

**FOR
AGENDA**

EBS/09/96

June 17, 2009

To: Members of the Executive Board

From: The Acting Secretary

Subject: **A Framework for the Fund's Issuance of Notes to the Official Sector**

Attached for consideration by the Executive Directors is a paper on a framework for the Fund's issuance of notes to the official sector, which will be brought to the agenda for discussion on **a date to be announced**. A draft decision appears on pages 12 and 13.

The staff proposes the publication of this paper after the Executive Board completes its discussion.

Questions may be referred to Mr. Beaumont (ext. 37411) and Mr. Rossi (ext. 35651) in FIN, and Ms. Weeks-Brown (ext. 36896) and Mr. Patterson (ext. 39799) in LEG.

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

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INTERNATIONAL MONETARY FUND

A Framework for the Fund's Issuance of Notes to the Official Sector

Prepared by the Finance and Legal Departments

Approved by Sean Hagan and Andrew Tweedie

June 17, 2009

1. At the conclusion of the February 2009 meeting on Fund resources, Directors agreed that placement of Fund paper in the official sector was worthy of further consideration together with other modalities to provide a temporary supplement to the Fund's resources in the short run.¹ In the period since that time, a number of members or their central banks have approached staff and management expressing an interest in the possibility of purchasing notes from the Fund. To advance discussions in this area, staff provided the Executive Board with the "form" documentation that would provide the basis for staff's discussions with members and central banks on this topic.²

2. This paper sets out a framework for issuing notes to the official sector in order to facilitate a broadening of the Fund's sources of supplementary resources. Under the proposed framework the Executive Board would approve a common set of General Terms and Conditions (GTC) for two series of IMF notes ("Series A" and "Series B"). The Executive Board would further authorize the Managing Director to conclude individual Note Purchase Agreements (NPAs) with qualifying members or their central banks that are consistent with the terms of the Form NPA set forth in the Attachment,³ up to a cumulative ceiling on total commitments under NPAs, as well as a ceiling on the maximum amount of Series A notes issued under a single NPA; the latter limit is consistent with the general per agreement limit

¹ The Acting Chair's Summing Up, *Review of the Adequacy of and Options for Supplementing Fund Resources*, (BUFF/09/24, 2/11/09).

² *Borrowing by the Fund—Proposed Form Documents Related to the Issuance of Notes by the Fund*, (FO/DIS/09/69, 4/11/09).

³ A "qualifying" member is defined in paragraph 2 of the proposed decision as a member whose balance of payments and reserve position is considered sufficiently strong in the opinion of the Fund that its currency is being used in transfers under the Financial Transactions Plan.

on immediate encashability of borrowing that has been proposed for adoption by the Executive Board.⁴

3. The general considerations motivating the proposed framework for note issuance by the Fund are outlined in the next section. Section II describes in more detail the key features of the form documentation for issuing notes, as attached. This section also seeks to address questions raised by Directors at the April 21, 2009 informal briefing on the form documents. The paper concludes with a proposed decision.

I. GENERAL CONSIDERATIONS

4. A number of members have expressed an interest in investing in notes issued by the Fund, as a means to invest their foreign assets while also supporting the Fund's ability to provide timely and effective balance of payments assistance to members during the current crisis. Issuance of notes to the official sector would provide a means of supplementing the Fund's resources for providing financial assistance to members, in the same manner as drawings under the recent loan agreement with Japan. These supplementary resources would be particularly welcome considering the rapid pace of Fund credit commitments in recent months, which brought total commitments to over SDR 100 billion, including commitments under FCL arrangements of SDR 52 billion, and in view of potential needs for additional Fund financial support for members.

5. These interested members would welcome the establishment of a common framework for issuing notes as a means to ensure that all members/central banks purchasing notes are treated uniformly. Executive Board assurance of uniform treatment would enable them to step forward with commitments to purchase notes more easily, and having a number of members/central banks purchasing notes in parallel with standard terms and conditions would also promote the liquidity of these notes.⁵ Hence, establishing such a framework would contribute to enlarging and diversifying the Fund's sources of supplementary resources in a more timely manner.

6. Although the issuance of notes would be novel for the Fund, the key financial and operational terms are effectively those found in the recently approved agreement with the Government of Japan ("Japan Agreement").⁶ These features, as discussed in detail in Section II, allow for a substantial degree of flexibility in using these resources and include provisions to facilitate management of the Fund's financial risks.

