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To: Members of the Executive Board

From: The Acting Secretary

Subject: **New Arrangements to Borrow - Proposed Decisions**

Attached for consideration by the Executive Directors is a paper on new arrangements to borrow, which will be brought to the agenda for discussion on a date to be announced. Draft decisions appear on pages 15-29.

Mr. Gianviti (ext. 38329), Mr. Elizalde (ext. 37796), Mr. D. Williams (ext. 38305), or Mr. Dhruva Gupta (ext. 38321) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND

New Arrangements to Borrow - Proposed Decisions

Prepared by the Legal and Treasurer's Departments

Approved by François Gianviti and David Williams

December 27, 1996

Introduction

The June 1995 G-7 Halifax Summit called on G-10 and other countries with the financial capacity to support the international monetary system to develop financing arrangements with the objective of doubling as soon as possible the amount of currency available under the General Arrangements to Borrow (GAB) to respond to financial emergencies. During the past several months, representatives of G-10 countries and a number of other countries, after reaching agreement in principle in May 1996 on the main features of the new borrowing arrangements, developed, with the assistance of Fund staff, a draft instrument containing the legal and operational details of the New Arrangements to Borrow (NAB).¹ The new arrangements have been based substantially on the GAB but with a number of differences.²

Potential participants have recently reached agreement on the draft instrument for the NAB, and this draft is now being submitted for consideration and approval of the Executive Board.

Potential participants also reached understandings on procedures and administrative arrangements for meetings of participants (see Attachment). As shown in the Attachment, in addition to the meetings needed for activation, renewal or amendment of the NAB, they agreed to meet once a year at the time of the Annual Meetings of the Fund and the Bank to discuss matters pertaining to the NAB, and especially to review and discuss macroeconomic and financial market developments that could lead the Fund to seek supplementary resources under the NAB. They also agreed to an annual rotation of the Chairmanship of the NAB

¹ See BUFF/96/95, July 30, 1996 Statement by the Managing Director on Proposed New Arrangements to Borrow (EBM 96/72, July 26, 1996).

²As explained below, the NAB would not replace the GAB, which would remain in force.

grouping, and that Fund headquarters staff, under the direction of the Chair, would provide secretariat support for the group.

Section I of this paper reviews the main features of the New Arrangements to Borrow. These features are grouped by subject, not necessarily in the order of the paragraphs in the arrangements. References to the relevant paragraphs are given in footnotes. Section II contains the proposed decisions. The first decision provides for the approval of the arrangements as agreed by the potential participants. The second decision provides for the transferability of claims to repayments under the NAB on the same terms and conditions that apply to the transferability of claims under the GAB.

I. Main Features of the NAB

1. Objective

The objective of the NAB is to supplement the IMF's resources when needed to forestall or cope with an impairment of the international monetary system or to deal with an exceptional situation that poses a threat to the stability of that system.³

2. Participants

The arrangements specify as possible participants Fund members and official institutions of members or nonmembers.⁴ The participation of multilateral institutions, such as the prospective European Central Bank, was also considered. However, since each multilateral institution has specific characteristics, which would require the adoption of particular provisions to allow its participation, it was considered best to leave this issue for the time when an identified multilateral institution has expressed interest in participating in the arrangements, at which time an ad hoc amendment could be made.⁵

(i) **Original Participants.** Any member or institution specified in the Annex to the arrangements may become a participant in the arrangements by depositing with the Fund an instrument setting forth that it has adhered to the arrangements in accordance with its law and has taken all steps necessary to enable it to carry out the terms and conditions of the arrangements.⁶

³Preamble.

⁴There is no provision in the arrangements for the participation of nonmembers.

⁵An amendment would require a decision of the Fund and the consent of a majority of participants representing 85 percent of total credit arrangements (paragraph 15(a)).

⁶Paragraph 3(a) and (c).

The institutions of members listed in the Annex are for the most part central banks. A special case is that of the Hong Kong Monetary Authority (HKMA). In principle, as an official institution of the member whose territories include Hong Kong (that is, the United Kingdom through June 30, 1997 and, after that date, China), the HKMA's participation in the NAB will be subject to the same provisions as those governing other participating institutions of members. For instance, the consent of the member whose territories include Hong Kong will be required and the HKMA will not be eligible to vote on a proposal to activate the NAB for the benefit of that member. However, the fact that the HKMA is not a central bank of a member and that Hong Kong has its own currency has been taken into account in the calculation of the HKMA's credit arrangement⁷ and for the application of certain provisions of the decision⁸:

- operations between the HKMA and the Fund under the NAB (disbursements of loans to the Fund, payments of interest and repayments of principal by the Fund) will be carried out in principle in US dollars⁹, unless another member's currency¹⁰ is agreed between the HKMA and the Fund;

- the participation of the HKMA in the NAB will not allow activation of the NAB under paragraph 6 A for the member whose territories include Hong Kong;

- the ability of the HKMA to opt out and to receive early repayments will be based upon the balance of payments and reserve position of Hong Kong and not of the member whose territories include Hong Kong.¹¹

(ii) **Other Participants.** A member or institution not specified in the Annex may apply and be accepted as a participant at the time of renewal of the arrangements if the Fund and participants representing 80 percent of total credit arrangements under the renewed decision agree to the request of the applicant. In addition, a member or institution not specified in the Annex may also be accepted as a participant at any other time by way of an

⁷See Annex.

⁸Paragraph 1(b).

⁹The consent of the US authorities has been granted for the use of US dollars in loans by the HKMA to the Fund. If the HKMA provides US dollars to the Fund, conversion by the HKMA into another currency could be requested by the Fund; a side letter from the HKMA to the Fund on conversion procedures is under preparation.

¹⁰Therefore, SDRs will not be used in payments of interest or repayments of principal for these loans, and the provisions on payments in SDRs, including paragraph 11(g), will not apply.

¹¹The procedure specified in the second sentence of paragraphs 7 A(c) and 7 B(b) respectively will apply to the HKMA.

amendment of the arrangements adopted by a decision of the Fund and with the concurrence of participants representing 85 percent of total credit arrangements, in accordance with paragraph 15(a) of the arrangements. The voting majority required for adherence of a new participant at the time of renewal of the decision is lower than that required for adherence through an amendment, because it was felt appropriate to encourage adherence of new participants at the time of renewal rather than at other times.¹²

When giving notice of its willingness to become a participant, the applying member or institution must specify the amount, expressed in special drawing rights, of the credit arrangement which it is willing to enter into, which in any event could not be less than that of the participant with the smallest credit arrangement. In principle, the admission of a new participant shall lead to a proportional reduction in the credit arrangements of all existing participants whose credit arrangements are above that of the participant with the smallest credit arrangement, except that no participant's credit arrangement shall be reduced below the minimum amount set out in the Annex (SDR 340 million).¹³ However, the Fund, with the agreement of participants representing 85 percent of credit arrangements, may decide, on the occasion of an adherence by a new participant, to increase the total amount of credit arrangements by an amount not to exceed that of the new participant's credit arrangement (see Paragraph 4(b)(i) below).

