* (ii) the approval of a revision of quotas (II(2));
- OK* (iii) the approval of an agreed uniform change in the gold value of the currencies of members (IV(5));
- no* (iv) the suspension of a member from the facilities of the Fund (III(2)(a)); *disagreement*
- OK* (v) the *requirement to* requirement to a member to withdraw from the Fund (VII(1) as revised);
- OK?* (vi) *right of appeal from decisions of Ex Dir* decisions on the interpretation of the Statute given on application by a member;



Alternative B continued

*mw* *omit* (vii) receiving the Statement of Accounts and the Report of the Directorate at the Annual Meeting;

*mw* *omit* (viii) to review the working of the Fund in the light of its Purposes and Policies (I);

*OK* (ix) agreements for co-operation with other international organisations.

*Representation of Fund*  
(b) Directorate.

The conduct of all the business of the Fund, other than that belonging, as above, to the Council, and other than that delegated by the Directorate to the Chairman, as provided below.

*Decision*  
(c) The Chairman

(i) the Chairman shall reside at the Headquarters of the Fund;

(ii) the Directorate may delegate to the Chairman or Deputy Chairman the power of performing on their behalf all their functions except

(1) waiver of any of the conditions in III(2);

(2) the exercise of the options of the Fund in III(4);

(3) all decisions on the par value of member currencies in IV (1-4);

(4) all action relating to the apportionment of scarce currencies (VI).

(5) decision on the use of the resources of the Fund by a member who has withdrawn (VIII (4) as revised);

(6) decision on X(3) as revised and X(4) as revised;

(7) a formal interpretation of the Statute.

(d) The General Manager shall conduct, under the general direction of the Chairman, the ordinary business of the Fund's work.

Subject to the general control of the Directorate, he shall be responsible for internal organization and the appointment and dismissal of subordinate staff. The General Manager shall be responsible to the Directorate for the accounts.

- 21 -

2. The distribution of voting power on the board and the executive committee shall be closely related to the quotas.

3. Subject to II, 2 and IV, 5, all matters shall be settled by a majority of the votes.

Alternative 4

Voting

Each member country shall have two hundred fifty votes plus one additional vote for each part of its quota equivalent to one hundred thousand United States dollars of the weight and fineness in effect on July 1, 1944.

Whenever a vote is required under Article III, each member country shall be entitled to a number of votes modified from its normal number:

- (a) By the addition of one vote for the equivalent of each two hundred thousand United States dollars of the weight and fineness in effect on July 1, 1944 of net sales of its currency by the Fund (adjusted for its net transactions in gold), and
- (b) By the subtraction of one vote for the equivalent of each two hundred thousand such United States dollars of its net purchases of the currencies of other member countries from the Fund (adjusted for its net transactions in gold).

Except as otherwise specifically provided all matters before the Fund shall be decided by a majority of the aggregate votes cast.



- 21a -

Alternative B

OK  
↑  
(a) On the General Council the number of votes which each Councillor can cast shall be related to the quota of the member appointing the Councillor;

Where under the Statutes a special majority (e.g. four-fifths, etc.) of votes is required for a decision taken by the Council, this means four-fifths of the total voting power.

A quorum for the Council shall consist of not less than two-thirds of the total voting power of the Councillors.

- 22 -

4. The Fund shall publish at short intervals a statement of its position showing the extent of its holdings of member currencies and of gold and its transactions in gold.

Alternative A

\*Section . Publication of Reports

The Fund shall publish an annual report containing an audited statement of its accounts and shall issue at intervals of three months or less, a summary statement of its transactions and its holdings of gold and currencies of member countries.

The Fund may publish such other reports as it deems desirable for carrying out its purposes and policies.



Joint Statement - no provisions

The following material has been suggested as an addition to Article VII.

Alternative A

# Section. Depositories.

(a) Each member country shall designate as a depository for the Fund its central bank or, if it has no central bank, such other institution as may be acceptable to the Fund. The holdings of the Fund of the currency of each member country in an amount not less than that deemed by the Fund to be necessary for its operations, shall be deposited in an account in the name of the Fund in the depository in that country.

The Fund shall accept from any member country in lieu of any part of the currency of that country not needed by the Fund in its operations, notes or other form of indebtedness, issued by the Government of the country, which shall be non-negotiable, non-interest bearing and payable at their par value on demand by a credit to the currency account of the Fund in that country.

