

THE CONSTITUTION
OF THE
UNITED STATES OF AMERICA

G

Establishment of Par Values

Agreed with a member par values shall be deemed recorded when the Fund

Revised Draft August 13, 1946

Sept 12
new title

G - Determination and Maintenance of Par Values and Exchange Rates

The effective date of an agreed par value shall be the time of publication by the Fund

G-1

1 As soon as the Fund and a member have agreed on the
2 par value of the member's currency, and of any separate
3 currencies of territories in respect of which it has accepted
4 membership in the Fund, the Executive Board shall decide on
5 the best method of notifying the members and the Fund shall
6 publish the agreed par value for the information of the public
7 within 48 hours after an hour agreed upon by the Executive
8 Board for specific currencies. Changes in par values of the
9 currencies of members shall be similarly published. (AA IV-5 and 9)

delete and put in agenda

after consultation with the member country

G-2

10 The ^{Fund} members shall arrange through their fiscal agencies ^{of members}
11 that frequent and regular information as to the market rates
12 of currencies bought and sold in their territories is made
13 available to the Fund.

G-3

14 The Managing Director shall report to the Executive
15 Directors any case in which it appears to him that a member
16 is not fulfilling its obligations under Article IV, Section 3,
17 having regard to the permitted margins for spot and forward
18 transactions in foreign exchange prescribed by the Fund and
19 to Article XIV. (AA IV-3)

substitute general clause

out

G-4

20 Agreed parities shall not be circumvented by rates
21 for forward exchange transactions or other transactions
22 discussed in EBD No. _____.

part

G-5

23 Members shall notify the Fund whether for the settle-
24 ment of international transactions they, in fact, freely
25 buy and sell gold within the prescribed limits of price
26 and shall notify the Fund of any changes in such policy.
27 (AA IV-4(b))

G - Determination and Maintenance of
Par Values and Exchange Rates

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12 of currencies bought and sold in their territories is made
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15 Directors any case in which it appears to him that a member
16 is not fulfilling its obligations under Article IV, Section 3,
17 having regard to the permitted margins for spot and forward
18 transactions in foreign exchange prescribed by the Fund and
19 to Article XIV. (AA IV-3)

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5 the Executive Board shall decide on the best method of
6 notifying the members and the Fund shall publish the agreed
7 par value for the information of the public within 48 hours
8 after an hour agreed upon by the Executive Board for
9 specific currencies. Changes in par values of the currencies
10 of members shall be similarly published. (AA IV-5 and 9)

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16 Directors any case in which it appears to him that a member
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20 to Article XIV. (AA IV-3)

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G-5 24 Members shall notify the Fund whether for the settle-
25 ment of international transactions they, in fact, freely
26 buy and sell gold within the prescribed limits of price
27 and shall notify the Fund of any changes in such policy.
28 (AA IV-4(b))

G-1+2 Postponement (~~XX~~-4(i)) Formalization not necessary, will occur during period of negotiation & formalities might hamper them.
Only adds invitation to representatives (See BL 19)
+ requirement of written report.

G-3+4+5 Set to (~~XX~~-4(d))

G-6+G-7 Representation should take place before member becomes ineligible if there is any doubt. Hard to imagine a doubtful case so 6 seems unnecessary. Procedure will be more flexible in part 7. (IV-6)

G-8 to 10 Capital Section

G-11 to G-14 Transition - raises difficult interpretation point. If this is not to be precipitated - no sections are unnecessary. (XIV)

G-15-16 Flexible procedure better (XV-2(a)) part of 16 in M-1

G-17-19 Adds little to Articles (V-5)

G-20 Time under Article. Not appropriate for RR.

G-21-23 Used M-3 to M-5 [24+25 Unnecessary BL-22]

G-26-27 Unnecessary - Not consistent with (XVIII)

G-28 ~~Included~~ M- Unnecessary

G-29-31 Unnecessary (Article VI-3 - Sch. D)

RBB:NW
9/13/46

G-6 28 The margin for gold transactions, subject to the provisions
29 of Article IV, Section 2, shall be __%, ~~Except~~ that for pur-
30 chases and sales of gold by a member when payment is made in its
31 own currency and the gold is delivered at its central bank or
32 treasury, the margin shall be __%. (AA IV - 2)

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14 agencies that frequent and regular information as
15 to the market rates of currencies bought and sold
16 in their territories is made available to the Fund.