3. Effect of Adherence

By its adherence to the arrangements, a member or institution undertakes to make loans to the Fund on the terms and conditions specified in the arrangements up to the amount in special drawing rights set forth in the Annex (for initial participants) or established in accordance with paragraph 3(b) of the arrangements (for new participants).¹⁴ These amounts may subsequently be changed under specified conditions¹⁵ (see Paragraph 4(b) below).

¹² Under the GAB, a new participant may at any time, after consultation with the Fund, adhere to the decision if the Fund shall so agree and no participant object, and provided that the amount of its credit arrangement shall not be less than the credit arrangement of the participant with the smallest credit arrangement (paragraph 3(b) of the GAB, Selected Decisions, Twenty First Issue, p. 337).

¹³ Paragraph 3(b).

¹⁴ Paragraph 2(a).

¹⁵ Paragraphs 3(b) and 5(b).

4. Total and Individual Amounts of Arrangements

(a) Initial amounts

The total amount of the resources available under the NAB shall not exceed SDR 34 billion.

The size of each participant's ¹⁶credit arrangement as set out in the Annex to the arrangements was calculated in two stages. A first calculation was made on the basis of each participant's economic strength as reflected in its present share in Fund quotas, subject to a minimum of SDR 340 million. It was agreed that the amounts so determined could be reallocated among participants subject to the condition that the total for the participants involved in an adjustment did not change and that the minimum amount for each participant was observed. The distribution in the Annex to the NAB reflects the end result of this two-stage procedure under which potential NAB participants agreed on a redistribution of their calculated shares taking into account various considerations, including shares in the GAB and the ranking in the shares of individual participants.

(b) Changes in Amounts

The total amount of all credit arrangements will remain in effect until changed either in accordance with paragraph 5(a) (which provides for that possibility at the time of adherence by new participants), or as a result of increases in individual credit arrangements under paragraph 5(b).

The amount of each participant's credit arrangement will remain in effect until changed either under paragraph 3(b) (reduction of individual commitments due to addition of new participants) or under paragraph 5(b) (which provides for the possibility of changes in participants' credit arrangements in light of developing circumstances).

(i) Changes at the time of adherence of new participants .¹⁷ In principle, the adherence of new participants will result in a proportional reduction in the credit arrangements of all existing participants (except that no participant's credit arrangement can be reduced below the minimum amount of SDR 340 million). However, the Fund, with the agreement of participants representing 85 percent of total credit arrangements, may decide to increase the *total amount of credit arrangements by an amount not exceeding the amount of the new*

¹⁶ For purposes of the NAB, "participant" means a participating member or a participating institution, and "participating institution" means an official institution of a member that has entered into a credit arrangement with the Fund with the consent of the member, or an official institution of a nonmember that has entered into a credit arrangement with the Fund (paragraph 1 (a) (xi) and (xii)).

¹⁷ Paragraph 5(a).

participant's credit arrangement. A decision to increase the total amount of credit arrangements in this case will result from adding the credit commitment of the new participant to that total, less any reduction of commitments of existing participants; it would not result in an increase in the individual commitments of the existing participants, which can only be made in accordance with the conditions specified in paragraph 5(b) of the arrangements.

(ii) Changes in light of developing circumstances. ¹⁸ The amount of each participant's credit arrangements may be reviewed from time to time in light of developing circumstances and changed with the agreement of the Fund and of participants representing 85 percent of total credit arrangements, including each participant whose credit arrangement is changed. This provision, which protects a participant's right not to have its credit arrangement changed without its consent (other than changes under paragraph 3(b) in connection with the adherence of new participants), may be amended only with the consent of all participants. Reviews of the amounts of participant's individual credit arrangements, which could take place at any time, including at the time of renewal of the decision, would take into account developing circumstances, including reviews of Fund quotas.

5. Relationship with the GAB

The NAB would not replace the GAB, which would remain in effect. However, the NAB will be the facility of first and principal recourse in the event of a need to provide supplementary resources to the Fund, with only two exceptions: (i) in the event of a request for a drawing on the Fund by a participating member, or a member whose institution is a participant, in both the GAB and the NAB, a proposal for calls may be made under either of the facilities; and (ii) in the event that a proposal for calls under the NAB is not accepted, a proposal for calls may be made under the GAB.¹⁹

The amount available under the GAB will remain unchanged at SDR 17 billion plus SDR 1.5 billion under the associated arrangement with Saudi Arabia. The amount available under the NAB will be SDR 34 billion, which will also be the maximum combined amount of outstanding drawings and commitments under the NAB and the GAB. Thus, the available commitment of a participant under the NAB shall be reduced pro tanto by any outstanding drawings on, and commitments of, the participant under the GAB. For the same reason, the available commitment of a participant under the GAB shall be reduced pro tanto by the extent to which its credit arrangement under the GAB exceeds its available commitment under the

¹⁸ Paragraph 5(b).

¹⁹ Paragraph 21(a).

NAB.²⁰ The instrument defines “available commitment” as a participant’s credit arrangement less committed or drawn balances.²¹

6. Conditions for Activation, Opting Out, and Proportionality of Proposals for Calls

(a) Activation

The credit arrangements under the NAB may be activated for the benefit of a member that is a participant (or whose institution is a participant) and for the benefit of a member that is not a participant, under circumstances similar to those contemplated in the GAB, except that the activation of the GAB for the benefit of a nonparticipant requires an additional condition relating to the Fund’s liquidity position.²²

(i) Participants. The process of activation of the NAB for the benefit of a participant (or a member whose institution is a participant) begins when such a participant approaches the Fund with a request for an exchange transaction or a stand-by or extended arrangement and the Managing Director, after consultation with Executive Directors and participants, considers that the transaction or arrangement is necessary in order to forestall or cope with an impairment of the international monetary system, and that the Fund’s resources need to be supplemented for this purpose.²³

(ii) Nonparticipants. The Managing Director may initiate the procedure of activation for an exchange transaction of a member that is not a participant under the following conditions: (a) the exchange transaction is (i) a transaction in the upper credit tranches, (ii) a transaction under a stand-by arrangement extending beyond the first credit tranche, (iii) a transaction under an extended arrangement, or (iv) a transaction in the first credit tranche in conjunction with a stand-by or extended arrangement; and (b) after consultation with Executive Directors and participants, the Managing Director considers that the Fund’s resources need to be supplemented to meet actual and expected requests for financing that reflect the existence of an exceptional situation associated with balance of payments problems

²⁰ Paragraph 21(b). References to drawings and commitments under the GAB include references to drawings and commitments under the Associated Borrowing Arrangements referred to in paragraph 23 of the GAB (paragraph 21(c)).

²¹ Paragraph 1(a)(iii).

²² Activation of the credit arrangements under the GAB for the benefit of a nonparticipant requires that, after consultation, the Managing Director consider that the Fund faces an inadequacy of resources.

