

**FOR
AGENDA**

Executive Board
Document No. 321

INTERNATIONAL MONETARY FUND

August 31, 1948

TO: Members of the Executive Board
FROM: The Secretary
SUBJECT: Third Annual Meeting - Changes in the Rules and Regulations

Attached for the consideration of the Executive Board is a draft letter to the Chairman of the Board of Governors reporting changes in the Rules and Regulations since the last meeting.

The Chairman of the Committee on Agenda for the Third Annual Meeting has been consulted and agrees, in view of the shortness of time, that this draft could properly go directly to the Executive Board.

The matter will be placed on an early agenda.

Att: (1)

Other Distribution:
Department Heads
Division Chiefs



Dear Mr. Chairman:

In accordance with Section 16 of the By-laws, the changes in the Rules and Regulations set forth in the attached proposed Resolution are submitted for review by the Board of Governors. The changes were adopted by the Executive Directors on August 14, 1947, January 15, February 11, February 20, March 8, and July 30, 1948.

The following is a brief explanation of the changes made:

Amendments

1. B-1. This section was amended to provide that the term Executive Director shall include the Alternate or the temporary Alternate, as the case may be. The revision was agreed on August 14, 1947, provided the Board of Governors adopted the Executive Board's recommendation for amendment of By-Law 14 (d) to provide for the appointment of temporary Executive Directors. The Board of Governors took such action at the Second Annual Meeting.
2. B-8. This section on holidays was amended to accord with the practice followed by the host Government.
3. C-3. This revised rule expresses the practices with respect to attendance at Meetings of the Executive Board of those staff members indicated by the Chairman.
4. I-4. Under Article V, Section 8(c) or (d), members are required to pay charges on the balances of their currencies held by the Fund in excess of their quotas. These charges increase as the Fund's holdings increase, and they also increase as the period of time lengthens over which the balances are held by the Fund. This rule specifies the time for making these payments and the manner in which the amount to be paid will be calculated.
5. I-5. Under Article V, Section 8(f), certain charges must be paid in gold, but a member may pay part in its own currency if its monetary reserves bear a specified ratio to its quota. The purpose of the amendment to this rule is to provide a procedure under which members may take advantage of the privilege to pay part of the charges in their own currency.
6. I-8. This rule deals with the payment of charges connected with sales of gold to the Fund or purchases of gold from the Fund. The rule has been amended in order to clarify the fact that the charges connected with these transactions which are subject to Article V, Section 8(f) do not include certain costs which must be reimbursed to the Fund.

7. J-4. This section was modified to provide that the Managing Director present an annual administrative budget to the Executive Board for approval not later than April 1 of each year. The revision was in consequence of the change in the commencement of the Fund's fiscal year from July 1 to May 1 of each year.
8. N-15. Under the modified rule, all travel by the staff is authorized by the Managing Director, with the exceptions specified in the rule.

Additions

1. G-6. This rule provides for the payment by members of the costs of moving gold to the Fund's nearest gold depository where the Fund accepts gold from the member elsewhere. These costs are not subject to Article V, Section 8(f). The new rule, therefore, is included under heading "G - Fund Transactions" instead of under "I - Repurchases and Charges" as was the case formerly, i.e., in I-3, which has now been eliminated.
2. G-7. This rule deals with estimated costs to be reimbursed to the Fund when a member sells gold to the Fund pursuant to Article V, Section 6(a). The explanation for this rule is the same as for G-6, save that formerly this matter was governed by I-8.

Deletions

1. I-3. This rule was eliminated when the new rule G-6 incorporating its substance was adopted.

Sincerely yours,

Gutt
Managing Director
and
Chairman of the Executive Board

Chairman of the Board of Governors
Third Annual Meeting
International Monetary Fund

CHANGES IN RULES AND REGULATIONS

RESOLVED:

That the Board of Governors of the International Monetary Fund hereby notifies the Executive Directors that it has reviewed the following changes in the Rules and Regulations and has no modifications to suggest:

I. AMENDMENTS

Section B-1 Amended text adopted August 14, 1947:

"Executive Director, except where otherwise specified, shall include the Alternate or the temporary Alternate, as the case may be."

