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March 30, 1998

SECRETARY'S CIRCULAR NO. 98/31  
Correction 1

To: Members of the Executive Board

From: The Acting Secretary

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

The following correction has been made in Secretary's Circular No. 98/31 (3/24/98):

**Page 3, para. 10, last line:** for "paragraph 17 below."  
read "paragraph 16 below."

A corrected page is attached.

Att: (1)

Other Distribution:  
Department Heads



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 16 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.<sup>5</sup> 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.

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<sup>5</sup>This 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.