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To: Members of the Executive Board

From: The Secretary

Subject: SDR Allocations and the Situation of New Participants -
Legal Aspects

Attached for consideration by the Executive Directors is a paper on the legal aspects of the SDR allocations and the situation of new participants, which is tentatively scheduled for discussion on Thursday, March 31, 1994. A conclusion appears on page 13.

Mr. Gianviti (ext. 38329) or Mr. Munzberg (ext. 36675) is available to answer technical or factual questions relating to this paper.

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INTERNATIONAL MONETARY FUND

SDR Allocations and the Situation of New Participants - Legal Aspects

Prepared by the Legal Department

(In consultation with the Research and Treasurer's Departments)

Approved by François Gianviti

March 10, 1994

The report of the Executive Board to the Interim Committee of September 1993 on the question of an SDR allocation and related issues addressed, inter alia, the situation of "members that had not participated in each allocation of SDRs since 1970 or had never received an allocation of SDRs because they joined the Fund after the last allocation of SDRs" as follows:

"A number of Directors indicated that in their consideration of an SDR allocation and post allocation redistribution, account should be taken of the relatively large number of members that had not participated in each allocation of SDRs since 1970 or had never received an allocation of SDRs because they joined the Fund after the last allocation of SDRs. In this latter connection, several Directors were of the view that future consideration should be given to the feasibility of improving the distribution of SDRs by combining a cancellation of all existing SDRs with a new SDR allocation to all participants on the basis of their present quotas. The Executive Directors have not yet addressed this issue in all aspects, including its compatibility with the Articles of Agreement." 1/

The Interim Committee, at its meeting of September 26, 1993, discussed the report of the Executive Board on an allocation of SDRs and related matters and requested "the Executive Board to continue its work on these issues--having particularly in mind the situation of the many new members that have not participated in previous SDR allocations...." 2/

Both the report of the Executive Board and the communique of the Interim Committee point out that some members, because they joined the Fund after the last SDR allocation ("new members"), have not received any allocation. In addition, the report also points out that some members have not participated in all SDR allocations since 1970. Finally, the report raises the question of a possible improvement in the distribution of SDRs through a combination of a cancellation of all existing SDRs with a new allocation to all participants on the basis of their present quotas.

1/ EBS/93/141, Rev. 3 (9/21/93), pp. 4-5.

2/ Interim Committee Communiqué of September 26, 1993, para. 9.

Therefore, taken together, the report of the Executive Board and the communiqué of the Interim Committee raise the question of the present uneven ratios of SDR allocations to quotas, but with some nuances, both in terms of causes of and remedies to this situation:

- the situation of "new members" that have not received any allocation should be taken into account when considering an SDR allocation and post-allocation distribution;
- the situation of members that have not participated in all allocations since 1970 should also be taken into account;
- the compatibility with the Articles of a better distribution of SDRs through cancellation cum new allocation should be examined. 1/

While the first and second points identify certain causes of the present uneven ratios of SDR allocations to quotas in support of a proposal for an SDR allocation, the third one identifies a new, untested approach, which, although presented as a remedy to the situation of "new members," would have effects beyond the particular cases of "new members" or, more generally, members that have not participated in all allocations since 1970; if implemented, the proposed cancellation cum allocation would achieve complete equality in the ratios of cumulative allocations to present quotas, regardless of the reasons that have led to the present uneven distribution; in particular, it would also affect those members that have participated in all SDR allocations.

The main purpose of this paper is to assess the consistency with the Articles of this proposal, that is, a cancellation of all existing SDRs with a new allocation on the basis of present quotas (Section II). However, in order to assess its implications within the legal framework of the Fund, it is first necessary to explain the reasons that have led to the present uneven ratios of cumulative allocations to quotas (Section I).

I. Reasons for the Uneven Ratios of Cumulative Allocations to Present Quotas

Since the First Amendment of the Articles, SDR allocations have been governed by certain constant principles that resulted, over time, in an uneven ratio of cumulative allocations to current quotas (A). The legislative history shows that this result was accepted and was intended to be beyond remedy (B).

1/ Literally, a "better distribution of SDRs" would refer to a redistribution of SDR holdings, but it is clear from the context that the report was referring to a redistribution of SDR allocations. Therefore, post-allocation redistribution schemes are not discussed in this paper.

