Joint Statement Draft
October, 1943

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Joint Statement by Experts of United and Associated Nations
on the Establishment of an International Stabilisation Fund.

U.K. Reservation.

[The following draft is intended to set out and illustrate certain principles. It is expressed in terms of a Fund which holds member's currencies. This form of expression has been used to meet the convenience of the U.S. Treasury and in no way commits the British representatives to recommend acceptance of such a form.]

Sufficient discussion of the problems of international monetary co-operation has taken place at the technical level to justify a statement of principles. Governments will not be asked to give final approval to the principles until they have been embodied in the form of definitive proposals by the delegates of the United and Associated Nations meeting in a formal conference.

1. Preamble

The International Stabilisation Fund is designed as a permanent institution for international monetary co-operation. The Fund is intended to facilitate the balanced growth of international trade and to contribute in this way to the maintenance of a high level of employment. The Fund is expected to provide the machinery for consultation on international monetary problems. The resources of the Fund are to be available under adequate safeguards to help member countries to maintain currency stability while giving them time to correct maladjustments in their balance of payments without resorting to extreme measures destructive to international prosperity.

2. Purposes of the Fund

(i) To promote exchange stability, to maintain orderly exchange arrangements among member countries and to avoid competitive exchange depreciation.

(ii) To assure multilateral payments facilities on current transactions among member countries and to eliminate restrictions inconsistent with this objective.

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(iii) To shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries.

(iv) To give confidence to member countries by the provision of actual and potential support.

3. Subscription to the Fund

(i) Member countries shall subscribe in gold and in their local funds amounts determined by a formula to be agreed. Aggregate subscriptions (quotas) on the basis of the formula will amount to about $8.5 billion if all of the United Nations and the countries associated with them subscribe to the Fund, and to about $10 billion for the world as a whole.

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(ii) The obligatory gold subscription of a member country shall be related to its holdings of gold and free foreign exchange, and shall be fixed at 25 percent of the subscription (quota) or 10 percent of the gold and free foreign exchange holdings of the country, whichever is the smaller.

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(ii) The obligatory gold subscription of a member country shall not exceed 12-1/2 percent of the quota, and shall be retained by the Fund as reserve security against the member country's liability to the Fund.

4. Operations of the Fund

(i) Members shall deal with the Fund only through their Treasury, Central Bank, Stabilisation Fund or other fiscal agencies. The Fund's account in a member's currency shall be kept at the Central Bank of the member country.

(ii) Subject to (iii) below, operations on the Fund's account will be limited to transactions for the purpose of supplying a member country, on the member's initiative, with a desired and "available" currency in exchange for its own acceptable currency or for gold.

(iii) But the Fund will also be entitled at its option, with a view to keeping a particular member's currency available,

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(a) To borrow its currency from a member country;

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

5. Availability and Acceptability of Member's Currencies

(i) A currency is available unless the Fund has given notice that its holdings of the currency have become scarce, in which case the provisions of 10 below come into force.

(ii) A currency is acceptable:

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(a) If at the time the currency is tendered to the Fund the member country represents that the currency demanded is presently needed for making payments in that currency which are consistent with the purposes of the Fund.

(b) If the Fund's total holdings of the currency of the member country have not increased by more than 25 percent of the quota during the previous twelve months, and if they do not exceed 200 percent of the quota; and

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(c) If the Fund has not previously given notice of 6 months to a year which has expired that a member country is making use of the Fund's resources in a manner that clearly has the effect of preventing or unduly delaying the establishment of a sound balance in its international accounts.

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[Add to the above] The Fund will not give notice if its holdings of the member currency do not exceed 166 percent of its quota.

(iii) The Fund may, in its discretion, make currencies available in exchange for a member currency that does not comply with the above tests on conditions that safeguard the interests of the Fund.

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6. Multilateral Clearing

(i) Subject to 13 (iv) a member country agrees to buy back its own legally acquired currency from any other member with that member's currency or with gold, so long as its own currency is acceptable to the Fund and the other member's currency is available in the Fund.

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(ii) So long as a member's currency is acceptable, it is entitled to acquire any available currency in the Fund, subject to half payment in gold or free foreign exchange from a member country whose official gold and free foreign exchange holdings exceed its quota.

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(ii) So long as a member's currency is acceptable, it is entitled to acquire any available currency in the Fund.

(iii) A member country desiring to obtain directly or indirectly the currency of another member country for gold is expected, provided it can do so with equal advantage, to acquire the currency if it is available, by the sale of gold to the Fund.

(iv) The local currency holdings of the Fund shall be freely transferable to any member country, subject to 4 (ii) and the provisions of the plan.

7. Par Value of Member Currencies

(i) The initial par value of a member's currency shall be agreed with the Fund when it is admitted to membership, and shall be expressed in terms of gold.