(b) The Fund may hold other assets, including gold, in designated depositories in the four member countries having the largest quotas and in such other depositories as the Fund may select. At least one-half of the holdings of gold of the Fund shall be deposited in the designated depository in the country in which the Fund has its principal office.

# Section. Relationship to other International Organizations.

(to be inserted later)

# Section. Location of Offices.

The principal office of the Fund shall be located in the member country having the largest quota, and agencies or branch offices may be established in any member country or member countries.

*Handwritten notes in red ink:*  
- Star symbol  
- "Consider spots" (with arrow pointing to "each member country")  
- "W. Char. The" (with arrow pointing to "The")  
- "Fund can't hold" (with arrow pointing to "hold")  
- "Gold in depository"  
- "Data will" (with arrow pointing to "notes or other form")  
- "held" (with arrow pointing to "holdings of gold")  
- "9 member countries" (with arrow pointing to "four member countries")  
- "Emerging countries" (with arrow pointing to "four member countries")  
- "Can't hold gold" (with arrow pointing to "gold")

*Handwritten notes in red ink:*  
- Star symbol  
- "Limit to" (with arrow pointing to "notes or other form")  
- "Collection" (with arrow pointing to "notes or other form")  
- "not to" (with arrow pointing to "notes or other form")  
- "subject" (with arrow pointing to "notes or other form")  
- "which has" (with arrow pointing to "notes or other form")  
- "change" (with arrow pointing to "notes or other form")

# Section. Distribution of Net Income of the Fund.

Net income of the Fund shall be distributed annually in the following manner:

- (1) Fifty per cent to surplus until the surplus is equal to ten per cent of the aggregate quotas;
- (2) Such amount to each member country as will give it a return of two per cent on the average amount during the year by which seventy-five per cent of its quota exceeds the holdings of the Fund of its currency; and
- (3) The balance to the member countries in proportion to their quotas.

When the surplus has reached ten per cent of the aggregate quotas, all of the net income shall be distributed to the member countries as provided in (2) and (3) above. Payments to each member country shall be made in its own currency.

# Section. Miscellaneous Powers.

In order to carry out its purposes and policies, the Fund shall have the following powers in addition to those specified elsewhere in this Agreement:

- (1) To adopt, alter and use an official seal;
- (2) To make contracts;
- (3) To acquire, own, lease or dispose of such real and personal property as may be necessary to conduct the business of the Fund;
- (4) To sue and complain in any court of competent jurisdiction;
- (5) To select, employ and fix the compensation of such officers, employees, attorneys, and agents as shall be necessary to conduct the business of the Fund; to define their authority and duties, require bonds of them and fix the penalties thereof, and to dismiss at pleasure such officers, employees, attorneys, and agents; and
- (6) To promulgate, amend, and repeal by-laws, rules and regulations necessary or appropriate to further the purposes



June 28, 1944

Art. VII  
Additional Sections

- 23b -

\*Purposes and Policies of the Fund.

Alternative B

The Council shall have power to make such arrangements or agreements as may be necessary or desirable for cooperation between the Fund on the one hand and other International Economic Organizations and the World Organization on the other hand.

These arrangements or agreements must be approved by a 3/5 majority vote.

Alternative C

(Substitute the following for subdivision (b) in the first "Section" under Alternative A:)

(b) Other assets of the Fund, including gold, shall be held in designated depositories, as a general rule, in the four member countries having the largest quotas.

About one half of the holding of gold of the Fund shall be deposited in the designated depository in the country in which the Fund has its principal office.

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6/27/44

and policies of the Fund.

UK.

Alternative B

The Council shall have power to make such arrangements or agreements as may be necessary or desirable for cooperation between the Fund on the one hand and other International Economic Organizations and the World Organization on the other hand.

These arrangements or agreements must be approved by a 3/5 majority vote.



VIII. Withdrawal from the Fund

1. A member country may withdraw from the Fund by giving notice in writing.

Alternative A

\*Right of Member Countries to Withdraw.\*

Any member country may withdraw from membership in the Fund at any time by serving written notice on the Fund at its principal office. Withdrawal shall become effective on the date such notice is received.

Alternative B

A member country may withdraw from the Fund by giving notice in writing and the right of withdrawal shall not be prejudiced by membership of the Fund being made a condition of membership of any other international body.

