4th Draft
6/11/44

~~Draft June 12, 1944~~

FINAL ACT

of the

UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

at

Bretton Woods, New Hampshire

on

____
(date)

The undersigned delegates of the United Nations and the nations associated with ~~them~~ in the war, meeting in Bretton Woods, New Hampshire, United States of America, have by common accord formulated the attached text of agreement for the establishment of an International Monetary Fund.

The undersigned delegates undertake to submit this text of agreement to their respective Governments for acceptance or rejection of membership in the International Monetary Fund.

[Here list countries and delegates signing]

AGREEMENT TO ESTABLISH AN

INTERNATIONAL MONETARY FUND

Article I.

Creation, Purposes and Policies of the International Monetary Fund.

There is hereby established the International Monetary Fund,
J.S. I 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
J.S. I, 1 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
J.S. I, 2 employment and real income, which must be a primary objective of economic
policy;

3. To give confidence to member countries by making the resources
of the Fund available to them under adequate safeguards, thus affording
J.S. I, 3 member countries time to correct maladjustments in their balance of
payments without resorting to measures destructive of national or inter-
national prosperity;

4. To promote exchange stability, to maintain orderly exchange
J.S. I, 4 arrangements among member countries, and to avoid competitive exchange
depreciation;

5. To assist in the establishment of multilateral payments
facilities for current transactions among member countries and in the
J.S. I, 5 elimination of foreign exchange restrictions which hamper the growth of
world trade.

6. To shorten the periods and lessen the degree of disequilibrium
J.S. I, 6 in the international balance of payments of member countries.

Article II.

Membership in and Subscription to the Fund.

Section 1. Countries Eligible for Membership.

New: P.P. I, 1st par.

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 2. Method of Computing Quotas.

J.S. II, 1 /Since Article II in the Joint Statement is not very full this material has been so greatly elaborated that underscoring is not practicable/

Each member country shall be assigned a quota which shall be the sum* of the following:

(a) two per cent of such country's national income for the calendar year ~~1940~~ 1939;

(b) five per cent of the official holdings of gold and gold-convertible exchange of such country on ~~July 1, 1943;~~ July 1, 1944;

(c) ten per cent of the maximum annual variation in exports of such country during the calendar years 1934 to 1938 inclusive;

(d) ten per cent of the average annual imports of such country during the calendar years 1934 to 1938 inclusive;

(e) the amount resulting from multiplying the sum of (a), (b), (c) and (d) by the percentage determined by dividing the national income of such country for the calendar year ~~1940~~ 1939 into the average annual exports of such country for the calendar years 1934 to 1938 inclusive.

Section 3. Quotas of Countries Represented at the Conference.

New

The quotas of the countries represented at the United Nations Monetary and Financial Conference are set forth below in terms of the United States dollar of the weight and fineness in effect on July 1, 1944.

* In view of the inadequacy of some of the data necessary to determine quotas, the initial quotas in Section 3 will be determined by calculating 90 per cent of the formula result and using the remaining 10 per cent of all the quotas to make adjustments of quotas which are clearly inequitable.

Country	Quota
Total	

Section 4. Periodic Adjustment of Quotas.

Quotas shall be automatically adjusted three years after commencement of the operations of the Fund and at intervals of five years thereafter.

J.S. II, 2
P.P. II, 5
[Underscoring not feasible]

Such adjustments shall be made on the basis of the formula set forth in Section 2 of this Article, using the most recent comparable data furnished by the member countries as provided in Article IV, Section ~~12~~ 11.

J.S. II, 2

No change shall be made in the quota of any member country except with the concurrence of the director representing such country.

Section 5. Time and Place of Payment.

New

Each country which becomes a member before the date fixed under Article XIII, Section 4(b), 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 country after such date shall pay the full amount of its quota on or before the date fixed by the Fund for such payments to be made. Any member country whose quota is increased pursuant to Section 4 of this Article shall pay the full amount of the increase within thrity days of the date on which the director representing the country approves the increase in its quota.

~~Why not include under Sec 4??~~

Section 6. Initial Payments.

