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**IMMEDIATE
ATTENTION**

EBS/84/3

CONFIDENTIAL

January 5, 1983

To: Members of the Executive Board

From: The Acting Secretary

Subject: Decisions on Certain Aspects of the Policy on Enlarged Access,
the Access Limits Under Special Facilities, and the Rate of
Remuneration

Attached are texts of decisions, taken in principle, as follows:
(a) the three decisions on certain aspects of the policy on enlarged
access taken at Executive Board Meeting 83/183 (12/28/83), (b) the
decision on access limits under special facilities taken at Executive
Board Meeting 84/2 (1/3/84), and (c) an amendment to Rule I-10, which
reflects the decision on the rate of remuneration taken at Executive
Board Meeting 84/2 (1/3/84).

Unless an Executive Director objects by the close of business
on Friday, January 6, 1984, these decisions will be deemed approved and
will be so recorded in the minutes of the next meeting thereafter.

Att: (1)

Decisions on Policy on Enlarged Access, Access Limits under
Special Facilities, and Rate of Remuneration

I. Period and annual review of Policy on Enlarged Access

(a) The Fund may approve a stand-by or extended arrangement that provides for enlarged access under Decision No. 6783-(81/40) on the Policy on Enlarged Access until the end of 1984, provided that the Fund may extend this period.

(b) The Fund will review Decision No. 6783-(81/40) not later than December 31, 1984, and annually thereafter as long as the Decision remains in effect, in order to consider the future of the Policy on Enlarged Access in light of all relevant factors, including the magnitude of members' payments problems and developments in the Fund's liquidity.

II. Guidelines on access limits under Policy on Enlarged Access

(a) Access by members to the Fund's general resources under Decision No. 6783-(81/40) on the Policy on Enlarged Access during the period ending on December 31, 1984 shall be subject to annual limits of 102 or 125 percent of quota, three-year limits of 306 or 375 percent of quota, and cumulative limits of 408 or 500 percent of quota net of scheduled repurchases, depending on the seriousness of the member's balance of payments needs and the strength of its adjustment effort. The annual and triennial access limits shall not be regarded as targets. Within these limits, the amounts of access in individual cases will vary according to the circumstances of the member in accordance with criteria established by the

Executive Board. The Fund may approve stand-by or extended arrangements that provide for amounts in excess of these access limits in exceptional circumstances.

(b) The guidelines will be reviewed before the end of 1984 at the time of the annual review of the Decision on the Policy on Enlarged Access.

III. Use of ordinary and borrowed resources under
Policy on Enlarged Access

The Fund, having reviewed the proportions of ordinary and borrowed resources to be used under a stand-by or extended arrangement approved under Decision No. 6783-(81/40) on the Policy on Enlarged Access, decides that:

1. The proportions after the effective date of this decision will be as follows:

(a) Under a stand-by arrangement, purchases will be made with ordinary and borrowed resources in the ratio of 2 to 1 in the first credit tranche, and 1 to 1 in the next three credit tranches. Thereafter, purchases will be made with borrowed resources only.

(b) Under an extended arrangement, purchases will be made with ordinary and borrowed resources in the ratio of 1 to 1 until the outstanding use of the upper credit tranches and the Extended Fund Facility equals 140 percent of quota. Thereafter, purchases will be made with borrowed resources only.

2. In accordance with subparagraph 8(d) of Decision No. 6783-(81/40), the proportions in (1) above shall apply to amounts that may be purchased under existing arrangements after the effective date of this decision on the basis of the member's quota at the time the arrangement for the member was approved.

IV. Access limits under Special Facilities

(a) In paragraph 3 of Decision No. 6224-(79/135) "100 percent" shall be changed to "83 percent".

(b) The following changes shall be made in paragraphs 9 and 14(a) of Decision No. 6860-(81/81):

(i) "125 percent" shall be changed to "105 percent;" and

(ii) "100 percent" shall be changed to "83 percent."

(c) In paragraph 2 of Decision No. 2772-(69/47), as amended, "50 percent" shall be changed to "45 percent."

(d) The new percentages of quota under (a), (b), and (c) above shall be reviewed not later than December 31, 1984 and annually thereafter in the light of all relevant factors, including the magnitude of members' payments problems and developments in the Fund's liquidity.

V. Rate of Remuneration

Rule I-10 shall read as follows:

(a) The rate of remuneration shall be equal to 85 percent of the rate of interest on holdings of SDRs under Rule T-1 (hereafter referred to as the "SDR interest rate"). The relationship of the rate of remuneration to the SDR interest rate will be referred to as the "remuneration coefficient".

(b) Beginning April 30, 1984, the remuneration coefficient during each quarter shall be at the level determined under (1), (2), (3), and (4) below, but no higher than permitted by Article V, Section 9(a):

(1) During the period May 1, 1984 to April 30, 1987, the the remuneration coefficient shall be the higher of (i) or (ii) below:

(i) The remuneration coefficient in effect on January 1, 1984 increased by 3.33 percentage points in each of the three financial years beginning May 1, 1984, May 1, 1985, and May 1, 1986;

(ii) The remuneration coefficient in effect on January 1, 1984, increased or decreased on the first day of each quarter by one percentage point for each $\frac{1}{6}$ of one percentage point that the SDR interest rate on the day before the beginning of the quarter is below or above the SDR interest rate in effect on April 30, 1984, provided that the remuneration coefficient in any quarter in each of these three financial years shall not be more than 2.5 percentage points above the amount of the coefficient for that year as determined under (i) above.

(2) Following the adjustment in the remuneration coefficient on May 1, 1986, the rate of remuneration shall be

reviewed before May 1, 1987. This review shall be conducted in the light of all the relevant considerations, including, in particular, the SDR interest rate and the rate of charge.

(3) Beginning May 1, 1987, the remuneration coefficient shall be the higher of (i) or (ii) below:

- (i) The remuneration coefficient existing at the end of the preceding financial year;
- (ii) A remuneration coefficient of 95 percent, increased or decreased on the first day of each quarter by one percentage point for each $1/6$ of one percentage point that the SDR interest rate on the day before the beginning of a quarter is below or above the SDR interest rate on April 30, 1987, provided that the remuneration coefficient in any quarter of a financial year shall not be more than 2.5 percentage points above the level at the end of the preceding year.

(4) The rate of remuneration, while less than 100 percent of the SDR interest rate, shall be rounded to the nearest two decimal places.

(c) The operation of (b) above shall be reviewed on the occasion of the reviews of the rate of charge under Rule I-6(4) and the SDR interest rate under Rule T-1(d).

(d) If the rate of charge on holdings specified in Rule I-6(4) should exceed the SDR interest rate, the Executive Board shall review the remuneration coefficient, and, in particular, will consider whether the remuneration coefficient should be set, within the range in Article V, Section 9(a), at such a level as would permit the rate of charge to be set under Rule I-6(4)(a) or (b) at the same level as the SDR interest rate referred to above and still meet the target amount of net income for the financial year.