

GUARDIAN BOND

C-McE

PAS COY ENT. U.S.A.

P

59

P - Capital Transfers

*which if continued
in the opinion of the
Fund*

P-1

1 If there is taking place a large or sustained outflow of
2 capital from a member country that may require net use of the
3 ~~Fund's resources:~~ *would later lead to that member N
as a member*

o/c

4 a. that member or any other member may notify the Fund,
5 presenting such information as it deems necessary, and may
6 request the Fund's views with respect to such capital movement;
7 and

o/c

8 b. the Fund may present to the member or members concerned
9 ~~a report setting forth its views,~~ and may request the member or
10 members to report on the situation within a suitable time.

P-2

11 Whenever the Fund has requested a member to exercise controls
12 to prevent use of the resources of the Fund to meet a large or
13 sustained outflow of capital, *the Fund shall request* the member shall notify the Fund *it*

o/c

14 promptly and in detail of the measures taken. ~~The member shall~~ *Fund shall*
15 ~~consult with the Executive Board on the institution, administration, efficacy~~
16 ~~and subsequent removal of appropriate controls. (AA VI-1(a))~~ *of the appropriate restriction*

~~delete~~

P-3

17 Each member shall inform the Fund in detail of the measures
18 it is taking to regulate international capital movements and of
19 changes made in such measures.

o/c

P-4

20 If the Fund is of the opinion that the controls exercised
21 by a member to regulate international capital movements are
22 restrictive of payments for current transactions, or unduly delay
23 transfers of funds in settlement of commitment, the Fund shall,
24 subject to the provisions of Article VII, Section 3 (b) and
25 Article XIV, Section 2, consult with the member on the manner in
26 which the controls are exercised. If, after consultation, the Fund

Fund

27 is not satisfied that the controls are exercised in a manner
28 consistent with the ~~Articles of Agreement~~, it shall so inform the
29 member in a written report and ^{request} ~~give~~ the member an opportunity to
30 modify the controls. (AA VI-3)

P-5

31 When the ~~Fund's~~ holdings of a member's currency exceed
32 ~~seventy-five percent of its quota and the Fund finds that a~~
33 member is effecting capital movements which are met out of the
34 member's own resources of gold and foreign exchange and which
35 may not be in accordance with the purposes of the Fund, the Fund
36 shall consult with the member with respect to such capital move-
37 ments. If, after consultation, the Fund is ~~not~~ satisfied that such
38 capital movements are ^{not} in accordance with the purposes of the Fund,
39 it shall present to the member a report setting forth its views,
40 and request a reply within a suitable time. ~~If the Fund is not~~
41 ~~satisfied with the member's report, or the time set by the Fund~~
42 ~~has elapsed without receipt of a report, the Fund may request~~
43 ~~that action be taken to prevent such use of its resources.~~
44 (AA VI - 1 (b)(ii))

P-6

45 Whenever in any case coming before the Fund there is any
46 doubt whether a transaction is a current or capital transaction,
47 the Managing Director shall arrange for a report to be presented
48 to the Executive Board for its consideration and such consultation
49 with the members concerned as the Executive Board deems appropriate.
50 (AA XIX - (i))

That corrective action should be taken.

P - Capital Transfers

P-1

1 If there is taking place a large or sustained outflow of
2 capital from a member country that may require net use of the
3 Fund's resources:

4 a. that member or any other member may notify the Fund,
5 presenting such information as it deems necessary, and may
6 request the Fund's views with respect to such capital movement;
7 and

8 b. the Fund may present to the member or members concerned
9 a report setting forth its views, and may request the member or
10 members to report on the situation within a suitable time.

P-2

11 Whenever the Fund has requested a member to exercise controls
12 to prevent use of the resources of the Fund to meet a large or
13 sustained outflow of capital, the member shall notify the Fund
14 promptly and in detail of the measures taken. The member shall
15 consult with the Executive Board on the institution, administration
16 and subsequent removal of appropriate controls. (AA VI-1(a))

P-3

17 Each member shall inform the Fund in detail of the measures
18 it is taking to regulate international capital movements and of
19 changes made in such measures.