J.S. II, 3
[Underscoring not feasible]

Each member country shall, upon becoming a member, pay in gold the smaller of (a) twenty-five per cent of its quota or (b) ten per cent of its official holdings of gold and gold-convertible exchange on the first day preceding the date of payment. The data necessary to

V

determine official holdings of gold and gold-convertible exchange shall be furnished by the member countries as provided in Article IV, Section ~~12~~ 11.

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 seventy-five per cent of the amount it would otherwise have to pay.

J.S. II, 1,3 [Underscoring not feasible]

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

Section 7. Payments When Quotas Are Changed.

(a) Each member country whose quota is increased pursuant to Section 4 of this Article shall pay twenty-five per cent of the increase in gold. Each member country shall pay the balance of any increase in its own currency.

(b) Each member country whose quota is reduced pursuant to Section 4 of this Article 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 per cent of such country's new quota.

Article III

Par Values of the Currencies of Member Countries.

Section 1. Initial Par Values of the Currencies of Member Countries.

J.S. IV, 1

The par value of the currency of each member country shall be agreed with the Fund and shall be expressed in terms of gold.

Section 2. Transactions Governed by Par Values.

J.S. IV, 1 [Shouldn't range be fixed by the ~~Bank~~?]

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

This may be needed for determining Article IV - Sect 3-c

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

OK but Reverse order of paragraphs however G.K.

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

J.S. IV, 1

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

[Changed from "agreed" percentage to one "fixed by the Fund"]

Section 3. Restrictions Against Changes in ~~the~~ Par Values.

No change in the par value of the currency of any member country

J.S. IV, 2 shall be made by the Fund without the approval of the director representing such country.

Each member country agrees not to propose a change in the par value of its currency which affects its international transactions unless it

J.S. IV, 2 considers such action to be appropriate to the correction of a fundamental disequilibrium.

Section 4. Conditions on which Changes in Par Values May Be Made.

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

J.S. IV, 3 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;

(2) In considering proposed changes in the par values of the currencies of member countries, the Fund shall take into

J.S. IV, 3 [Can this be omitted in view of Art.X, Sec.3?]

consideration the extreme uncertainties prevailing at the time the par values of the currencies of the member countries were initially agreed upon;

[What if member gets 10% change with Fund's approval: Does this bar all changes under this provision? We think it should bar further changes.]

(3) After consultation with the Fund, any member country may change the par value of its currency, provided the proposed change, inclusive of the aggregate of all previous changes since the par value of such currency was initially agreed with the Fund, does not exceed ten per cent 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
J.S. IV, 4 approve or reject the proposed change within two business
days of receiving the request; provided that the aggregate
of all changes in the par value of any currency which may be
made under this paragraph shall not exceed ten per cent of
the initial par value of that currency.

Section 5. 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
J.S. IV, 5 the par values of the currencies of all the member countries, provided
each such change is approved by every director representing a member
country which has ten per cent or more of the aggregate quotas.

Section 6. Protection of the Assets of the Fund.

No change in the par value of the currency of any member country
shall alter the gold value of the assets of the Fund. Whenever the par
value of the currency of any member country is reduced, such country
compensate the Fund
P.P. III, 3 shall [~~adjust its quota~~] 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 par
value of the currency of any member country is increased, the Fund
compensate
shall [~~adjust the quota paid by~~] 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 in accordance with Section 5 of this Article.

Article IV

Transactions with the Fund.

Section 1. Agencies Dealing with the Fund.

Each member country shall deal with the Fund only through its
J.S. III, 1 Treasury, Central Bank, Stabilization Fund or other similar fiscal agency.

Section 2. Limitation on the Operations of the Fund.

Operations for the account of the Fund shall be limited to transactions for the purpose of supplying a member country, on the initiative
J.S. III, 8 of such country, with the currency of another member country in exchange for the currency of the country initiating the transaction or for gold; but the transactions provided for by Sections 5, 7 and 8 of this Article shall not be subject to this limitation.

Section 3. Conditions upon which Any Member Country May Purchase Currencies of Other Member Countries.