Australia

Joint Statement - no provision

The following material has been suggested as an addition to Article VIII.

Alternative A.

#Suspension of Membership.

A member country failing to meet any of its obligations under this Agreement may be suspended from membership by decision of a majority of the member countries, each of which for this purpose shall have one vote, to be cast by its director or alternate. At the end of one year from the date of suspension, the country shall automatically cease to be a member of the Fund unless a majority of the member countries, voting in the same manner as for suspension, has previously restored the country to good standing.

While under suspension, a country shall be denied all the privileges of membership except that of withdrawal, but shall be subject to all its obligations.

Alternative B

If the Fund finds that a member persists, after having received a special notice from the Fund, in acting in a manner inconsistent with the <sup>provision</sup> purposes and policies of the Fund, the Fund may, at its option, either:

- (a) give notice that the member is suspended from making further use of the Fund's resources without the approval of the Fund, or
- (b) require that member to withdraw from the Fund.

*Handwritten notes in red ink:*  
Committee  
Constitution  
Fund  
A large arrow points from these notes towards the text of Alternative A.

*Handwritten notes in red ink:*  
U.K.  
This is intended to make it easier to change exchange rates

*Handwritten initials in red ink:* U.K.





2. The reciprocal obligations of the Fund and the country are to be liquidated within a reasonable time.

3. After a member country has given notice in writing of its withdrawal from the Fund, the Fund may not dispose of its holdings of the country's currency except in accordance with the arrangements made under 2, above. After a country has given notice of withdrawal, its use of the resources of the Fund is subject to the approval of the Fund.

Alternative A

#Settlement of Accounts with Countries Ceasing to Be Members.

When a country ceases to be a member, settlement of reciprocal accounts between the Fund and such country shall be made with reasonable dispatch, not to exceed three years from the date the country ceases to be a member.

The Fund shall be obligated to pay to such country the amount of its quota plus any other amounts due it from the Fund, less any amounts due to the Fund from such country - including charges accruing after the country ceases to be a member - but no payment shall be made before six months from the date it ceased to be a member. Such payments shall be made in the currency of the country held by the Fund and, in the event the holdings of such currency are insufficient, the remainder shall be paid in gold or in such other manner as may be agreed. Currency of the country to be used to meet the Fund's obligations to it shall be set aside for that purpose; but no payment shall be made to the country until the Fund's holdings of its currency in excess of the Fund's obligations to the country are redeemed.

If the Fund and the country do not reach agreement promptly on the method of settling their account, the country shall be obligated to redeem such excess currency in gold or in gold-convertible exchange within a period of not less than three years to be determined by the Fund. Pending redemption by the country of its excess currency, but not before six months from the date the country ceases to be a member, the Fund may liquidate such currency in an orderly manner in any market; and the country unconditionally guarantees the unrestricted use of such currency in the purchase of goods or in the

payment of other obligations to it or to its nationals. The country further guarantees such currency against exchange depreciation until it has been used or redeemed.

Any member country desiring to obtain the currency of a former member country shall acquire the currency, if available, by purchase from the Fund.

In the event the Fund goes into liquidation within six months of the date upon which any country ceases to be a member, all rights of such member shall be determined by the provisions governing liquidation instead of the provisions governing settlement of accounts with countries ceasing to be members of the Fund.

Alternative B

- U.K.
3. On the withdrawal of a member under (1) or (2) above, the reciprocal obligations of the Fund and the member are to be liquidated within a reasonable time.
  4. On the withdrawal of a member under (1) or (2) above, the Fund may not dispose of the member's currency except in accordance with arrangements made under (3) above. After the withdrawal of a member under (1) or (2) above, its use of the resources of the Fund is subject to the approval of the Fund.



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Joint Statement. No provision.

The following material has been suggested as an addition to Article VIII.

#Liquidation of the Fund

The Fund may be voted into liquidation only by a majority of the aggregate votes. In an emergency, the Executive Committee may by a majority vote temporarily suspend all transactions of the Fund pending an opportunity for further consideration and action by the Board.

Upon being voted into liquidation, the Fund shall forthwith cease engaging in any activities except those incident to an orderly liquidation of its assets and the settlement of its obligations.

The obligations of the Fund, other than the repayment of quotas, shall be a prior claim on all the assets of the Fund. In meeting each such obligation the Fund shall use its holdings of the currency in which the obligation is due. If these holdings are insufficient, it shall use its gold. If this is insufficient to complete the payment, the remainder shall be covered by drawing on the currencies held by the Fund as far as possible in proportion to the quotas of those countries.

