

**IMMEDIATE
ATTENTION**

EBD/06/107

September 8, 2006

To: Members of the Executive Board

From: The Secretary

Subject: **Rules and Regulations Amended Since the 2005 Annual Meeting**

Attached for the Executive Board's consideration is a draft letter to the Chairman of the Board of Governors submitting for review by the Governors the text of the amendments to the Rules and Regulations adopted since the 2005 Annual Meeting. A proposed resolution for the Board of Governors is attached as Annex II.

It is not proposed to bring this matter to the agenda for discussion unless an Executive Director so requests by **3:00 p.m., Friday, September 8, 2006**. In the absence of such a request, the letter and draft resolution will be deemed approved and it will be so recorded in the minutes of the next meeting thereafter.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

September 19, 2006

Dear Mr. Chairman:

In accordance with Section 16 of the By-Laws, the attached amendments of the Rules and Regulations adopted since the 2005 regular meeting (Annex I) are submitted for review by the Board of Governors. A draft resolution for approval by Governors appears in Annex II.

Rule T-1 (c) was amended by the Executive Board (with effect from January 1, 2006) to replace “Three-month Euro Interbank Offered Rate (Euribor)” with “Three-month Eurepo rate.”

Rule O-1 was amended by the Executive Board (with effect from January 1, 2006) to reflect revised amounts for the four currencies that determine the value of the SDR.

Rule I-6, subparagraphs (a), (b), (c), and (d) of paragraph (4), was amended by the Executive Board (with effect from FY 2007).

The Executive Board has made no other changes in the Rules and Regulations since the last Annual Meeting.

Yours very truly,

/s/

Rodrigo de Rato
Managing Director
and
Chairman of the Executive Board

Chairman of the Board of Governors
2006 Annual Meetings
International Monetary Fund

Annex I
RULES AND REGULATIONS AMENDED SINCE THE
2005 ANNUAL MEETINGS

Rule T-1(c). Text as amended, effective January 1, 2006:

The combined market interest rate shall be the sum, rounded to the two nearest decimal places, of the products that result from multiplying each yield or rate listed below, expressed as an equivalent annual bond yield, for the preceding Friday by the value in terms of the SDR on that Friday of the amount of the corresponding currency specified in Rule O-1, as determined pursuant to Rule O-2(b). If a yield or rate is not available for a particular Friday, the calculation shall be made on the basis of the latest available yield or rate.

U.S. dollar	Market yield for three-month U.S. Treasury bills
Euro	Three-month Eurepo rate
Japanese yen	Thirteen-week Japanese Government financing bills
Pound sterling	Market yield for three-month U.K. Treasury bills

Rule O-1. Text as amended, effective January 1, 2006:

The value of the SDR shall be the sum of the values of the following amounts of the following currencies:

U.S. dollar 0.632
Euro 0.410
Japanese yen 18.4
Pound sterling 0.0903

Rule I-6(4). Text as amended, effective from FY 2007:

The rate of charge on holdings (i) acquired as a result of a purchase under a policy that has been the subject of an exclusion under Article XXX(c), or (ii) that exceed the amount of the member's quota after excluding any balances referred to in (i), shall be determined in accordance with (a), (b), and (c) below.

(a) The rate of charge shall be determined at the beginning of each financial year as the SDR interest rate under Rule T-1 plus a margin expressed in basis points. The margin shall be determined on the basis of the estimated income and expense of the Fund during the year, and the target amount of net income for the year. The latter shall be 5 percent of the Fund's reserves at the beginning of the year or such other percentage as the Executive Board may determine particularly in the light of the results in the previous financial year. Notwithstanding the second sentence of this paragraph (a), in exceptional

circumstances, the margin may be determined on a basis other than the estimated income and expense of the Fund during the year and a target amount of net income for the year.

(b) A mid-year review of the Fund's income position shall be held shortly after October 31 of each year.

(i) If the margin has been determined on the basis of the estimated income and expense of the Fund during the year and a target amount of net income for the year and actual net income for the first six months of the financial year, on an annual basis, is below the target amount for the year by an amount equal to, or greater than, two percent of the Fund's reserves at the beginning of the financial year, the Executive Board will consider how to deal with the situation. If by December 15 no agreement has been reached as a result of this consideration, the margin over the SDR interest rate under Rule T-1 determined under (a) at the beginning of the year shall be increased as of November 1 to the level necessary to reach the target amount of net income for the year.

(ii) If the margin has been determined on a basis other than the estimated income and expense of the Fund during the year and a target amount of net income for the year, the Executive Board will review any change in the exceptional circumstances and decide by December 15 whether the margin over the SDR interest rate under Rule T-1 determined under (a) at the beginning of the year shall be changed as of November 1 in light of the actual income position for the first six months of the financial year, on an annual basis.

(c) A review of the Fund's income position shall be held shortly after the end of each financial year. If the net income for the year just ended is in excess of any target amount for the year, the Executive Board will consider whether the whole or a part of the excess should be used to reduce the rate of charge retroactively for the year just ended, or to place all or part of the excess to reserve.

(d) If the Fund's net income for a financial year is in excess of any target amount for that year, the Executive Board may for the purposes of the determinations and estimates referred to in (a) and (b) above in respect of the immediately subsequent financial year, decide to deem any part of the excess over the target amount that has been placed to reserve as income for that subsequent financial year.

Annex II
DRAFT RESOLUTION

Amendments of the Rules and Regulations

RESOLVED:

That the Board of Governors of the Fund hereby notifies the Executive Board that it has reviewed the amendments of Rules T-1(c), O-1, and I-6(4), which have been made since the 2005 Annual Meeting, and has no changes to suggest.