A. The principles and their effects

1. The relevant principles can be summarized as follows:

- (i) SDRs may only be allocated among members that are participants in the SDR Department at the time of the allocation. 1/ Therefore, membership in the Fund, together with an acceptance of participation, are prerequisites for receiving SDR allocations.
- (ii) Decisions to allocate are only made to meet the "long-term global need to supplement existing reserves." Therefore, their timing does not necessarily coincide with general quota increases.
- (iii) Once a decision to allocate is adopted, allocations must be made to all current participants, 2/ except those that have "opted out" of these allocations.
- (iv) Allocations must be based on the same percentage of current quotas for all participants.

2. The application of these principles since the first SDR allocation 3/ has led to the following consequences:

- (i) Some participants have not received any allocation because they became members of the Fund (and participants) after the last allocation in the third basic period.
- (ii) Others did not receive all allocations because they became members of the Fund (and participants) after the beginning of allocations in the first basic period. More specifically, members that became participants during the first or third

1/ In principle, a member that becomes a participant during a basic period will only receive allocations made during the next basic period, but the Fund may decide that a new participant will receive subsequent allocations made during the current basic period (Article XVIII, Section 2(d)). The Fund has consistently decided that new participants would receive all subsequent allocations.

2/ As explained above, members that become participants during a basic period will only receive allocations made during that period (after they have become participants) if so decided by the Fund, but this has always been the case in practice.

3/ To date, SDRs have been allocated only in two basic periods: the first and third basic periods. Allocations during the first basic period were made on January 1, 1970, January 1, 1971, and January 1, 1972. Allocations during the third basic period were made on January 1, 1979, January 1, 1980, and January 1, 1981.

basic period only received allocations made after they became participants.

- (iii) Others, which were members of the Fund at the start of the first basic period, did not participate in all allocations because they had not become participants by the time of the beginning of the first basic period. In a number of cases, this delayed participation reflected a choice by members; in other cases, it resulted from delays in completing the necessary legislation.
- (iv) One participant, although both a member of the Fund and a participant by January 1, 1970, has not participated in all allocations because it opted out of the three allocations made during the first basic period.
- (v) Allocations are based on current quotas, but quotas have been adjusted more frequently than allocations have been made and these adjustments have differed among members. Therefore, the ratios of cumulative allocations to current quotas have varied and will vary over time among participants, including those that have participated in all allocations since 1970. For instance, a participant whose share in total quotas has increased since the third basic period will have been allocated a lesser proportion of SDRs in terms of its present quota than a participant whose share in total quotas has decreased.

B. The deliberate absence of remedy

It is clear from the legislative history of the First Amendment that the drafters not only were fully aware that the application of these rules would result in an uneven ratio of net cumulative allocations to current quotas, but also made sure in drafting the rules that this unevenness could not be corrected through any means.

In order to achieve at all times a balanced distribution of SDR allocations in terms of current quotas, or, at least, to ameliorate the situation of new participants, different techniques could have been and were actually considered during the preparation of the First Amendment, but they were rejected for different reasons.

1. The most drastic technique would have been to redistribute SDR allocations among all participants from time to time on the basis of current quotas. As a result, the cumulative allocations of all prior participants would have been reduced pro tanto. However, this would have undermined the participants' confidence in SDR allocations and, therefore, in the SDR scheme.

The question of changes in the relative size of quotas among participants was raised and settled as early as 1967, during the discussions on the creation of a reserve unit scheme. An Executive Director commented that it ought to be made "clear that quota increases would not have a retroactive effect on distributions that had already been made". 1/ In response, the Managing Director said that "he did not think there was any possibility of the language being interpreted as implying that past distributions could be adjusted". 2/ The question of reallocations was not reopened later. As explained by the staff after the entry into force of the First Amendment, "[e]ach periodic allocation stands on its own as final and not subject to contingencies or adjustments." 3/

2. Instead of reallocating SDRs on the basis of current quotas, a less disruptive technique would have been to make a special "catch-up" allocation to new participants or to those that, after opting out, would opt back in. However, this technique could have been a disincentive for early and continued participation in the SDR scheme, since late or repentant participants could always catch up later, when, in their judgment, the benefits of participation would exceed the obligations. In particular, the participation of major countries, which could be subject to designation, was thought to be an indispensable component of the new scheme, as the scheme was essentially a credit-line mechanism among all participants. For instance, the 1966 communiqué of the Group of Ten Ministers stated that:

"All countries have a legitimate interest in the adequacy of international reserves. However, a group of major countries with a key role in the functioning of the international monetary system has a particular responsibility for financial backing for any newly created reserve assets....The major countries should be ready to provide adequate financial backing through the extension of special lines of credit to the Fund or through commitments to accept and hold such reserve assets." 4/

Subsequent discussions confirmed that new participants and participants that opted back in could not be compensated for their failure to receive past allocations.