The net assets of the Fund remaining shall be distributed as follows:

- (a) The Fund shall determine a percentage for each country by dividing its holdings of the currency of such country by the quota of such country.
- (b) All countries shall have returned to them in their own currencies a proportion of their quotas equal to the smallest percentage determined in (a).
- (c) The country having the next lowest percentage under (a) above shall then have returned to it the remainder of its currency held by the Fund and the country whose currency holdings have been exhausted shall have returned to it an

- 27a -

equivalent proportion of its quota in gold. If there is not sufficient gold, then the currency of the country having the second lowest percentage shall be divided between the two countries in such manner that each will have been repaid the same proportion of its quota. All other countries shall have paid to them amounts in their respective currencies which represent the same proportion of their quotas.

- (d) Further distributions shall be made in the manner provided in (c) above until the currencies of all countries have been exhausted.

Each member country shall redeem in gold or gold-convertible exchange its currency held by another member country as a result of liquidation. Such redemption shall be made with reasonable dispatch and, in any event, within three years unless the member country receiving such currency shall extend the period. Pending redemption of such currency in the aforesaid manner, a member country receiving it may liquidate it in any market at a rate not to exceed in any quarterly period one-twelfth of the amount held, and the member country obligated to redeem such currency unconditionally guarantees its unrestricted use in the purchase of goods or in the payment of other obligations to such country or to its nationals. Such country further guarantees such currency against exchange depreciation until it has been used or redeemed as aforesaid.



June 28, 1944

Article VIII

- 27b -

Alternative B

(Change paragraph four into:)

"The net assets of the Fund remaining shall be distributed as follows:

- (a) each country shall have a prior claim up to its quota on its own currency held by the Fund;
- (b) Each of the remaining assets of the Fund (gold and currencies) shall be divided proportionately amongst all countries whose quotas have not been reimbursed as per (a), in relation to the amounts still due to them on their quotas."

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6/28/44

IX. Obligations of Member Countries

1. Not to buy gold at a price which exceeds the agreed parity of its currency by more than a prescribed margin and not to sell gold at a price which falls below the agreed parity by more than a prescribed margin.

Alternative A

#Section . Purpose and Scope of Additional Undertakings.

In order to support the activities of the Fund and to foster the accomplishment of its purposes and policies, each member country, in addition to commitments appearing elsewhere in this Agreement, undertakes the performance of and agrees to the stipulations set forth below.

This undertaking and agreement shall continue to be binding upon each member country during any periods of ineligibility to use the resources of the Fund and during suspension of membership, but it shall not be binding on any country after termination of membership.

\*Section . Gold Purchases Based on Parity Prices.

No member country shall buy or sell gold at prices which vary from the agreed parity of its currency by more than a prescribed margin.



2. Not to allow exchange transactions in its market in currencies of other members at rates outside a prescribed range based on the agreed parities.

Alternative A

#Foreign Exchange Dealings Based on Par Values.

Each member country undertakes, through appropriate measures authorized under this Agreement, not to permit within its jurisdiction an appreciation or depreciation of the exchange value of its own currency in terms of gold beyond the prescribed range of parity.

*Keynes*  
A member country, unduly not under illegal

*Sanborn*

*no enforcement in our courts  
black market transactions*

(Transfer Article III, Section 5, rephrased as follows, to Article IX, as section 3)

*22  
of III, 5*

*change*

Alternative A

*8 - Page 9*

3. To buy balances held with it by another member with that member's currency or with gold, if that member represents either that the balances in question have been currently acquired or that their conversion is needed for making current payments which are consistent with the provisions of the Fund. This obligation shall not relate to transactions involving:

- (a) capital transfers. *(except as defined in V, (1))*
- (b) holdings of currency which have accumulated as a result of transactions [of a current account nature] effected before the removal by the member country of restrictions on multilateral clearing maintained or imposed under X (2) below;
- (c) the provision of a currency which has been declared scarce under VI above;

nor shall it apply to a member who has ceased to be entitled under III (2) or VIII above to buy other members' currencies from the Fund in exchange for its own currency.

*Current outgo concept*



3. Not to impose restrictions on payments for current international transactions with other member countries (other than those involving capital transfers or in accordance with VI, above) or to engage in any discriminatory currency arrangements or multiple currency practices without the approval of the Fund.