J.S. III, 2 2 A member country may buy the currency of another member country from
~~J.S. III, 2(b)~~ ~~[Rephrased]~~ the Fund in exchange for its own currency subject to the following conditions:

(a) The member country initiating the purchase represents
J.S. III, 2(a) that the currency requested is presently needed for making payments in that currency which are consistent with the purposes and policies of the Fund;

J.S. III, 2(b) (b) The Fund has not given notice under Article VI that its holdings of the currency requested have become scarce;

(c) The total holdings of the Fund in the currency of the member country initiating the purchase (after having
J.S. III, 2(c) been restored, if below that figure, to seventy-five per cent of the quota of such country) have not increased during the previous twelve months by more than twenty-five per cent of the quota of such country and do not exceed two hundred per cent of the quota; and

(d) The Fund has not previously declared under Section ~~8~~ 4 of this Article that the member country initiating the purchase is ineligible to use the resources of the Fund.

J.S. III, 2(d)

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.

Section 4. Declaring Member Countries Ineligible to Use the Resources of the Fund.

J.S. III, 2(d) [Minutes may require specific period of notice.]

Whenever the Fund determines that any member country is using the resources of the Fund in a manner contrary to the 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. Between the date of notice and that of ineligibility the Fund may limit the use of its resources by the country.

Section 5. Operations for the Purpose of Preventing Currencies from Becoming Scarce.

J.S. III, 4

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

(a) Propose to the member country that it lend such currency to the Fund on appropriate terms and conditions;

(b) Propose to the member country that it sell such currency for gold.

Section 6. Multilateral International Clearing.

So long as a member country is entitled to buy the currency of another member country from the Fund in exchange for its own currency, it shall, upon the request of such other country, buy its own currency from such other country with the currency of that country or with gold. This Section shall not apply to holdings of currencies of member coun-

J.S. III, 5 tries subject to restrictions in conformity with Article IX, Section 4, or 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 under Article X, Section 1.

Section 7. 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

J.S. III, 6 do so with equal advantage, acquirethe 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.

Section 8. Other Acquisitions of Gold by the Fund.

[Preamble of J.S. III, 7 omitted]
J.S. III, 7(a)

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

J.S. III, 7(b)
[Extensively revised in phrasing]

(b) So long as the official holdings of gold and gold-convertible exchange of any member country exceed it s quota, the Fund shall require that such country ~~buy~~ repurchase its currency from the Fund with gold to the extent necessary to effect payment in gold for one-half of the net sales by the Fund to such country of the currencies of othermember countries. At the end of its financial year, the Fund shall make arrangements for the settlement of the balance of such gold payments.

J.S. III, 7(c)

(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 to be used to repurchase part of the holdings ~~of the Fund~~ of the currency of such country so long as the repurchase will not reduce the holdings of the Fund of the currency of such country below seventy-five per cent of its quota, or the holdings of gold and gold-convertible exchange of such country below its quota.

Section 9. Transferability of the Currency Holdings of the Fund.

O.J.S. Directive 6iv

The holdings of the Fund in the currencies of member countries shall, to the extent necessary to carry out the operations prescribed by this Article, be free from restrictions, regulations and controls of any nature imposed by member countries.

Section 10. Charges to Be Levied by the Fund.

J.S. IV, 1

(a) All exchange transactions between the Fund and member countries shall be subject to a charge payable by the member country making application to the Fund.

NEW

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

EMB likes this but feels that HDW will insist on substitute. Therefore use attachment. AM

(c) The Fund ~~may~~ shall prescribe uniform penalties against member countries on the amounts of their currencies in excess of their quotas held by the Fund for periods of more than six months. Penalties ~~may~~ shall be graduated according to the amount in excess of the quota and so that they will increase at the end of each period of six months.

The Fund may waive the penalties due for any semi-annual period on currency holdings repurchased by any member country under Section 9(a) and (c) of this Article, provided the amount repurchased in that period exceeds twelve and one-half per cent of its quota.

P.P. V, 15
New

(d) At the end of its financial year, the Fund may levy upon the member countries, in proportion to their quotas, charges sufficient to meet the excess of expenses over income during that year.

