

June 6, 1983

SECRETARY'S CIRCULAR NO. 83/54

To: Members of the Executive Board
From: The Secretary
Subject: Procedures for Consent and Payment for Increases in
Quotas Under the Eighth General Review

The attached paper sets out the procedures for consent and payment for increases in quotas under the Eighth General Review as they are being transmitted to Members, Depositories, and Fiscal Agencies and is circulated for the information of the Executive Directors.

Att: (1)

Other Distribution:
Department Heads

Procedures for Consent and Payment for Increases in Quotas
Under the Eighth General Review

1. Introduction

This memorandum describes the Fund's procedures to be followed by members in consenting to increases in their quotas and in making their subscription payments under the Resolution on "Increases in Quotas of Fund Members - Eighth General Review" (Attachment I).

2. Consent to an increase in quota

A member may consent to an increase in its quota at any time before 6:00 p.m., Washington time, November 30, 1983. The Executive Board may extend this period as it may determine. The consent to the increase shall be to the amount shown against the member's name in the Annex to the Resolution. The Resolution does not provide for increases in quotas by installments or to consent to any amount other than that proposed for the member.

The consent can be sent to the Fund in the form of a letter or a telex or by cable by a duly authorized official, bearing his signature if it is in the form of a letter, or with his name appended to the text if it is in the form of a telex or cable and should be addressed to the Secretary of the Fund. ^{1/} A duly authorized official is a governor of the Fund or any other person duly authorized and directed to sign the notice on behalf of the member. A draft notice of consent that a member might use is set out in Attachment II. The advice by a member regarding its intention with respect to the payment of the quota increase may be included in the notice of consent, but may be left to further correspondence between the member's fiscal agency and the Treasurer. The question of the payment in that case should be settled as soon as possible after the notice of consent has been received by the Fund and well before the date on which payment must be made, as explained in the next section.

3. Effective date of quota increase
and due date of full payments

The increase in a member's quota under the Resolution will not become effective unless the member has notified the Fund of its consent to the increase in quota within the prescribed time period and has paid the increase in its quota in full. Furthermore, no increase in quota

^{1/} An appropriate method of authentication in this regard would be the use of the test number.

will become effective before the date the Fund determines that members having not less than 70 per cent of total quotas on February 28, 1983 ^{1/} have consented to increases in their quotas under the Resolution--i.e., until the participation requirement has been met.

A member must pay the increase in its quota--both the reserve asset portion and the domestic currency portion--within 30 days after the later of (a) the date on which the member notifies the Fund of its consent, or (b) the date determined by the Fund on which the participation requirement is met (i.e., that members having not less than 70 per cent of total present quotas have consented to the increase in their quotas). Since no increase in quota can be effective until the participation requirement is met, members should make the necessary arrangements to transfer the amounts of SDRs and SDR equivalent in domestic currency within 30 days of the date on which the participation requirement has been met. All members will be informed promptly by the Secretary of the Fund by telex or cable of the date on which the participation requirement has been fulfilled.

4. Media of payment

The payment of the reserve asset portion of the quota increase, namely, 25 per cent of the amount of the increase in quota, must be paid in SDRs or in currencies of other members selected by the Fund, with their concurrence, or in any combination of SDRs and such currencies. The balance of the increase, expressed in SDRs, is payable in the member's own currency. The amount of currency in terms of SDRs will be indicated to the member three business days before the payment is to be made to the Fund's General Resources Account.

It is generally expected that members will, to the extent feasible, pay the reserve asset portion in SDRs. While a member can pay the equivalent of 25 per cent of the quota increase in SDRs or in currencies acceptable to the Fund, it is proposed that members consider first paying for the 25 per cent of the increase with SDRs either from their SDR holdings, or, if needed, by purchasing with acceptable currency SDRs from other participants in transactions by agreement. The Treasurer of the IMF will assist members in this regard and there would be no additional cost to members in such transactions. Members whose foreign exchange and SDR holdings are less than the reserve asset portion of their quota increase proposed under the Eighth General Review can obtain SDRs for this purpose with the help of the Fund and certain members as set out in paragraph 6 below.

^{1/} Total quotas on February 28, 1983 were equivalent to SDR 61.06 billion. Thus, the minimum participation requirement will be met when members accounting for at least SDR 42.742 billion of total quotas on February 28, 1983 have consented to increases in their quotas.

a. Reserve Asset Payment

If the reserve asset payment is made in SDRs, this will require instruction to the Fund by the participant concerned to debit the participant's SDR Holdings Account. Keeping in mind that SDRs may be needed for the settlement of SDR obligations to the Fund (such as charges on net use of SDRs in the SDR Department and charges on the use of the Fund's resources through the General Resources Account), it is suggested that members review their possible need to acquire SDRs for quota payments in the light of their present and prospective holdings and expected use of SDRs. The Treasurer of the IMF will remain ready to assist in this matter, including supplying members with estimates of charges that have to be settled in SDRs.