Alternative A

\*Exchange Controls on Current Payments.

*another member's*

No member country shall impose restrictions on the repatriation of the proceeds of current international transactions with other member countries, or to engage in any discriminatory currency arrangements or multiple currency practices unless authorized under this Agreement, or approved by the Fund.

Alternative B

*UK?*

*\**

4. Not to impose restrictions save as otherwise provided on payments for current international transactions with other member countries, or to engage in any discriminatory currency arrangements or multiple currency practices without the approval of the Fund.



Joint Statement--No Provisions

The following material has been suggested as an addition to Article IX:

#Section . Immunity of Assets of the Fund.

The Fund and its assets of whatsoever nature shall, wheresoever located and by whomsoever held, be exempt and immune from search seizure, attachment, execution, requisition, confiscation, moratorium and expropriation by any member country or any political subdivision thereof.

#Section . Immunity from Suit.

The Fund shall be exempt and immune from suit except when it consents to be sued.

#Section . Restrictions on Taxation of Fund, its Employees and Obligations.

(a) The Fund, its assets, property, income, activities, operations and transactions of whatsoever nature shall be exempt and immune from all taxation or liability for the collection or payment of any tax, including without limitation by reason of this enumeration, excises, duties, and imposts, imposed by any member country or any political subdivision or taxing authority thereof.

(b) No member country, or any political subdivision or taxing authority thereof shall impose or collect any tax on or measured by salaries or remunerations for personal services paid by the Fund to persons who are not citizens of such country.

(c) No member country, or any political subdivision or taxing authority thereof, shall impose or collect any taxation on any obligation or security issued by the Fund or any dividend or interest thereon, by whomsoever held or received, which discriminates against such obligation, dividend, or interest, because of its origin, or which is applicable with respect to such obligation, security, dividend, or interest because of the place or currency in which it is issued, made payable or paid, or because of the location of any office or place of business maintained by the Fund.



X. Transitional Arrangements

1. Since the Fund is not intended to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of the war, the agreement of a member country to provisions III, 5 and IX, 3 above, shall not become operative until it is satisfied as to the arrangements at its disposal to facilitate the settlement of the balance of payments differences during the early post-war transition period by means which will not unduly encumber its facilities with the Fund.

2. During this transition period member countries may maintain and adapt to changing circumstances exchange regulations of the character which have been in operation during the war, but they shall undertake to withdraw as soon as possible by progressive stages any restrictions which impede multilateral clearing on current account. In their exchange policy they shall pay continuous regard to the principles and objectives of the Fund; and they shall take all possible measures to develop commercial and financial relations with other member countries which will facilitate international payments and the maintenance of exchange stability.

Alternative A

Section . Exchange Restrictions and Currency Arrangements and Practices Retained.

Since the Fund is not intended to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of the war, member countries, during the early post-war transition period, may, notwithstanding the provisions of III, 5 and IX, 3, maintain and adapt to changing circumstances and introduce, where necessary, in the case of countries which have been occupied by the enemy, exchange regulations and currency arrangements and practices which impede payments and transfers for international transactions on current account. They undertake to withdraw as soon as possible by progressive stages all such restrictions, arrangements and practices. In their exchange policies member countries shall pay continuous regard to the purposes and policies of the Fund and shall take all possible measures to develop commercial and financial relations with other member countries which will facilitate international payments and the maintenance of exchange stability.

*Keynes  
24/10/45*

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\*  
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*EMB*

*\**

*War  
Third of War  
Primary  
etc. without  
D. L. J. J. J. J.*



3. The Fund may make representations to any member that conditions are favorable to withdrawal of particular restrictions or for the general abandonment of the restrictions inconsistent with IX, 3 above. Not later than 3 years after coming into force of the Fund any member still retaining any restrictions inconsistent with IX, 3 shall consult with the Fund as to their further retention.

\*  
Alternative A

Section . Withdrawal of Exchange Restrictions.

The Fund may at any time make representations to any member country that conditions are favorable for the withdrawal of particular restrictions on exchange transactions or particular arrangements and practices, or for the general abandonment of such restrictions, arrangements and practices which are inconsistent with III, 5 or IX, 3. Not later than three years after the date on which the operations of the Fund commence any member country still retaining restrictions, arrangements or practices inconsistent with III, 5 or IX, 3 shall consult with the Fund as to their further retention and shall retain them only with the approval of the Fund.