New

(e) All charges shall be paid in gold.

(C)The Fund shall p~~er~~rescribe uniform penalties of not less than ~~1~~ one percent per annum against member countries on the amounts of their currencies in excess of their quotas held by the Fund. Such penalties against member countries shall be increased by not less than one-half of one percent per annum on each ~~25~~ twenty-five percent of the amounts of the currencies held by the Fund in excess of their quotas. The perscribed penalties shall also be increased by not less than one-fourth of one percent per annum on amounts held by the Fund more than ~~6~~ six months and by not less than an additional one-fourth of one percent per annum for each semi-annual period thereafter.

NEW.

Section 11. Obtaining Information.

The Fund may require member countries to furnish it with any information necessary for its operations. Demands shall be uniform

P.P. VII, 7 on all countries except that any member country may be required to furnish whatever information is needed by the Fund in connection with any action it has requested the Fund to take.

Article V

Captial Transactions

Section 1. Use of the Resources of the Fund for Transfers of Capital.

J.S. V, 1 No member country may use the resources of the Fund 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. For failure to exercise appropriate controls the Fund may declare a member country ineligible to use the resources of the Fund in accordance with Article IV, Section 4.

Nothing contained in this Section shall be deemed to prevent the use of the resources of the Fund for capital transfers of reasonable amounts required for the expansion of exports or in the ordinary course of trade, banking and other business.

Nothing contained in this Section shall be deemed to prevent capital movements which are financed 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.

Section 2. Limitation on Controls of Capital Movements.

No member country may control international capital movements in a manner which will restrict payments for current transactions or

J.S. V, 2 which will unduly delay transfer of funds in settlement of commitments arising from such transactions, except as provided in Article VI, Section 2, and Article X, Section ~~2~~ 1.

Article VI

Apportionment of Scarce Currencies

Section 1. Action of Fund with Respect to Scarce Currencies.

J.S. VI, 1

When it becomes evident to the Fund that the demand for the currency of a member country may soon exhaust the holdings of the Fund of that currency, the Fund shall notify member countries and announce an equitable method of apportioning the holdings of the Fund of the scarce currency. When such notice has been given, the Fund shall issue a report setting forth the causes of the scarcity and recommendations designed to bring it to an end.

Section 2. Action of Member Countries with Respect to Scarce Currencies.

J.S. VI, 2

Member countries after consultation with the Fund may temporarily restrict exchange transactions in any currency declared by the Fund to be scarce, notwithstanding the provisions of Article V, Section 2, and Article X, Section 1. The manner in which any member country restricts the demand for a scarce currency or rations the supply of a scarce currency, shall be completely within the discretion of such member country, subject to the provisions of Article III, Section 2.

Article VII.

Management

Section 1. Board of Directors.

J.S. VII, 1
P.P. VI, 1
[Underscoring not feasible]

(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. Alternates may participate in all activities of the Board. The Board shall select from its members a chairman who shall serve for a period of two years.

P.P. VI, 8
New

(b) The Board of Directors may delegate to the Executive Committee authority to exercise, until the next annual meeting of the Board, any powers of the Board, except the power to amend this Agreement. Delegated powers shall be exercised in a manner consistent with the purposes and policies of the Fund and the general practices of the Board.

P.P. VI, 10

(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.

(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.

New

(e) 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 2. Voting.

J.S. VII, 2
P.P. VI, 2
New
[underscoring not feasible]
~~Is the Fund going to vote on each exchange transaction with members?~~
G.J.
~~Cite ... [illegible]~~

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

In voting under Article IV, Sections 3 + 4, ~~on the request of any member country~~ to purchase the currency of another member country from the Fund, each member country shall be entitled to a number of votes modified from its normal number:

P.P. VI, 3(a)

(a) By the addition of one vote for the equivalent of each two million United States dollars of the weight and fineness in effect on July 1, 1944 ~~the date of the Final Act of The United Nations Monetary and Financial Conference~~ 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 million 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).

~~(adjusted for its net transactions in gold).~~

P.P. VI, 4
New

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

Section 3. The Executive Committee.

