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SECRETARY'S CIRCULAR NO. 98/31

To: Members of the Executive Board

From: The Secretary

Subject: **Procedures for Consent and Payment for Increases
in Quotas Under the Eleventh General Review**

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

Mr. Boese (ext. 37626) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

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

Introduction

1. On January 30, 1998 the Board of Governors adopted Resolution No. 53-2 "Increase in Quotas of Fund Members - Eleventh General Review" (Attachment I). This memorandum describes the procedures to be followed by members in consenting to increases in their quotas and in making their subscription payments in accordance with the provisions of the Board of Governors' Resolution No. 53-2.

Consent to an increase in quota

2. A member may consent to an increase in its quota at any time before 6:00 p.m., Washington time, January 29, 1999. The Executive Board may extend this period as it may determine. However, a member cannot consent so long as it has overdue obligations with respect to repurchases, charges, or assessments to the General Resources Account.¹ 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 for consent to any amount other than that proposed for the member.

3. The consent can be sent to the Fund in the form of a letter, telex, cable, or facsimile by a duly authorized official, bearing his/her signature if it is in the form of a letter, or with his/her name appended to the duly authenticated text if it is in the form of a telex, cable or facsimile,² and should be addressed to the Secretary of the Fund. 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 may use is set out in Attachment II. Details of the arrangements to be made for 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 of the Fund. The question of the payment in that case should be settled before the date on which payment must be made, as explained in the next section.

¹In this connection, see also paragraph 6 of the attached Resolution on increases in quotas.

²An appropriate method of authentication in this regard would be the use of a test number.

Effective date of quota increase

4. 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 its quota within the prescribed time period and has paid the increase in its quota in full. The Resolution provides that no increase in quota shall become effective before the date of the Fund's determination that members having not less than eighty-five (85) percent of the total of quotas on December 23, 1997 have consented to the increases in their quotas.

5. A communication of consent received from a member which has overdue financial obligations to the General Resources Account of the Fund will not be taken into account in the Fund's determination of the participation requirement.

6. All members will be informed promptly by the Secretary of the Fund by telex or cable of the date on which the requirement for effectiveness under paragraph 3 of the Resolution, as quoted above, has been met.³

Timing of payments

7. 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 (i) the date on which the member notifies the Fund of its consent, or (ii) the date on which the requirement for the effectiveness of the increase in quotas specified in paragraph 3 of the Resolution has been met, provided that the Executive Board may extend the payment period as it may determine.⁴

8. Since an increase in a member's quota will not take place until payment is received, members should make the necessary arrangements to transfer the amounts of SDRs or currencies specified by the Fund and SDR equivalent in domestic currency to ensure that payment will be completed within 30 days of the date on which the above mentioned requirements have been met.

³For members that have not yet consented to the increase of their quotas under the Ninth Review, the period for consent to such quota increases shall extend to the date on which the requirement for effectiveness under paragraph 3 of Resolution No. 53-2 has been met.

⁴For members that have not yet consented to their quota increases under the Ninth Review, the period for payment for such quota increases shall extend to 30 days after the date on which the requirement for effectiveness under paragraph 3 of Resolution No. 53-2 has been met.

9. Members that are not current in their obligations with respect to repurchases, charges, or assessments to the General Resources Account may not consent to their quota increases and therefore may not make payments towards an increase in their quotas.

Media of payment

10. Twenty-five percent of the increase in a member's quota must be paid in reserve assets, namely, in SDRs or in currencies of other members specified by the Fund, with their concurrence, or in any combination of SDRs and such currencies. The balance of the increase is payable in the member's own currency. It is generally expected that a member will, to the extent feasible, pay the reserve asset portions of its quota increase in SDRs and it is proposed that the member first consider paying the 25 percent either from its SDR holdings, or, if needed, by purchasing SDRs from other participants in transactions by agreement. The Treasurer of the Fund will assist members in this regard and there will be no additional transaction cost to members. Members whose foreign exchange and SDR holdings are not sufficient to make the reserve asset portion of their quota increase may also obtain SDRs for this purpose by borrowing SDRs from certain other members with the help of the Fund, as set out in paragraph 17 below.