In the event members do not wish to use or acquire SDRs for payment of the reserve asset portion of the quota increase, they should inform the Fund at the earliest possible date, preferably at the time of the consent, and in time to be able to make full payment within the time period specified in paragraph 3 above. The Fund will thereafter advise the currency or currencies to be used for payment and arrangements, if necessary, to be made to acquire the currencies concerned. The Fund will advise the currency amounts involved which will be based on the representative exchange rates three business days before the value date of payment.

b. Payment in the member's own currency is to be made to the Fund's account maintained with the depository for the Fund's holdings of that member's currency. Payment may be made to the Fund's No. 1 Account or to the Fund's Securities Account. In this regard, the member must ensure that the balance in the Fund's No. 1 Account does not fall below one quarter of one per cent of the new quota. For the remainder of the currency payment, the member may deposit into the Fund's Securities Account nonnegotiable, noninterest-bearing notes or similar obligations payable on demand (see Article III, Section 4 of the Articles of Agreement and Rule E-1 of the Rules and Regulations).

c. Payments before the participation requirement is met

It is possible that a member, for domestic, budgetary or other reasons may find it necessary to transfer domestic currency or SDRs to the Fund prior to the date on which the participation requirement is met. Members wishing to make such advance transfers should inform the Fund of their intentions as soon as possible. The amounts transferred will be held in suspense until the date that payments can be accepted in the Fund's General Resources Account. The value of currency paid to the Fund would need to be maintained in terms of the SDR so that on the day the currency is transferred from the suspense accounts to the Fund's No. 1 accounts for payment of the quota increase, the amount of currency corresponds exactly to the SDR value of the payments needed to

be made to pay for the increase in quota. This may require additional payments in currency before the quota increase can go into effect. No interest would be due nor any other rights be attached to these currency balances held in suspense. Interest on any SDRs set aside for the purpose of payment for quota increase would accrue to the member.

5. Payment procedure

As indicated above, an increase in a member's quota will not take effect until the member pays in full the amount of the quota increase. If the member has already consented to its quota increase, payment for the increase must be made within 30 days of the date on which the participation requirement is met. The member should cable the Fund the desired value date for the payment and the Fund will inform the member of the amount of domestic currency that is to be paid on the basis of the Fund's holdings rate of the member's currency against the SDR on the day that the information is sent to the member. As noted above, the domestic currency payment could be made to the Fund's Securities Account, subject to the minimum balance in the Fund's No. 1 Account, or entirely to the Fund's No. 1 Account. Payment of the reserve asset portion of the quota increase should be made on the same day as the domestic currency payment. Accordingly, it is suggested that members give the Fund authorization to debit their SDR Holdings Account with the amount of SDR payment for the quota increase on the same value date that the currency payment is being made. The authorization to debit a member's SDR account could be given at the same time that the member cables the Fund the desired value date for the currency payment as follows:

"Treasurer's Department, IMF

Regarding payment for increase in quotas,

please debit SDR Holdings Account of (insert name of member)

with SDR _____ on _____ .

Fiscal agency

Test No. "

The Treasurer's Department of the IMF will give special instructions, as indicated in paragraph 4(a) above, to those members who inform the Fund that they intend to pay currencies specified by the IMF in full or partial payment of 25 per cent of their quota increase.

6. Borrowing of SDRs for payment of quota increases and simultaneous reserve tranche purchase and repayment of borrowing

A member that does not have sufficient SDRs or foreign exchange to make payment for the reserve asset portion of the quota increase, i.e., its foreign exchange and SDR holdings are less than the reserve asset portion of its quota increase at the time of the payment, may obtain SDRs through special arrangements with certain members with which to pay the SDR portion of the quota increase, provided it makes on the same day a purchase of its reserve tranche established by the payment of the SDRs and repays the SDR loan from the SDR proceeds of this purchase. The Fund will assist such members in this regard by arranging these operations from other members who have sufficient SDRs and are willing to enter into such arrangements. The execution of the SDR loan, the quota payment, the reserve tranche purchase, and the repayment of the loan would be completed and recorded on the same value date as the member completes the payment of the domestic currency portion of the quota payment. The loan of SDRs will be free of any interest, fee, or commission.

