

12-15
5-27-47

DRAFT FOR ANNUAL REPORT

Modifications of the Rules and Regulations

When the Rules and Regulations were adopted by the Executive Board, it was anticipated that experience would show ways in which they could be improved and would also bring to light new problems not considered at the time they were prepared. In fact, Section A-2 contains a statement to this effect. During the first year's experience with the Rules and Regulations, most of the provisions have been found workable and satisfactory. Several provisions, however, have been modified to provide more useful procedures and to clarify matters which were not entirely clear. Moreover, several new sections have been added to deal with problems on which the Executive Board was not prepared to act when the original text was adopted.

These changes and additions have been submitted to the Board of Governors for review. There will undoubtedly be changes and additions in the years to come which will also be presented for review.

Almost all of the changes made during the past years relate to transactions between the Fund and its members, and have resulted from the experience gained during the initial period of Fund operations. There are parts of the Rules and Regulations which have not as yet been operative, and it remains to be seen whether they too can be improved and clarified.

The following is a summary of the changes which have been made, together with the reasons for each of them:

1. Section G-2 has been reworded in order to clarify the previous ambiguous provision which used the term "agency" to refer to both fiscal agencies and depositories. This was only a change of wording and not of substance.

that the fiscal year of the Fund should begin on July 1 and end on June 30. This decision has been made by the Board of Governors at its Inaugural Meeting in March, 1946. To be modified if Executive Board recommends change in both fiscal and financial year.

5. Section I-8 has been added to inform the members of the basis on which the Fund would normally respond to offers of the members to buy foreign currencies from the Fund with gold. In the opinion of the Executive Board, it would be undesirable for the Fund to sell its currencies for gold on terms which would result in any cost to the Fund should it become necessary to sell the gold and re-obtain the currencies. If for any reason a particular offer of gold would be of benefit to the Fund, and special decision may be made to accept it on different terms.

6. A new sentence has been added at the end of Section I-5 which deals with members wishing to pay in their own currencies part of the charges due to the Fund. The new sentence will permit provisional payment to be made in accordance with the members own statement of its monetary reserves, and the Fund will subsequently make a final determination of the proportion of such charges to be paid in gold. In this way, payment can be made promptly at the time required by the Articles of Agreement, and the exact allocation of the charges between gold and currencies will be made at a later date.

7. Section B-8 has been added to define the term "business day" which had been used in Section G, and to substitute this phrase for the term "work day" which had formerly been used in Section C. The purpose of this change was to make the rules clearer and more consistent.

8. Section D-2 has been modified as a result of the Executive Board's consideration of several requests for increases in quotas. It was found that this Section as originally adopted would not be appropriate in those

cases in which a member might pay less than 25% of an increase in gold. In view of the fact that a member is required to pay 25% of an increase in gold, unless at the time the member consents to the increase its monetary reserves are less than its quota, it will be necessary for the Fund to consider the possibility of a reduced gold payment subsequent to the approval of the increase by the Board of Governors and the consent by the member. For this reason it seems appropriate for this action to be taken by the Executive Board within the thirty-day period which a member is allowed to pay the amount of the increase to the Fund. If this action had to be taken by the Board of Governors, it would not be possible to make payment of the additional amount within the prescribed period.