

Joint Minutes
October 9, 1943

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Joint Minutes of the Meeting of U.S. and U.K. experts
U.S. Treasury, October 9, 1943.

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At the final meeting of the experts of the United States and the United Kingdom, held in Washington on October 9, 1943, it was agreed that the following details not included in the directive to the drafting committee are also covered by the discussions on the same basis as the directive itself.

3-1. The agreed formula is to give the United States a quota not to exceed \$3 billion and the United Kingdom a quota of about \$1.3. The formula will also provide for setting aside a special allotment of 10 percent of the aggregate quotas to be used for the equitable adjustment of quotas.

3-1. "Local funds" are to be a deposit account at the member country's Central Bank. In order to avoid an unnecessarily large working balance, the Fund would hold local funds in excess of a working balance in the form of non-negotiable, non-interest bearing Government bills, payable at par on demand by crediting the Fund's deposit account at the Central Bank.

5-iii. When the provision of additional exchange to a member country is subject to special conditions, the Fund may as one of the conditions require the deposit of suitable collateral.

7. The unit of account shall be a given weight of gold. No change in the par value of the currency of member countries shall be permitted to alter the gold value of the assets of the Fund, except that in the case of a change under 7(viii) this provision may be waived by agreement.

The initial rates of exchange of member countries' currencies shall be based on the official dollar quotations of July 1, 1943. If this rate is inappropriate in the judgment of either the Fund or the member country, the initial par value of a member's currency shall be agreed between the member country and the Fund.

11. When the provision of exchange requires approval of the Fund, basic votes on such proposals shall be adjusted, notwithstanding 11-ii, by increasing the vote of creditor countries and decreasing the vote of debtor countries in the Fund. On the suspension or restoration of membership each country shall have one vote.

13-ii. Member countries shall not engage in exchange dealings in non-member countries or in non-member currencies that will undermine stability of exchange rates established by the Fund.

There is a difference of view on the following questions:

3-ii. Whether the obligatory gold subscription should be of 25 percent of the quota or 10 percent of the gold holdings of a country, whichever is smaller; and whether the gold contributed to the Fund shall be held by the Fund as a reserve security.

5-ii. Whether a currency should only be acceptable if it is tendered against another currency which that member can represent to be needed for payments due or shortly falling due.

5-ii. Whether the qualitative controls should apply only after the Fund's holdings of local currency have reached a specified level, or whether such control may be applied at any time with notice of six months to a year.

6-ii. Whether a member having holdings of gold and free foreign exchange in excess of its quota should be required to make payment as to 50% in gold and foreign exchange for currency made available by the Fund.

7-vi. Whether the right to change the established exchange rate of a member currency by a total of 10% should be renewed for each successive decade or not.

8-ii. Whether the provision for the repurchase of local currency held by the

Fund shall apply to part of the increase in the free foreign exchange holdings of a member country, or only to holdings of gold convertible currencies.

9. Whether the Fund may require a member country not to permit an outward movement of capital which is large and sustained (regardless of the source of the funds used to meet the flow) where a member country is significantly using the sources of the Fund.

In general whether the Fund, while established on the same fundamental principles as those set out in the Draft Directive, should not be set up and operated in terms of an international currency (monetized unitas).