J.S. VII, 1
New
[Underscoring not feasible]

(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 ~~biannually~~ 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 act in his place. Members of the Committee shall be compensated by the Fund in an amount fixed by the Board.

(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 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 voted for a person not elected and those directors all or part of whose votes for a person elected are deemed to have raised the votes cast for such person above 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 ~~of~~ 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 untilthe 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 ~~fifteen~~ 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.

J.S. VII, 2
New
[Underscoring not feasible]

(c) Each director who is automatically a member of the

New Committee shall be entitled to cast the number of votes alloted under Section 2 of this Article to the country which he represents. INSERT "A" ~~Each elected member shall be entitled to cast the number of votes/by which he was elected.~~ ~~to which the directors who elected him would be entitled.~~ The Managing Director shall have no vote.

Clarify Position of voting Director when votes split. BJ

(d) The Executive Committee may appoint such committees

New as it deems advisable. Membership on such committees need not be limited to directors and alternates.

Section 4. The Managing Director.

The Board of Directors shall appoint and fix the compensation

VI, 5
New

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 ~~unless otherwise a member~~ of the Board of Directors, shall be a member ex officio.

If a member of the Board he should resign.

Section 5. Depositories.

(a) The Fund shall designate a depository in each member country. The holdings of the Fund of the currency of each member country, to the extent deemed by the Fund to be necessary for its operations, shall be deposited in an account in the depository in that country in the name of the Fund.

I agree, amend provision to cover point, managing director has no vote but country represented on Board. BJ

Each member country may convert any part of the remainder of the holdings of the Fund of its currency into bills, notes,

NEW

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 deposit other assets, including its holdings of gold, in any designated depository it may select but at least one-half of its holdings of gold shall be deposited in the designated depository in the country in which the Fund has its principal office.

Clarified to make it clear that Fund, not member, decides where gold will be kept.

INSERT "A"

A member whose election is due in part to his having ~~receibed~~ received

a portion of

the votes of a particular director shall be entitled to vote

~~the same proportion of the ... votes to which that director would~~

~~only those votes of such director which contributed to his~~

~~be entitled to the same proportion as the votes of that director which~~

~~election. This vote shall be reduced or increased in pro-~~

~~... to the aggregate votes of such director~~

~~portion to any change in the total vote of such director.~~

only those votes of such director which contributed to his election. When ~~the voting~~ provisions of the ~~second paragraph~~ of Section 2 of this Article are applicable to such a member, increases & decreases shall be proportionate.

Second paragraph of

~~When the provisions of the Section 2 of this Article are applicable to the votes of ~~a~~ ~~contra~~ member the votes to which the member of the Executive Committee is otherwise entitled shall be increased or decreased proportionately.~~

question,

When the provisions
of ~~the~~ second paragraph
of Section 2 ~~of this Article~~
are applicable to ~~the~~ 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 ~~[illegible]~~
~~with~~

Section 6. Consultation with other International Agencies.

NEW

The Fund shall consult with the Bank for Reconstruction and Development and other international agencies participated in primarily by governments of member countries concerning policies and operations of the Fund which are of direct interest to such agencies.

Section 7. Location of Offices.

R.F.C. Act. Sec. 1, Inter Amer. Bank, By-laws, 1.

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

Section 8. Publication of Reports.

J.S. VII, 4

The Fund shall publish an annual report containing an audited statement of its accounts and shall ~~publish~~ issue at ~~short~~ 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.

Section 9. Distribution of Profits of the Fund.

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

(a) Fifty per cent to surplus until the surplus is equal to ten per cent of the aggregate quotas; and

VI, 12
New

(b) Fifty per cent to the member countries in proportion to the amounts by which their quotas exceed the holdings of the Fund of their currencies.

When the surplus has reached ten per cent of the aggregate quotas, all of the profits shall be distributed to the member countries in the same proportion as in (b) above.

Section 10. Miscellaneous Powers.

In order to carry out its purposes and policies, the Fund, through the Board of Directors, 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;

New (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 and policies of the Fund.

