

MASTER FILES
ROOM C-525

0409

BUFF/97/4

January 27, 1997

**Statement by the General Counsel on
New Arrangements to Borrow
Executive Board Meeting 97/6
January 27, 1997**

In response to questions we have received before this meeting, and for the record, I would like to dispel any ambiguity that may have arisen concerning a particular sentence in the staff paper on the New Arrangements to Borrow. Specifically, I am referring to the text of footnote 11 on page 3 of the paper.

The purpose of this footnote is to clarify the procedure that will be followed to determine whether the Hong Kong Monetary Authority (HKMA) may opt out of a proposal or be excluded from calls. The criterion, as stated in paragraph 1(b)(iii) of the proposed decision, is the balance of payments and reserve position of Hong Kong itself, and the staff paper (page 3, third bullet) clarifies that this provision does not allow the taking into account of the balance of payments and reserve position of the member whose territories include Hong Kong.

Since the currency of Hong Kong is not and will not be used by the Fund, the procedure specified in the first sentence of paragraph 7A(c) and 7B(b) is inapplicable. The only procedure that can be envisaged to assess the balance of payments and reserve position of Hong Kong is a consultation between the HKMA and the Fund as specified in the second sentence of the same paragraphs.

In this regard, I should point out that footnote 11 of the staff paper does not state that the second sentence of these paragraphs will apply but only that the procedure specified in that sentence will apply. This choice of words was deliberate: the use of the word "procedure" means that only the second clause of that sentence will apply, since the first clause has no procedural content. Therefore, the footnote contains no implication whatsoever that the Hong Kong Monetary Authority is an institution of a nonmember.