⁴ See *Borrowing by the Fund—Operational Issues*, SM/09/150 (6/17/09).

⁵ The actual issuance of notes will be at Fund's discretion in order to assist in meeting members' requests for financial assistance.

⁶ *Borrowing Agreement with the Government of Japan* (EBS/09/19, 2/10/09).

7. Along with the approval of a standard set of terms and conditions to govern notes issued by the Fund, staff propose that the Executive Board delegate to the Managing Director the power to conclude specific NPAs with qualifying members and their central banks; the cumulative amount that could be covered by such agreements would be established by the Executive Board. Considering the envisaged enlargement of the New Arrangements to Borrow (NAB) of up to \$500 billion (about SDR 333 billion), and the current pledges of bilateral borrowing of about \$225 billion (about SDR 150 billion), and to ensure that members with an interest in purchasing notes are not unduly pressured to make commitments before the ceiling is exhausted, an initial issuance ceiling of SDR 100 billion is proposed. Following the adoption of such a ceiling, it is envisaged that the Managing Director would conclude NPAs with a number of qualifying members/central banks.

8. During the period when the Fund temporarily supplements its resources through bilateral loan agreements and NPAs, it will have a less diverse pool of supplementary resources relative to the broader part of membership included in the Financial Transactions Plan or envisaged as participants in the expanded New Arrangements to Borrow. These agreements may also be subject to short-term limits on drawings. Therefore, to facilitate the management of the Fund's liquidity risks, staff considers it appropriate to have a limit on immediate encashment by any member under any NPA, as discussed in greater detail in SM/09/150 (6/17/09). This measure to contain the scale and concentration of liquidity risks would apply equally to loan agreements. For amounts above this limit, the provision on encashment would be modified so as to mandate payment as soon as practicable within 12 months, as in the borrowing agreement with Japan.

9. As discussed in SM/09/150 (6/17/09), a limit of SDR 15 billion on immediate encashability is proposed initially. In the case of NPAs, this limit governs the issuance of Series A notes, which are encashable on demand if the purchaser represents a balance of payments need. Holdings of Series A notes would be classified as a reserve asset. Notes issued under any NPA in excess of that amount would be Series B notes, which are encashable as soon as practicable within 12 months. This limit would be subject to review by the Board, and it could decide in the future to increase the general limit on immediate encashment and the related limit on Series A notes. At that time, the Board would also need to decide whether to apply the higher limit also to existing NPAs and whether any Series B notes that were issued under those existing NPAs could be exchanged for Series A notes.

10. The terms and conditions of Series A and Series B notes would be the same for all notes issued under NPAs concluded under the notes framework put forward in this paper. The individual NPA for different members could have small variations however, in particular depending on whether the purchaser is a central bank or a member. Other terms that could also differ among NPAs include: whether the ceiling for the NPA is specified in SDRs or in a particular currency (in all cases, notes would be *denominated* in SDRs), the term of the NPA (i.e., the duration of the commitment to purchase notes), the maximum amount of commitments, the limits (if any) on weekly and monthly issuance of notes, and the maximum amount of Series A notes if the Board should change the maximum amount of Series A notes as discussed in the preceding paragraph. Regarding the term of the NPA, the form NPA provides for a minimum initial term of two years and a maximum total term of five years.

Within these limits, individual NPAs can provide for the initial term and possible extensions by the Fund with the consent of the purchaser as agreed between the Managing Director and the purchaser.

11. The issuance of notes under NPAs in the context of GRA financing operations with members would follow the same modalities as drawings under bilateral loan agreements (as discussed in SM/09/150 (6/17/09)). The quarterly Financial Transactions Plan would include provision for both possible drawings on loans and possible issuance of notes. Through these periodic plans, the Fund would control the mix of quota and other resources used to finance Fund lending. The operational modalities for borrowed resources contemplate that loan drawings and note issuance would be arranged so as to maintain equitable burden sharing.