A text of the cable to be sent to the Fund by a member in position to take advantage of this arrangement is set out as Attachment III.

Treasurer's Department
International Monetary Fund

Attachments (3)

Resolution of the Board of Governors:
Increase in Quotas of Fund Members--Eighth General Review

WHEREAS the Executive Board has submitted to the Board of Governors a report entitled "Increases in Quotas of Fund Members--Eighth General Review" containing recommendations on increases in the quotas of individual members of the Fund; and

WHEREAS the Executive Board has recommended the adoption of the following Resolution of the Board of Governors, which Resolution proposes increases in the quotas of members of the Fund as a result of the Eighth General Review of Quotas and deals with certain related matters, by vote without meeting pursuant to Section 13 of the By-Laws of the Fund;

NOW, THEREFORE, the Board of Governors hereby RESOLVES that:

1. The International Monetary Fund proposes that, subject to the provisions of this Resolution, the quotas of members of the Fund shall be increase to the amounts shown against their names in the Annex to this Resolution.

2. A member's increase in quota as proposed by this Resolution shall not become effective unless the member has notified the Fund of its consent to the increase not later than the date prescribed by or under paragraph 3 below and has paid the increase in quota in full, provided that no increase in quota shall become effective before the date of the Fund's determination that members having not less than 70 per cent of the total of quotas on February 28, 1983 have consented to the increases in their quotas.

3. Notices in accordance with paragraph 2 above shall be executed by a duly authorized official of the member and must be received in the Fund before 6:00 p.m., Washington time, November 30, 1983, provided that the Executive Board may extend this period as it may determine.

4. Each member shall pay to the Fund the increase in its quota within 30 days after the later of (a) the date on which it notifies the Fund of its consent, or (b) the date of the Fund's determination under paragraph 2 above.

5. Each member shall pay twenty-five per cent of its increase either in special drawing rights or in the currencies of other members specified, with their concurrence, by the Fund, or in any combination of special drawing rights and such currencies. The balance of the increase shall be paid by the member in its own currency.

Board of Governors Resolution No. 38-1
Adopted March 31, 1983

ANNEX

Proposed Quota
(In millions of SDRs)

1. Afghanistan	86.7
2. Algeria	623.1
3. Antigua and Barbuda	5.0
4. Argentina	1,113.0
5. Australia	1,619.0
6. Austria	775.6
7. Bahamas	66.4
8. Bahrain	48.9
9. Bangladesh	287.5
10. Barbados	34.1
11. Belgium	2,080.4
12. Belize	9.5
13. Benin	31.3
14. Bhutan	2.5
15. Bolivia	90.7
16. Botswana	22.1
17. Brazil	1,461.3
18. Burma	137.0
19. Burundi	42.7
20. Cameroon	92.7
21. Canada	2,941.0
22. Cape Verde	4.5
23. Central African Republic	30.4
24. Chad	30.6
25. Chile	440.5
26. China	2,390.9
27. Colombia	394.2
28. Comoros	4.5
29. Congo, People's Republic	37.3
30. Costa Rica	84.1
31. Cyprus	69.7
32. Denmark	711.0
33. Djibouti	8.0
34. Dominica	4.0
35. Dominican Republic	112.1
36. Ecuador	150.7
37. Egypt	463.4
38. El Salvador	89.0
39. Equatorial Guinea	18.4
40. Ethiopia	70.6

Proposed Quota
(In millions of SDRs)

41. Fiji	36.5
42. Finland	574.9
43. France	4,482.8
44. Gabon	73.1
45. Gambia, The	17.1
46. Germany	5,403.7
47. Ghana	204.5
48. Greece	399.9
49. Grenada	6.0
50. Guatemala	108.0
51. Guinea	57.9
52. Guinea-Bissau	7.5
53. Guyana	49.2
54. Haiti	44.1
55. Honduras	67.8
56. Hungary	530.7
57. Iceland	59.6
58. India	2,207.7
59. Indonesia	1,009.7
60. Iran, Islamic Republic of	1,117.4
61. Iraq	504.0
62. Ireland	343.4
63. Israel	446.6
64. Italy	2,909.1
65. Ivory Coast	165.5
66. Jamaica	145.5
67. Japan	4,223.3
68. Jordan	73.9
69. Kampuchea, Democratic	25.0
70. Kenya	142.0
71. Korea	462.8
72. Kuwait	635.3
73. Lao People's Democratic Republic	29.3
74. Lebanon	78.7
75. Lesotho	15.1
76. Liberia	71.3
77. Libya	515.7
78. Luxembourg	77.0
79. Madagascar	66.4
80. Malawi	37.2