Former text:

"Executive Director, except where otherwise specified, shall include the Alternate."⁷

Section B-8 Amended text adopted March 8, 1948:

"Business day refers to the normal working hours of the Fund, 9:00 a.m. to 5:30 p.m. at the official time for the District of Columbia, on Monday through Friday of each week with the following exceptions (which will include the succeeding Monday whenever one of the dates below falls on a Sunday):

January 1
February 22
May 30
July 4
First Monday in September
November 11
Fourth Thursday in November
December 25"

Former text:

"Business day refers to the normal working hours of the Fund, 9:00 a.m. to 5:30 p.m. at the official time for the District of Columbia, on Monday through Friday of each week with the following exceptions:

January 1
February 22
May 30
July 4
First Monday in September
November 11
Fourth Thursday in November
December 25

Section C-3 Amended text adopted January 15, 1948:

"Meetings of the Executive Board shall be open to attendance by the Secretary and such members of the staff as the Chairman indicates. At the request of the Chairman or any Executive Director meetings may be held in executive session, or the Executive Board may determine which particular members of the staff may attend any session."

Former text:

"Except by consent of the Executive Directors present, meetings shall be open to attendance only by Executive Directors, the Managing Director, the Secretary and such members of the secretariat as the Chairman indicates."

Section I-4 Amended text adopted July 30, 1948.

- "(a) As soon as possible after July 31, October 31, January 31, and April 30, the Fund shall notify each member of the charges it owes to the Fund pursuant to Article V, Section 8(c) or (d), for the three calendar months ending on each such date. These charges shall be payable within ten days after receipt of such notice.
- "(b) Such charges payable by each member shall, be computed on the basis of the 'average of the holdings' which, as used in this section, means the average daily balances of its currency held by the Fund in excess of its quota calculated as follows:
- "(i) At the end of each calendar month there shall be averaged for each member the daily amounts by which the Fund's holdings of its currency on the Fund's books at the close of each day during that month have exceeded its quota on each such day;

- "(ii) The Fund's holdings of each member's currency shall consist of all of its currency except amounts, not in excess of 1/100 of 1% of the member's quota, in a special account to meet administrative expenses.
- "(c) The period of time during which the Fund's holdings of a member's currency have been at a particular level shall be the continuous period of time during which the average of the holdings has not fallen below that level, and, in determining periods of time for the application of the charges, changes in the average of the holdings shall affect the calculation of time periods in the following way:
- "(i) Each increase in the average of the holdings shall create a new segment of the holdings which will be equal to the amount of the increase and the period of time during which each segment is held shall be measured from the beginning of the month in which the increase in the average of the holdings occurs.
- "(ii) Each decrease in the average of the holdings shall terminate the period of time during which the holdings have been in excess of the new average and the period of time shall terminate at the end of the month preceding that in which the decrease in the average of the holdings occurs.
- "(d) (i) The charge to be levied on each segment to the extent that it is within the first bracket of 25 per cent in excess of the quota shall be nil for the first three months, 1/2 per cent for the next nine months, 1 per cent for the second year, and an additional 1/2 per cent for each subsequent year.
- "(ii) The charge to be levied on each segment to the extent that it is within the second bracket of more than 25 per cent and not more than 50 per cent in excess of the quota shall be 1 per cent for the first year and an additional 1/2 per cent for each subsequent year.
- "(iii) The charge to be levied for the first year on each segment, to the extent that it is within each higher 25 per cent bracket in excess of the quota, shall be 1/2 per cent higher than that levied for the first year in the next lower bracket and an additional 1/2 per cent for each subsequent year."

Former text:

"At quarterly intervals the Fund shall notify each member of the charges due to the Fund pursuant to Article V, Section 8(c) or (d) on the balance of its currency held by the Fund in excess of its quota. These charges shall be paid within ten days after receipt of such notice."

