

CONVENTION TO ESTABLISH AN INTERNATIONAL  
MONETARY FUND

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CONVENTION TO ESTABLISH AN INTERNATIONAL  
MONETARY FUND

CONCLUDED AMONG THE GOVERNMENTS OF:

[List of Countries]

Should this be  
a central subject?  
Should we have a "definition" section?  
Eliminate all legalisms  
Employ uniformity, etc., to  
indicate new language

The undersigned, delegates of the Governments of the countries above enumerated, meeting in the City of Washington, D. C., have, by common accord, and subject to ratification, concluded the following Convention:

Article I.

Creation, Purpose and Policies of the International Monetary Fund.

There shall be established, under the name of International Monetary Fund, (hereinafter referred to as the "Fund"), a permanent institution to provide the machinery for consultation on international monetary problems. The Fund will be guided in all its decisions by the following purposes and policies:

More than mere consultation

J.S. I, 1

Same as in J.S. →

J.S. I, 1

J.S. I, 2

J.S. I, 3

J.S. I, 4

1. To promote international monetary cooperation.
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.
3. To give confidence to member countries by making the resources of the Fund available to them under adequate safeguards, thus giving member countries time to correct maladjustments in their balances 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.

J.S. I, 5

5. To assure multilateral payments facilities for current transactions among member countries, and to help eliminate foreign exchange restrictions that hamper the growth of international trade.

J.S. I, 6

6. To shorten the periods and lessen the degree of disequilibrium in the international balances of payments of member countries.

Article II.

Membership in the Fund.      Subscriptions.

Section 1. Countries Eligible for Membership in the Fund.

I, 1st par.

The member countries of the Fund shall be the High Contracting Parties whose governments shall ratify this Convention as provided in Article XIII. Membership in the Fund shall be open to other countries in accordance with rules to be established by the Fund at such time as the Board of Directors of the Fund deems advisable.

Inter-Amer.  
Art. 8  
Conv.

*and states of fund*

Upon ratification of this Convention as provided in Article XIII member countries shall assume all of the obligations pertaining to membership in the Fund, but no country shall acquire the rights pertaining to membership in the fund until it has paid its quota to the Fund.

*When from*

Section 2. Subscriptions of Member Countries.      Quotas.

Each member country shall subscribe and pay to the Fund an amount called a quota. Quotas shall be determined by the following formula:

The sum of (a) two per cent of such country's national income for the calendar year 1940, (b) five per cent of the official holdings of gold and gold-convertible currencies and securities of such country on January 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

J.S. II, 1

*if you may want to stipulate actual quotas & gold contribution in the document*

*Note in J.S.*

calendar years 1934 to 1938 inclusive; which sum shall be increased by the percentage ratio determined by dividing the national income of such country for the calendar year 1940 by the average annual exports of such country for the calendar years 1934 to 1938 inclusive.

There shall be assigned to each member country only ninety per cent of its quota as determined above. The unassigned ten per cent of the aggregate quotas shall be reserved for the purpose of quota adjustments as provided in Section 3 of this Article.

II, 4

no II, 4

The data necessary to determine quotas shall be furnished by the member countries as provided in Article XIII, Section 3.

Section 3. Adjustment of Quotas.

Where the initial quota of any member country, computed by the formula set forth in Section 2 of this Article, is clearly inequitable, the Fund may increase the quota of such member country by assigning to it a portion of the ten per cent of aggregate quotas reserved for the purpose of quota adjustments. All requests for the increase of initial quotas of those member countries which shall have ratified this Convention in time to be represented at the initial meeting of the Fund, shall be acted upon by the Fund in accordance with Article XIII, Section 5, and all requests for the increase of the initial quota of any other member country shall be acted upon by the Fund before such country pays its quota to the Fund.

Quotas shall be <sup>automatically</sup> adjusted by the Fund three years after the Fund begins its operations and at intervals of five years thereafter. Such adjustments shall be made on the basis of the formula set forth in Section 2 of this Article, <sup>as</sup> such formula may be in effect at the time of each periodic adjustment, and on the basis of data furnished by the member countries as provided in Article IX, Section 8. Ten per cent of the aggregate adjusted quotas shall not be assigned but shall

Why not  
look out at conference  
& they must from  
left?