Article VIII

WITHDRAWAL AND SUSPENSION OF MEMBER COUNTRIES AND LIQUIDATION OF THE FUND

Section 1. Right of Member Countries to Withdraw.

J.S. VIII, 1 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~~ upon ~~six months after the date of~~ such notice ~~is received by the Fund~~.

Withdrawal shall become effective on the date such notice is received.

~~[illegible]~~

[Why should country withdrawing have any access to Fund?]

After a member country has served notice of its withdrawal, it shall use the resources of the Fund only with the approval of the Fund.

J.S.VIII, 3

Section 2. Suspension of Membership.

P.P. V, 8
New

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, restores the country to good standing.

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

Section 3. Settlement of Accounts with Countries Ceasing to be Members.

JS. VIII, 2

Within a reasonable time after a country ceases to be a member, the Fund and the country shall make arrangements for the settlement of their reciprocal obligations.

NEW
P.P. VI, 11

The Fund shall be obligated to return to such country an amount of the currency of that country equal to its quota, plus any other amounts due to such country from the Fund, and minus any amounts due to the Fund from such country. In the event that the Fund cannot make the entire payment in the currency of that country, the portion not paid in its currency shall be paid in gold or in such other manner as may be agreed.

When notice that the Fund will be liquidated is given ~~prior~~ within ~~to final settlement with~~ six months after any country ~~which~~ has ceased to be a member, under Section 1 or Section 2 of this Article such country shall be treated in the same manner as if it had not ceased to be a member.

Reword, may in terms of withdrawal being effective at once but subject, for liquidation purposes, to liquidation of Fund within stated period.
RBh

Section 4. Transactions in the Currency of a Country Withdrawing from the Fund.

After a member country has served notice of its withdrawal

J.S. VIII, 3 from the Fund, in accordance with Section 1 of this Article, the Fund shall not dispose of its holding of the currency of such country except:

(a) In accordance with arrangements made under Section 3 of this Article for the liquidation of the reciprocal obligations of the Fund and such country; or

(b) To the extent that the holdings of the Fund of such currency exceed the amount required to meet the obligations of the Fund to such country.

Insert attached insert
HDW

Section 5. Liquidation of the Fund.

The Board of Directors, after giving ~~three months'~~ of at least three months' notice to the member countries, may liquidate the Fund.

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

New

~~(a) The member countries shall be divided into two groups, Group A consisting of those countries whose currencies are held by the Fund in amounts exceeding their respective quotas, and Group B consisting of those countrie s whose currencies are held by the Fund in amounts not exceeding their respective quotas. The amount of a currency held by the Fund shall be deemed to be its actual holdings, exclusive of amounts held in surplus, adjusted for amounts due to the Fund by the country and amounts due to the country by the Fund on obligations other than the return of its quota.~~

I agree to substance of E.M.B.'s alternative. You may adjust language if you wish.
HDW

The obligations of the Fund, other than to the repayment of quotas, shall be ~~[illegible]~~ as a prior claim on all the assets of the Fund.

(if available)

Any member country desiring to obtain the currency of a former member country shall acquire the currency by purchase from the Fund. A country that is dropped or withdraws from membership unconditionally guarantees that it will permit the unrestricted use of its currency sold by the Fund after termination of its membership in the purchase of goods or in payment of other obligations to it or to its nationals; and ~~shall further~~ it further guarantees such currency sold by the Fund against exchange depreciation until it has been used in making payments in accordance with the above.

¶ The obligations of the Fund, other than the repayment of quotas, shall ~~have~~ be a prior claim on all the assets of the Fund.

(b) Each member country in Group A shall have returned to it an amount in its own currency equal to its quota.

(c) Each member country in Group B shall have returned to it in gold an amount equal to the amount of gold it paid to the Fund as a part of its quota, less an amount equal to the excess of the holdings of the Fund of its currency above the amount of currency paid as a part of its quota, except that the amount of gold paid by each country as a part of its quota shall be proportionately reduced if the total holdings of gold of the Fund are less than the total gold payments made to the Fund by the countries in Group B. Each country receiving a proportion of its quota in gold less than the largest proportion received by any country shall receive an amount in its own currency sufficient to make the repayment to it an equivalent proportion.