~~G-3 17 Each member shall report to the Fund every
18 month the total of foreign exchange transactions
19 by the member, its fiscal agencies and banks or
20 other business enterprises engaging in a substantial
21 volume of foreign exchange transactions taking place
22 in its market outside the range prescribed by the
23 Fund, if the volume of such transactions exceeds an
24 amount to be agreed upon from time to time by the
25 member and the fund.7~~

26 ~~[If exchange transactions contrary to the laws~~
27 ~~of any member take place within its territories, the~~
28 ~~member shall report to the Fund every month, or at~~
29 ~~such shorter intervals as the Fund may request, an~~
30 ~~estimate of the volume of such transactions and~~
31 ~~the rates of exchange at which the bulk of them are~~
32 ~~consummated.]~~

G-3 33 The Managing Director shall report to the
34 Executive Directors any case in which it appears
35 to him that a member is not fulfilling its obliga-
36 tions under Article IV, Section 3, having regard
37 to the permitted margins for spot and forward
38 transactions in foreign exchange prescribed by the
39 Fund and to Article XIV. (AA IV-3)

G-4 40 Agreed parities shall not be circumvented by
41 rates for forward exchange transactions or other
42 transactions discussed in EED No. _____.

~~[G-3]~~ 43 ~~[The rates for forward exchange transactions may~~
44 ~~vary from spot rates for a similar transaction by a~~
45 ~~percentage prescribed by the Fund from time to time~~
46 ~~for the currency of each member. In considering~~
47 ~~whether a rate conforms to these limits, any credit~~
48 ~~risk shall be allowed for, and the member shall be~~
49 ~~given the benefit of the doubt. (AA-IV-3(ii))]~~

G-5
~~[G-4]~~ 50 Members shall notify ~~[in fact]~~ the Fund whether
51 ~~[their monetary authorities]~~ for the settlement of
52 international transactions they, in fact, freely
53 buy and sell gold within the prescribed limits

54 of price and shall notify the Fund of any changes in
55 such policy. (AA IV-4(b))

~~C-57~~

56 ~~The rates for forward exchange transactions or~~
57 ~~for time bills of exchange shall not be for the~~
58 ~~purpose of circumventing the agreed parities~~

Insert (a), G-1, line 5

the Executive Board shall decide on the best method of notifying
the members.

Delete last 2 words and

Insert (b), G-1, line 6

for public within 48 hours after an hour agreed upon by the Executive Board
for specific currencies

Insert (a), G-1, line 5

the Executive Board shall decide on the best method of notifying
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Insert (b), G-1, line 6

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for specific currencies

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12 (AA IV-5 and 9)

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23 Fund, if the volume of such transactions exceeds an
24 amount to be agreed upon from time to time by the
25 member and the fund. 7

26] If exchange transactions contrary to the laws
27 of any member take place within its territories, the
28 member shall report to the Fund every month, or at
29 such shorter intervals as the Fund may request, an
30 estimate of the volume of such transactions and
31 the rates of exchange at which the bulk of them are
32 consummated.]

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34 Executive Directors any case in which it appears
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41 rates for forward exchange transactions or other
42 transactions discussed in EBD No. _____.

[G-3] 43] The rates for forward exchange transactions may
44 vary from spot rates for a similar transaction by a
45 percentage prescribed by the Fund from time to time
46 for the currency of each member. In considering
47 whether a rate conforms to these limits, any credit
48 risk shall be allowed for, and the member shall be
49 given the benefit of the doubt. (AA-IV-3(ii))]

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51] ~~their monetary authorities,~~ for the settlement of
52 international transactions they, in fact, freely
53 buy and sell gold within the prescribed limits

54 of price and shall notify the Fund of any changes in
55 such policy. (AA IV-4(b))

9-57 56 The rates for forward exchange transactions or
57 for time bills of exchange shall not be for the
58 purpose of circumventing the agreed parities

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12 rencies bought and sold in their territories is made available to
13 the Fund.