Alternative B

After the establishment of the Fund, but before it commences operations, members shall notify the Fund whether or not they intend to avail themselves of the optional transitional arrangements under (1) or (2) above; and whether they are prepared to accept the obligations of IX(3) and (4). At any subsequent date a member may notify its acceptance of these obligations. Not later than three years from the coming into force of the Fund, and in each year thereafter, the Fund shall report on the restrictions still in force under (2) above. <sup>F</sup>five years after the coming into force of the Fund, and each year thereafter, any member still retaining any restrictions inconsistent with IX(3) and (4) shall consult the Fund as to their further retention.



3. The Fund may make representations to any member that conditions are favorable to withdrawal of particular restrictions or for the general abandonment of the restrictions inconsistent with IX, 3 above. Not later than 3 years after coming into force of the Fund any member still retaining any restrictions inconsistent with IX, 3 shall consult with the Fund as to their further retention.

Alternative A

Section . . Withdrawal of Exchange Restrictions.

The Fund may at any time make representations to any member country that conditions are favorable for the withdrawal of particular restrictions on exchange transactions or particular arrangements and practices, or for the general abandonment of such restrictions, arrangements and practices which are inconsistent with III, 5 or IX, 3. Not later than three years after the date on which the operations of the Fund commence any member country still retaining restrictions, arrangements or practices inconsistent with III, 5 or IX, 3 shall consult with the Fund as to their further retention and shall retain them only with the approval of the Fund.



*Use Keynes approach*

4. In its relations with member countries, the Fund shall recognize that the transition period is one of change and adjustment, and in deciding on its attitude to any proposals presented by members it shall give the member country the benefit of any reasonable doubt.

Alternative A

\*Policy of the Fund During the Transition Period

In its relations with member countries, the Fund shall recognize that the early post-war transition period will be one of change and adjustment, and in making decisions in requests presented by any member country it shall give the benefit of any reasonable doubt to such country.

Alternative B

\*Policy of the Fund During the Transition Period

In its relations with member countries, the Fund shall recognize that the early post-war transition period will be one of change and adjustment over a term of uncertain duration, and in making decisions on requests presented by any member country it shall give the benefit of any reasonable doubt to such country.



4. In its relations with member countries, the Fund shall recognize that the transition period is one of change and adjustment, and in deciding on its attitude to any proposals presented by members it shall give the member country the benefit of any reasonable doubt.

Alternative A

\*Policy of the Fund During the Transition Period.

In its relations with member countries, the Fund shall recognize that the early post-war transition period will be one of change and adjustment, and in making decisions on requests presented by any member country it shall give the benefit of any reasonable doubt to such country.

Joint Statement—No Provisions

The following material has been suggested as an additional article on amendments:

*Managed*

Alternative A

Article XI

#Any member country which desires to introduce modifications in this Agreement shall communicate its proposals to the Fund. The Fund, if four-fifths of the aggregate votes deem it advisable, shall prepare a protocol, by dated circular letter, to the governments of all the member countries, asking whether they accept the proposed modifications. When the governments of member countries having four-fifths of the aggregate votes, have acceded, the Fund shall certify the fact by means of a proces verbal, which it shall communicate to the governments of all the member countries. The protocol will enter into force between all the member countries three months from the date of the proces verbal, unless a shorter period is specified in the protocol.

Alternative B

*UPK*

The Council shall have power to repeal, amend or add to the provisions of these Statutes by decisions taken by a 3/5 majority except that

- (a) a decision concurred in by all Councillors shall be required for \_\_\_\_\_
- (b) the Council shall have no power by any repeal, amendment or addition to \_\_\_\_\_



Joint Statement—No Provisions

The following material has been suggested as an additional Article on interpretation of the Agreement:

Alternative A

# Section . Interpretation.

All disagreements between two or more member countries concerning the interpretation of any of the provisions of this Agreement or of any amendments thereto, or of any rules, regulations or by-laws promulgated by the Fund, shall be settled by the Fund. Whenever a disagreement arises between the Fund and a country which has ceased to be a member, or between the Fund and any member country after liquidation of the Fund, such disagreement shall be submitted to arbitration.

#Section . Definitions.