(a) ~~(d)~~ The Fund shall determine a percentage for each country ~~in Group B~~ by dividing its holdings of the currency of such country by the quota of such country. The country with the smallest percentage shall have returned to it the entire holdings of the Fund of its currency.

(b) ~~(e)~~ All the other countries ~~in Group B~~ shall have returned to them in their own currencies an amount which will represent the same proportion of their respective quotas as the payment made under (a) above represents to the quota of the country receiving such payment.

(c) The country having the next lowest percentage under (a) above shall then have returned to it the remaining amount of its currency held by the Fund and the country whose currency holdings have been exhausted shall have returned to it an 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 ~~in Group B~~ 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 for in (c) above until the currencies of all countries ~~in Group B~~ have been exhausted.

(h) The remaining holdings of the Fund of the currencies of the countries in Group A shall be divided among the countries in Group B in proportion to their quotas.

(i) Any surplus shall be divided among the member countries in Group B in proportion to their quotas. So far as possible each country shall be paid in its own currency.

Each member country unconditionally guarantees that it will permit the unrestricted use of its currency distributed by the Fund on liquidation in the purchase of goods and in payment of other obligations to it or its nationals, and ~~the Fund~~ guarantees such currency distributed by the Fund on liquidation against exchange depreciation until it has been used in making payments in accordance with the above.

in further

Article IX

Additional Undertakings on the Part of Member Countries.

New: Questions & Answers, 21

Section 1. Purposes 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 in this Article. This undertaking and agreement shall 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 2. Gold Purchases ~~Except~~ Based on Parity Prices.

J.S. IX, 1 — No member country shall buy gold at a price which exceeds the par value of its currency by more than the margin prescribed by the Fund, nor shall it sell gold at a price which falls below the par value of its currency by more than the margin prescribed by the Fund.

Section 3. Foreign Exchange Dealings Based on Par Values.

J.S.IX, 2 — No member country shall allow within its jurisdiction exchange transactions in currencies of other member countries at rates outside the range prescribed by the Fund on the basis of par values.

Section 4. No Exchange Controls on Current Payments.

J.S. IX, 3 — No member country shall impose restrictions on payments for current international transactions with other member countries, without the approval of the Fund, but this stipulation shall not prevent restrictions upon:

(a) International capital movements in accordance with Article V, Section 2;

(b) Exchange transactions in scarce currencies in accordance with Article VI, Section 2; or

(c) Exchange transactions during the early post-war transition period in accordance with Article X, Section 1.

Section 5. No Discriminatory or Multiple ~~Exchange~~ Currency Practices.

J.S. IX, 3

No member country shall, without the approval of the Fund, engage in any discriminatory currency arrangements or in any multiple currency practices.

Section 6. Restrictions on Taxation of Fund or Its Assets.

NEW Inter.-Amer. Bank, Charter II C

The Fund and its assets of whatsoever nature; its activities, transactions and operations; any obligations of whatsoever nature issued by the Fund, including dividends or interest thereon, by whomsoever held; any remunerations or salaries paid by the Fund; shall be exempt and immune from all taxation by any member country or any political subdivision or taxing authority of any member country now or hereafter imposed and by whatever name described, including, without limitation of the foregoing, excises, duties and imposts; provided, however, that the foregoing shall not prevent the imposition by any member country or any political subdivision or taxing authority of any member country of non-discriminatory taxes upon nationals of such member country with respect to any of the foregoing.

Section 7. Immunity of Assets of the Fund.

NEW Inter-Amer. Bank, Charter II A

The Fund and its assets of whatsoever nature shall, wheresoever located and by whomsoever held, be exempt and immune from

V

Inter-Amer. Bk. Charter II A

seizure, requisition, confiscation, moratoria and expropriation, except as provided in Section 8 of this Article.

Section 8, Suits Against the Fund.