P-4

20 If the Fund is of the opinion that the controls exercised
21 by a member to regulate international capital movements are
22 restrictive of payments for current transactions, or unduly delay
23 transfers of funds in settlement of commitment, the Fund shall,
24 subject to the provisions of Article VII, Section 3 (b) and
25 Article XIV, Section 2, consult with the member on the manner in
26 which the controls are exercised. If, after consultation, the Fund

27 is not satisfied that the controls are exercised in a manner
28 consistent with the Articles of Agreement, it shall so inform the
29 member in a written report and give the member an opportunity to
30 modify the controls. (AA VI-3)

P-5

31 When the Fund's holdings of a member's currency exceed
32 seventy-five percent of its quota and the Fund finds that a
33 member is effecting capital movements which are met out of the
34 member's own resources of gold and foreign exchange and which
35 may not be in accordance with the purposes of the Fund, the Fund
36 shall consult with the member with respect to such capital move-
37 ments. If, after consultation, the Fund is not satisfied that such
38 capital movements are in accordance with the purposes of the Fund,
39 it shall present to the member a report setting forth its views,
40 and request a reply within a suitable time. If the Fund is not
41 satisfied with the member's report, or the time set by the Fund
42 has elapsed without receipt of a report, the Fund may request
43 that action be taken to prevent such use of its resources.
44 (AA VI - 1 (b)(ii))

P-6

45 Whenever in any case coming before the Fund there is any
46 doubt whether a transaction is a current or capital transaction,
47 the Managing Director shall arrange for a report to be presented
48 to the Executive Board for its consideration and such consultation
49 with the members concerned as the Executive Board deems appropriate.
50 (AA XIX - (i))

X - Capital Transfers

X-1 1 ~~(If the drain on the reserves of a member is of such~~
2 ~~a nature that it may involve)~~ If there is taking place a
3 large or sustained outflow of capital from a member country
4 that may (and) require (a) net use of the Fund's resources:
5 a. that member or any other member may notify the
6 Fund, presenting such information as it deems necessary,
7 and may request (the cooperation of) the Fund's views with
8 respect to such capital movements; and (and its advice
9 ~~concerning appropriate measures to be taken;)~~
10 b. the Fund (shall) may present to the member or
11 members concerned a report setting forth its views, and
12 (shall) may request the member or members to report on the
13 the situation within a suitable time.

X-2 14 ~~(When the Fund is of the opinion that a member is making~~
15 ~~net use of the Fund's resources to meet a large or sustained~~
16 ~~outflow of capital not covered by Article VI, Sec. 1(b)(1)~~
17 ~~and Sec. 2, the Fund may request a member to exercise appro-~~
18 ~~priate controls to prevent such use of the Fund's resources.)~~

X-2
X-3 19 ~~(After)~~ Whenever the Fund has requested a member to
20 exercise controls (as set forth in Article VI, Sec. 1(a)) to
21 prevent use of the resources of the Fund to meet a large or
22 sustained outflow of capital, the member shall notify the
23 Fund promptly and in detail of the measures taken. The
24 member shall consult with the Executive Board on the institution,
25 administration and subsequent removal of appropriate controls.
26 (AA VI-1(a))

(X-4) 27 ~~(If, after receiving a request to exercise controls as~~
28 ~~set forth in Article VI, Sec. 1(a), the member fails to~~
29 ~~exercise appropriate controls, the Fund may either declare~~
30 ~~the member ineligible to use its resources or limit the use~~
31 ~~of its resources by the member. (AA VI-1(a), V-5))~~