J.S. II, 2

J.S. II, 2?  
II, 5

Should the  
be continued?

be reserved for the purpose of further adjusting those quotas which are found by the Fund to be inequitable.

At any time the quota of any member country may be increased if, in the judgment of the Fund, its existing quota is clearly inequitable, by assignment to such member country of a portion of the ten per cent of aggregate quotas, or aggregate adjusted quotas, reserved under this Article.

*Should the  
be included*  
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 member country.

J.S. II, 2  
II, 7

Section 4. Payment of Subscribed Quotas.

Each member country shall pay to the Fund the full amount of its assigned or adjusted quota on or before the date fixed by the Board of Directors, in accordance with Article XIII, Section 5(d) for commencement of the operations of the Fund. Any country that becomes a member country after such date shall pay to the Fund the full amount of its assigned or adjusted quota on or before the date fixed by the Fund for such payment to be made.

*Does not  
conform J.S. II,*

II, 2,3

Each member country shall pay in gold twenty-five per cent of its assigned or adjusted quota, computed on the basis of the gold value of its currency agreed upon by such country and the Fund, or ten per cent of its official holdings of gold and gold-convertible currencies and securities, whichever is less. The data necessary to determine official holdings of gold and gold-convertible currencies and securities shall be furnished by the member countries as provided in Article IX, Section 8.

J.S. II, 3

Each member country shall pay the balance of its assigned or adjusted quota in its own currency. Local currency payments shall be made in a manner which will permit them to be held as provided in Article III, Section 2.

J.S. III, 1,3

Any High Contracting Party whose home areas have been substantially occupied by the enemy during the present war, may substitute payment in local currency for payment in gold to the extent of twenty-five per cent of the amount it would otherwise be required to pay in gold.

J.S. III, 3

*Should  
be*

*Of comparable institutions*

Article III.

Transactions with the Fund.

Section 1. Agencies Dealing with the Fund.

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

Section 2. Currencies and Securities Held by the Fund. Deposits.

J.S. III, 1 The holdings of the Fund of the currency of each member country, to the extent deemed by the Fund to be necessary for the operations of the fund, shall be deposited in the central bank of that country in an account in the name of the Fund. The balance of the holdings of the Fund of the currency of that member country shall be held in the form of bills, notes, or other form of indebtedness, issued by the Government of that country, which shall be non-negotiable, non-interest bearing and payable at their par value on demand by a credit to the deposit account of the Fund at the central bank of that country.

Section 3. Limitation on the Operations of the Fund.

J.S. III, 3 Operations for the account of the Fund shall be limited to transactions for the purpose of supplying any member country, on the initiative of such member country, with the currency of another member country in exchange for the currency of the member country initiating the transaction or for gold; provided, however, that the transactions provided for by Sections 6 and 8 of this Article shall not be subject to this limitation.

Section 4. Conditions upon which Any Member Country May Purchase Currencies of Other Member Countries.

J.S. III, 2(b) Subject to the provisions of Article VI, each member country shall be entitled at any time to purchase the currency of any other member country from the Fund in exchange for gold or for the currency of the member country initiating the transaction. Any member country

*Legal...  
What is wrong with language of T.S. III, 3  
Can we play this down?  
...  
What is wrong with T.S. III, 2, opening*

*of comparable inst.?*

may purchase the currency of any other member country from the Fund in exchange for its own currency only if all of the following conditions are complied with:

J.S. III, 2(a)

(a) The member country initiating the purchase has represented to the Fund that the currency demanded is presently needed to make payments in that currency which are consistent with the purposes and policies of the Fund:

*Seems to be good addition however  
Insert 2(b) →*

J.S. III, 2(c)

(b) The total amount held by the Fund of the currency of the member country initiating the purchase, including all assets of the Fund in that currency, have not increased during the previous twelve months by more than twenty-five per cent of the assigned or adjusted quota of such member country, and such total amount does not exceed the assigned or adjusted quota of such member country by one hundred per cent; and

J.S. III, 2(d)

(c) The Fund has not previously given notice under Section 5 of this Article that the member country initiating the purchase is suspended from making further use of the resources of the Fund:

*Does not make language change unless essential to accuracy*

Provided, however, that the Fund may, in its discretion, waive any or all of such conditions on terms which safeguard the interests of the Fund.