With respect to members becoming participants during a basic period, it was explained that "[t]he Fund is not authorized under this [now Article XVIII, Section 2(d)] or any other provision to permit the receipt of allocations which were made before participation began." 5/ To illustrate this point, the General Counsel stated that if a "member deposited its

1/ EBM, Informal Session No. 67/7 (3/20/67), p. 17.

2/ *Ibid.*

3/ SM/69/138 (8/29/69), p. 3.

4/ Communiqué of the Ministerial Meeting of the Group of Ten on July 25-26, 1966, in The Hague (para. 5).

5/ SM/69/138 (8/29/69), p. 1.

instrument [of participation in the SDR Department] on January 2, 1970, there would be no way for it to receive the first allocation if that were made on January 1." 1/ To an Executive Director's question concerning the possibility for the Board of Governors to make an exception to the principle of exclusion of new participants from past allocations, the General Counsel replied that "the Articles permitted no such exception." 2/

With respect to opting out participants, the staff stated that "a participant who opted back into the scheme would be entitled to receive only prospective allocations, and not the past allocations that it had missed by reason of its having opted out." 3/ This principle was reiterated in the 1968 Report of the Executive Directors to the Board of Governors on the proposed First Amendment:

"A participant that has opted out with respect to a basic period may 'opt back in' (i.e., resume receiving allocations) with the permission of the Fund, but the participant will receive only the allocations made after it has been permitted to opt back in. Opting back in is not possible with respect to allocations that were made previously during the basic period." 4/

3. A third technique would have been to authorize selective allocations, which, in particular, could have applied to new participants, but such allocations would have raised two problems. The first one was their consistency with the requirement of a finding of long-term global need, which, by definition, could not be based on the situation of one or several new participants. A possible compromise could have been, in connection with a general allocation, to provide for a higher percentage in terms of quotas in favor of new participants. However, this would have resulted in a second inconsistency, namely, with the principle that allocations must be expressed "as percentages of quotas" which "shall be the same for all participants" (Article XVIII, Section 2(b)). In reference to this principle, the staff commented that "[t]he use of the word 'same' was intended to preclude rates that might be different for distinguishable classes of participants even though the distinctions would not be arbitrary." 5/

In summary, the various techniques that were envisaged to equalize the ratios of cumulative allocations to current quotas were all rejected. The question, therefore, is whether a different technique, based on the

1/ EBM, Informal Session No. 69/10 (8/11/69), p. 10.

2/ *Ibid.*, p. 11.

3/ EBM/68/20 (2/12/68), p. 7.

4/ Establishment of a Facility Based on Special Drawing Rights in the International Monetary Fund and Modifications in the Rules and Practices of the Fund: A Report by the Executive Directors to the Board of Governors Proposing Amendment of the Articles of Agreement, April 1968, para. 11.

5/ SM/69/138 (8/29/69), p. 2.

provision governing cancellation and allocation of SDRs, could be used to achieve this result.

II. Proposal to Redistribute Allocations through Cancellation and New Allocation 1/

Taking into account the situation of "new members" that have not received any SDR allocation, a number of Executive Directors recommended in their Report to the Interim Committee that the staff give consideration to "the feasibility of improving the distribution of SDRs by combining a cancellation of all existing SDRs with a new SDR allocation to all participants on the basis of their present quotas."

As indicated above, however, this proposal would not only benefit "new members" but also affect all participants in the SDR Department. A general redistribution of SDRs among participants on the basis of present quotas would have important consequences both for individual participants and for the future of the SDR system, since it would equalize ratios of cumulative allocations to present quotas. These consequences will be analyzed (A), before assessing the consistency of the proposal with the Articles (B).

A. Consequences of a redistribution through cancellation and new allocation

The proposed approach would have a number of consequences. A first consequence would be linked to the purpose of the proposal, which is to achieve a better distribution of SDRs by equalizing ratios of cumulative allocations to present quotas. Other consequences would be linked to the technique that is being proposed, namely, a cancellation of all existing SDRs combined with a new allocation.