P X-3
(X-5) 32 ~~(If a member is exercising controls or introduces new~~
33 ~~controls not requested by the Fund to regulate international~~
34 ~~capital movements, it) Each member shall (notify) inform the~~
35 ~~Fund in detail of the measures (taken) it is taking to~~
36 ~~regulate international capital movements and of changes made~~
37 ~~in such measures.~~

P X-4
(X-6) 38 ~~(Except in cases referred to in Article VII, Sec. 3(b)~~
39 ~~and Article XIV, Sec. 2,) If the Fund is of the opinion that~~
40 ~~the controls (referred to in Paragraph X-5 above) exercised~~
41 ~~by a member to regulate international capital movements are~~
42 ~~restrictive of (transfers and) payments for current trans-~~
43 ~~actions, or unduly delay transfers of funds in settlement of~~
44 ~~commitment, the Fund shall, subject to the provisions of~~
45 ~~Article VII, Section 3(b) and Article XIV, Section 2, consult~~
46 ~~with the member on the (as set for) manner in which the controls~~
47 ~~are exercised. If, after consultation, the Fund (shall then~~
48 ~~inform the member of its decision) is not satisfied that the~~
49 ~~controls are exercised in a manner consistent with the~~
50 ~~Articles of Agreement, it shall so inform the member in a~~
51 ~~written report and give the member an opportunity to modify~~
52 ~~the controls. (AA VI-3) ~~(If the member fails to remedy the~~~~
53 ~~defect, the action of the member shall be regarded as a failure~~
54 ~~to fulfill its obligations under the Fund Agreement.)~~

X-5
(X-7)

55 When (~~the Fund's holdings of a member's currency exceed~~
56 ~~seventy-five percent of its quota and~~) the Fund finds that
57 (~~the~~) a member is effecting capital movements which are met out
58 of the member's own resources of gold and foreign exchange
59 and which may not be in accordance with the purposes of the
60 Fund, the Fund (~~may present to~~) shall consult with the member
61 with respect to such capital movements. If, after consultation,
62 the Fund is not satisfied that such capital movements are in
63 accordance with the purposes of the Fund, it shall present to
64 the member a report setting forth its views, and request a
65 reply within a suitable time. If the Fund is not satisfied
66 with (after receiving) the member's report, or the time set
67 by the Fund has elapsed without receipt of a report, (the
68 Fund is of the opinion that the member is using his own
69 resources in a manner contrary to the purposes of the Fund,)
70 the Fund (~~shall inform the member and~~) may request that action
71 be taken to prevent such use of its resources. (~~If, after-~~
72 ~~receiving such a request, the member fails to take appropriate~~
73 ~~action, it shall be regarded as having failed to fulfill its~~
74 ~~obligations under the Fund Agreement.~~) (AA VI-1(b)(ii))
75 (~~XV-2(a))~~)

X-6
(X-8)

76 Whenever in any case coming before the Fund there is any
77 doubt whether a transaction is a current or capital transaction,
78 the (~~Staff shall present~~) Managing Director shall arrange for
79 a report (on the matter for consideration by) to be presented
80 to the Executive Board for its consideration and such con-
81 sultation with the members concerned as the Executive Board
82 deems appropriate. (AA XIX-(i))

X - Capital Transfers

X-1 1 ~~(If the drain on the reserves of a member is of such~~
2 ~~a nature that it may involve)~~ If there is taking place a
3 large or sustained outflow of capital from a member country
4 that may (and) require (a) net use of the Fund's resources;

5 a. that member or any other member may notify the
6 Fund, presenting such information as it deems necessary,
7 and may request (the cooperation of) the Fund's views with
8 respect to such capital movements; and (and its advice-
9 ~~concerning appropriate measures to be taken.)~~

10 b. the Fund (shall) may present to the member or
11 members concerned a report setting forth its views, and
12 ~~(shall) may~~ request the member or members to report on the
13 situation within a suitable time.

