Mr. Luxford

March 6, 1945.

Mr. Brenner

Article 5, Section 2 of the Fund Agreement provides

"Except as otherwise provided in this Agreement, operations on the account of the Fund shall be limited to transactions for the purpose of supplying a member, on the initiative of such member, with the currency of another member in exchange for gold or for the currency of the member desiring to make the purchase."

The following is a list of the other provisions of the Agreement which provides for transactions on the account of the Fund which do not come within the scope of Article V, Section 2.

1. Article III, Section 5, which authorizes the Fund to demand payment of non-interest bearing notes which it holds in place of member currencies.

2. Article IV, Section 8, which requires members to pay additional amounts of currency to the Fund whenever the par values of their currencies are reduced and also requires the Fund to return currency to countries whose currencies are increased in value.

3. Article V, Section 6(a) which requires a country desiring to obtain the currency of another for gold to buy it from the Fund if it can do so with equal advantage. It is doubtful whether such a transaction is "on the initiative of such member."

4. Article V, Section 7, which requires members to repurchase their own currencies under certain conditions.

5. Article V, Section 8, which requires members to pay various charges to the Fund.

6. Article VII, Section 2, which authorizes the Fund to borrow currencies and to buy currencies with gold.

7. Schedule D, Paragraph 4, which authorizes the Fund to liquidate in any market the currency of a member which has withdrawn and which has failed to redeem its currency.

8. Schedule D, Paragraph 6, which requires a member to compensate the Fund for any losses the Fund suffers in disposing of its currency after the country has withdrawn.

9. Schedule E, Paragraph 4 and Paragraph 5, both of which authorize the Fund to use the currencies of members to redeem their own currencies when it distributes assets on liquidation.