1. The purpose of the proposal

It is clear that the purpose of the proposal is to defeat the intention that guided the drafters of the Articles. While they intended to assure early participants that their allocations would not be redistributed when new participants would join the SDR Department, the proposal achieves the opposite result. Even if it were intended to give effect to the proposal for a one-time reallocation with a sufficient increase to avoid any reduction in any existing individual allocations, a precedent would be created, which could be invoked for further reallocations, thus undermining the credibility of the assurances initially given to recipients of SDR allocations.

1/ It could also be envisaged to liquidate the SDR Department and establish a new facility in the Fund. Although an amendment would not be needed to liquidate the SDR Department, it would be needed to establish a new similar facility.

In particular, the fact that the proposal is related to the arrival of "new members" would not prevent recourse to the same technique whenever cumulative allocations do not correspond to the relative sizes of current quotas. If a better distribution of allocations requires an even ratio of cumulative allocations to current quotas, then a reallocation of SDRs is in order whenever quotas are adjusted.

Accordingly, all the principles described in Section 1 above would be disregarded whenever the Fund would decide to redistribute SDR allocations among participants.

2. The technique of the proposal

The proposed technique would have two types of consequences, one independent of, and the other dependent upon, the size of the new allocation.

a. Consequence independent of the size of the new allocation

A cancellation of all existing SDRs would require all participants to return their allocated SDRs to the Fund, minus the amount of their new allocations. However, two countries that have succeeded to the former Socialist Federal Republic of Yugoslavia (the Federal Republic of Yugoslavia (Serbia/Montenegro) and the Republic of Bosnia and Herzegovina) would be subject to the cancellation--as successors of the former SFRY--but would not receive any allocation since they are not participants in the SDR Department. They would have to return the full amount of their share of the SFRY's allocation, a result that the Fund was trying to avoid by adopting the option of "succession to membership", rather than new membership, when the Fund found that the SFRY had ceased to exist and a membership offer was made to its successors.

b. Consequences dependent upon the size of the new allocation

The amount of the new allocation may be less than, equal to, or more than the amount of existing SDRs. In the first case, there would be a net decrease in the total of allocated SDRs. In the second case, there would be no change. In the third case, there would be a net increase.

Therefore, in global terms, it would seem that the first case amounts to a partial cancellation equivalent to the decrease and the third case amounts to a new allocation equivalent to the increase. However, the analogy with actual cancellations or allocations is misleading as the consequences on individual participants would be totally different.

If there was actually a partial cancellation, each participant's cumulative allocation would be reduced pro rata, but new participants would not receive any allocation. In contrast, under a cancellation cum new allocation scheme, all existing allocations would be cancelled and a new, smaller allocation would be made. In that event, the new allocation would

be shared among all participants, old and new, thus reducing the relative share of the former in order to accommodate the latter. Moreover, among prior participants, those who have received a higher proportion of allocations than the relative size of their present quotas would be subject to a further reduction in their cumulative allocations, since the new allocations would be based on their present quotas.

If there was actually a new, limited allocation, all participants--old and new--would receive a share on the basis of their current quotas, but existing allocations would remain intact. In contrast, a cancellation cum new allocation would not necessarily increase the cumulative allocation of prior participants, since the whole allocation would be shared among all participants. Depending on the size of the new allocation, there could even be a decrease in some cumulative allocations. Even if there was an increase for prior participants, it would be less than a new allocation for all those participants whose relative share in total quotas would be lower than their share in total existing allocations. 1/

Such consequences of a reallocation scheme are obviously in contradiction with the principles governing SDR allocations.

B. Legality of the proposal

The purpose of the proposal under consideration is to reallocate SDRs on the basis of present quotas, possibly accompanied by an increase or decrease of total cumulative allocations. Since the Fund has no authority under the Articles to reallocate SDRs, it would achieve that result through a decision combining a cancellation of all existing SDRs with a new allocation. This decision would have to be based on Article XVIII, Section 1(a), which prescribes the conditions for decisions to allocate or cancel SDRs.

In order to assess the legality of the proposal, two tests may be used.

The first one is based on the language of Article XVIII, Section 1(a): does the proposal meet the conditions prescribed, or, to put it differently, is a cancellation concomitant with a new allocation consistent with Article XVIII, Section 1(a)?

The second one is based on the relationship between Article XVIII, Section 1(a) and the provisions governing the distribution of allocated SDRs among participants: can the authority of the Fund under the former be used to achieve a result contrary to the latter?