²³ Paragraph 6A.

of members of a character or aggregate size that could threaten the stability of the international monetary system.²⁴

Thus, there are a number of differences between activation of the NAB for participants and nonparticipants. In particular, the Fund may not activate the NAB to finance reserve tranche purchases of nonparticipants, whereas it may do so for participants.

(iii) Consultations and proposal. Before making a proposal for calls under the NAB, the Managing Director must consult with Executive Directors and participants. In his proposal the Managing Director would identify the prospective drawer, the amount to be lent to the Fund under the arrangements, and the period during which the resources requested in the proposal may be called.²⁵

(b) Opting Out

If a participant determines that it will not be able to meet calls under a proposal because of its present and prospective balance of payments and reserve position, which would normally be reflected in the member's exclusion from the list of countries that are included in the Fund's quarterly operational budget for transfers of their currencies, it shall so notify the Fund and the other participants.²⁶ Since exclusion from the list of countries that are included in the Fund's quarterly operational budget can be used only as a test of a participant's present and prospective balance of payments and reserve position with respect to countries that are members of the Fund, in cases where the participant is an institution of a nonmember, the participant shall consult with the Fund on the nonmember's balance of payments and reserve position before determining that it will not be able to meet calls. Participants are expected to exercise restraint and take into account the views of the Fund and other participants in making such a determination.²⁷

²⁴Paragraph 6B.

²⁵Paragraph 7A(a) and (b).

²⁶ This provision (paragraph 7A(c)) is intended to exclude partial "opting out". Either the participant opts out of all calls under a proposal and does not vote on the proposal, or does not opt out, votes and will be bound by the specified majority's decision.

²⁷ Paragraph 7A(c). A participant's decision to opt out is expected to be made rather early in the consultation process. It will then be possible for the Managing Director to take that element into account before making a proposal. Otherwise, the proposal will have to be amended.

(c) Proportionality of proposals for calls

In principle, proposals shall be for calls proportional to each participant's credit arrangement.²⁸ However, in circumstances where at least one participant's available commitment is insufficient to meet proportional calls of the total amount sought, or where at least one participant lacks sufficient amounts of the currency or currencies needed for the proposed exchange transactions, the Managing Director may ask every participant whose available commitment would have been sufficient to meet fully such a proportional call to provide the amount under such a call; in that case, the Managing Director must ask every participant whose available commitment is insufficient to meet the proportional call to provide an amount to the extent of its available commitment. If necessary, the Managing Director may also ask for an amount in addition to the amount provided under the previous formula from a participant whose available commitment exceeds the amount it would provide under a proportional call.²⁹ The concurrence of every participant who would undertake to provide proportionally more resources than at least one other participant shall be required before the proposal can be accepted.³⁰

Situations in which the Managing Director may ask for nonproportional calls include those where the available commitment of at least one participant under the NAB is insufficient to meet a proportional call, because, for example, (i) nonproportional calls have been previously made under the NAB when proportional calls would not have provided adequate resources (e.g., need to purchase a specific currency for intervention), (ii) drawings have been made under the GAB, since such drawings would reduce pro tanto the available commitment of NAB participants that are also participants in the GAB, or (iii) one or several NAB participants have opted out of previous calls under the NAB. In the view of the participants, the Fund should endeavor to manage its currency holdings so as to avoid or minimize the circumstances under which it would be required to make nonproportional calls.

**7. Voting Majority for Activation
and Effectiveness of Proposals for Calls**

A favorable decision on a proposal by the Managing Director under the NAB requires an 80 percent majority of total credit arrangements of participants eligible to vote.³¹ The

²⁸Paragraph 7A(d)

²⁹Paragraph 7A(e).

³⁰Paragraph 7A(f).

³¹ Paragraph 7A(f). The GAB decision contains no similar provisions. The procedural aspects concerning decisions by participants on proposals by the Managing Director for activation of

prospective drawer (if a participant), its participating institution, as well as participants that have notified that they will not meet calls under a proposal, shall not be eligible to vote on the proposal.³²

A proposal becomes effective only if it is accepted by participants and then is approved by the Executive Board.³³

Once a proposal has become effective, participants that voted on the proposal are bound to meet all calls made under it, and commitments and drawings will not be affected by any subsequent changes in the amount of credit arrangements of participants.³⁴

8. Calls

Unless otherwise provided in a proposal for future calls that has been approved, each successive call shall be made in proportion to the amounts in the proposal.³⁵

To avoid requests for early repayments by participants because of balance of payments need, the Fund will not make calls on a participant without the participant's consent when, based on its present and prospective balance of payments and reserve position, the member is not included or is not being proposed by the Managing Director to be included in the list of

credit arrangements under the GAB are included in a separate document: the Baumgartner letter (see Selected Decisions, Twenty First Issue, pp. 348-351).

³² Paragraph 7A(h).

³³ Paragraph 7A(i).

³⁴ Paragraph 7A(j). This would mean, for instance, that a reduction in a participant's credit arrangement pursuant to paragraph 3(b) (which provides that the admission of new participants shall, within certain limits, lead to a proportional reduction in the credit arrangements of all existing participants) would not reduce the amount of any commitments it may have. If committed or drawn resources under a participant's credit arrangement exceed at any time the amount of its credit arrangement taking into account any reduction pursuant to paragraph 3(b), then the Fund will not be able to make new proposals for calls on that participant. Once a participant's commitment of resources has expired without being used, or drawings by the Fund have been repaid, the amount that can be proposed for calls under the participant's credit arrangement will be restored only to the extent that there are unused resources under the participant's credit arrangement as reduced in accordance with paragraph 3(b).

³⁵ Paragraph 7B(a).

countries in the quarterly operational budget for transfers of its currency.³⁶ In the event a call is not made on a participant, the Managing Director may propose to the other participants that substitute amounts be made available under their credit arrangements under the same procedures as for the original proposal.

9. Denomination, Currency of Loans, and Exchange Rates

The participants' individual credit arrangements and the loans made to the Fund under them will be denominated in SDRs. The currency used by a participant in a loan to the Fund will be the currency of the participant (which could be a currency common to several member countries such as the future Euro) or the currency or currencies of a member or members of the Fund as agreed between the participant and the Fund. If the participant is an institution of a nonmember, the Fund and the participant will have to agree on which currency or currencies of a member or members shall be used for the loans. As required by Article VII, Section 1(i) of the Fund's Articles of Agreement, if the loan is in a currency other than the participant's, the concurrence of the member whose currency is to be used in the loan will be needed.³⁷ The concurrence of a member could be given in advance for the use of its currency by all or some participants in the arrangements.