(ii) All transactions between the Fund and members, and all transactions in member currencies, shall be at rates within an agreed percentage of parity.

(iii) No change in the gold parity of a member's currency shall be made without its approval.

(iv) Members shall agree not to propose a change in the parity of their currency unless they consider it appropriate to the correction of fundamental disequilibrium, and changes shall be made only with the approval of the Fund, subject to the qualifications below.

(v) The Fund shall approve a requested change in the parity of a member's currency if it is essential to the correction of a fundamental disequilibrium. In particular, the Fund shall not reject, on the ground of domestic social or political policies which may have led to the application, a requested change which is required in the de facto situation to restore equilibrium.

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

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(vi) After consulting the Fund, a member country may change the established rate for its currency, provided the proposed change, inclusive of any previous changes does not exceed 10 percent within successive ten-year periods since the establishment of the Fund. In the case of application for a further change not covered by the above and not exceeding 10 percent, the Fund shall give its decision within two days of receiving the application, if the applicant so desires.

(vii) Because of the extreme uncertainties of the immediate post-war period and recognising that rates established during such period will of necessity be tentative in many instances, during the first three years the Fund shall recognise that there will be need for many changes and adjustments and shall resolve cases of reasonable doubt in favour of the country requesting changes in rates.

(viii) Provision shall be made for an agreed uniform change in the gold value of currencies with the approval of the Fund and of all member countries with 10 percent or more of aggregate quotas.

8. Repurchase Provisions

(i) A member country may repurchase from the Fund for gold any part of the latter's holding of its currency.

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(ii) If at the end of stated periods, a member's official holdings of gold and free foreign exchange have increased, and those holdings are adequate, the Fund may require that half of the increase be used to repurchase any of the Fund's holdings of its currency in excess of its quota.

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(ii) If at the end of the Fund's financial year a member's holding of gold and of gold-convertible currencies has increased, the rules of the Fund may require that it shall employ the whole or part of this increase to repurchase from the Fund any excess of the Fund's holding of its currency above its quota.

9. Capital Transactions

(i) A member country may not use the Fund's resources to meet a large or sustained outflow of capital.

(ii) The Fund may require a member country purchasing foreign exchange from the Fund to control large or sustained outward movements of capital.

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(iii) These provisions are not intended to interfere with transactions which do not involve a substantial requirement of foreign exchange, or transacti[ons] required in trade, banking and other business.

(iv) Notwithstanding the above provisions, with the approval of the Fund, a member country may purchase foreign exchange to facilitate a transfer of capital.

(v) A member country may not use its control of capital movements to control payments for current transactions (except as provided in 10) to delay unduly the transfer of funds in settlement of commitments.

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A member country may be asked by the Fund to exercise such control as is required to prevent large and sustained capital movements from being financed by recourse to the Fund. This provision is not intended to prevent the use of the Fund for capital transactions of reasonable amount approved by the member country's control as being required in the ordinary course of trade, banking and other business, or for the expansion of exports. Nor is it intended to prevent capital movements of other kinds which are met out of a member country's own resources of gold and foreign exchange.

10. Apportionment of Scarce Currencies

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

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

11. Management

(i) The Fund shall be managed by a Board and Executive Committee representing the members.

(ii) The distribution of basic voting power shall be closely related to quotas, but no members shall be entitled to cast more than one-fifth of the aggregate votes.

(iii) All matters shall be settled by majority, except that a change in the basis for determining quotas shall require a four-fifths vote, and no member's quota shall be changed without its assent.

12. Withdrawal

(i) A member country may withdraw from the Fund by giving notice in writing.

(ii) Thereafter, the Fund may not sell the currency of that country if the Fund's holdings are less than the unliquidated portion of its quota, nor buy the currency of that country if the Fund's holdings are more than the unliquidated portion of its quota. After a country has given notice of withdrawal, its right to utilise the resources of the Fund is subject to the approval of the Fund.

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

13. Obligations of Member Countries

(i) Not to buy gold at a price above the parity of its currency, nor to sell gold at a price below the parity of its currency.

(ii) Not to allow exchange transactions between its currency and the currencies of other members at rates outside a prescribed range based on the agreed cross parities.

(iii) To abandon as soon as possible, when the member country decides that conditions permit, all restrictions on payments for current international transactions with other member countries (other than those involving capital transfers), and not to impose any additional restrictions (except upon capital transfers, or in accordance with 10 above) without the approval of the Fund. The Fund may make representations that conditions are favourable to the abandonment of restrictions.

(iv) Not to engage in discriminatory currency arrangements or multiple currency practices without the approval of the Fund.

14. The Inauguration of the Fund

Provisions shall be prepared to cover the transitional period and the definitive establishment of the Fund.