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October 23, 1997

**SECRETARY'S CIRCULAR NO.97/92**

**To:           Members of the Executive Board**

**From:        The Secretary**

**Subject:     Proposed Fourth Amendment of the Articles of Agreement—Letter to  
              Members**

Please find attached for the information of Executive Directors, the letter sent by courier on October 22, 1997 to all members asking whether they accept the Proposed Fourth Amendment of the Articles of Agreement. Attachment II, "Note on Procedure for Adoption of the Proposed Fourth Amendment of the Articles of Agreement of the International Monetary Fund," referred to in the letter, was circulated as Secretary's Circular No. 97/88 (10/16/97).

Att: (1)

Other Distribution:  
Department Heads





INTERNATIONAL MONETARY FUND  
WASHINGTON, D. C. 20431

October 22, 1997

CABLE ADDRESS  
INTERFUND

I have the honor to inform you that the Board of Governors has approved the proposed Fourth Amendment of the Articles of Agreement of the International Monetary Fund by adopting the Resolution set forth in Part IV of the Report of the Executive Board to the Board of Governors contained in my communication to you of September 20, 1997 (1997 Annual Meeting of the Board of Governors of the International Monetary Fund: Fund Document No. 9). The Resolution adopted will be cited as "Resolution No. 52-4--Special One-Time Allocation of SDRs--Proposed Fourth Amendment of the Articles."

Pursuant to Article XXVIII of the Articles of Agreement of the Fund and Resolution No. 52-4, I have been directed to ask whether, as a Fund member, your government accepts the Proposed Fourth Amendment communicated to it in the Report referred to above. (The Proposed Fourth Amendment is set forth in Attachment I.)

In accordance with Article XXVIII and the terms of Resolution No. 52-4, the proposed Fourth Amendment will enter into force for all members as of the date the Fund certifies by formal communication addressed to all members that three-fifths of the members, having eighty-five percent of the total voting power, have accepted the Proposed Fourth Amendment as required by that Article.

For your information, a Note on Procedure for Adoption of the Proposed Fourth Amendment of the Articles of Agreement of the International Monetary Fund, prepared by the Legal Department, is set forth in Attachment II.

Very truly yours,

A handwritten signature in cursive script, reading "Reinhard Munzberg", is written above the typed name.

Reinhard Munzberg  
Secretary

Enclosures



**Proposed Fourth Amendment  
of the Articles of Agreement  
of the International Monetary Fund**

The Governments on whose behalf the present Agreement is signed agree as follows:

1. The text of Article XV, Section 1 shall be amended to read as follows:
  - (a) To meet the need, as and when it arises, for a supplement to existing reserve assets, the Fund is authorized to allocate special drawing rights in accordance with the provisions of Article XVIII to members that are participants in the Special Drawing Rights Department.
  - (b) In addition, the Fund shall allocate special drawing rights to members that are participants in the Special Drawing Rights Department in accordance with the provisions of Schedule M.
2. A new Schedule M shall be added to the Articles, to read as follows:

**SCHEDULE M**

**Special One-Time Allocation of Special Drawing Rights**

1. Subject to 4 below, each member that, as of September 19, 1997, is a participant in the Special Drawing Rights Department shall, on the 30th day following the effective date of the fourth amendment of this Agreement, receive an allocation of special drawing rights in an amount that will result in its net cumulative allocation of special drawing rights being equal to 29.315788813 percent of its quota as of September 19, 1997, provided that, for participants whose quotas have not been adjusted as proposed in Resolution No. 45-2 of the Board of Governors, calculations shall be made on the basis of the quotas proposed in that resolution.
2. (a) Subject to 4 below, each country that becomes a participant in the Special Drawing Rights Department after September 19, 1997 but within three months of the date of its membership in the Fund shall receive an allocation of special drawing rights in an amount calculated in accordance with (b) and (c) below on the 30th day following the later of: (i) the date on which the new member becomes a participant in the Special Drawing Rights Department, or (ii) the effective date of the fourth amendment of this Agreement.
  - (b) For the purposes of (a) above, each participant shall receive an amount of special drawing rights that will result in such participant's net cumulative allocation being equal to 29.315788813 percent of its quota as of the date on which the member becomes a participant in the Special Drawing Rights Department, as adjusted:

(i) first, by multiplying 29.315788813 percent by the ratio of the total of quotas, as calculated under 1 above, of the participants described in (c) below to the total of quotas of such participants as of the date on which the member became a participant in the Special Drawing Rights Department, and

(ii) second, by multiplying the product of (i) above by the ratio of the total of the sum of the net cumulative allocations of special drawing rights received under Article XVIII of the participants described in (c) below as of the date on which the member became a participant in the Special Drawing Rights Department and the allocations received by such participants under 1 above to the total of the sum of the net cumulative allocations of special drawing rights received under Article XVIII of such participants as of September 19, 1997 and the allocations received by such participants under 1 above.

(c) For the purposes of the adjustments to be made under (b) above, the participants in the Special Drawing Rights Department shall be members that are participants as of September 19, 1997 and (i) continue to be participants in the Special Drawing Rights Department as of the date on which the member became a participant in the Special Drawing Rights Department, and (ii) have received all allocations made by the Fund after September 19, 1997.

3. (a) Subject to 4 below, if the Federal Republic of Yugoslavia (Serbia/Montenegro) succeeds to the membership in the Fund and the participation in the Special Drawing Rights Department of the former Socialist Federal Republic of Yugoslavia in accordance with the terms and conditions of Executive Board Decision No. 10237-(92/150), adopted December 14, 1992, it shall receive an allocation of special drawing rights in an amount calculated in accordance with (b) below on the 30th day following the later of: (i) the date on which the Federal Republic of Yugoslavia (Serbia/Montenegro) succeeds to membership in the Fund and participation in the Special Drawing Rights Department in accordance with the terms and conditions of Executive Board Decision No. 10237-(92/150), or (ii) the effective date of the fourth amendment of this Agreement.

(b) For the purposes of (a) above, the Federal Republic of Yugoslavia (Serbia/Montenegro) shall receive an amount of special drawing rights that will result in its net cumulative allocation being equal to 29.315788813 percent of the quota proposed to it under paragraph 3(c) of Executive Board Decision No. 10237-(92/150), as adjusted in accordance with 2(b)(ii) and (c) above as of the date on which the Federal Republic of Yugoslavia (Serbia/Montenegro) qualifies for an allocation under (a) above.

4. The Fund shall not allocate special drawing rights under this Schedule to those participants that have notified the Fund in writing prior to the date of the allocation of their desire not to receive the allocation.

5. (a) If, at the time an allocation is made to a participant under 1, 2, or 3 above, the participant has overdue obligations to the Fund, the special drawing rights so allocated shall be

deposited and held in an escrow account within the Special Drawing Rights Department and shall be released to the participant upon discharge of all its overdue obligations to the Fund.

(b) Special drawing rights being held in an escrow account shall not be available for any use and shall not be included in any calculations of allocations or holdings of special drawing rights for the purposes of the Articles, except for calculations under this Schedule. If special drawing rights allocated to a participant are held in an escrow account when the participant terminates its participation in the Special Drawing Rights Department or when it is decided to liquidate the Special Drawing Rights Department, such special drawing rights shall be canceled.

(c) For purposes of this paragraph, overdue obligations to the Fund consist of overdue repurchases and charges in the General Resources Account, overdue principal and interest on loans in the Special Disbursement Account, overdue charges and assessments in the Special Drawing Rights Department, and overdue liabilities to the Fund as trustee.

(d) Except for the provisions of this paragraph, the principle of separation between the General Department and the Special Drawing Rights Department and the unconditional character of special drawing rights as reserve assets shall be maintained.