The provisions for exchange rates for operations under the NAB will be the same as for the GAB and for all other Fund operations and transactions.³⁸

10. Interest

The Fund shall pay interest on its indebtedness under the NAB at a rate equal to the combined market interest rate computed by the Fund from time to time for the purpose of determining the rate at which it pays interest on holdings of special drawing rights. However, a higher rate may be agreed between the Fund and participants representing 80 percent of total credit arrangements.³⁹ For instance, a higher rate might be considered if the Fund decided to levy a surcharge on holdings of members' currencies exceeding a certain percentage of quota and purchases giving rise to these holdings were financed with borrowings under the NAB arrangements.

³⁶Paragraph 7B(b). If the participant is an institution of a nonmember, its ability to meet calls shall be determined by the Fund, after consultation with the participant, on the basis of that nonmember's present and prospective balance of payments and reserve position (*ibid*).

³⁷Paragraph 2(b).

³⁸ Paragraph 12.

³⁹ Paragraph 9(a).

A change in the method of calculating the combined market interest rate will apply to indebtedness under the arrangements only if the Fund and participants representing 80 percent of total credit arrangements so agree. Moreover, in such cases, the change will not apply to the Fund's outstanding indebtedness to a participant at the date the change becomes effective if the participant so requests at the time the agreement is reached.⁴⁰

11. Repayment ⁴¹

The Fund, five years after a transfer by a participant, shall repay the participant an amount equivalent to the transfer. If the drawer for whose purchase participants make transfers is to repurchase at fixed dates earlier than five years after its purchase, the Fund shall repay the participants at such dates. The Fund, in consultation with the participants, may make early voluntary repayments in part or in full to one or several participants. Although it is not required under the arrangements, the Fund will normally make voluntary repayments to all participants in proportion to each participant's outstanding claim on the Fund. However, the Fund may decide to make nonproportional voluntary repayments in order to reduce or eliminate differences in available commitments among participants relative to their credit arrangements.

Moreover, whenever a reduction in the Fund's holdings of a drawer's currency is attributed to a purchase of currency borrowed under the NAB, the Fund shall promptly repay an equivalent amount. The same is true if the Fund is indebted to a participant as a result of transfers to finance a reserve tranche purchase by a drawer and the Fund's holdings of the drawer's currency that are not subject to repurchase are reduced as a result of net sales of that currency.

To give the quality of reserve assets to the claims of participants on the Fund, a participant may request early repayment of all or part of the Fund's indebtedness if it gives notice to the Fund representing that there is a balance of payments need for such repayment. If the reversal of its loan may lead to further loans to the Fund by other participants, the participant seeking the reversal shall consult with the Managing Director and with the other participants before giving notice. The Fund shall give the overwhelming benefit of any doubt to the participant's representation.

⁴⁰ Paragraph 9(b).

⁴¹ Paragraph 11.

Whenever feasible, repayments by the Fund to each participant shall be in the currency borrowed from each participant,⁴² in the currency of the participant, in SDRs (in this case, unless the participant agrees otherwise, only in amounts that would not increase the participant's holdings of SDRs above the limit under Article XIX, Section 4 of the Fund's Articles), or, in consultation with the participant (unless the repayment is a voluntary early repayment by the Fund, in which case the consent of the participant would be required), in other currencies that are actually convertible. However, in cases of early repayments at the request of a participant due to balance of payments need, such repayments could be made in the assets previously mentioned, with the exclusion of the participant's own currency.

12. Transferability of Claims

A participant will not be able to transfer all or part of its claim to repayment under a credit arrangement except with the prior consent of the Fund and on such terms and conditions as the Fund may approve.⁴³ As in the case of the GAB, it is proposed that the Fund give its consent in advance to such transfers on the same terms and conditions that apply to transfers of claims under credit arrangements under the GAB.

13. Amendments and Modifications

The decision establishing the New Arrangements to Borrow may be amended or modified by the Fund, subject to certain conditions.

(a) Amendments

Amendments during the period of effectiveness of the decision or any subsequent renewal may be made only by a decision of the Fund and with the concurrence of participants representing 85 percent of total credit arrangements. However, paragraph 5(b) (changes in the amount of participants' individual credit commitments), paragraph 15(b) (withdrawal by a participant that voted against an amendment which, in the view of the participant, materially affects its interest) and paragraph 16 (withdrawal of adherence to the decision) may only be amended by the Fund with the consent of all participants. It was thought necessary to require the consent of all participants to amend the above-mentioned provisions so as to protect each participant's right (i) not to have its credit arrangement changed without its consent, (ii) to withdraw in case of an amendment to the arrangements that, in its view, materially affects its interest, and (iii) to withdraw at the time of renewal of the arrangements.

⁴² In the event of liquidation of the Fund, the currency in which the liability of the Fund arising from the arrangements would be payable would be first the currency borrowed from each participant, then the participant's currency and finally the currency of the drawer for whose purchases transfers were made by the participants (paragraph 18(b)).

⁴³ Paragraph 13.

(b) Modifications

As in the GAB, a distinction is made between amendments (which become effective during a period) and modifications (which become effective with the next period).

With the same three exceptions mentioned above, the concurrence of participants is not necessary for the modification of the decision on its renewal since a participant has the right to withdraw its adherence to the decision at that time.⁴⁴

14. Withdrawals

A participant may withdraw its adherence to the decision at the time of its renewal by giving notice to the Fund six months before the end of the current period.⁴⁵ Moreover, if an amendment materially affects the interest of a participant that voted against the amendment, the participant may withdraw its adherence to this decision by giving notice to the Fund and the other participants within 90 days from the date the amendment was adopted; as mentioned above, this provision can only be amended with the consent of all participants.⁴⁶ Otherwise, a participant may only withdraw during the period of effectiveness of the decision with the agreement of the Fund and all participants.⁴⁷

15. Entry into Force, Period of Effectiveness, and Renewal

As with the GAB, the NAB will take the form of a decision of the Fund. It will enter into force when it has been adhered to by members or institutions included in the Annex to the Decision with credit arrangements amounting to no less than SDR 28.9 billion,⁴⁸ including the five members with the largest credit arrangements specified in the Annex.⁴⁹ Adherence will require that a member or institution deposit with the Fund an instrument setting forth that it has adhered in accordance with its law and has taken all steps necessary to enable it to carry out the terms and conditions of this decision.⁵⁰ The decision will be in effect for five years from its effective date and may be renewed for such period or periods and with such

⁴⁴ Paragraph 15(a).

⁴⁵ Paragraph 19(b).

⁴⁶ Paragraph 15(b).

⁴⁷ Paragraph 16.

⁴⁸ This amount represents 85 percent of SDR 34 billion, which is the amount that will be available under the NAB.

⁴⁹ Paragraph 4.

⁵⁰ Paragraph 3(c).

modifications, subject to paragraphs 5(b), 15(b) and 16 (which, as mentioned above, can only be amended by the Fund with the consent of all participants), as the Fund may decide.⁵¹ When considering a renewal of this decision the Fund and the participants shall review its functioning and shall consult on any possible modifications.