(X-2) 14 ~~(When the Fund is of the opinion that a member is making~~
15 ~~net use of the Fund's resources to meet a large or sustained~~
16 ~~outflow of capital not covered by Article VI, Sec. 1(b)(i)~~
17 ~~and Sec. 2, the Fund may request a member to exercise appro-~~
18 ~~priate controls to prevent such use of the Fund's resources.)~~

X-2
(X-3) 19 ~~(After)~~ Whenever the Fund has requested a member to
20 exercise controls (as set forth in Article VI, Sec. 1(a)) to
21 prevent use of the resources of the Fund to meet a large or
22 sustained outflow of capital, the member shall notify the
23 Fund promptly and in detail of the measures taken. The
24 member shall consult with the Executive Board on the institution,
25 administration and subsequent removal of appropriate controls.
26 (AA VI-1(a))

(X-4) 27 ~~(If, after receiving a request to exercise controls as~~
28 ~~set forth in Article VI, Sec. 1(a), the member fails to~~
29 ~~exercise appropriate controls, the Fund may either declare~~
30 ~~the member ineligible to use its resources or limit the use~~
31 ~~of its resources by the member. (AA VI 1(a), V-5))~~

X-3
(X-5) 32 ~~(If a member is exercising controls or introduces new~~
33 ~~controls not requested by the Fund to regulate international~~
34 ~~capital movements, it) Each member shall (notify) inform the~~
35 ~~Fund in detail of the measures (taken) it is taking to~~
36 ~~regulate international capital movements and of changes made~~
37 ~~in such measures.~~

X-4
(X-6) 38 ~~(Except in cases referred to in Article VII, Sec. 3(b)~~
39 ~~and Article XIV, Sec. 2,) If the Fund is of the opinion that~~
40 ~~the controls (referred to in Paragraph X-5 above) exercised~~
41 ~~by a member to regulate international capital movements are~~
42 ~~restrictive of (transfers and) payments for current trans-~~
43 ~~actions, or unduly delay transfers of funds in settlement of~~
44 ~~commitment, the Fund shall, subject to the provisions of~~
45 ~~Article VII, Section 3(b) and Article XIV, Section 2, consult~~
46 ~~with the member on the (used for) manner in which the controls~~
47 ~~are exercised. If, after consultation, the Fund (shall then~~
48 ~~inform the member of its decision) is not satisfied that the~~
49 ~~controls are exercised in a manner consistent with the~~
50 ~~Articles of Agreement, it shall so inform the member in a~~
51 ~~written report and give the member an opportunity to modify~~
52 ~~the controls. (AA VI-3) (If the member fails to remedy the~~
53 ~~defect, the action of the member shall be regarded as a failure~~
54 ~~to fulfill its obligations under the Fund Agreement.)~~

X-5
(X-7)

55 When ~~(the Fund's holdings of a member's currency exceed~~
56 ~~seventy five percent of its quota and)~~ the Fund finds that
57 ~~(the)~~ a member is effecting capital movements which are met out
58 of the member's own resources of gold and foreign exchange
59 and which may not be in accordance with the purposes of the
60 Fund, the Fund ~~(may present to)~~ shall consult with the member
61 with respect to such capital movements. If, after consultation,
62 the Fund is not satisfied that such capital movements are in
63 accordance with the purposes of the Fund, it shall present to
64 the member a report setting forth its views, and request a
65 reply within a suitable time. If the Fund is not satisfied
66 with (after receiving) the member's report, or the time set
67 by the Fund has elapsed without receipt of a report, (the
68 ~~Fund is of the opinion that the member is using his own~~
69 ~~resources in a manner contrary to the purposes of the Fund,)~~
70 the Fund ~~(shall inform the member and)~~ may request that action
71 be taken to prevent such use of its resources. ~~(If, after~~
72 ~~receiving such a request, the member fails to take appropriate~~
73 ~~action, it shall be regarded as having failed to fulfill its~~
74 ~~obligations under the Fund Agreement,)~~ (AA VI-1(b)(ii))
75 ~~(XV-2(a))~~