ANNEX

	Proposed Quota (In millions of SDRs)
81. Malaysia	550.6
82. Maldives	2.0
83. Mali	50.8
84. Malta	45.1
85. Mauritania	33.9
86. Mauritius	53.6
87. Mexico	1,165.5
88. Morocco	306.6
89. Nepal	37.3
90. Netherlands	2,264.8
91. New Zealand	461.6
92. Nicaragua	68.2
93. Niger	33.7
94. Nigeria	849.5
95. Norway	699.0
96. Oman	63.1
97. Pakistan	546.3
98. Panama	102.2
99. Papua New Guinea	65.9
100. Paraguay	48.4
101. Peru	330.9
102. Philippines	440.4
103. Portugal	376.6
104. Qatar	114.9
105. Romania	523.4
106. Rwanda	43.8
107. St. Lucia	7.5
108. St. Vincent	4.0
109. Sao Tome & Principe	4.0
110. Saudi Arabia	3,202.4
111. Senegal	85.1
112. Seychelles	3.0
113. Sierra Leone	57.9
114. Singapore	250.2
115. Solomon Islands	5.0
116. Somalia	44.2
117. South Africa	915.7
118. Spain	1,286.0
119. Sri Lanka	223.1
120. Sudan	169.7

ANNEX

Proposed Quota
(In millions of SDRs)

121.	Suriname	49.3
122.	Swaziland	24.7
123.	Sweden	1,064.3
124.	Syrian Arab Republic	139.1
125.	Tanzania	107.0
126.	Thailand	386.6
127.	Togo	38.4
128.	Trinidad and Tobago	170.1
129.	Tunisia	138.2
130.	Turkey	429.1
131.	Uganda	99.6
132.	United Arab Emirates	385.9
133.	United Kingdom	6,194.0
134.	United States	17,918.3
135.	Upper Volta	31.6
136.	Uruguay	163.8
137.	Vanuatu	9.0
138.	Venezuela	1,371.5
139.	Viet Nam	176.8
140.	Western Samoa	6.0
141.	Yemen Arab Republic	43.3
142.	Yemen, People's Democratic Republic of	77.2
143.	Yugoslavia	613.0
144.	Zaire	291.0
145.	Zambia	270.3
146.	Zimbabwe	191.0

Suggested Text for Notification of Consent to
Increase in Quota - Cable or Letter

I am duly authorized and directed by the Government of (name of member) to notify you that (name of member) hereby consents to the increase in its quota to SDR (amount) in accordance with Paragraph 1 of the Board of Governors' Resolution No. 38-1 on "Increases in Quotas of Fund Members - Eighth General Review."

[My Government intends to effect payment as follows:] 1/

(Signature of the authorized official)

The Secretary
International Monetary Fund
Washington, D.C. 20431

1/ It would be helpful to the Treasurer if the Government could indicate the media of payment to the extent it is possible to decide on this matter at the time consent is communicated.

Text of Communication to be Sent to Fund by Members
Wishing to Borrow SDRs with Which to Pay Reserve Asset
Portions of Quota Increases Under the Eighth General Review

Primo.

1. [Name of member] represents that it does not have sufficient foreign exchange and SDR holdings with which to pay the reserve asset portion of its quota increase and wishes to borrow SDR [amount] from another participant as arranged by the Fund for that purpose.
2. Therefore, please arrange a loan of this amount and credit our SDR Account accordingly, value [date on which domestic currency payment is completed].

Secundo.

Please debit our SDR Account with SDR [amount] representing 25 per cent of the quota increase consented to under the Eighth General Review on the same day that proceeds of the borrowing described in primo above are credited to our SDR Account.

Tertio.

1. As fiscal agency for the Government of [purchasing member] we desire to purchase from the International Monetary Fund SDR [amount] in accordance with terms of Article V, Section 3.
2. We do hereby represent that this purchase is needed in accordance with the provisions of Fund agreement.
3. Please credit [purchasing member's] SDR Account with SDR [amount] on value date of purchase.

4. The equivalent of desired purchase namely [purchasing member's own currency and amount] will be credited to Fund's No. 1 Account with [purchasing member's depository] on the value date of purchase.

Quarto.

Upon credit to our SDR account of the SDR proceeds of reserve tranche purchase described in Tertio above, please debit our SDR account and credit SDR [amount of loan] to the SDR account of the original lender, same value.

Cinto.

Each loan and its repayment shall constitute operations in SDRs under Article XIX, Section 2(c), in accordance with the applicable Rules and prescriptions of the Fund.