Section I-5 Amended text adopted July 30, 1948:

- "(a) If, in accordance with Article V, Section 8(f), a member wishes to pay in its own currency part of any charge due to the Fund pursuant to I-4, the proportion to be paid in such currency shall be calculated on the basis of its monetary reserves at the end of the quarter of the financial year of the Fund to which such charges apply.
- "(b) If, in accordance with Article V, Section 8(f), a member wishes to pay in its own currency part of any charge due to the Fund pursuant to I-2 or I-8, the proportion to be paid in such currency shall be calculated on the basis of its monetary reserves on the day on which the charge is due; provided, however, that if the member would encounter undue difficulties in providing for that day the data required by the Fund in the monetary reserve report forms sent to members, the proportion to be paid in the member's currency shall be calculated on the basis of its monetary reserves at the end of the quarter of the financial year of the Fund in which the charge becomes due. The member, when making a provisional payment in accordance with (c) below, shall advise the Fund whether the member will provide monetary reserve data for the day on which the charge becomes due or for the end of the quarter in which the charge becomes due.
- "(c) Whenever a charge is due under I-2, I-4, or I-8, and the member wishes to pay part thereof in its own currency, the member shall make a provisional payment in gold and currency on the basis of its own estimate of its monetary reserves for the appropriate day or end of quarter of the financial year of the Fund as specified in (a) or (b) above. The member shall provide the Fund with the data, for such appropriate day or end of quarter, required by the Fund in the monetary reserve report forms sent to members, and such data shall be provided to the Fund not later than six months from the aforesaid appropriate day or end of quarter. On the basis of such data, the Fund shall make a final determination of the proportions of the charge to be paid in gold and in currency, and final adjustment of the provisional payment shall be made on the date specified by the Fund. If the member fails to

provide its monetary reserve data within the period prescribed herein, the whole of the charge shall be finally payable in gold."

Former text:

"A member wishing to pay in its own currency part of any charges due shall submit to the Fund a statement giving the necessary justification. Provisional payment shall be made on the basis of the member's statement, subject to final determination by the Fund of the proportion to be paid in gold."/

Section I-8 Amended text adopted July 30, 1948:

"When any member sells gold to the Fund pursuant to Article V, Section 6(a), or buys gold from the Fund, the Fund may levy a handling charge which shall be paid in accordance with Article V, Section 8(f)."

Former text:

"When any member offers gold to the Fund pursuant to Article V, Section 6(a), the Fund shall levy a charge (unless in particular cases it decides otherwise) to cover the estimated costs that would be incurred by the Fund if it used the gold so acquired to purchase the currency it has sold."/

Section J-4 Amended text adopted February 20, 1948:

"The Managing Director shall prepare an annual administrative budget for presentation to the Executive Board for approval not later than April 1 of each year."

Former text:

"The Managing Director shall prepare an annual administrative budget for presentation to the Executive Board for approval not later than June 1 of each year."/

Section N-15 Amended text adopted February 11, 1948:

- "(a) Official travel will be undertaken by Staff members only with the approval of the Managing Director or officials designated by him. In the case of travel outside the continental United States, however, the specific approval of the Managing Director is required.
- "(b) The Managing Director will inform the Executive Board of all such travel at least once a month.

- "(c) Staff participation in activities of national agencies and staff travel to a member's territory require consultation in advance with the Executive Director appointed or elected by the member.
- "(d) Staff participation in deliberations or activities of international agencies or conferences as well as staff travel to a member's territory, undertaken in response to a formal invitation, require the advance approval of the Executive Board."

Former text:

"Official travel will be undertaken by staff members only with the approval of the Managing Director or officials designated by him. Official travel outside the continental limits of the United States will be undertaken only with the further approval of the Executive Board."/>

II. ADDITIONS

Section G-6 Adopted July 30, 1948:

"Gold due to the Fund may be delivered at any gold depository of the Fund. Whenever the Fund accepts gold situated elsewhere than at a gold depository of the Fund, the member delivering such gold may be required to assume the actual or estimated costs, as the case may be, of moving the gold to the Fund's nearest gold depository. Where the member is required to reimburse the Fund for such actual or estimated costs, the Fund shall advise the member in what form reimbursement shall be made."

Section G-7 Adopted July 30, 1948:

"When any member sells gold to the Fund pursuant to Article V, Section 6(a), the member may be required to assume the estimated costs that would be incurred by the Fund if it used the gold so acquired to purchase the currency it has sold. The Fund shall advise the member in what form such payment shall be made."

III. Deletion

Section I-3 Deleted July 30, 1948:

Former text which has been incorporated in the new rule G-6:

"Gold due to the Fund may be delivered to any gold depository of the Fund. The Fund may accept gold situated elsewhere and in such cases shall levy an appropriate charge to cover the cost of moving the gold to its nearest gold depository."/>