Section 5. Suspending Member Countries from Using the Resources of the Fund.

J.S. III, 2(d)

Whenever the Fund determines that any member country is making use of the resources of the Fund in a manner contrary to the purposes and policies of the Fund, it shall present to the Director representing the member country concerned a report setting forth the views of the Fund and stating a suitable time within which a reply must be made by such member country. If no reply is received within the stated time, or the reply received is unsatisfactory, the Fund may suspend such member country from making further use of the resources of the Fund; provided, however, that



nothing in this section shall prevent any member country from purchasing its own currency or the currency of any other member country from the Fund in exchange for gold.

Section 6. Operations for the Purpose of Preventing Member Currencies from Becoming Scarce.

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

- (a) Borrow such currency from the member country;
- (b) Make an offer to the member country to exchange gold for such currency.

Section 7. Multilateral International Clearing.

So long as any member country is entitled to purchase the currency of any other member country from the Fund in exchange for its own currency, it shall, upon the request of any other member country, accept its own currency from such other member country in exchange for the currency of that member country, or in exchange for gold; provided, however, that this Section shall not require any member country to purchase its own currency held by another member country prior to the date fixed by the Board of Directors for commencement of the operations of the Fund; and provided further, that this obligation shall not extend to any holdings of member currencies subject to restrictions consistent with the provisions of Article IX, Section 4, and Article X, Section 2, in those cases in which the enforcement of this obligation would violate such restrictions.

Section 8. Acquisition by Member Countries of the Currencies of Other Member Countries for Gold.

Whenever any member country desires to exchange gold for the currency of any other member country, it shall offer to make the exchange with the Fund unless making the exchange, either directly

J.S. III, 4  
V, 10

J.S. III, 5

J.S. III, 6

Why change text?

or indirectly, in some other manner would be of greater advantage to the country desiring to make the exchange. Nothing contained in this Section shall preclude any member country from selling in any market the new production of gold mines located within territory subject to its jurisdiction.

Section 9. Other Acquisitions of Gold by the Fund.

Part A. By Sales to Member Countries of Their Own Currencies.

J.S. III, 7(a)

Any member country may, at any time, exchange gold for any part or all of the holdings of the Fund of its currency.

Part B. By Sales to Member Countries of the Currencies of Other Member Countries.

J.S. III, 7(b)

So long as the official holdings of gold and gold-convertible currencies and securities of any member country at the end of the financial year of the Fund exceed its assigned or adjusted quota, the Fund shall require that one-half of its net sales to that country of the currencies of other member countries, during the preceding financial year of the Fund, be paid for with gold.

Part C. By Requiring Member Countries to Repurchase Their Own Currencies.

J.S. III, 7(c)

If at the end of any financial year of the Fund the official holdings of gold and gold-convertible currencies and securities of any member country have increased, the Fund shall have the right to require that not exceeding one-half of such increase be used to repurchase part of the holdings of the Fund of the currency of such member country, provided:

- (1) That the repurchase will not reduce the holdings of the Fund of the currency of such member country below seventy-five per cent of the assigned or adjusted quota of such member country; and

(2) That the repurchase will not reduce the holdings of gold and gold-convertible currencies and securities of such member country below the assigned or adjusted quota of such member country.

Section 10. Transferability of the Holdings of the Fund of Currencies of Member Countries.

The holdings of the Fund of 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.

Article IV

Par Values of the Currencies of Member Countries.

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

J.S. IV, 1

Each member country shall fix the par value of its currency by agreement with the Fund. The par value of the currency of each member country shall be expressed in terms of gold.

Section 2. Par Values to Govern Transactions.

J.S. IV, 1

All transactions between the Fund and member countries shall be at the par values of the currencies of the member countries subject to a charge of \_\_\_\_\_ per cent payable to the Fund by the member country demanding the currency of another member country from the Fund in return for its own currency or for gold. All transactions in the currencies of member countries engaged in by the member countries or persons subject to the respective jurisdictions of the member countries shall be at rates of exchange within \_\_\_\_\_ per cent of the par values of the currencies of the member countries.

Section 3. Changes of the Par Values of the Currencies of Member Countries.