1/ Assuming that a participant had 10 percent of total existing allocations but its quota is now 5 percent of total quotas, a reallocation would yield 5 percent of total allocated SDRs, whereas the participant should retain its 10 percent of existing allocations and receive an additional 5 percent of the new allocation.

On both counts, the answer, as explained below, is negative:

(i) the proposal fails to meet the conditions prescribed by Article XVIII, Section 1(a); and

(ii) Article XVIII, Section 1(a) cannot be used to circumvent the provisions governing the distribution of SDR allocations among participants.

1. Failure to meet the conditions of Article XVIII, Section 1(a)

Decisions to allocate or cancel SDRs must be made in order to meet the long-term global need to supplement existing reserve assets. Since allocation and cancellation have opposite effects, they are based on opposite findings: either there is a need for an increase or there is a need for a decrease. By nature, these two findings cannot be made in good faith at the same time, since the Fund cannot conclude that there is a need both to reduce and increase reserve assets. Obviously, these two alternative findings can be made successively, that is, for different periods, but not concomitantly.

During the preparation of the First Amendment, most of the debate was devoted to allocations, as it was generally expected that the need for reserves would increase over time. However, the possibility of an opposite trend was recognized, and cancellation was seen as the answer to that situation. Cancellation was seen as a symmetrical concept to allocation, as explained by the Managing Director at an informal session of the Executive Board where he explained that the cancellation provision was included in the Articles "for reasons of intellectual symmetry". ^{1/} He later added that "when considering decisions to change liquidity, it was logical to be in a position to take decisions in both directions." ^{2/} This symmetrical relationship between cancellation and allocation was also expressed by an Executive Director who stated that cancellation "could be regarded as the response ... to a particular world situation in the same way as the creation of liquidity was its response to the opposite situation." ^{3/} As one Executive Director observed, "the objective of cancellation [is]... the destruction of formerly-created liquidity" ^{4/}

A distinction was made between circumstances that would justify a cancellation of prior allocations and those where a suspension of allocations would be sufficient. The distinction was illustrated by the Economic Counsellor as follows: "[the reserve] units would only be recalled if ... [it was decided that], for example, because gold production had flourished suddenly, the total amount of reserves in existence was too large and it would not be enough to bring about an adjustment by ceasing to

^{1/} EBM, Informal Session No. 67/9 (3/22/67), p. 9.

^{2/} Ibid. p. 14.

^{3/} Ibid., p. 8.

^{4/} EBM/68/20 (2/12/68), p. 8.

distribute units." 1/ However, even in cases of excessive liquidity, cancellation was expected to remain exceptional. For example, a staff paper stated: "In most circumstances in which international liquidity was felt to be somewhat more than adequate in amount, it would probably be considered sufficient to refrain from making new allocations of special drawing rights during a subsequent basic period." 2/ The paper added that, "[i]f it were resorted to, the amount of cancellation might well be a substantial proportion of net cumulative allocation of special drawing rights." 3/

The symmetry between allocation and cancellation means that a decision to cancel must be based on a finding of a long-term global need to reduce the addition to reserves generated by SDR allocations. For instance, the Economic Counsellor explained that "decisions to cancel would be designed to affect the global level of reserves for some period ahead". 4/ The same point was made by the General Counsel in response to a question raised by an Executive Director who inquired, "how the cancellation of special drawing rights would come about" and "how the idea of cancellation could be related to the concept of meeting the need to supplement existing reserves." 5/ In response, the General Counsel, who acknowledged that the wording of Article XVIII, Section 1 (a) could appear to be "somewhat strange," responded as follows:

"The supplement to existing reserves would be the amount of special drawing rights in existence at any one time. Sometimes that amount would need to be increased and sometimes decreased. Decreases would be cancellations or, in other words, decisions to reduce the amount of the supplement." 6/

1/ EBM, Informal Session No. 67/9, p. 9. Cancellation provisions in the two alternative schemes for reserve creation that had been considered before the SDR Department was established closely corresponded with each other, but the word "recall" (as opposed to "cancel") was used in the context of the reserve unit scheme, which proposed the creation of reserve units through an affiliate organization. The record clearly shows that two words were used interchangeably and were intended to convey the same meaning.

2/ SM/68/9 (1/17/68), p. 3.

3/ Ibid.