II. Proposed Decisions

The following decisions which may be adopted by a majority of the votes cast, are proposed for adoption by the Executive Board:

A. New Arrangements to Borrow

Preamble

In order to enable the International Monetary Fund to fulfill more effectively its role in the international monetary system, a number of countries with the financial capacity to support the international monetary system have agreed to make available to the Fund resources in the form of loans up to specified amounts when supplementary resources are needed to forestall or cope with an impairment of the international monetary system or to deal with an exceptional situation that poses a threat to the stability of that system. In order to give effect to these intentions, the following terms and conditions are adopted under Article VII, Section 1 of the Articles of Agreement.

Paragraph 1. Definitions

(a) As used in this decision the term:

- (i) “amount of a credit arrangement” means the maximum amount expressed in special drawing rights that a participant undertakes to lend to the Fund under a credit arrangement;
- (ii) “Articles” means the Articles of Agreement of the International Monetary Fund;
- (iii) “available commitment” means a participant’s credit arrangement less any committed or drawn balances;
- (iv) “borrowed currency” or “currency borrowed” means currency transferred to the Fund’s account under a credit arrangement;

⁵¹ Paragraph 19(a) and (b).

- (v) “call” means a notice by the Fund to a participant to make a transfer under its credit arrangement to the Fund’s account;
- (vi) “credit arrangement” means an undertaking to lend to the Fund on the terms and conditions of this decision;
- (vii) “currency actually convertible” means currency included in the Fund’s quarterly operational budget for transfers;
- (viii) “drawer” means a member that purchases borrowed currency from the Fund in an exchange transaction, including an exchange transaction under a stand-by or extended arrangement;
- (ix) “indebtedness” of the Fund means the amount it is committed to repay under a credit arrangement;
- (x) “member” means a member of the Fund;
- (xi) “participant” means a participating member or a participating institution;
- (xii) “participating institution” means an official institution of a member that has entered into a credit arrangement with the Fund with the consent of the member, or an official institution of a nonmember that has entered into a credit arrangement with the Fund;
- (xiii) “participating member” means a member that has entered into a credit arrangement with the Fund.

(b) For the purposes of this decision, the Hong Kong Monetary Authority (HKMA) shall be regarded as an official institution of the member whose territories include Hong Kong, provided that:

(i) loans by the HKMA and payments by the Fund to the HKMA under this decision shall be made in principle in the currency of the United States of America, unless the currency of another member is agreed between the Fund and the HKMA;

(ii) the participation of the HKMA shall not give rise to the application of paragraph 6 A to the member whose territories include Hong Kong; and

(iii) the references to the balance of payments and reserve position in paragraphs 7 A(c), 7 B(b) and 11(e) shall be understood to refer to the balance of payments and reserve position of Hong Kong.

Paragraph 2. Credit Arrangements

- (a) A member or institution that adheres to this decision undertakes to make loans to the Fund on the terms and conditions of this decision up to the amount in special drawing rights set forth in the Annex to this decision or established in accordance with paragraph 3(b).
- (b) Unless otherwise agreed with the Fund, loans under this decision shall be made in the currency of the participant. If the participant is an institution of a nonmember, the Fund and the participant shall agree on which member's currency or members' currencies shall be used for the loans. Agreements under this paragraph shall be subject to the concurrence of any member whose currency shall be used in the loans.

Paragraph 3. Adherence

- (a) Any member or institution specified in the Annex may adhere to this decision in accordance with paragraph 3(c).
- (b) Any member or institution not specified in the Annex, including an institution of a nonmember, may apply to become a participant at the time of renewal of this decision in accordance with paragraph 19. Any such member or institution that wishes to become a participant shall, after consultation with the Fund, give notice of its willingness to adhere to this decision, and, if the Fund and participants representing 80 percent of total credit arrangements under the renewed decision shall so agree, the member or institution may adhere in accordance with paragraph 3(c). When giving notice of its willingness to adhere under this paragraph 3(b), a member or institution shall specify the amount, expressed in special drawing rights, of the credit arrangement which it is willing to enter into, provided that the amount shall not be less than the credit arrangement of the participant with the smallest credit arrangement. The admission of a new participant shall lead to a proportional reduction in the credit arrangements of all existing participants whose credit arrangements are above that of the participant with the smallest credit arrangement; such proportional reduction in the credit arrangements of participants shall be in an aggregate amount equal to the amount of the new participant's credit arrangement less any increase in total credit arrangements decided in accordance with paragraph 5(a), provided that no participant's credit arrangement shall be reduced below the minimum amount set out in the Annex.
- (c) A member or institution shall adhere to this decision by depositing with the Fund an instrument setting forth that it has adhered in accordance with its law and has taken all steps necessary to enable it to carry out the terms and conditions of this decision. On the deposit of the instrument the member or institution shall be a

participant as of the date of the deposit or of the effective date of this decision, whichever is later.

Paragraph 4. Entry into Force

This decision shall become effective when it has been adhered to by members or institutions included in the Annex with credit arrangements amounting to not less than SDR 28.9 billion, including the five members or institutions with the largest credit arrangements specified in the Annex.

Paragraph 5. Changes in Amounts of Credit Arrangements

- (a) When a member or institution is authorized under paragraph 3(b) to adhere to this decision, the total amount of credit arrangements may be increased by the Fund with the agreement of participants representing 85 percent of total credit arrangements; the increase shall not exceed the amount of the new participant's credit arrangement.
- (b) The amounts of participants' individual credit arrangements may be reviewed from time to time in the light of developing circumstances and changed with the agreement of the Fund and of participants representing 85 percent of total credit arrangements, including each participant whose credit arrangement is changed. This provision may be amended only with the consent of all participants.

Paragraph 6. Initiation of Procedure

A. Participants

When a participating member or a member whose institution is a participant approaches the Fund on an exchange transaction or a stand-by or extended arrangement and the Managing Director, after consultation, considers that the exchange transaction or stand-by or extended arrangement is necessary in order to forestall or cope with an impairment of the international monetary system, and that the Fund's resources need to be supplemented for this purpose, the Managing Director may initiate the procedure set out in paragraph 7A.

B. Nonparticipants

The Managing Director may initiate the procedure set out in paragraph 7A for exchange transactions requested by members that are not participants if (a), the exchange transactions are (i) transactions in the upper credit tranches, (ii) transactions under stand-by arrangements extending beyond the first credit tranche, (iii) transactions under extended arrangements, or (iv) transactions in the first credit tranche in conjunction with a stand-by or an extended arrangement, and (b), after consultation, the Managing Director considers that the Fund's resources need to be supplemented to meet actual and expected requests for financing that reflect the existence of an exceptional situation associated with balance of

payments problems of members of a character or aggregate size that could threaten the stability of the international monetary system. In making proposals for calls pursuant to paragraph 6B, the Managing Director shall pay due regard to potential calls pursuant to paragraph 6A.