Part A. Consent of a Member Country to Any Change in the Par Value of Its Currency.

J.S. IV, 2

No change shall be made by the Fund of the par value of the currency of any member country except with the approval of the Director representing such country; provided, however, that this provision shall not apply to a uniform change of the par values of the currencies of all member countries made in accordance with Part C of this Section.

Part B. Approval of the Fund of Changes of the Par Values of Currencies of Member Countries.

J.S. IV, 2

Each member country agrees that it will not propose a change of the par value of its currency which will affect its international transactions unless it considers such action <sup>an</sup> to be/appropriate measure for the correction of a fundamental disequilibrium in its balance of international payments. Changes of the par values of the currencies of member countries shall be made only with the approval of the Fund, provided that:

J.S. IV, 3

(1) The Fund shall approve a proposed change of the par value of the currency of a member country if such change is essential to the correction of a fundamental disequilibrium in the balance of international payments of the member country proposing the change, and the Fund shall not reject a proposed change which is necessary to restore equilibrium in the balance of international payments of a member country because of domestic social or political policies of the member country proposing the change;

J.S. IV, 3

(2) In considering proposed changes of the par values of the currencies of member countries, the Fund shall take into consideration the extreme uncertainties which will prevail

at the time the par value of the currencies of the member countries will be initially agreed upon;

J.S. IV, 4

(3) After consultation with the Fund, any member country may change the par value of its currency, provided that the change, plus all previous changes since the par value of such currency was initially agreed upon does not exceed ten per cent of the initial par value of such currency; and

J.S. IV, 4

(4) Upon the request of a member country proposing a further change in the par value of its currency which change is not within the scope of the preceding subdivision of this Part, but which change will not alter the then prevailing par value of its currency by more than ten per cent, the Fund shall approve or reject the proposed change within two days, excluding Sundays, of the date the Fund receives the proposal.

Part C. Uniform Changes of the Par Values of All Member Countries.

J.S. IV, 5

The Fund may make uniform proportionate changes of the par values of the currencies of all the member countries, provided that each such change is approved by every Director representing a member country which has ten per cent or more of the aggregate assigned or adjusted quotas.

Section 4. Protection of the Assets of the Fund.

III, 3

[Should part of this payment be in gold?]

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 member country shall adjust its assigned or adjusted 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 holdings of the Fund of the currency and securities of such member country. Whenever the par value of the currency of any member country is increased, the Fund

shall adjust the assigned or adjusted quota paid by such member country by returning to such member country, within a reasonable time, an amount of the currency of such member country equal to the increase in the gold value of the holdings of the Fund of the currency and securities of such member country.

The provisions of this Section may be waived by the Fund whenever uniform proportionate changes are made of the par values of the currencies of all member countries in accordance with Part C of Section 3 of this Article.

#### Article V.

##### Capital Transactions

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

The resources of the Fund shall not be used by any member country for the purpose of financing exports of capital which are deemed by the Fund to be excessive or part of sustained movement of capital out of such country, and the Fund may suspend such country from further use of the resources of the Fund until it establishes controls adequate to prevent excessive or sustained exports of capital.

J.S. V, 1

Nothing contained in this Section shall be construed as intended 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 construed as intended to prevent capital exports which are financed out of any member country's own resources of gold and foreign exchange, provided that such capital exports are in accordance with the purposes and policies of the Fund.

##### Section 2. Limitation on Controls of Capital Movements.

Except as provided in Article VI, Section 2, and Article X, Section 2, no member country shall control international capital movements in a manner which will restrict payments arising from current international transactions or which will unduly delay transfers

J.S. V, 2

of funds in settlement of international commitments.

Article VI

Apportionment of Scarce Currencies

Section 1. Declaring Member Currencies to Be Scarce.

Whenever, in the opinion of the Fund, it is evident that the probable demand of member countries for the provision of a particular member country's currency by the Fund may soon exhaust the holdings of the Fund of such currency, the Fund shall:

- (a) Declare such currency to be scarce;
- (b) Promptly notify all member countries that such currency has been declared to be scarce; and
- (c) Prepare and distribute to all member countries a report setting forth the causes of the scarcity of such currency, recommending a course of action which is designed to terminate the scarcity, and proposing an equitable method for the apportionment of the holdings of the Fund of the scarce currency.