12. In line with the G20 leaders' proposal, there is a need to enable the sources of immediate supplementary financing to be folded into an expanded and more flexible NAB whenever such a NAB enters into effect. In addition—and to facilitate NAB participation by members/central banks interested in investing in notes—staff will propose that, under the amended NAB, members would have the option of receiving notes instead of loan claims for calls under their credit arrangements. Regarding the folding-in of NPAs into the expanded and more flexible NAB, there are two main aspects:

- With respect to ***outstanding notes***, the process and terms by which outstanding notes could be folded into the NAB raise issues of permissible uses of NAB resources, and thus would need to form part of the discussions on the NAB amendment and to be established under the amended NAB decision. Staff is currently considering a possible proposal under which the amended NAB would allow for draw downs under a participant's credit arrangement to repay claims that are outstanding under bilateral NPAs and loan agreements entered into prior to the effectiveness of the expanded NAB, at which point the participant could elect to be issued with notes rather than loan claims under the amended NAB.
- With respect to ***outstanding commitments to purchase notes***, to enable members with NPAs to move to the NAB, the attached form NPA incorporates a provision (Subparagraph 2(c)) that would authorize ex ante termination of the NPA term once the expanded NAB becomes effective. Reflecting discussions with interested members, and given that the amounts of NAB credit arrangements are still under discussion among current and potential NAB participants, there is no requirement that the effective credit arrangement under the NAB be at least equal to the remaining undrawn balance under the NPA at the time of termination.

II. KEY FEATURES OF THE FRAMEWORK FOR THE ISSUANCE OF NOTES

A. Documentation of the Notes

13. Three related documents would underlie all of the notes that the Fund could issue under the two initial series (Series A and Series B) contemplated in this paper (see Attachment):

- The ***Note Purchase Agreement*** would be a bilateral agreement executed between the Fund and each member or central bank (“Purchaser”) making a commitment to purchase Series A and Series B notes from the Fund. The NPA is intended to contain the basic terms governing the Purchaser’s commitment, and would thus cover matters such as limits on the amount of notes to be purchased (including the amount of Series A notes as discussed below), the period during which the Purchaser commits to purchase notes, the purposes for which notes may be issued, the modalities for purchasing notes, and the circumstances under which the commitment to purchase notes may be terminated. The provisions of the NPA could have small variations among Purchasers, as discussed in paragraph 10 above.
- The ***General Terms and Conditions*** would contain the key terms governing the Series A and Series B notes, and would be an attachment to each NPA. The GTC covers financial and operational matters such as interest rate, maturity, transferability, right to early payment, and form and delivery of the notes. The GTC would not be negotiated bilaterally with each Purchaser, as the GTC sets forth standard terms that would apply to all Series A and Series B notes, regardless of the Purchaser to whom initially issued. The GTC would thus serve as the ultimate source for information on the notes for both “primary” market Purchasers buying notes from the Fund, and “secondary” market transferees to whom the GTC authorizes the transfer of notes subsequent to their purchase from the Fund. If it were decided in the future to issue notes with different terms than those covered by the GTC, a new series of notes would need to be created, and a new set of general terms and conditions drafted to govern them.
- The third document would be either a ***Form of Registered Series A Note*** or a ***Form of Registered Series B Note***. The notes are to be issued in book entry form as discussed below. However, Purchasers or other holders (“Permitted Holders”) could also request the issuance of physical notes, upon which they would receive a registered note in one of these two forms, as applicable. The Series A and Series B notes have identical terms except for the early repayment provision (GTC Paragraph 7): as discussed, Series A notes are eligible for early payment on demand in the event of balance of payments difficulties of certain qualifying Permitted Holders, whereas the Fund has a 12-month window within which to meet early repayment requests from qualifying Permitted Holders related to Series B notes. As noted above, the amount

available for early encashment (i.e., Series A notes) would be identified in each NPA and would be subject to a proposed limit of SDR 15 billion, in line with the limit that will be proposed in SM/09/150 (6/17/09).