Paragraph 7. Proposals and Calls

A. Proposals

- (a) The Managing Director shall make a proposal for calls under this decision only after consultation with Executive Directors and participants.
- (b) In making a proposal for resources to be lent to the Fund, the Managing Director shall identify the prospective drawer, the amount, and the period during which the resources requested in the proposal may be called.
- (c) If a participant determines that it will not be able to meet calls under a proposal because of its present and prospective balance of payments and reserve position, which would normally be reflected in the member's exclusion from the list of countries that are included in the Fund's quarterly operational budget for transfers of their currencies, it shall so notify the Fund and the other participants. If the participant is an institution of a nonmember, the participant shall consult with the Fund on that nonmember's balance of payments and reserve position before making a determination under this provision. A participant shall exercise restraint and shall take into account the views of the Fund and other participants in making such a determination.
- (d) Unless otherwise specified under paragraph 7A(e), a proposal shall be for calls proportional to the amount of each participant's credit arrangement.
- (e) The Managing Director may make a proposal for calls that are not proportional to the amount of each participant's credit arrangement under the following circumstances:
 - (i) If proportional calls sufficient to provide the total amount sought from participants to *finance the proposed exchange transactions cannot be made* because at least one participant's available commitment is insufficient to meet such a proportional call, the Managing Director may ask every participant whose available commitment would have been sufficient to meet fully such a proportional call to provide the amount under such a proportional call; provided that, if the Managing Director asks every such participant to provide such amount, the Managing Director shall also ask every participant whose available commitment would have been insufficient to meet such a proportional call to provide an amount to the extent of its available commitment. If necessary, the Managing Director may also ask for an amount

in addition to that provided under the prior sentence from a participant whose available commitment exceeds the amount it would provide under such a proportional call.

- (ii) If proportional calls sufficient to provide the total amount sought from participants to finance the proposed exchange transactions cannot be made because at least one participant lacks sufficient amounts of the type of currency or currencies needed for the proposed exchange transactions, the Managing Director may ask every participant that is in a position to provide the currency or currencies needed to provide the amount under such a proportional call, up to the amount of its available commitment or the amount that it is in a position to provide, whichever is less. If necessary, the Managing Director may also ask a participant whose available commitment exceeds the resources it would provide under such a proportional call and that remains in a position to provide the type of currency or currencies needed to provide an amount of the currency or currencies needed in addition to that provided under the prior sentence.
- (f) The concurrence of every participant that would undertake to provide proportionately more resources than at least one other participant shall be required before the proposal can be accepted under Paragraph 7A(g).
- (g) If there is not unanimity among the participants, the question whether the participants are prepared to facilitate, by making loans to the Fund, the exchange transactions or stand-by or extended arrangement specified in the proposal will be decided by a poll of the participants. A favorable decision shall require an 80 percent majority of total credit arrangements of participants eligible to vote. The decision shall be notified to the Fund.
- (h) Neither the prospective drawer nor its participating institution nor participants that have notified that they will not meet calls under a proposal shall be eligible to vote on the proposal.
- (i) A proposal shall become effective only if it is accepted by participants pursuant to paragraph 7A(g) and is then approved by the Executive Board.
- (j) After a proposal has been accepted, commitments and drawings shall not be affected by a subsequent change in the amounts of the credit arrangements.

B. Calls

- (a) Unless otherwise provided in a proposal for future calls approved under paragraph 7A, each call shall be made in proportion to the amounts in the proposal.

- (b) Except with the participant's consent, calls may not be made on a participant, on which calls could otherwise be made pursuant to this paragraph, when, based on its present and prospective balance of payments and reserve position, the member is not included and is not being proposed by the Managing Director to be included in the list of countries in the quarterly operational budget for transfers of its currency. If the participant is an institution of a nonmember, its ability to meet calls under this decision shall be determined by the Fund, after consultation with the participant, on the basis of that nonmember's present and prospective balance of payments and reserve position. In the event that a call is not made on a participant, the Managing Director may propose to the other participants that substitute amounts be made available under their credit arrangements, and this proposal shall be subject to the procedure of paragraph 7A.
- (c) When the Fund makes a call pursuant to this paragraph, the participant shall promptly make the transfer in accordance with the call.

Paragraph 8. Evidence of Indebtedness

- (a) The Fund shall issue to a participant, on its request, nonnegotiable instruments *evidencing the Fund's indebtedness to the participant. The form of the instruments shall be agreed between the Fund and the participant.*
- (b) Upon repayment of the amount of any instrument issued under paragraph 8(a) and all accrued interest, the instrument shall be returned to the Fund for cancellation. If less than the amount of any such instrument is repaid, the instrument shall be returned to the Fund and a new instrument for the remainder of the amount shall be substituted with the same maturity date as in the old instrument.

Paragraph 9. Interest

- (a) The Fund shall pay interest on its indebtedness under this decision at a rate equal to the combined market interest rate computed by the Fund from time to time for the purpose of determining the rate at which it pays interest on holdings of special drawing rights or any such higher rate as may be agreed between the Fund and participants representing 80 percent of the total credit arrangements.
- (b) A change in the method of calculating the combined market interest rate shall apply to the Fund's indebtedness under this decision only if the Fund and participants representing 80 percent of the total credit arrangements so agree; provided that, if a participant so requests at the time this agreement is reached, the change shall not apply to the Fund's indebtedness to that participant outstanding at the date the change becomes effective.
- (c) Interest shall accrue daily and shall be paid as soon as possible after each July 31, October 31, January 31, and April 30.

- (d) Interest due to a participant shall be paid, as determined by the Fund in consultation with the participant, in special drawing rights, in the participant's currency, in the currency borrowed, or in other currencies that are actually convertible.

Paragraph 10. Use of Borrowed Currency

The Fund's policies and practices under Article V, Sections 3 and 7 on the use of its general resources and stand-by and extended arrangements, including those relating to the period of use, shall apply to purchases of currency borrowed by the Fund. Nothing in this decision shall affect the authority of the Fund with respect to requests for the use of its resources by individual members, and access to these resources by members shall be determined by the Fund's policies and practices, and shall not depend on whether the Fund can borrow under this decision.