J.S. VI, 1  
V 4, 5

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

Notwithstanding the provisions of Article V, Section 2, Article IX, Section 4, and Article X, Section 2, member countries may restrict exchange transactions in any currency declared by the Fund to be scarce, within territory subject to their respective jurisdictions; provided, however, that member countries shall consult with the Fund before imposing such restrictions. The manner in which any member country restricts the demand for a scarce currency or apportions the limited supply of a scarce currency, shall be completely within the discretion of such member country.

J.S. VI, 2

Article VII

Management

Section 1. Location of Offices.

RFC Act. sec. 1  
Inter-Am. Bank,  
By-laws, 1

The principal Office of the Fund shall be located in the United States of America, but there may be established agencies or branch offices in any member country or member countries under by-laws, rules or regulations promulgated by the Board of Directors.

Section 2. Votes of Member Countries.

J.S. VII, 2  
VI, 2

Each member country shall have one hundred votes plus one additional vote for the equivalent of each \$1,000,000 of its assigned or adjusted quota, provided, however, that no member country shall cast more than twenty per cent of the aggregate votes.

Section 3. Board of Directors.

Part A. Composition.

J.S. VII, 1  
VII, 1

The management of the Fund shall be vested in a board of directors consisting of one director and one alternate appointed by each member country in a manner to be determined by it.

Inter-Amer. Bank  
By-laws, 3

Directors and alternates shall serve for a period of five years, subject to the pleasure of their respective governments, and may be reappointed. The Board of Directors shall select its own Chairman who shall serve as such for a period of two years.

Part B. Voting.

J.S. VII, 2

The votes of each member country shall be cast by the director representing such country and in his absence his alternate shall be entitled to cast them. The alternate may otherwise participate in the activities of the Board of Directors.

Part C. Majority Rule.

Except as provided in the final paragraph of Article II, Section 3 and in Article IV, Section 3, Part C, all



matters before the Board of Directors shall be decided by a majority of the votes cast.

Part D. Compensation.

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.

Part E. Miscellaneous Powers.

In order to carry out the purposes and policies of the Fund, the Board of Directors shall have the following powers:

- V, 1 (1) To buy, sell, hold, earmark and transfer gold;
- V, 1 (2) To buy, sell, hold and deal in the currencies of member countries;
- (3) To borrow the currencies of member countries upon such terms and conditions as the Fund deems advisable;
- V, 10 (4) To levy annually upon each member country, in proportion to its assigned or adjusted quota, charges sufficient to meet the expenses of operating the Fund, but not to exceed one-tenth of one per cent per annum of the assigned or adjusted quota of each member country, such charges to be payable by each member country in its own currency;
- V, 15 (5) To adopt, alter and use an official seal;
- (6) To make contracts;
- (7) To acquire, own, lease or dispose of such real and personal property as may be necessary to conduct the business of the Fund;

Inter-Amer. Bank  
Charter, 6

RFC Act  
Sec. 4

(8) To sue and be sued, complain and defend, in any court of competent jurisdiction; and any civil suit at law or in equity, brought within the United States of America, its territories and possessions, to which the Fund shall be a party shall be deemed to arise under the laws of the United States of America, and the district courts of the United States of America shall have original jurisdiction of all such suits; and the Fund in any such suit may, at any time before the trial thereof, remove such suit into the district court of the United States of America for the proper district by following the procedure for the removal of causes otherwise provided by law;

(9) 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;

(10) To promulgate, amend, and repeal by-laws, rules and regulations governing the manner in which the general business of the Fund may be conducted and the powers granted to the Board of Directors may be exercised and enjoyed, together with provision for such committees and the functions thereof as the Board of Directors may deem necessary for facilitating the business of the Fund; and

(11) All incidental powers necessary and proper to carry out the powers now or hereafter expressly authorized herein.

RFC Act  
Sec 4

Inter-Amer. Bank  
Charter, 2

Part F. Delegation of Powers

VI, 8

The Board of Directors may delegate to any officer or committee the exercise of any of the specified powers of the Board of Directors except the power to make uniform proportionate changes in the par values of the currencies of all the member countries and the power to amend this Convention. Unless otherwise specified by the Board of Directors, delegated powers shall be exercised only until the next regular meeting of the Board of Directors, and shall be exercised in a manner consistent with the purposes and policies of the Fund and the general practices of the Board of Directors.