B. Uses and Limits on Issuance of Notes

14. The purposes for which the Fund may issue Series A and Series B notes are flexible. Specifically—and similar to the Japan Agreement—the NPA authorizes the issuance of notes in connection with both (i) any use of Fund resources in the GRA, and (ii) the payment of the Fund’s outstanding indebtedness under certain other kinds of official sector borrowing (NPA Paragraph 3(a)):

- The authority under (i) does not reference any particular GRA facility or policy; it thus enables the issuance of notes to fund any GRA credit to members, including in the credit tranches under Flexible Credit Line (FCL) and Stand-By arrangements, as well as under special facilities.
- The authority under (ii) has a reciprocity requirement, as it can be exercised only if the other borrowing to be repaid has terms that would allow the Fund to draw down such other borrowing to repay notes. The approach of allowing the issuance of notes to repay other borrowing replicates that found in the Japan Agreement, and is also similar to the approach used in the NAB and General Arrangements to Borrow (GAB).⁷ The authority under (ii) will support the Fund’s liquidity management in respect of borrowing, by providing an additional funding source to assist in meeting unexpected liquidity needs arising particularly in connection with possible requests for early repayment of Fund borrowing.
- The Fund’s issuance of notes for all purposes allowed under an NPA would be preceded by consultation with the Purchaser.

15. The amount of notes that can be issued under an NPA would be subject to short-term limits, including an optional monthly limit (Paragraph 3(b)).⁸ There would also be an overall limit on notes to be purchased, which could be expressed in SDR terms or in currency terms (NPA Paragraph 1). As notes would be SDR-denominated under all NPAs as discussed below, the NPA in cases involving an overall ceiling expressed in currency terms would need to specify a valuation rule for purposes of applying this currency limit: mirroring the

⁷ See Paragraphs 11(e) of the NAB and GAB.

⁸ The monthly limits are optional, as it is expected that some purchasers will not require both weekly and monthly limits, e.g., Norway has elected to have only a weekly limit on drawings under its borrowing agreement.

approach under the Japan Agreement, it is proposed that this valuation rule would fix the currency value of each note at the time of issuance (NPA Paragraph 5(d)).⁹

C. Key Financial Terms of the Notes

16. The key financial terms of the notes are substantively similar to those in the Japan Agreement. Specifically:

- ***Maturity.*** Notes would have an initial maturity of three months but the Fund has the option to unilaterally extend the maturity for additional three-month periods, up to a total maturity period of five years. To reduce the administrative burden that would be associated with these extensions (particularly if a large number of notes were to be issued, as contemplated), the GTC provides for a streamlined procedure pursuant to which the Fund would be deemed to have exercised its option to extend the maturity of a note at the end of each three-month period unless the Fund were to give notice prior to the maturity date that it does not wish to extend the maturity (GTC Paragraph 4(a)). As in the Japan Agreement, three-month extendable maturities are intended to address the likely preference among many Purchasers for very short (but extendable) maturities, while still providing the Fund with assurances of the availability of resources in light of the relative automaticity afforded by the extension provision. The 3-month maturity feature also corresponds to the quarterly maturity structure (8 quarterly payments from 3¼ to 5 years) for purchases in the credit tranches, and would thus facilitate a “pass-through” to Purchasers of repurchases made by members that have borrowed from the Fund under Stand-By or FCL arrangements, thereby minimizing timing mismatches and the impact on Fund liquidity.
- ***Interest Rate.*** As under the Japan Agreement, the GTC (i) provides for interest at the SDR interest rate (GTC Paragraph 5(a)), and (ii) contains a “most-favored creditor” clause, pursuant to which a Permitted Holder would automatically become entitled to receive any higher interest rate that the Fund pays on comparable borrowings for as long as the Fund pays the higher rate on the comparable borrowing (GTC Paragraph 5(a)). Interest accrues daily and is to be paid on a quarterly basis (GTC Paragraph 5(b)). The use of the SDR interest rate, which is also the basis for setting the Fund’s rates of charge and remuneration, would limit the Fund’s exposure to interest rate risk and enable it to accumulate reserves against credit risk.

⁹ The form NPA contains alternative versions of the currency limit for use depending on whether the agreement provides for a cumulative limit or revolving limit on notes to be purchased (NPA Paragraph 3(e)). Under a revolving limit approach, the Fund’s payment of the principal amount of a note would restore by an equal amount the amount of notes that could be issued for purchase under the NPA (NPA Paragraph 3(d)).