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15 of foreign exchange transactions by the member, its fiscal
16 agencies and banks or other business enterprises engaging in a
17 substantial volume of foreign exchange transactions taking place
18 in its market outside the range prescribed by the Fund, if the
19 volume of such transactions exceeds an amount to be agreed upon
20 from time to time by the member and the Fund.~~

G-4 21 ~~If exchange transactions contrary to the laws of any member
22 take place within its territories, the member shall report to
23 the Fund every month, or at such shorter intervals as the Fund
24 may request, an estimate of the volume of such transactions and
25 the rates of exchange at which the bulk of them are consummated.~~

G-5 26 The Managing Director shall report to the Executive
27 Directors any case in which it appears to him that a member is

1 not fulfilling its obligations under Article IV, Section 3,
2 having regard to the permitted margins for spot and forward
3 transactions in foreign exchange prescribed by the Fund and to
4 Article XIV. (AA IV-3)

G-3

5 The rates for forward exchange transactions may vary from
6 spot rates for a similar transaction by a percentage prescribed
7 by the Fund from time to time for the currency of each member.
8 In considering whether a rate conforms to these limits, any credit
9 risk shall be allowed for, and the member shall be given the
10 benefit of the doubt. (AA IV-3(ii))

G-4

11 Members shall inform the Fund whether their monetary
12 authorities, for the settlement of international transactions,
13 in fact freely buy and sell gold within the prescribed limits
14 and shall notify the Fund of any changes in such policy.
15 (AA IV-4(b))

substitute

G-5

16 The rates for forward exchange transactions ^{similar operations} or for time
17 bills of exchange shall not be for the purpose of circumventing
18 the agreed parities. *nor shall other transactions be resorted
to for this purpose*

G4 Agreed parities shall not be circumvented
by rates for forward exchange transaction or
other transactions discussed in E.B.D. No -

Received from Mr. Brenner 6/13/46; or. and
1 cc to Mr. White.

26. B-3 The rates for forward exchange transactions may vary from
27. spot rates for a similar transaction by a percentage prescribed by
28. the Fund from time to time for the currency of each member. In
29. considering whether a rate conforms to these limits any element of ?
30. insurance, transportation or cabling cost, and any credit risk shall
31. be allowed for, and the member shall be given the benefit of the >
32. doubt. (AA IV-3(ii))

33. B-4 Members shall inform the Fund whether their monetary authorities,
34. for the settlement of international transactions, in fact freely buy
35. and sell gold within the prescribed limits and shall notify the Fund
36. of any changes in such policy. (AA IV-4(b))

37. B-5 No member shall buy or sell gold from or to any other member, or
38. the government or central bank of a non-member, for any member
39. currency at a price that differs from the agreed parity for that
40. currency by more than a percentage to be prescribed by the Fund from
41. time to time for the currency of each member. (AA IV-2)

42. B-6 Each member shall report to the Fund every month all transactions
43. undertaken by the member, its fiscal agencies and reporting banks for
44. the purchase or sale of gold, including newly-mined gold purchased
45. from its nationals, at any price differing from parity by more than
46. 1 per cent.

47. If transactions in gold contrary to the laws of any member take
48. place within its territories, the member shall report to the Fund every
49. month, or at such shorter intervals as the Fund may request, an
50. estimate of the volume of such transactions and the prices at which
51. the bulk of them are consummated. (AA IV-2)

52. B-7 The rates for forward exchange transactions or for time bills
53. of exchange shall not be for the purpose of circumventing the agreed
54. parities.

55. B-8 A member desiring to change the par value of its currency shall
56. give the Fund as much notice as the circumstances allow, and shall
57. submit a full and reasoned statement why, in its opinion, such a
58. change is necessary to correct a fundamental disequilibrium. The
59. Fund shall consider a proposal to change the par value of a currency
60. on the first business day after it receives the proposal but, if the
61. proposal is made by a member not entitled to appoint an Executive
62. Director, the Fund shall not make its decision until the member has
63. had an opportunity to send a representative to the meeting at which
64. the matter is considered. If, after considering the proposal, the
65. Fund objects, it shall give the member a written statement of the
66. reasons for its objection. (AA IV-5, XII-3(j)).

Lines G-14 to G-20 might be revised as follows:-

awaiting study of the provisions of art. XII
"If a member proposes to ~~tolerate, introduce, or~~ continue

exchange rates for any class of transaction which differ from parity by more than the prescribed margin, it shall so inform the Fund within one month of agreement on parities with a statement of its reasons. A member shall similarly inform the Fund if and when any such transaction is tolerated subsequent to the agreement on parities."

Lines G-21 to 25 might read as follows:-

"If exchange transactions contrary to the laws of any member take place within its territories, the member is invited to report to the Fund for its information an estimate of the volume of such transactions and the rates of exchange at which the bulk of them are consummated." (? Is it desirable to include any sentence to cover undertakings regarding relations with non-member countries)-(AA-XI).