Section 4. The Managing Director.

VI, 5

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 ex officio member of the Board of Directors.

Section 5. The Executive Committee.

Part A. Composition and Powers.

There shall be an Executive Committee consisting of the Managing Director and ten Directors or alternates elected annually by the Board. 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 may act in his place. The Board of Directors shall fix the compensation of members of the Committee.

Part B. Method of election.

In the election of the Executive Committee, each Director shall cast for one Director all of the votes to which he is entitled under Section 2 of this Article. If the number of votes cast by any Director exceeds ten per cent of the aggregate votes, the excess shall be cast for a second proposed member, who may be an alternate. The ten persons receiving the greatest number of votes shall be members of the Committee, except that no person who receives less than eight per cent of the aggregate votes shall be considered elected. When ten persons are not elected on the initial balloting, a second balloting shall be held in which there shall be eligible to participate 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 ten per cent of the aggregate votes. In determining whether any part of a Director's votes raised the total of any person above ten 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 ten 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 ten the total number each of whom has received at least eight per cent of the aggregate votes, further ballots shall be taken on the same principles until ten such persons have been elected, provided that after nine Directors are elected the tenth may be elected by a simple majority of the remaining votes.

Part C. Majority rule.

All matters before the Executive Committee shall be decided by a majority of the votes cast. Each member, including each alternate who is elected a member, shall have one vote. The Chairman shall be entitled to vote only when the votes of the other members are tied.

Section 6. Quarterly Statements.

The Fund shall publish quarterly, on the first day of January, April, July and October, a statement setting forth the extent of the holdings of the Fund of the currencies and securities of each member country and of gold, and a statement of the transactions of the Fund in gold during the preceding quarter.

Section 7. Distribution of Profits of the Fund.

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

- (a) Fifty per cent to a surplus reserve until such surplus reserve is equal to ten per cent of the aggregate assigned or adjusted quotas; and
- (b) Fifty per cent to the member countries in proportion to their assigned or adjusted quotas.

VI, 12

When the surplus reserve has reached ten per cent of the aggregate assigned or adjusted quotas, all of the profits shall be distributed to the member countries in proportion to their assigned or adjusted quotas.

Article VIII

Withdrawal of Member Countries

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 to that effect on the Board of Directors at the principal office of the Fund.

Section 2. Settlement of Accounts with Withdrawing Member Countries.

J.S. VIII, 2 Within a reasonable time after the receipt of notice served in accordance with Section 1 of this Article, the Fund and the withdrawing member country shall liquidate their respective obligations.

VI, 11 The Fund shall return to such withdrawing country an amount in the currency of such country or in gold equal to its assigned or adjusted quota, plus any other amounts due to such country from the Fund, and minus any amounts due to the Fund from such country. In addition, if, at the time such country withdraws from the Fund, the assets of the Fund have been reduced below the sum of the assigned or adjusted quotas of all the member countries, including the withdrawing country, there shall be deducted from the amount due to such country as a return of its assigned or adjusted quota, a pro rata share of such reduction. If, at the time such country withdraws from the Fund, the Fund has accumulated a surplus reserve out of net profits, there shall be distributed to such country in its own currency a pro rata share of such accumulated surplus reserve. The amount of gold returned to such country shall be equal to the amount of gold paid to the Fund by such country as a part of its assigned or adjusted quota, plus the net amount of gold sold to the Fund by such country for its own currency, or  
NEW minus the net amount of gold purchased from the Fund by such country with its own currency.

Section 3. Transactions in the Currency of a Country Withdrawing from the Fund.

J.S. VIII, 3 After a member country has served written notice of its withdrawal from the Fund, in accordance with Section 1 of this Article, the Fund shall not dispose of its holdings of the currency of such country except:

- (a) In accordance with arrangements made under Section 2 of this Article for the liquidation of the respective 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.

Old J.S. 12 ii

Section 4. Use of the Resources of the Fund by a Country Withdrawing from the Fund.