- **Early Payment by the Fund.** The Fund has the option to make early payment of any note after consultation with the relevant Permitted Holder (GTC Paragraph 4(c)). The Fund could thus, for example, make an early payment in the case of a significant advance repurchase by a member that has borrowed from the Fund.
- **Denomination.** All notes will be denominated in SDRs, consistent with the Fund's long-standing practice of denominating its borrowing in SDRs (NPA Paragraph 4). The SDR denomination would match the denomination of Fund credit, thereby ensuring that the Fund does not incur exchange rate risk when it borrows.
- **Media of Payment.** Purchases of notes by the Purchaser and payments of principal by the Fund are generally to be made in the currency of the Purchaser or, for central bank Purchasers, in the currency of the member for whom the Purchaser serves as central bank (the "Relevant Member") (NPA Paragraph 5(a), GTC Paragraph 8(a)).¹⁰ In most cases, however, it is anticipated that the ultimate currency provided by a Purchaser would be a freely usable currency that would be provided by the Purchaser to a Fund borrower purchasing the Purchaser's currency (or that of the Relevant Member) from the Fund; the freely usable currency would be provided pursuant to the provisions of the Articles governing exchanges by members whose currencies are purchased from the Fund (these provisions are cross-referenced in NPA Paragraph 5(b)).¹¹ Interest is normally paid in SDRs to Permitted Holders that are Fund members, their central banks or other fiscal agencies, or prescribed SDR holders; or in a freely usable currency to other Permitted Holders (GTC Paragraph 8(b)).¹²

¹⁰ Similar provisions apply to the currency to be used in respect of payments by the Fund to other classes of Permitted Holders (GTC Paragraph 8(a)). Also, with agreement between the Fund and a Purchaser or other Permitted Holder, other currencies could be used both to purchase and pay Notes (NPA Paragraph 5(a), GTC Paragraph 8(a)). Central banks' purchases of Notes with the currency of a member, or one member's use of another member's currency to purchase Notes, would require the consent of the member whose currency is being used under Article VII, Section 1(i).

¹¹ As also cross-referenced in NPA Paragraph 5(b), converse exchange obligations would apply on the repayment/repurchase side, in connection with a Fund borrower's use of the currency of an NPA Purchaser to effect a repurchase.

¹² In the case of SDR interest payments to a Permitted Holder that is the central bank or other fiscal agency of a member, the payment would be made to the member's account on behalf of the relevant Permitted Holder. This would facilitate the Fund's quarterly interest payments, as Fund borrowers normally pay quarterly charges in SDRs; it is also consistent with the approach followed in the NAB, where the Fund is deemed to have discharged its obligation to pay principal or interest to a participating institution once it transfers an equivalent amount in SDRs to the member in which the institution is established (paragraph 11(g) of the NAB decision).

D. Transferability

17. Purchasers and other Permitted Holders would be able to transfer notes to certain official sector entities without the need for consent by the Fund (GTC Paragraphs 1(c) and 6(a)). These arrangements reflect a similar approach to that used for the Japan Agreement and the NAB.¹³ For official sector transferees besides those listed in GTC Paragraph 1(c), notes are transferable only with the prior written consent of the Fund (GTC Paragraph 6(b)). Reflecting the borrowing parameters endorsed to date by the Executive Board, the GTC also makes clear that transfers outside the official sector are prohibited (GTC Paragraph 6(c)), and this limitation is also stated in the Form of Registered Note. When a note is transferred, the transferee acquires the right to request early repayment of the note only if (i) the transferee is a member or the central bank or fiscal agency of a member, and (ii) at the time of transfer, the balance of payments and reserve position of the member or Relevant Member, as applicable, was considered sufficiently strong in the opinion of the Fund that its currency was being used in transfers under the Financial Transactions Plan (GTC Paragraphs 6(e) and 7(a)).

E. Termination of Purchases and Early Payment at Request of Permitted Holders

18. Consistent with the approach found in the Japan Agreement, the NPA would authorize the termination of the Purchaser's commitment to purchase notes under certain circumstances. Specifically, this would be permissible if the Purchaser or Relevant Member were to be faced with a deterioration of its balance of payments and reserve position (NPA Paragraph 6). In addition to a representation to this effect, the NPA requires a determination by the Fund—having given the Purchaser's representation the overwhelming benefit of any doubt—that no further notes should be purchased under the NPA in light of the balance of payments and reserve position of the Purchaser or Relevant Member, as applicable.