Lines G-11 to G-15 will now read:-

"Members shall notify the Fund whether for the settlement of international transactions they, in fact, freely buy and sell gold within the prescribed limits of price and shall notify the Fund of any changes in such policy." (AA-IV,4(b))

Agreement shall be sought with each member for reports to Fund regarding character of such trans. outside the prescribed range. Provision for such info shall be limited to those markets in which there is a substantial volume of transactions taking place outside the prescribed range. transacting in an amount deemed significant by the member that place in market

63 lines 14 & 20

If for any reason, the member's carrying charges from pounds by more than the prescribed range, the member shall report to the Fund with such explanatory details as may be warranted

If trade takes place in any member
country, transactions involving other member
currencies outside range, member shall
report into new consultation as to
effects + possible curtailment

ACCOUNTS AND REPORTS

F-1 I would prefer this to read:

"The Annual Report and Accounts of the Fund shall be summarized in terms of the United States dollar of the weight a fineness in effect on July 1st, 1944 for the purpose of producing a consolidated balance sheet. The working accounts of the Fund will be kept in the currencies actually held and dealt in by the Fund."

F-6 What about a continuous audit?

F-7 Do we need to provide for carrying forward a loss?

F-8 Vide F-7.

F-12 Is the Annual Report to be a document for external circulation?

F-15 I prefer "in verified code from the Managing Director."

POSTPONEMENT, LIMITATION,
INELIGIBILITY AND WITHDRAWAL

I would delete G-4 and would reverse G-5 to read:

"When the Fund and a member have agreed upon the initial par value.....the Fund may decide to postpone exchange transactions if conditions prevent the settlement of exchange contracts."

We may consider running G-1 on to the end of G-5, G-6 to end with the words "save in such conditions as may be prescribed."

G-8 Delete the first eight words starting with the word "whenever".

G-10 We should say "the type of controls".

G. Postponement, Limitation, Ineligibility and Withdrawal

G-1 The Fund shall postpone exchange transactions with a member in accordance with Article XX, Section 4 (i) of the Fund Agreement only after the Executive Directors so decide. The member shall be informed of the action under consideration and shall be invited to send a representative to the meeting of the Executive Directors when the matter is being considered.

G-2 The Fund shall inform the member of the action of the Executive Directors in a written report stating the conditions under which the Fund will be prepared to begin exchange transactions with the member.

G-3 When the period for agreeing on the initial parity of the currency of a member has been extended beyond 90 days after the date on which the Fund requests the communication of par values, in accordance with Article XX, Section 4(d) (ii) of the Fund Agreement, the Fund shall prescribe the conditions under which it will undertake exchange transactions with the member. The member shall be informed of the action under consideration and shall be invited to send a representative to the meeting of the Executive Directors when the matter is being considered.

G-4 The Fund shall inform the member of the prescribed conditions in a written report. The Fund may at any time change the prescribed conditions.

G-5 When the Fund and a member do agree on the initial par value of the currency of a member, where the period for agreeing on the initial parity has been extended beyond 90 days, the Fund may decide to postpone exchange transactions with the member or to prescribe new conditions. In such cases, The Fund shall follow the procedure provided above for postponing exchange transactions or for prescribing conditions.

G-6 Whenever a member changes the par value of its currency without consulting the Fund or despite the objection of the Fund, the Managing

short of all

ditto

Director shall promptly inform the Executive Directors of the action taken by the member. If the Executive Directors confirm that this action constitutes an unauthorized change in the par value of the currency, the member shall be informed that it is ineligible to use the resources of the Fund.

G-7 The Executive Directors shall meet with a representative of the member to consider the difference. The Executive Directors shall then inform the member in a written report of their decision to continue the ineligibility of the member, to take other action to limit the use of the Fund's resources by the member, or to declare the difference with the member at an end.

G-8 The Managing Director shall inform the Executive Directors [whenever it appears that a member is making] net use of the Fund's resources to meet a large or sustained outflow of capital. The Fund shall request the member to exercise appropriate controls to prevent such use of its resources.

G-9 If the member, thereafter, fails to exercise appropriate controls, the Executive Directors shall consider whether to declare the member ineligible to use the resources of the Fund. The member shall be invited to be represented at the meeting of the Executive Directors when the matter is considered.

G-10 If the member is declared ineligible the decision shall be given in a written report setting forth the controls that in the opinion of the Fund should be exercised to prevent a large or sustained outflow of capital.

G-11 When the Fund finds beyond reasonable doubt that a member is continuing any wartime exchange restrictions which are inconsistent with the provisions of the Fund Agreement and which are unnecessary, it shall

Cap. Trans

present a written report to the member specifying the restrictions which should be abandoned or modified.