After a member country has served written notice of its withdrawal from the Fund in accordance with Section 1 of this Article, it shall be permitted to use the resources of the Fund only with the approval of the Fund, provided that this limitation shall not apply to any transactions necessary to liquidate the respective obligations of the Fund and such country.

J.S. VIII,3

Article IX

Additional Undertakings on the Part of Member Countries

Section 1. 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 Convention, undertakes the performance of and agrees to the stipulations set forth in this Article, such undertaking and agreement to be binding upon each member country during any periods of ineligibility as well as during periods of eligibility to use the resources of the Fund.

Section 2. No Gold Purchases Except at Parity Prices.

No member country shall buy gold with its own currency at a price more than \_\_\_\_\_ per cent above the par value of such currency, nor shall any member country sell gold for its own currency at a price more than \_\_\_\_\_ per cent below the par value of such currency.

J.S. IX, 1

Section 3. No Foreign Exchange Dealings Except at Par Values.

J.S. IX, 2 Each member country shall adopt measures to prevent the effecting within its jurisdiction of exchange transactions between its currency and the currencies of other member countries except within the range specified in Article IV, Section 2, of the rates of exchange determined on the basis of the par values of such currencies.

Section 4. No Exchange Controls on Current Payments.

J.S. IX, 3 No member country shall, without the approval of the Fund, impose restrictions upon payments for current international transactions within any territory subject to its jurisdiction, provided that this stipulation shall not prevent the imposition of 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 2.

Section 5. No Discriminatory or Multiple Exchange 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.

Inter-Amer.Bk. 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. Restrictions on Attachments of Assets of the Fund.

Inter-Amer. Bk.  
Charter II A

The Fund, its assets, obligations to it, and its real and personal property of whatsoever nature, shall wheresoever located and by whomsoever held, be exempt and immune from requisition, seizure, attachment, execution, confiscation, moratoria and expropriation; provided, however, that the foregoing shall not prevent any member country from attaching or levying execution, subject to any prior lien or claim of the Fund, upon its admitted or adjudicated claims against the Fund or upon property admitted or adjudicated to be held by the Fund for such member country.

Section 8. Furnishing of Information to the Fund.

Each member country shall furnish the Fund with all information necessary for the operations of the Fund in the form and at the times requested by the Fund.

Section 9. 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 balances of international payments of member countries.

## Article X

### Transitional Arrangements

#### Section 1. Indebtedness Arising Out of the Present War.

Since the Fund is not intended to provide exchange facilities for relief or reconstruction, or to deal with international indebtedness arising out of the present war, the agreement of any member country to the provisions of Article III, Section 7 and Article IX, Sections 4 and 5 shall not be binding upon such member country until it is satisfied with arrangements available to it to facilitate the settlement of the balance of payment differences arising during the present war and during the early post-war transition period by means which will not unduly encumber the right of such member country to use the resources of the Fund.

J.S. X, 1

#### Section 2. Exchange Restrictions Maintained.

Notwithstanding the provisions of Article V, Section 2, Article VI, Section 2, and Article IX, Sections 4 and 5, member countries may, during the early post-war transition period, maintain and adapt to changing circumstances exchange regulations of the character which have been in operation during the present war, but the member countries maintaining such regulations undertake to withdraw by progressive stages, as soon as possible, all restrictions on exchange transactions which impede multilateral international clearing on current account. In their policy with respect to exchange transactions, member countries maintaining

J.S. X, 2

such regulations 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 3. Withdrawal of Exchange Restrictions.

J.S. X, 3     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 for the general abandonment of restrictions on exchange transactions which are inconsistent with 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 maintaining restrictions on exchange transactions inconsistent with Article IX, Sections 4 and 5 shall consult with the Fund concerning the advisability of continuing to maintain such restrictions.

Section 4. Policy of the Fund During the Transition Period.

J.S. X, 4     The Fund shall recognize, in its relations with member countries, 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.

## Article XI

Amendments

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

Any member country which desires to introduce modifications in the present Convention 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 them if 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 after a period of three months from the date of the proces verbal.

## Article XII

Interpretation of the Convention

All disagreements between two or more member countries concerning the interpretation of any of the provisions of this Convention, or of any amendments thereto, or of any rules, regulations or by-laws promulgated by the Fund, shall be settled by the Fund.

## Article XIII

Final ProvisionsSection 1. Ratification.