19. The framework accommodates different encashment requirements:

- The **Series A notes** are subject to a broader “encashment” regime than that in the Japan Agreement, as qualifying Permitted Holders are able to obtain immediate early payment on demand of up to the full amount of Series A notes (GTC Paragraphs 7(a) and 7(b)(i)).¹⁴ As discussed above, the NPA would specify the maximum value of

¹³ Similar to the case under the Japan Agreement, transfers of Notes do not require Fund approval where the transferee is a Fund member, the central bank or other fiscal agency of a member, or a prescribed SDR holder (GTC Paragraphs 1(a)-1(c) and 6(a)). In comparison, NAB claims may be transferred without approval to other NAB participants (see Paragraph 1 of Decision No. 11429-(97/6), January 27, 1997).

¹⁴ As discussed above, early repayment of Series A or Series B notes is only available to (i) the original Purchaser of the particular Note, or (ii) a transferee of that Purchaser or another holder that is a member of the Fund (or is the central bank or fiscal agency of a Fund member) whose currency (or that of the Relevant Member as applicable) was considered sufficiently strong at the time of the transfer of that Note to be used in transfers under the FTP.

Series A notes to be issued (NPA Paragraph 1). The immediate early payment on demand would be based on (i) a representation by an eligible holder of the particular notes that its balance of payments and reserve position or that of the Relevant Member, as applicable, justifies early payment, and (ii) a determination by the Fund, having given this representation the overwhelming benefit of any doubt, that there is a need for early payment in light of the balance of payments and reserve position of the holder or the Relevant Member, as applicable (GTC Paragraph 7(b)(i)).

- The encashment regime for **Series B notes** is similar to that under the Japan Agreement. As for Series A notes, the GTC requires a representation from an eligible holder regarding the balance of payments and reserve position of the holder or the Relevant Member and a determination by the Fund, after giving this representation the overwhelming benefit of any doubt, that early repayment is justified on balance of payments grounds. However, the obligation of the Fund following such a determination is only to pay the Series B notes “as soon as practicable” but, in any event, within the 12-month period following the Fund’s determination that early payment is justified (GTC Paragraph 7(b)(ii) and (c)).

20. Series A notes form part of a member’s reserve assets as they are immediately encashable in case of balance of payments need by the member. Series B notes are not part of a member’s reserve assets as repayment in case of balance of payments need is only required to be made as soon as practicable within 12 months. Series B notes, however, would be part of a member’s external assets for purposes of balance of payments statistics.

F. Form of Notes

21. As noted earlier, the NPA contemplates that notes will be issued in book entry form, rather than physical form. The Fund’s Finance Department will maintain the book entry records, and each Purchaser or other Permitted Holder would receive a periodic Statement of Account showing its claims on the Fund for notes issued. A Purchaser or other Permitted Holder of either Series A or Series B notes may request notes in physical form, whereupon the Fund would issue registered Series A or Series B notes, as applicable, generally in the form set out in the attachment to the NPA described above. Even following issuance of a registered note, no actual delivery of paper notes would necessarily be required, as the GTC provides that the Fund will serve as custodian for all registered notes, unless agreed otherwise (GTC Paragraph 3(c)).

G. Term of NPA

22. As discussed above, under the proposed form NPA, the term of each NPA would be subject to discussions between the Purchaser and the Fund. A minimum initial term of two years would be required, which could be extended to up to five years. Within these parameters, individual NPAs can provide for the initial term and possible extensions by the

Fund as agreed between the Managing Director and the Purchaser (for example, one Purchaser may want to have an initial term of two years, with the possibility for one two-year extension, while another Purchaser may want an initial term of two years that can be extended for up to three additional one-year periods). An extension of the initial term would always require the consent of the Purchaser. (NPA Paragraph 2(b)).

H. Non-Subordination

23. Reflecting the approach under the Japan Agreement, the Fund has a commitment not to take any action that would have the effect of making a Permitted Holder's claims on the Fund resulting from a note subordinate in any way to claims on the Fund resulting from any other borrowing effected under Article VII, Section 1(i) (GTC Paragraph 11). This provision would prevent the Fund from according seniority to any particular group of note holders or other lenders (e.g., through the granting of collateral).

I. Termination in Case of NAB Participation

24. Under an NPA, the Purchaser will have the option to terminate the term of the NPA once the enlargement and amendment of the NAB becomes effective if the Purchaser is a participant in the enlarged and amended NAB (NPA Paragraph 2(c)). This right to terminate the term of the NPA would also apply if the NPA is with the central bank of a member and subsequently the member is a NAB participant, or vice versa.

