

TO:

The Secretary
Mr. D. W. Bell
Mr. Gaston

Mr. White
Mr. O'Connell
Mr. Charles Bell

* * *

Mr. Aarons
~~Mr. E. M. Bernstein~~
Mr. Brenner
Miss Chauncey
Mr. Coe
Mrs. DeLacy
Document Room
Mr. DuBois
Mr. J. B. Friedman
Mr. Glasser
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FROM: MR. LUXFORD - ROOM 3414 ✓

TO:

Mr. Suxford

Mr. Brenner

MEMORANDUM

The following steps should be followed for the Commonwealth of the Philippines to become a member of the International Monetary Fund and the International Bank for Reconstruction and Development, after President Osmena and President Truman have approved the act passed by the Philippine legislature on September 17, 1945:

(1) Arrangements must be made for the signature of the Agreements, which are in the custody of the State Department of the United States in Washington. If President Osmena does not intend to sign the Agreements himself, he should authorize someone to sign on behalf of the Government. Such an authorization might be substantially in the form of Attachment "A".

The formal arrangements for the ceremony of signing can be made with the Department of State. It might be possible to work out an arrangement for the United States and the Philippines to sign at the same time.

(2) At the time of signature it will be necessary to deposit with the United States Government an instrument setting forth that the Philippine Government has accepted the Agreements in accordance with its law and has taken the steps necessary to carry out its obligations. A form of instrument is suggested in Attachment "B".

(3) When the signing takes place and the instrument is deposited, the Government of the Philippines must also transmit to the United States Government 1/100 of one per cent of its Fund quota and its Bank subscription. This can be done by drawing a check on the Treasury Certificate Fund" payable to the Treasurer of the United States in the amount of \$1,500 to cover the Fund, and another check for \$1,500 out of the appropriation made by the Philippine Congress to cover the Bank.

(4) When the first meetings of the Boards of Governors are called the Philippine Government should appoint a governor and an alternate. These men should attend the first meetings, which will be held in the United States.

(5) a. On or before the date when the Philippines become eligible to buy currencies from the Fund by establishing the par value of the Philippine peso in accordance with the provisions of Article XX, Section 4, it must pay the balance of its subscription to the Fund.

\$3,748,500 must be paid in gold. The Philippine Government can purchase gold from the United States Treasury at \$35 per fine ounce plus 1/4 of one per cent. The required sum should be withdrawn from the "Treasury Certificate Fund" and the gold should be deposited in an earmarked gold account with the Federal Reserve Bank of New York. Arrangements for the opening of such an account should be made by the Philippine Government with the Federal

Reserve Bank of New York and the Treasury Department could assist in the discussions. The purchase of the gold and its deposit in an earmarked account should be made some time in advance of the probable date on which payment to the Fund is to be made. When the payment to the Fund is made it can be done by a transfer of earmark from the Philippine account to an account which will be opened in the name of the Fund.

In view of the fact that the Philippine legislation does not authorize the issuance of special notes to the Fund, it will be necessary for the balance of the quota to be paid in pesos. This amount, \$11,250,000 should be withdrawn from the "Treasury Certificate Fund" and should be deposited with the Philippine Treasury. The Treasury should then be requested to issue an equivalent amount of new pesos and deposit them in an account in the name of the International Monetary Fund in the Fund's depository in the Philippine Islands. When the new pesos are issued the dollars will, of course, be redeposited in the "Treasury Certificate Fund". In accordance with section 7 of the Philippine law the depository will be the National Treasury or a bank authorized by law to transact business in the Philippines.

b. Within 60 days of the date on which the Bank begins operations the Philippine Government must pay to the Bank two per cent of its subscription less the amount paid at the time the Agreement is signed. This amount, \$298,500, must be paid in dollars or gold. In view of the fact that the Philippine Government does not normally hold gold, this payment should be made in dollars by withdrawing the necessary amount from one of the Philippine Dollar accounts in the United States and charging the appropriation made by the Philippine Congress for this purpose. Payment can be made by check payable to the International Bank for Reconstruction and Development.

Subsequent calls by the Bank can be met by the issuance of special notes of the Commonwealth of the Philippines. Attachment "C" is a form of note which would probably be satisfactory. It would be convenient to issue these notes in denominations which would make possible redemptions in amounts most likely to be required by the Bank. The denomination of 50,000 pesos has been suggested for this purpose.

ATTACHMENT "A"

DRAFT OF LETTER FROM THE PRESIDENT OF THE PHILIPPINES
TO A REPRESENTATIVE DESIGNATED TO SIGN THE AGREEMENTS

Dear _____:

Pursuant to section 2 of the Bratton Woods Agreements Act, approved _____ 1945, you are hereby designated as my representative to accept membership for the Commonwealth of the Philippines in the International Monetary Fund and in the International Bank for Reconstruction and Development provided for by the Articles of Agreement of the Fund and the Articles of Agreement of the Bank, as set forth in the Final Act of the United Nations Monetary and Financial Conference dated July 22, 1944, and deposited in the Archives of the Department of State of the United States.

/signed/ President of the Commonwealth
of the Philippines

ATTACHMENT " B "

INSTRUMENT TO BE DEPOSITED AT THE TIME THE
AGREEMENTS ARE SIGNED.

In accordance with Article XX, Section 2(a) of the Articles of Agreement of the International Monetary Fund, and Article XI, Section 2(a) of the Articles of Agreement of the International Bank for Reconstruction and Development, I hereby certify that the Commonwealth of the Philippines has accepted these agreements in accordance with its law and has taken all steps necessary to enable it to carry out all of its obligations under these Agreements.

/signed/ President of the Commonwealth
of the Philippines

ATTACHMENT "C"

SPECIAL NOTE

THE COMMONWEALTH OF THE PHILIPPINES

will pay to the International Bank for Reconstruction
and Development on demand

Fifty Thousand Pesos

This note is not negotiable and bears no interest. Payment will be made by credit to the account of the International Bank for Reconstruction and Development in its designated depository in the Philippine Islands.