X-6
(X-8)

76 Whenever in any case coming before the Fund there is any
77 doubt whether a transaction is a current or capital transaction,
78 the ~~(Staff shall present)~~ Managing Director shall arrange for
79 a report (on the matter for consideration by) to be presented
80 to the Executive Board for its consideration and such con-
81 sultation with the members concerned as the Executive Board
82 deems appropriate. (AA XIX-(i))

X - Capital Transfers

Note: The Interim Drafting Committee has restricted this section to matters of procedure, agreeing it is preferable not to attempt here to define in the abstract (a) the line between current and capital transactions, (b) the specific application of "reasonable amount" mentioned in AA VI-1(b)(1), and (c) the criteria for determining whether a member has met capital movements out of its own resources or out of the Fund resources (AA VI-1(b)(11)). No comment seems to be necessary on AA VI-2.

X-1 1 ~~If the drain on the reserves of a member is of such a nature~~
2 ~~that it may involve~~ a large or sustained outflow of capital ~~and~~ ^{that may}

3 require ~~a~~ net use of the Fund's resources:

4 a. Any member may notify the Fund, presenting such infor-
5 mation as it deems necessary, and may request ~~the cooperation of~~
6 the Fund ~~and its advice concerning appropriate measures to be~~
7 taken;

8 b. The Fund ~~shall~~ present to the member or members concerned
9 a report setting forth its views, and ~~shall~~ request the member or
10 members to report on the situation within a suitable time.

X-2 11 ~~When the Fund is of the opinion that a member is making net~~
12 ~~use of the Fund's resources to meet a large or sustained outflow~~
13 ~~of capital not covered by Article VI, Sec. 1(b)(1) and Sec. 2,~~
14 ~~the Fund may request a member to exercise appropriate controls~~
15 ~~to prevent such use of the Fund's resources.~~

X-3 16 ~~After~~ the Fund has requested a member to exercise controls
17 ~~as set forth in Article VI, Sec. 1(a), the member shall notify~~
18 the Fund promptly and in detail of the measures taken. (AA VI-1(a))

*No member shall
consult with the
Executive Board
on the constitution,
administration and
subsequent
removal of
appropriate
controls.*

*to prevent use of the resources of the
Fund to meet a large or sustained
outflow of capital*

X-4 19 If, after receiving a request to exercise controls as set forth
 20 in Article VI, Sec. 1(a), the member fails to exercise appropriate
 21 controls, the Fund may either declare the member ineligible to use
 22 its resources or limit the use of its resources by the member.
 23 (AA VI - 1(a), V-5)

X-3
 X-5 24 If a member is exercising controls or introduces new controls
 25 not requested by the Fund to regulate international capital move-
 26 ments, it shall notify the Fund in detail of the measures taken, it is

Each member custom
taking to regulate international capital movements & of changes made in such measure
 X-4
 X-6 27 Except in cases referred to in Article VII, Sec. 3(b) and Article

28 XIV, Sec. 2, if the Fund is of the opinion that the controls (referred
 29 to in Paragraph X-5 above are restrictive of transfers and payments
 30 for current transactions, the Fund shall consult with the member on
 31 the need for the controls. The Fund shall then inform the member
 32 of its decision in a written report and give the member an oppor-
 33 tunity to modify the controls. If the member fails to remedy the
 34 defect, the action of the member shall be regarded as a failure to
 35 fulfill its obligations under the Fund Agreement.