G-12 The member shall be given a period of one month in which to reply to the representations in the report. The Executive Directors shall then consider with the member whether the specified restrictions can be safely removed or modified and the member shall be informed of the Fund's decision.

G-13 If the Executive Directors decide that the specified restrictions can be safely removed or modified they shall set a date, not earlier than three months from that time, at the end of which period the member shall be required to remove or modify the specified restrictions that are no longer necessary.

G-14 If at the end of such a period the member persists in maintaining the specified restrictions, the member shall be declared ineligible to use the resources of the Fund.

G-15 When the Fund finds that a member deliberately or persistently fails to fulfill any of its obligations under the Fund Agreement, it shall present a written report to the member setting forth the failure of the member. The member shall be given adequate opportunity to prepare a reply and it shall be represented at the meeting of the Executive Directors when the matter is considered.

G-16 If the Executive Directors find that a member has failed to fulfill its obligations under the Fund Agreement, they shall declare the member ineligible to use the resources of the Fund or they shall prescribe conditions under which the member may continue to use the resources of the Fund.

G-17 Whenever the Fund is of the opinion that any member is using the resources of the Fund in a manner contrary to the purposes of the Fund, it shall present to the member a written report setting forth which purpose

of the Fund is involved and the uses of the Fund's resources by the member which are contrary to the specified purpose. After presenting the written report the Fund may limit the use of its resources by the member.

G-18 The member shall be given a suitable time to reply to the Fund's report. The Executive Directors shall set a date for a meeting at which the report and reply will be considered and the member shall be invited to be represented at the meeting.

G-19 If the Executive Directors decide that the member has used the Fund's resources in a manner contrary to the purposes of the Fund, they may continue to limit the member's use of the Fund's resources, and they may declare the member ineligible to use the Fund's resources after a date not earlier than 3 months from the time of the decision.

G-20 No member shall be relieved of any obligation under the Fund Agreement, except as otherwise stated, because the Fund has postponed or limited exchange transactions with the member, or has prescribed conditions for exchange transactions with the member, or declared the member ineligible to use the resources of the Fund.

G-21 Any member that is ineligible to use the resources of the Fund, or whose use of the Fund's resources has been postponed, limited or conditioned, may at any time apply to the Fund for the full resumption of exchange transactions.

G-22 The Executive Directors shall set a time for a meeting at which the request of the member will be considered and the member shall be represented at the meeting. The Executive Directors shall inform the member of their decision in a written report and if they decide not to permit full resumption they shall state what further action they require of the member.

G-23 After a member has been ineligible to use the Fund's resources for a period of six months, the Executive Directors shall consider whether the

member has corrected the conditions which have led to the declaration of ineligibility. The member shall be invited to be represented at the meeting at which the matter is considered. The Executive Directors shall then consider whether to terminate the ineligibility or continue the ineligibility of the member to use the Fund's resources.

G-24 If the Executive Directors find that the member persists in its failure to fulfill any of its obligations, or the difference between the member and the Fund continues, the Executive Directors may inform the member that a recommendation for compulsory withdrawal will be made to the Board of Governors.

G-25 After complying with this procedure, the Executive Directors may present to the Governors a written report with a recommendation for compulsory withdrawal. The recommendation may be presented at any meeting of the Board of Governors, but not by means of a telegraphic poll.

G-26 When the Fund and a member differ on the interpretation of a provision of the Fund Agreement, and the member has been declared ineligible to use the Fund's resources because of the failure to fulfill its obligations, the Executive Directors shall promptly submit the question to the Board of Governors for a telegraphic vote.

G-27 In such a case the Executive Directors shall take no action to recommend compulsory withdrawal of the member until the Board of Governors has made its decision and the member has had a reasonable time to meet the requests of the Executive Directors.

G-28 When a member withdraws from the Fund, voluntarily or by compulsion, the Fund shall notify all members of the change in membership.

G-29 The Executive Directors shall promptly arrange a meeting with a representative of the former member to secure agreement on the settlement of accounts between the Fund and the former member.

G-30 If a former member fails to agree with the Fund on a program for settlement of its accounts, or if it fails to meet its obligations under such a program, the Fund shall inform all members of the amount of the currency of the former member it will liquidate and it shall request the members to purchase the currency from the Fund to the extent of their needs.

G-31 If the Fund decides to liquidate the currency by offering it for sale in any market, it shall inform the members in whose markets the currency is to be sold and it shall request them to dispose of the currency in an orderly manner as agents for the Fund.