Reserve asset payment

11. Members that wish to make the reserve asset payment in SDRs are required to instruct the Fund to debit their SDR holdings account with the required amount of SDRs. Keeping in mind that additional SDRs may be needed to settle other 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 need to use SDRs. The Treasurer of the Fund will remain ready to assist members in this matter, including supplying estimates of charges and assessments that have to be settled in SDRs.

12. In the event a member wishes to use currencies acceptable to the Fund, instead of SDRs, for payment of the reserve asset portion of the quota increase, it should inform the Fund in this regard at the earliest possible date, preferably at the time of its consent, and in time to be able to make full payment within the time period specified in paragraph 7 above. The Fund will then advise the member of the currencies and amounts to be paid based on the exchange rates in terms of the SDR three business days before the value date of payment. If necessary, the Fund will also advise on arrangements for the member to acquire the currencies concerned.

Payment in the member's own currency

13. 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 the member's currency. Payment may be made to the Fund's No. 1 Account or the Fund's Securities Account. If the member pays wholly or partially to the Fund's Securities Account, it 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 payment to the Fund's Securities Account the member may deposit into the 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).

Payment procedures

14. The member should communicate to the Fund the desired value date for the payment (within the period indicated in paragraph 7 above) 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 in terms of the SDR on the day that the information is sent to the member.⁵ Payment of the reserve asset portion of the quota increase should be made on the same day as the domestic currency payment. Accordingly, for members wishing to use SDRs to pay in full or in part the reserve asset portion of the quota increase, this payment of SDRs is effected by providing the Fund a tested authorization to debit their SDR account on the same value date that the currency payment will be made. The authorization to debit a member's SDR account could be given at the same time that the member communicates to the Fund the desired value date for the currency payment as follows:

“Treasurer's Department, IMF
Reference the reserve asset payment for the increase in quotas,
please debit SDR account of [insert name of member]
with SDR [amount] on [value date].
Fiscal agency
Test No.”

15. The Treasurer's Department of the Fund will give appropriate instructions, as indicated in paragraph 13 above, to those members who inform the Fund that they intend to pay currencies specified by the Fund in full or partial payment of 25 per cent of their quota increase.

⁵This is the exchange rate of the member's currency against the SDR at which the Fund's holdings of the member's currency are valued.

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

16. The Fund will assist members that do not hold sufficient reserves to make their reserve asset payments to the Fund by endeavoring to arrange for them to borrow SDRs from other members that hold sufficient SDRs and are willing to enter into arrangements with the Fund to lend SDRs to members who need them for this purpose. Under these arrangements, a member borrowing SDRs on the same day repays the loan from the SDR proceeds of drawing on the reserve tranche position in the Fund that has been established by the payment of SDRs. The execution of the SDR loan, the quota payment, the drawing of the reserve tranche position and the repayment of the SDR loan will 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 communication to be sent to the Fund by a member using this arrangement is set out as Attachment III.

17. The Fund will communicate with individual members in due course asking about their intentions as regards the media of the reserve asset payment in connection with their quota increases.

Treasurer's Department
International Monetary Fund

Date _____

Attachments (3)

**Resolution No. 53-2 of the Board of Governors:
Increase in Quotas of Fund Members—Eleventh General Review**

WHEREAS the Executive Board has submitted to the Board of Governors a report entitled "Increases in Quotas of Fund Members—Eleventh 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 Eleventh 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 increased 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 4 below and has paid the increase in quota in full within the period prescribed by or under paragraph 5 below, provided that no member with overdue repurchases, charges or assessments to the General Resources Account may consent to or pay for the increase in its quota until it becomes current in respect of these obligations.
3. No increase in quotas shall become effective before the date of the Fund's determination that members having not less than 85 percent of the total of quotas on December 23, 1997 have consented to the increases in their quotas.
4. 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, January 29, 1999, provided that the Executive Board may extend this period as it may determine.
5. 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 3 above, provided that the Executive Board may extend the payment period as it may determine.
6. When deciding on an extension of the period for consent to or payment for the increase in quotas, the Executive Board shall give particular consideration to the

situation of members that may still wish to consent to or pay for the increase in quota, including members with protracted arrears to the General Resources Account, consisting of overdue repurchases, charges or assessments to the General Resources Account, that, in its judgment, are cooperating with the Fund toward the settlement of these obligations.