36 When the Fund's holdings of a member's currency exceed
 37 seventy-five percent of its quota and the Fund finds that (the) a
 38 member is effecting capital movements which are met out of the
 39 member's own resources of gold and foreign exchange and which
 40 may not be in accordance with the purposes of the Fund, the Fund

41 may present to the member a report setting forth its views, and
 42 request a reply within a suitable time. If, after receiving the
 43 member's report, or the time set by the Fund has elapsed without
 44 receipt of a report, the Fund is of the opinion that the member
 45 is using his own resources in a manner contrary to the purposes of
 46 the Fund, the Fund shall inform the member and may request that
 47 action be taken to prevent such use of its resources. If, after
 48 receiving such a request, the member fails to take appropriate
 49 action, it shall be regarded as having failed to fulfill its
 50 obligations under the Fund Agreement. (AA VI - 1(b)(ii)) XV - 2(a))

subject to the provisions of Article VII, Section 3(b) and Article XIV, Section 2,

is not satisfied that the controls are exercised in a manner consistent with the articles of Agreement, it shall so inform the member

word by M-1

transmission

If, after the Fund is not satisfied that such capital movements are in accordance with the purposes of the Fund, it shall present to the member

~~x-6~~
x-6

51 Whenever in any case coming before the Fund there is any
52 doubt whether a transaction is a current or capital transaction,
53 the ~~staff~~ ^{Managing Director shall arrange for} ~~shall present~~ a report ^{to be presented to} ~~on the matter for consideration~~
54 ~~by~~ the Executive Board. ^{for its consideration & such consultation}
^{with the members concerned as the Executive Board}
^{deems appropriate. (AA XIX-(i))}

~~XI~~. X-1

from a member ~~is that~~
there is taking place a
 If ~~a member is permitting~~ a large or sustained outflow of capital ~~which~~ may require ~~the~~ net use of the Fund's resources:

- (a) that member or any other member may notify the Fund, presenting such information as it deems necessary, and may request the Fund ~~be used~~ ^{views} with respect to such capital movements, *and*
- (b) the Fund ~~shall~~ ^{may} present to the member or members concerned a report setting forth its views, and ~~shall~~ ^{may} request *the* member or members to report on the situation within a suitable time.

~~XII~~. X-2

Whenever the Fund requests a member to exercise controls to prevent use of the resources of the Fund to meet a large or sustained outflow of capital, the member shall notify the Fund promptly and in detail of the measures taken. (AA VI-1(a))

~~XIII~~. X-3

Each member shall inform the Fund in detail of measures it is taking to regulate international capital movements and of changes made in such measures.

~~XIV~~. X-4

If the Fund is of the opinion that ~~the~~ ^a member is exercising controls to regulate international capital movements in a manner which restricts payments ~~of~~ current transaction, or unduly delays transfers of funds ~~and~~ ^{and} settlement of commitments, it shall, subject to ^{the} provisions of Article VII, Section 3(b), and Article XIV, Section 2, consult with the member with respect to the exercise of such controls. If after consultation the Fund is not satisfied

that the controls are exercised in a manner consistent with the Articles of Agreement, it shall so inform the member in a written report and give the member a reasonable opportunity to modify the controls. (AA VI-3)

~~X-5~~

Whenever the Fund is of the opinion that a member is permitting capital movements out of its own resources of gold and foreign exchange, which are not in accordance with the purposes of the Fund, it shall consult with the member with respect to such capital movements. If after consultation the Fund is not satisfied that such capital movements are in accordance with the purposes of the Fund, it ~~may~~ ^{shall} present a written report to the member, setting forth its views and requesting a reply within a suitable time. If the Fund is not satisfied with the report, or the member fails to make a report, the Fund may request ~~that~~ ^{the member to take} action ~~be taken~~ to prevent such movements. (AA VI-1(b)(ii))

~~X-6~~

Whenever in any case coming before the Fund there is any doubt whether ^a ~~any~~ specific transaction is a current or capital transaction, the Managing Director shall arrange for a report to be presented to the Executive Board for its consideration ~~and~~ ^{and} such consultation with the members concerned as the Executive Board deems appropriate. (AA XIX-(i))

July 24, 1946

X - Capital Transfers

Note: The Interim Drafting Committee has restricted this section to matters of procedure, agreeing it is preferable not to attempt here to define in the abstract (a) the line between current and capital transactions, (b) the specific application of "reasonable amount" mentioned in AA VI-1(b)(i), and (c) the criteria for determining whether a member has met capital movements out of its own resources or out of the Fund resources (AA VI-1(b)(ii)). No comment seems to be necessary on AA VI-2.

