

EBS/62/112

CONFIDENTIAL

September 14, 1962

To: Members of the Executive Board
From: The Secretary
Subject: Cuba - Repurchase Commitments

The attached exchange of correspondence between the President of the Central Bank of Cuba and the Managing Director is circulated for the information of the Executive Directors.

Att: (4)

September 12, 1962

Dear Dr. Bonilla:

Please refer to your letter of August 31, 1962.

As you know, the Fund has agreed to a number of postponements requested by Cuba for the discharge of its repurchase commitments. The original commitment, assumed by Cuba in September 1958, was to repurchase not later than six months from the drawing. The commitment was extended, at the request of Cuba, in March 1959, April 1959, March 1960, and December 1961. The result of these postponements is that Cuba has been given the maximum period for repurchase that is established under Fund policies.

I need hardly emphasize the importance to the Fund and to its members of the observance of the policies relating to the period of the use of the Fund's resources. Unless these policies are observed, the Fund's resources will tend to be immobilized in protracted use. Such a development would make it difficult for the Fund to maintain the revolving character of its resources, which is absolutely essential for the continuance of its operations. It is for this reason that the Executive Board, in conducting the operations of the Fund, constantly refers to the short-term character of the use of Fund resources and carefully tests the requests of all members against the policies designed to avoid protracted use.

Paragraph 2(d) of the Board's Decision of February 13, 1952, to which you have referred must be understood within this framework. The concept of "unforeseen circumstances beyond the member's control" which would make observance of normal Fund policies "unreasonable" has been understood by the Fund to have a very limited application indeed when the member's use of Fund resources already extends to the maximum period of five years.

I should like to repeat that the Fund's policies as I have described them have been applied uniformly to all members. Perhaps I might also be permitted to say that the Fund, acting on my recommendations on the occasion of the various postponements granted to Cuba, has shown great goodwill in going to the limit in extending what was originally a repurchase commitment of not more than six months.

It is for these reasons, and also because I believe that Cuba should demonstrate that it is making a serious effort to meet its international obligations towards the Fund, that I would urge that you reconsider your letter of August 31, 1962 and cable of September 12, 1962. I trust that you will accept my advice in the spirit in which it is offered and that I may hear from you soon that Cuba will observe the currently established schedule of repurchases and discharge the installment of \$5 million which is now due under it.

Very truly yours,

/s/

Per Jacobsson

Managing Director and
Chairman of the Executive Board

Dr. Raul Cepero Bonilla
Minister-President
Banco Nacional de Cuba
Havana, Cuba

To: Dr. Raul Cepero Bonilla, Minister-President
Banco Nacional de Cuba, Havana (Cuba)

I have given careful consideration to your letter of August 31
and cable of September 12, 1962. I have replied to you in a
letter despatched today.

Jacobsson

Despatched September 12, 1962

Translation

Per Jacobsson, Managing Director
International Monetary Fund
Washington 25, DC

I refer to my letter of August 31 and decision of Executive Board of December 1, 1961 on repurchase of \$25,000,000. For reasons given in my letter of August 31 and invoking paragraph 2(d) decision of Fund Executive Board of February 13, 1952 Banco Nacional de Cuba requests postponement of start of six-month periods for repurchase until March 12, 1964.

Raul Cepero Bonilla Minister President Banco
Nacional de Cuba

Received in Cable Room September 12, 1962

Translation

BANCO NACIONAL DE CUBA
Havana, Cuba

Post Box 736

August 31, 1962

Mr. Per Jacobsson
Managing Director
International Monetary Fund
19th and H Streets, N.W.
Washington 25, D. C.
U. S. A.

Mr. Managing Director:

I refer to the decision adopted by the Executive Board of the International Monetary Fund on December 1, 1961 whereby the Banco Nacional de Cuba was to begin the repurchases of \$25,000,000 by September 12, 1962.

The disequilibrium of our international balance of payments in freely convertible currency has led to a reduction in our reserves, which makes it impossible for us to carry out the agreed semiannual operations.

Invoking Paragraph 2(d) of the decision of the Executive Board of the Fund of February 13, 1952, the Banco Nacional de Cuba requests the postponement of the semiannual repurchase installments so that they shall begin on March 12, 1964.

Very truly yours,

/s/

Dr. Raul Cepero Bonilla
Minister-President