7. For members that have not yet consented to their increases in quotas under the Ninth Review, the period for consent to such quota increases shall extend to the date determined under paragraph 3 above. For members that have not yet paid for their quota increases under the Ninth Review, the period for payment for such quota increases shall extend to 30 days after the date determined under paragraph 3 above.

8. Each member shall pay 25 percent 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.

INTERNATIONAL MONETARY FUND
Resolution of the Board of Governors:
Increase in Quotas of Fund Members - Eleventh General Review

	Proposed Quota (In millions of SDRs)		Proposed Quota (In millions of SDRs)
1. Afghanistan, Islamic State of	161.9	31. Cape Verde	9.6
2. Albania	48.7	32. Central African Republic	55.7
3. Algeria	1,254.7	33. Chad	56.0
4. Angola	286.3	34. Chile	856.1
5. Antigua and Barbuda	13.5	35. China	4,687.2
6. Argentina	2,117.1	36. Colombia	774.0
7. Armenia	92.0	37. Comoros	8.9
8. Australia	3,236.4	38. Congo, Democratic Republic of the	533.0
9. Austria	1,872.3	39. Congo, Republic of	84.6
10. Azerbaijan	160.9	40. Costa Rica	164.1
11. Bahamas, The	130.3	41. Côte d'Ivoire	325.2
12. Bahrain	135.0	42. Croatia	365.1
13. Bangladesh	533.3	43. Cyprus	139.6
14. Barbados	67.5	44. Czech Republic	819.3
15. Belarus	386.4	45. Denmark	1,642.8
16. Belgium	4,605.2	46. Djibouti	15.9
17. Belize	18.8	47. Dominica	8.2
18. Benin	61.9	48. Dominican Republic	218.9
19. Bhutan	6.3	49. Ecuador	302.3
20. Bolivia	171.5	50. Egypt	943.7
21. Bosnia and Herzegovina	169.1	51. El Salvador	171.3
22. Botswana	63.0	52. Equatorial Guinea	32.6
23. Brazil	3,036.1	53. Eritrea	15.9
24. Brunei Darussalam	215.2	54. Estonia	65.2
25. Bulgaria	640.2	55. Ethiopia	133.7
26. Burkina Faso	60.2	56. Fiji	70.3
27. Burundi	77.0	57. Finland	1,263.8
28. Cambodia	87.5	58. France	10,738.5
29. Cameroon	185.7	59. Federal Republic of Yugoslavia	
30. Canada	6,369.2	(Serbia/Montenegro) 1/	467.7
		60. Gabon	154.3

1/ Under Executive Board Decision No. 10237-(92/150) adopted December 14, 1992, the Federal Republic of Yugoslavia (Serbia/Montenegro) may succeed to the membership of the former Socialist Federal Republic of Yugoslavia.

INTERNATIONAL MONETARY FUND
Resolution of the Board of Governors:
Increase in Quotas of Fund Members - Eleventh General Review