- X-1 1 If the drain on the ^{gold and other foreign exchange resources of a} reserves of a member is of such a nature
 2 that it may ^{reflect} involve a large or sustained outflow of capital and ^{may}
 3 require a net use of the Fund's resources;
- 4 a. Any member may notify the Fund, presenting such infor-
 5 mation as it deems necessary, and may request ~~the cooperation of~~
 6 the Fund ^{views} and ~~its advice~~ concerning appropriate measures to be
 7 taken;
- 8 b. The Fund shall present to the member or members concerned
 9 a report setting forth its views and shall request the member or
 10 members to report on the situation within a suitable time.
- X-2 11 When the Fund is of the opinion that a member is making net
 12 use of the Fund's resources to meet a large or sustained outflow
 13 of capital not covered by Article VI, Sec. 1(b)(1) and Sec. 2,
 14 the Fund may request a member to exercise appropriate controls
 15 to prevent such use of the Fund's resources.
- X-3 16 After the Fund has requested a member to exercise controls
 17 as set forth in Article VI, Sec. 1(a), the member shall notify
 18 the Fund promptly and in detail of the measures taken.

X-4 19 If, after receiving a request to exercise controls as set forth
 20 in Article VI, Sec. 1(a), the member fails to exercise appropriate
 21 controls, the Fund may either declare the member ineligible to use
 22 its resources or limit the use of its resources by the member.
 23 (AA VI - 1(a), V.5)

X-5 24 If a member is exercising controls or introduces new controls
 25 not requested by the Fund to regulate international capital move-
 26 ments, it shall notify the Fund in detail of the measures taken,
 (A.A.VI-3)

X-6 27 Except in cases referred to in Article VII, Sec. 3(b) and Article
 28 XIV, Sec. 2, if the Fund is of the opinion that the controls referred
 29 to in Paragraph X-5 above are restrictive of transfers and payments
 30 for current transactions, the Fund shall ^{if the situation is not adjusted after consultation} consult with the member, ~~on~~
 31 ~~the need for the controls. The Fund shall then inform the member~~
 32 of its decision in a written report and give the member an oppor-
 33 tunity to modify the controls. If the member fails to ^{comply with the} remedy the
 34 ~~defect, the action of~~ ^{request of the Fund,} the member shall be regarded as a ^{having failed} failure to
 35 fulfill its obligations under the Fund Agreement.

*compare this with
 Section 9 (?) on
 exchange controls*

X-7 36 When the Fund's holdings of a member's currency exceed
 37 seventy-five percent of its quota and the Fund finds that the
 38 ~~member is effecting capital movements which are met out of the~~ ^{capital movements taking place out of the member's territory and}
 39 member's own resources of gold and foreign exchange ~~and which~~
 40 may not be in accordance with the purposes of the Fund, the Fund
 41 may present to the member a report setting forth its views, and
 42 request a reply within a suitable time. If, after receiving the
 43 member's report, or the time set by the Fund has elapsed without
 44 receipt of a report, the Fund is ^{still} of the opinion that the member
 45 is using his own resources ^{to effect capital movements in a manner not in accord with the} in a manner contrary to the purposes of
 46 the Fund, the Fund shall inform the member and may request that
 47 action be taken to prevent such ^{movements} use of its resources. If, after
 48 receiving such a request, the member fails to take appropriate
 49 ^{may be declared ineligible to use the resources of the Fund} action, it shall be regarded as having failed to fulfill its
 50 obligations under the Fund Agreement. (AA VI - 1(b)(ii); XV - 2(a))

change

X-8 - see attached