This Convention shall be ratified by the High Contracting Parties in accordance with their respective constitutional methods, and the instruments of ratification shall be deposited as soon as possible with

1933  
Convention  
on Sanitary  
Aerial  
Navigation  
Malloy 5503

1936  
Limitation of  
Naval Armament  
Malloy 5559

the Government of the United States of America, which shall transmit certified copies of all the proces verbaux of the deposits of ratifications to the governments of all the High Contracting Parties.

1928  
Kellogg-Briand  
Peace Pact  
Malloy 5132

The Government of the United States of America shall also notify by telegram, cablegram or radiogram all of the High Contracting Parties immediately upon the deposit with it of each instrument of ratification.

Section 2. Effective Date of the Convention.

1930  
Limitation of  
Naval Armament  
Malloy 5282

As soon as the ratifications of the United States of America, of the United Kingdom, the Union of Soviet Socialist Republics, the Republic of China, and ten of the other High Contracting Parties have been deposited, this Convention shall come into force in respect of the said High Contracting Parties.

1929  
International  
Air Transporta-  
tion  
Malloy 5259

Thereafter this Convention shall come into force between the High Contracting Parties which shall have ratified and each High Contracting Party which subsequently deposits its instrument of ratification on the date of such deposit.

Section 3. Information to be Furnished After Ratification.

Not later than thirty days after receipt of notice of the deposit of a proces verbal by the last High Contracting Party necessary to bring this Convention into force as provided in the first paragraph of Section 2 of this Article, each High Contracting Party which shall have ratified this Convention shall deposit with the Government of the United States of America the data necessary to determine quotas by the formula set forth in Article II, Section 2, using, wherever possible, statistics which have appeared in official publications.

Each High Contracting Party that ratifies this Convention after the date has been set for the initial meeting of the Fund shall deposit said data with the Fund.

Section 4. Calling the Initial Meeting of the Fund.

Immediately after receipt of the data necessary to determine the quotas of the High Contracting Parties referred to in Section 3 of this Article, the Government of the United States of America shall tentatively fix the quotas of said High Contracting Parties and shall notify each said High Contracting Party of the quotas so fixed. The Government of the United States of America shall also invite to the initial meeting of the Fund, to be held in Washington thirty days after the date of said invitation, all of the High Contracting Parties which shall have ratified this Convention irrespective of whether their quotas have been tentatively fixed.

Section 5. Action of the Fund at the Initial Meeting.

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

- (a) The Fund shall examine the data necessary to determine quotas which shall have been presented to the Government of the United States of America by High Contracting Parties which shall have ratified this Convention too late to have their respective quotas tentatively fixed by that Government, and shall tentatively fix the quotas of such High Contracting Parties; and only the Directors representing member countries whose tentative quotas shall have been fixed by the Government of the United States of America shall participate in this action;
- (b) The Directors entitled to participate in the action under (a) above shall join with the Directors representing member countries whose quotas shall have been tentatively fixed under (a) above in fixing definite quotas and adjusting such quotas in accordance with the provisions of Article II;

and in fixing and adjusting the quotas, each Director shall cast the number of votes to which the country he represents is entitled under Article VII, Section 2, determined on the basis of the quotas which shall have been tentatively fixed by the Government of the United States of America or under (a) above;

(c) The Fund, acting through all of the Directors representing member countries whose quotas shall have been fixed or adjusted in accordance with (b) above, shall agree with each member country whose quota shall have been fixed or adjusted under (b) above upon the par value of its currency expressed in terms of gold; and in voting upon the acceptability of par values proposed by the member countries for their respective currencies, each Director shall cast the number of votes to which the country he represents is entitled under Article VII, Section 2, determined on the basis of the quotas which shall have been fixed or adjusted under (b) above; and

(d) The Fund shall set a date for its operations to commence.

Section 6. Expiration of Final Provisions.

Sections 1 and 2 of this Article shall expire on December 31, 194 , and Sections 3, 4, and 5 shall expire as soon as the business referred to in Section 5 shall have been completed.

In faith whereof the respective delegates have signed this Convention.

Done at Washington the \_\_\_\_\_ day of \_\_\_\_\_, nineteen hundred and forty-four, 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 High Contracting Parties.