Paragraph 11. Repayment by the Fund

- (a) Subject to the other provisions of this paragraph 11, the Fund, five years after a transfer by a participant, shall repay the participant an amount equivalent to the transfer calculated in accordance with paragraph 12. If the drawer for whose purchase participants make transfers is committed to repurchase at a fixed date earlier than five years after its purchase, the Fund shall repay the participants at that date. Repayment under this paragraph 11(a) or under paragraph 11(c) shall be, as determined by the Fund, in the currency borrowed whenever feasible, in the currency of the participant, in special drawing rights in an amount that does not increase the participant's holdings of special drawing rights above the limit under Article XIX, Section 4, of the Articles of Agreement unless the participant agrees to accept special drawing rights above that limit in such repayment, or, after consultation with the participant, in other currencies that are actually convertible. Repayments to a participant under paragraph 11(b) and 11(e) shall be credited against transfers by the participant for a drawer's purchases in the order in which repayment must be made under this paragraph 11(a).
- (b) Before the date prescribed in paragraph 11(a), the Fund, after consultation with the participants, may make repayment in part or in full to one or several participants. The Fund shall have the option to make repayment under this paragraph 11(b) in the participant's currency, in the currency borrowed, in special drawing rights in an amount that does not increase the participant's holdings of special drawing rights above the limit under Article XIX, Section 4, of the Articles of Agreement unless the participant agrees to accept special drawing rights above that limit in such repayment, or, with the agreement of the participant, in other currencies that are actually convertible.
- (c) Whenever a reduction in the Fund's holdings of a drawer's currency is attributed to a purchase of currency borrowed under this decision, the Fund shall promptly

repay an equivalent amount. If the Fund is indebted to a participant as a result of transfers to finance a reserve tranche purchase by a drawer and the Fund's holdings of the drawer's currency that are not subject to repurchase are reduced as a result of net sales of that currency during a quarterly period covered by an operational budget, the Fund shall repay at the beginning of the next quarterly period an amount equivalent to that reduction, up to the amount of the indebtedness to the participant.

- (d) Repayment under paragraph 11(c) shall be made in proportion to the Fund's indebtedness to the participants that made transfers in respect of which repayment is being made.
- (e) Before the date prescribed in paragraph 11(a), a participant may give notice representing that there is a balance of payments need for repayment of part or all of the Fund's indebtedness and requesting such repayment. If a reversal of its loan may lead to further loans to the Fund by other participants, the participant seeking such reversal shall consult with the Managing Director and with the other participants before giving notice. The Fund shall give the overwhelming benefit of any doubt to the participant's representation. Repayment shall be made after consultation with the participant in the currencies of other members that are actually convertible, or in special drawing rights, as determined by the Fund. If the Fund's holdings of currencies in which repayment should be made are not wholly adequate, individual participants may be requested to provide the necessary balance under their credit arrangements subject to the limit of their available commitments. For all of the purposes of this paragraph 11, transfers under this paragraph 11(e) shall be deemed to have been made at the same time and for the same purchases as the transfers by the participant obtaining repayment under this paragraph 11(e).
- (f) When a repayment is made to a participant, the amount that can be called for under its credit arrangement in accordance with this decision shall be restored pro tanto.
- (g) The Fund shall be deemed to have discharged its obligations to a participating institution to make repayment in accordance with the provisions of this paragraph or to pay interest in accordance with the provisions of paragraph 9 if the Fund transfers an equivalent amount in special drawing rights to the member in which the institution is established.

Paragraph 12. Rates of Exchange

- (a) The value of any transfer shall be calculated as of the date of the dispatch of the instructions for the transfer. The calculation shall be made in terms of the special drawing right in accordance with Article XIX, Section 7(a) of the Articles, and the Fund shall be obliged to repay an equivalent value.

- (b) For all of the purposes of this decision, the value of a currency in terms of the special drawing right shall be calculated by the Fund in accordance with Rule 0-2 of the Fund's Rules and Regulations.

Paragraph 13. Transferability

A participant may not transfer all or part of its claim to repayment under a credit arrangement except with the prior consent of the Fund and on such terms and conditions as the Fund may approve.

Paragraph 14. Notices

Notice to or by a participating member under this decision shall be in writing or by rapid means of communication and shall be given to or by the fiscal agency of the participating member designated in accordance with Article V, Section 1 of the Articles and Rule G-1 of the Rules and Regulations of the Fund. Notice to or by a participating institution shall be in writing or by rapid means of communication and shall be given to or by the participating institution.

Paragraph 15. Amendment

- (a) Except as provided in paragraphs 5(b), 15(b) and 16, this decision may be amended during the period prescribed in paragraph 19(a) and any subsequent renewal periods that may be decided pursuant to paragraph 19(b) only by a decision of the Fund and with the concurrence of participants representing 85 percent of total credit arrangements. Such concurrence shall not be necessary for the modification of the decision on its renewal pursuant to paragraph 19(b).
- (b) If in its view an amendment materially affects the interest of a participant that voted against the amendment, the participant shall have the right to withdraw its adherence to this decision by giving notice to the Fund and the other participants within 90 days from the date the amendment was adopted. This provision may be amended only with the consent of all participants.

Paragraph 16. Withdrawal of Adherence

Without prejudice to paragraph 15(b), a participant may withdraw its adherence to this decision in accordance with paragraph 19(b) but may not withdraw within the period prescribed in paragraph 19(a) except with the agreement of the Fund and all participants. This provision may be amended only with the consent of all participants.

Paragraph 17. Withdrawal from Membership

If a participating member or a member whose institution is a participant withdraws from membership in the Fund, the participant's credit arrangement shall cease at the same time

as the withdrawal takes effect. The Fund's indebtedness under the credit arrangement shall be treated as an amount due from the Fund for the purpose of Article XXVI, Section 3, and Schedule J of the Articles.

Paragraph 18. Suspension of Exchange Transactions and Liquidation

- (a) The right of the Fund to make calls under paragraph 7 and the obligation to make repayments under paragraph 11 shall be suspended during any suspension of exchange transactions under Article XXVII of the Articles.
- (b) In the event of liquidation of the Fund, credit arrangements shall cease and the Fund's indebtedness shall constitute liabilities under Schedule K of the Articles. For the purpose of paragraph 1(a) of Schedule K, the currency in which the liability of the Fund shall be payable shall be first the currency borrowed, then the participant's currency and finally the currency of the drawer for whose purchases transfers were made by the participants.

Paragraph 19. Period and Renewal

- (a) *This decision shall continue in existence for five years from its effective date.* When considering a renewal of this decision for the period following the five-year period referred to in this paragraph 19(a), the Fund and the participants shall review the functioning of this decision and shall consult on any possible modifications.
- (b) This decision may be renewed for such period or periods and with such modifications, subject to paragraphs 5(b), 15(b) and 16, as the Fund may decide. The Fund shall adopt a decision on renewal and modification, if any, not later than twelve months before the end of the period prescribed in paragraph 19(a). Any participant may advise the Fund not less than six months before the end of the period prescribed in paragraph 19(a) that it will withdraw its adherence to the decision as renewed. In the absence of such notice, a participant shall be deemed to continue to adhere to the decision as renewed. Withdrawal of adherence in accordance with this paragraph 19(b) by a participant, whether or not included in the Annex, shall not preclude its subsequent adherence in accordance with paragraph 3(b).
- (c) If this decision is terminated or not renewed, paragraphs 8 through 14, 17 and 18(b) shall nevertheless continue to apply in connection with any indebtedness of the Fund under credit arrangements in existence at the date of the termination or expiration of the decision until repayment is completed. If a participant withdraws its adherence to this decision in accordance with paragraph 15(b), paragraph 16, or paragraph 19(b), it shall cease to be a participant under the decision, but paragraphs 8 through 14, 17 and 18(b) of the decision as of the date of the

withdrawal shall nevertheless continue to apply to any indebtedness of the Fund under the former credit arrangement until repayment has been completed.