(a) The term "currency" means every form of medium of exchange used within a member country which is defined in terms of the monetary unit of such country, including without limitation:

- (1) All paper money and coin issued or coined in accordance with the laws of such country;
- (2) All demand deposits in banks within such country; and
- (3) All bills, notes or other form of indebtedness substituted by member countries for part of the Fund's holdings of their currencies.

(b) The term "gold-convertible exchange" means any foreign currency, as defined above, or any evidences of indebtedness expressed in such currency having maturities of less than one year, available for use by the monetary authorities of a country, directly or indirectly, for the purchase of gold.

(c) The term "official holdings" means the holdings of a member country's government and central bank and of any governmental department, agency, establishment or corporation; without reduction for any liabilities, whether such liabilities are actual or potential, general or specific, external or internal.

All non-official holdings of gold and all non-official holdings of gold-convertible exchange in excess of one-fourth of the quota of the



Article A (Continued)

11 member country shall be deemed to be official holdings for the purposes of III, 7(a) and (b).

(Further definitions to be added)

#Section . Effect on Other International Commitments.

Nothing in this Agreement shall be deemed to affect in any way any existing or future international commitments regarding the non-discriminatory application of exchange restrictions or international undertakings for the progressive relaxation of barriers to trade.

212 Alternative B

- (1) The Fund shall have at all times the right to tender informal advice to any member on any matter arising under these statutes.
- (2) All questions which arise involving doubts or differences relating to the interpretation of the provisions of these Statutes shall be submitted to the Directorate of the Fund for their opinion. If the question is one which involves a dispute affecting particularly one (or more) member(s) and that (or those) member(s) are not represented on the Directorate by a Director appointed by it (or them) then that (or those) member(s) may appoint a representative to take part in the discussions of this question in the Directorate on the same footing as the Directors.
- (3) In any case where the Directorate has given an opinion under para. (2) above, a member may require that the question be submitted to the Council and the opinion of the Council is final. Pending the result of the reference to the Council, the Fund may (so as is necessary) act on the basis of the opinion of the Directorate.



- 37b -

Alternative C

[Insert the following in place of subdivision (c) in the second "Section" of Alternative A:]

As holdings of gold and gold convertible exchange shall be considered the holdings of a member country's Central Bank and Treasury.



June 27, 1944

Art. XII  
Additional Sections

- 37c -

Alternative D

(The following has been suggested as an alternative to (b) and (c) of the new Section on definitions in Alternative A.)

Section      Definitions

(b) The term "monetary reserves" means the sum of a country's net official holdings of gold and convertible exchange. "Official holdings" include the holdings of a Central Bank, Treasury, or other Government Institution, and also the holdings of any other banks, which in the particular circumstances of the case it is agreed between the Fund and the member country should properly come within the "official" category. This interpretation shall not, however, include, for example, holdings of authorised dealers in exchange not in excess of normal working balances; but they include holdings of banks other than Central Banks when in practice some part of the member's reserves in foreign currency in excess of working balances is normally held in the name of such banks.

"Convertible exchange" means the currencies of members who have accepted the obligation of convertibility under IX(3). Where a member declares that this obligation is accepted from the outset, that member's currency shall be reckoned as convertible for the purpose of the official subscription.

"Net" official holdings shall be calculated by deducting the liabilities of other official holders in gold or convertible currencies from the gross official holdings of gold and convertible currency, so as to provide that gold and convertible currencies do not count twice, first in respect of a country holding convertible currency and second in respect of gold held against it by the country having this liability. Accordingly, convertible exchange reckoned as part of the official holdings of one country shall be deductible in reckoning the net official holdings of the country whose exchange is involved.

(NOTE. These provisions are in substitution for the "Note on Certain Definitions" circulated as Doc. F-5.)

37c

6/27/44



The following material has been suggested as an additional Article to put the Fund into operation:

#Alternative A

#Section . Acceptance of Membership in the Fund.

This Agreement shall be presented by the delegates to their respective governments for acceptance of membership. Each government that accepts membership shall sign this Agreement and, as soon as possible, deposit evidence of its acceptance with the Government of the United States of America, which shall transmit certified copies of all evidences of acceptance to the governments of all the countries represented at the United Nations Monetary and Financial Conference.

The Government of the United States of America shall also notify by telegram, cablegram or radiogram the governments of all of such countries immediately upon the deposit with it of each evidence of acceptance.