New

Suits may be brought against the Fund only in a court of competent jurisdiction in a country in which the Fund has an office, and only by litigants other than member countries and those acting for or deriving claims from member countries. The Fund and its assets of whatsoever nature shall, wheresoever located and by whomsoever held, be exempt and immune from seizure, attachment and execution in advance of final judgment.

Section 9. Consideration of Recommendations of the Fund.

New: P.P. VII, 6

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.

Article X

Transitional Arrangements

Section 1. Exchange Restrictions and Currency Arrangements and Practices Retained.

J.S. X, 1 and 2

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 Article IV, Section 6, and Article IX, Sections 4 and 5, maintain and adapt to changing circumstances 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.

Section 2. Withdrawal of Exchange Restrictions.

The Fund may at any time make representations to any member
J.S. X, §3 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 Article IV, Section 6 or Article IX, Sections 4 and 5. 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 Article IV, Section 6 or Article IX, Sections 4 and 5, shall consult with the Fund as to their further retention and shall retain them only with the approval of the Fund.

Section 3. 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
J.S. X, 4 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.

Article XI

Amendments

The formula for the determination of quotas set forth in Article II, Section 2, may be amended by the Fund ~~whenever~~ provided four-fifths of the aggregate votes ~~deem it advisable.~~ concur.

New: 1933 Convention on Sanitary aerial navigation Malloy 5503

Any member country which desires to introduce modifications in this Agreement shall communicate its proposals to the Fund. The Board of Directors, 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. The accession of the government of a member country will result either from explicit approval given to the Fund or from the fact that it refrains from notifying the Fund of any objections within six months from the date of the circular letter above referred to. When the expressed or tacit accessions include the governments of member countries having four-fifths of the aggregate votes, 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.

Article XII

Interpretation of the Agreement

Section 1. Interpretation.

New:

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.

Section 2. Definitions.

INSERT 2

Article XIII

Final Provisions

Section 1. 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, 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.

New: 1928 Kellogg-Briand Peace Pact Malloy 5132

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.

Section 2. Effective Date of the Agreement

New: 1930 Limitation of Naval Armament Malloy 5282

As soon as the evidences of the acceptance of membership by countries having seventy-five per cent of the aggregate quotas specified in Article II, Section ~~2~~ 3, have been deposited, this Agreement shall come into force in respect of the said countries.

New: 1929 Internationa al Air Transportation Malloy 5259

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 ~~that~~ the date of such deposit.

INSERT 2

Section 2. 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:

NEW

(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 described in Article VII, Section 5 (a).

(b) The term "gold-convertible exchange" means any currency, as defined above, or any evidences of indebtedness having maturities of less than one year, ~~which may be used~~ issued by one country & available for use by the monetary authorities of another country, directly or indirectly, for the purchase of gold.

NEW

(c) The term "official holdings" means the holdings of a member country's government and central

NEW

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.

Section 3. Calling the Initial Meeting of the Fund.

NEW

Immediately after receipt of the evidences of acceptance of the countries referred to in the first paragraph of Section 2 of this Article, 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 thirty days after the date of said invitation, all of the countries which shall have accepted membership in the Fund. ~~and~~ Such ~~count~~ countries shall be represented at the meeting by the directors and alternates they appoint to the Board of Directors of the Fund.

Section 4. Order of Business.

At the initial meeting of the Fund the order of business shall be as follows:

Insert

(a) The Fund shall agree with each member country upon the par value of its currency expressed in terms of gold; and

(b) When par values have been agreed upon for the currencies of countries having seventy-five per cent of the aggregate quotas, the Fund shall set a date for its operations to begin.

~~Section 5. Withdrawal of acceptance of Membership.~~

~~Any country that has accepted membership in the Fund shall be deemed to have withdrawn its acceptance unless it has agreed with the Fund upon the par value of its currency and has paid its subscription before the date set by the Fund for its operations to begin.~~

Section ~~6~~ 5. Expiration of Final Provisions.

Sections 1 and 2 of this Article shall expire on ~~December 31~~ June 30, 1945.

(a) The election of a chairman

(b) The selection of an executive committee

(c) The setting of a date for its operations to begin.

[this will do the agreeing on par values]