Paragraph 20. Interpretation

Any question of interpretation raised in connection with this decision which does not fall within the purview of Article XXIX of the Articles shall be settled to the mutual satisfaction of the Fund, the participant raising the question, and all other participants. For the purpose of this paragraph 20 participants shall be deemed to include those former participants to which paragraphs 8 through 14, 17 and 18(b) continue to apply pursuant to paragraph 19(c) to the extent that any such former participant is affected by a question of interpretation that is raised.

Paragraph 21. Relationship with the General Arrangements to Borrow and Associated Borrowing Arrangements

- (a) When considering whether to activate the New Arrangements to Borrow or the General Arrangements to Borrow, the Fund shall be guided by the following principles: The New Arrangements to Borrow shall be the facility of first and principal recourse except that:
 - (i) in the event of a request for a drawing on the Fund by a participating member, or a member whose institution is a participant, in both the General Arrangements to Borrow and the New Arrangements to Borrow, a proposal for calls may be made under either of the arrangements; and
 - (ii) in the event that a proposal for calls under the New Arrangements to Borrow is not accepted under paragraph 7A, a proposal for calls may be made under the General Arrangements to Borrow.
- (b) Outstanding drawings and commitments under the New Arrangements to Borrow and the General Arrangements to Borrow shall not exceed SDR 34 billion, or such other amount of total credit arrangements as may be in effect in accordance with this decision. The available commitment of a participant under the New Arrangements to Borrow shall be reduced pro tanto by any outstanding drawings on, and commitments of, the participant under the General Arrangements to Borrow. The available commitment of a participant under the General Arrangements to Borrow shall be reduced pro tanto by the extent to which its credit arrangement under the General Arrangements to Borrow exceeds its available commitment under the New Arrangements to Borrow.
- (c) References to drawings and commitments under the General Arrangements to Borrow shall include drawings and commitments under the Associated Borrowing Arrangements referred to in paragraph 23 of the General Arrangements to Borrow.

Paragraph 22. Other Borrowing Arrangements

Nothing in this decision shall preclude the Fund from entering into any other types of borrowing arrangements.

Annex

Participants and Amount of Credit Arrangements

The size of each participant's credit arrangement listed below has initially been based in principle on its relative economic strength as reflected in its quota in the Fund. Credit arrangements are subject to a minimum of SDR 340 million. Amounts have been adjusted between some participants subject to the condition that the total for the participants involved in an adjustment does not change and the minimum is observed. The amounts, in terms of SDRs of the individual credit arrangements and their total will remain in effect unless and until changed in accordance with this decision.

The size of the Hong Kong Monetary Authority's (HKMA) credit arrangement has not been calculated on the basis of the quota of the member whose territories include Hong Kong. The same principle explains the special provision on activation of the NAB to meet requests from such member.

Participant	Amount in Millions of Special Drawing Rights
Australia	810
Austria	412
Belgium	967
Canada	1396
Denmark	371
Deutsche Bundesbank	3557
Finland	340
France	2577
Hong Kong Monetary Authority	340
Italy	1772
Japan	3557
Korea	340
Kuwait	345
Luxembourg	340
Malaysia	340
Netherlands	1316
Norway	383
Saudi Arabia	1780
Singapore	340
Spain	672
Sveriges Riksbank	859
Swiss National Bank	1557
Thailand	340
United Kingdom of Great Britain and Northern Ireland	2577
United States of America	6712

B. New Arrangements to Borrow: Transferability of Claims

Pursuant to paragraph 13 of the New Arrangements to Borrow (NAB), the Fund consents in advance to the transfer of outstanding claims to repayments under the NAB on the terms and conditions set out below:

1. All or part of any claim under the NAB may be transferred at any time to a participant in the NAB.
2. As from the value date of the transfer, the transferred claim shall be held by the transferee on the same terms and conditions as claims originating under its credit arrangement, except that the transferee shall acquire the right to request early repayment of the transferred claim on balance of payments grounds pursuant to paragraph 11(e) Of the NAB only if, at the time of the transfer, (i) the transferee is a member, or the institution of a member, whose balance of payment and reserve position is considered sufficiently strong for its currency to be usable in net transfers in the Fund's operational budget; or (ii) the transferee is the institution of a nonmember, and the balance of payments and reserve position of the nonmember is, in the opinion of the Fund, sufficiently strong to justify such acquisition.
3. The price for the claim transferred shall be as agreed between the transferee and the transferor.
4. The transferor of a claim shall inform the Fund promptly of the claim that is being transferred, the name of the transferee, the amount of the claim that is being transferred, the agreed price for transfer of the claim, and the value date of the transfer.
5. The transfer shall be registered by the Fund if it is in accordance with the terms and conditions of this decision. The transfer shall be effective as of the value date agreed between the transferee and the transferor.
6. If all or part of a claim is transferred during a quarterly period as described in paragraph 9(c) of the NAB, the Fund shall pay interest to the transferee on the amount of the claim transferred for the whole of that period.
7. If requested, the Fund shall assist in seeking to arrange transfers.
8. This decision shall become effective on the date of effectiveness of the NAB.

ATTACHMENT

NAB Meetings

In the course of establishing the new arrangements to borrow (NAB), understandings were reached on procedures and administrative arrangements for meetings of participants. These understandings are intended to complement, but do not supersede or modify, the provisions related to the activation of the new arrangements to borrow, as specified in the Fund decision.

Frequency, timing, subject matter and level of representation

Participants agreed that, in addition to any meetings needed for activation, renewal, or amendment of the NAB, it would be appropriate for participants to meet once a year at the time of the annual Fund/Bank meetings to discuss matters pertaining to the NAB. The objective of these meetings would be to review and discuss macroeconomic and financial markets developments, especially those that could have an impact on the stability of the financial system and lead to a possible need for the Fund to seek supplementary resources for the purposes set out in the preamble of the NAB. Participants would be represented by a minister or central bank governor or both. The principal representative could appoint deputies to meet in their stead. The level of the meeting (Ministerial or Deputy) would be determined each year in light of the issues at hand.

Chairmanship

The Chairmanship of the NAB grouping would rotate annually in the English alphabetical order of the participants, as listed in the Annex to the decision, beginning with the first name on that list.⁵² The Chair would, in consultation with participants, be responsible for determining the agenda of the meeting, which will be devoted to the matters set out above. These consultations would also serve to determine the level of representation (Ministerial or Deputy) that would be most appropriate for the meeting in question.

Support

IMF headquarters staff would, under the direction of the Chair, provide secretariat support for the group. This would entail providing logistic support and maintaining an archive of documents concerning the deliberations and decisions taken under the new arrangements to borrow.

⁵² In the event that the Chair was unable to perform its functions, a substitute would be provided by the participant immediately above the Chair on the list of participants in the Annex, or, if that substitute were not available, by the participant immediately below the Chair in that list.