At the time it accepts membership, each government shall transmit to the Government of the United States of America one-twentieth of one percent of its quota in gold or gold-convertible exchange for the purpose of meeting administrative expenses. The Government of the United States of America shall hold such funds in a special deposit account and shall transmit them to the Board of Directors of the Fund when the initial meeting has been called. If the initial meeting has not been called by January 1, 19 , the Government of the United States of America shall return such funds to the government that transmitted them.

#Section . Effective Date of the Agreement.

As soon as the evidences of the acceptance of membership by countries having sixty-five percent of the aggregate quotas established in II, 1, have been deposited, this Agreement shall come into force in respect of such countries.

Thereafter this Agreement shall come into force between the countries which shall have accepted membership and each country which subsequently deposits its evidence of acceptance on the date of such deposit.



# Alternative A (Continued)

#Section . Calling the Initial Meeting of the Fund.

Immediately after receipt of the evidences of acceptance of countries having sixty-five percent of the aggregate quotas established in II, 1, the government of the country accepting membership which has the largest quota shall invite to the initial meeting of the Fund, to be held in that country sixty days after the date of such invitation, all of the countries which shall have accepted membership in the Fund. Such countries shall be represented at the meeting by the directors or alternates they appoint to the Board of Directors of the Fund.

#Section . Agenda of the Initial Meeting.

At the initial meeting of the Board of Directors, the Board shall make provision for the organization of the Fund. In addition to such other action as it deems appropriate, it shall elect a chairman, elect an Executive Committee, and set a date for the operations of the Fund to begin, subject to Section 5 of this Article.

#Section . Fixing Initial Par Values.

The official value on July 1, 1944, of the currency of each member country in terms of gold or gold-convertible currency shall be the par value of that currency for purposes of the Fund, unless either the Fund or the member country concerned signifies within a period of ninety days from the effective date of this Agreement that such par value for a given currency is unsatisfactory. If either so signifies, the Fund and the member country shall, during this period or during an extended period to be determined by the Fund in the light of all relevant circumstances of the member country, agree upon a suitable rate. If agreement between the member country and the Fund is not reached during such period, as extended, the member country shall be deemed to have withdrawn from the Fund as of the date of the termination of such period.

The Fund shall begin exchange transactions at such date as it may determine after par values have been established for the currencies of members having sixty percent of the aggregate quotas fixed in II, 1, but in no event until one-hundred twenty days after the effective date of this



Agreement, or until the Fund shall have determined that major hostilities in the present conflict have ceased, whichever is the later. Exchange transactions in a currency, the par value of which has not become established when exchange transactions begin, shall begin when agreement has been reached with the Fund on a par value.

Alternative B

I A. Inauguration of the Fund.

1. When the Convention comes into force, the first meeting of the Council shall be held as soon as possible. The Councillor appointed by the Government in whose country the first meeting takes place shall take the Chair until the Council have appointed a Chairman.
2. The Council shall then proceed to the election of the Directorate and shall arrange for the first meeting of the Directorate to take place as soon as possible.
3. The Directorate at their first meeting shall appoint the Chairman and General Manager, shall request the payment by each member of such proportion of its subscription as is required, in the opinion of the Directorate, for the preliminary expenses of the Fund, and shall instruct the General Manager to make the necessary arrangements with regard to the taking of offices and the engaging of staff.
4. The Directorate shall then, as soon as may be, take steps to determine the par value of members' currencies in accordance with IV and the provisions of IV shall come into operation.
5. Thereafter the Directorate shall, as soon as seems to them expedient, call up such further proportion of the subscription of each member as in their judgment is immediately required to provide facilities currently required by members, and as from the date of this call the whole of the provision of this Statute shall come into operation.
6. For the purpose of taking action under 4 and 5 above, the assent of Directors representing four-fifths of the total voting power of the Directorate shall be required.

Alternative B (Continued)

7. Thereafter the Directorate may, from time to time, call up such further instalments of the subscriptions due by members as may be required for the operation of the Fund.



Joint Statement - No provisions

The following provisions have been suggested as an additional Article concerning execution of the Agreement:

# Execution of the Agreement

IN FAITH WHEREOF the undersigned have executed this Agreement.

Done at Washington in a single copy which will remain deposited in the archives of the United States of America, and of which certified copies will be transmitted through the diplomatic channel to the other countries represented at the United Nations Monetary and Financial Conference.