4/ EBM/68/20 (2/12/68), p. 9 (emphasis added).

5/ EBM/68/42 (3/13/68), p. 7.

6/ Ibid. The General Counsel also noted in an article he published on the SDR system that, whereas allocations would be made in response to a global need for increases in global liquidity, cancellations would take place "if there should be an excessive supply of reserves in the world." Joseph Gold, Legal Technique in the Creation of a New International Reserve Asset: Special Drawing Rights and the Amendment of the Articles of Agreement of the International Monetary Fund, 1 Case Western Reserve Journal of International Law, 1969, p. 105, at p. 110.

The Chairman added to these remarks that "there could only be a cancellation after a supplement had first been created [and it] would therefore be a judgment on the size of the supplement." 1/ The draft provision, however, was adopted without any major change 2/ because the Chairman thought that "the resulting wording would be very cumbersome and would not add anything of substance." 3/ Similarly, during the discussion on the modalities of allocations and cancellations, an Executive Director noted that it was "necessary to ...interpret the references to allocation or cancellation as meaning that the two types of action would not occur simultaneously." 4/

The clear intent expressed in the Articles and supported by the legislative history is that the authority to cancel SDRs is an extraordinary power that cannot be exercised in the absence of a good-faith finding of a need for a reduction in global liquidity as supplemented by SDR allocations. No other reason can justify the exercise of this power. It follows then that the Fund's assessment of the long-term global liquidity can only support either an allocation or a cancellation. For this reason alone the Fund could not adopt the proposal under consideration.

2. Circumvention of the provisions governing the distribution of SDR allocations

Leaving aside the fact that Article XVIII, Section 1(a) would not be a legal basis for the proposal under consideration, another issue must be considered.

Assuming that the technique used (cancellation cum new allocation) is coupled with a net increase or decrease of cumulative allocations, the whole process could be seen as a partial net cancellation or a limited net allocation. Since the Fund would have the power to make a partial cancellation or a limited allocation in order to meet the long-term global

1/ EBM/68/42 (3/13/68), p. 7.

2/ Pursuant to this discussion, however, it was agreed that the text should be revised by adding the phrase "as and when it arises" and deleting the phrase "the amount and timing of" in order to make the provision read, "[i]n all its decisions with respect to the allocation and cancellation of special drawing rights the Fund shall seek to meet the long-term global need, as and when it arises, to supplement existing reserve assets... in the world." Ibid. (Emphasis added). Prior to this change, the draft Article XXIV, Section 1, read in pertinent parts as follows: "In all its decisions with respect to the amount and timing of the allocation and cancellation of special drawing rights the Fund shall seek to meet the long-term global need to supplement existing reserve assets . . . in the world." (SM/68/37, Correction 1 (2/29/68), p. 6) (Emphasis added).

3/ EBM/68/42 (3/13/68), p.7.

4/ Ibid., p. 16.

need for less or more reserves, why object to the technique used when the result is unobjectionable?

The answer to this argument is that the result is objectionable because the actual proposal is not for a partial cancellation or a limited allocation, but first and foremost for a reallocation of SDRs, with the partial cancellation or the limited allocation only as added ingredients. In other words, the purpose of the proposal is to circumvent the provisions of the Articles that protect the interests of participants that have already received SDR allocations. As explained above (cf. A.2.b. of this Section), even in the case of a net increase, the rights of these participants would be disregarded, since they would not be able to retain their prior allocations while participating in the increase on the basis of their present quotas. This circumvention of explicit provisions of the Articles would be a misuse of the Fund's powers under Article XVIII, Section 1(a) (détournement de pouvoir) and therefore illegal.

For this reason too, the proposal under consideration cannot be adopted.

Conclusion

Under the Articles, the Fund has no authority either to make a selective allocation to new members or to reallocate SDRs through a cancellation of all existing SDRs combined with a new allocation. The granting of such authority to the Fund would require an amendment of the Articles.

Various amendments could be considered, depending on the result to be achieved. Two main types of amendments may be envisaged.

If it is intended to greet new members with an allocation, this allocation would have to be exempted from the general principles governing SDR allocations (e.g., requirement of long-term global need) and other criteria would have to be defined.

If it is intended to have periodic redistributions of SDR allocations to equalize the ratios of cumulative allocations to current quotas, more complex issues would have to be addressed, such as the timing of such redistributions and whether a redistribution could result in a decrease in a member's cumulative allocation.