	Proposed Quota (In millions of SDRs)		Proposed Quota (In millions of SDRs)
61. Gambia, The	31.1	91. Lao People's Democratic Republic	52.9
62. Georgia	150.3	92. Latvia	126.8
63. Germany	13,008.2	93. Lebanon	203.0
64. Ghana	369.0	94. Lesotho	34.9
65. Greece	823.0	95. Liberia	129.2
66. Grenada	11.7	96. Libya	1,123.7
67. Guatemala	210.2	97. Lithuania	144.2
68. Guinea	107.1	98. Luxembourg	279.1
69. Guinea-Bissau	14.2	99. Macedonia, former Yugoslav Republic of	68.9
70. Guyana	90.9	100. Madagascar	122.2
71. Haiti	81.9	101. Malawi	69.4
72. Honduras	129.5	102. Malaysia	1,486.6
73. Hungary	1,038.4	103. Maldives	8.2
74. Iceland	117.6	104. Mali	93.3
75. India	4,158.2	105. Malta	102.0
76. Indonesia	2,079.3	106. Marshall Islands	3.5
77. Iran, Islamic Republic of	1,497.2	107. Mauritania	64.4
78. Iraq	1,188.4	108. Mauritius	101.6
79. Ireland	838.4	109. Mexico	2,585.8
80. Israel	928.2	110. Micronesia, Federated States of	5.1
81. Italy	7,055.5	111. Moldova	123.2
82. Jamaica	273.5	112. Mongolia	51.1
83. Japan	13,312.8	113. Morocco	588.2
84. Jordan	170.5	114. Mozambique	113.6
85. Kazakhstan	365.7	115. Myanmar	258.4
86. Kenya	271.4	116. Namibia	136.5
87. Kiribati	5.6	117. Nepal	71.3
88. Korea	1,633.6	118. Netherlands	5,162.4
89. Kuwait	1,381.1	119. New Zealand	894.6
90. Kyrgyz Republic	88.8	120. Nicaragua	130.0

INTERNATIONAL MONETARY FUND
Resolution of the Board of Governors:
Increase in Quotas of Fund Members - Eleventh General Review

	Proposed Quota (In millions of SDRs)		Proposed Quota (In millions of SDRs)
121. Niger	65.8	154. St. Lucia	15.3
122. Nigeria	1,753.2	155. St. Vincent and the Grenadines	8.3
123. Norway	1,671.7	156. Sudan	315.1
124. Oman	194.0	157. Suriname	92.1
125. Pakistan	1,033.7	158. Swaziland	50.7
126. Palau, Republic of	3.1	159. Sweden	2,395.5
127. Panama	206.6	160. Switzerland	3,458.5
128. Papua New Guinea	131.6	161. Syrian Arab Republic	293.6
129. Paraguay	99.9	162. Tajikistan	87.0
130. Peru	638.4	163. Tanzania	198.9
131. Philippines	879.9	164. Thailand	1,081.9
132. Poland	1,369.0	165. Togo	73.4
133. Portugal	867.4	166. Tonga	6.9
134. Qatar	263.8	167. Trinidad and Tobago	335.6
135. Romania	1,030.2	168. Tunisia	286.5
136. Russia	5,945.4	169. Turkey	964.0
137. Rwanda	80.1	170. Turkmenistan	75.2
138. Samoa	11.6	171. Uganda	180.5
139. San Marino	17.0	172. Ukraine	1,372.0
140. São Tomé and Príncipe	7.4	173. United Arab Emirates	611.7
141. Saudi Arabia	6,985.5	174. United Kingdom	10,738.5
142. Senegal	161.8	175. United States	37,149.3
143. Seychelles	8.8	176. Uruguay	306.5
144. Sierra Leone	103.7	177. Uzbekistan	275.6
145. Singapore	862.5	178. Vanuatu	17.0
146. Slovak Republic	357.5	179. Venezuela	2,659.1
147. Slovenia	231.7	180. Vietnam	329.1
148. Solomon Islands	10.4	181. Yemen, Republic of	243.5
149. Somalia	81.7	182. Zambia	489.1
150. South Africa	1,868.5	183. Zimbabwe	353.4
151. Spain	3,048.9		
152. Sri Lanka	413.4		
153. St. Kitts and Nevis	8.9		

**Suggested Text for Notification of Consent to
Increase in Quota - Telex, Cable, Facsimile or Letter**

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

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. 53-2 on "Increase in Quotas of Fund Members - Eleventh General Review."

[My Government intends to effect payment as follows:]⁶

(Signature of the authorized official)

⁶It would be helpful if the member 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 the Fund by Members
Wishing to Borrow SDRs with Which to Pay Reserve Asset
Portions of Quota Increases Under the Eleventh 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 this 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] for the payment of 25 percent of the quota increase consented to under the Eleventh 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 the same day that the reserve asset payment for the quota increase is made as described in Secundo above.

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

Quarto.

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

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

Fiscal Agency

Test No.