PROPOSED DECISION

Accordingly, the following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

1. The Fund deems it appropriate, in accordance with Article VII, Section 1(i) of the Articles of Agreement, to replenish its holdings of currencies in the General Resources Account by issuing notes that have the terms and conditions set forth in the General Terms and Conditions for International Monetary Fund Series A and Series B Notes that is set out in Annex I of the Attachment to EBS/09/96 (June 17, 2009) (“the Attachment”).
2. The Managing Director is authorized to conclude Note Purchase Agreements with qualifying members and central banks of such members consistent with the terms of the Form Note Purchase Agreement set forth in the Attachment, provided that total commitments under such Note Purchase Agreements shall not exceed SDR 100 billion, and that the maximum amount of Series A notes issued under a single Note Purchase Agreement shall be SDR 15 billion. For the purposes of this decision, a “qualifying member” shall mean a member whose balance of payments and reserve position is considered sufficiently strong in the opinion of the Fund that its currency is being used in transfers under the Financial Transactions Plan.
3. The Managing Director is authorized to make such determinations and take such actions as are necessary to implement Note Purchase Agreements concluded pursuant to this decision, including but not limited to the issuance of notes for purchase, the issuance and

delivery of registered notes substantially in the form set forth in Annex II or Annex III of the Attachment, the extension of the term of the Agreements and the maturity of any Series A and Series B notes, and the determination of the media for payment for purchases of notes and payments of principal by the Fund in light of the Fund's operational needs. Such determinations and actions shall be consistent with the policies and guidelines on borrowing and the use of borrowed resources that are adopted by the Executive Board.

4. The Executive Board shall be informed of developments related to the implementation of the Note Purchase Agreements concluded pursuant to this decision in reports to be furnished by the Managing Director on a quarterly basis throughout the term of such Note Purchase Agreements, with reports to be furnished more frequently in the event of significant developments related to the Note Purchase Agreements. Such reports shall cover all aspects of the implementation of the Note Purchase Agreements, including, as applicable, issuances of notes, disposition of amounts received from such issuances, and payments by the Fund of the principal amount of notes.

**ATTACHMENT. Form of Note Purchase Agreement
Between [Member] [Central Bank of Member]
and the International Monetary Fund**

This Note Purchase Agreement (this “Agreement”) is entered into as of this ____ day of _____, 2009 by and between **[Member] [Central Bank of Member]** (the “Purchaser”) and the International Monetary Fund (the “Fund”).

1. Purposes and Amounts.

In light of the international effort to ensure the adequacy of the financial resources available to the Fund, and with a view to supporting the Fund’s ability to provide timely and effective balance of payments assistance to its members, the Purchaser agrees to purchase from the Fund promissory notes, which shall be issued in accordance with the terms of this Agreement and the General Terms and Conditions for International Monetary Fund Series A and Series B Notes attached as Annex I to this Agreement (the “Notes”). Notes in [a total principal amount of up to the equivalent of SDR [] billion] [an SDR-denominated amount up to the equivalent of [currency] [] billion] shall be issued under this Agreement, of which the first SDR [] billion in total principal amount shall comprise Series A Notes and the remainder shall comprise Series B Notes. Series A and Series B Notes are identical, except that only Series A Notes are eligible for early payment on demand under certain circumstances, as specified in paragraph 7 of the General Terms and Conditions.

2. Term of the Agreement.

(a) Subject to subparagraph (b), the Fund may issue and the Purchaser shall purchase Notes during an initial period of [*specify initial term, not less than two*] year(s) commencing on the date the first Note is issued or [date], whichever is earlier (the “Availability Period”). Unless otherwise agreed between the Purchaser and the Fund, the Fund shall give the Purchaser at least five business days’ ([location of Purchaser]) notice of its intention to issue Notes for purchase under this Agreement, including the amount of the Notes to be purchased, and the Fund shall provide payment instructions to the Purchaser at least two business days ([location of Purchaser]) prior to the value date of the purchase by [SWIFT] [other duly authenticated means of communication as agreed between the Fund and the Purchaser].

[(b) With the consent of the Purchaser, the Fund may, if warranted in light of the Fund’s overall liquidity situation and actual and prospective borrowing requirements, extend the Availability Period by additional [] year periods, provided, however, that the total Availability Period shall not exceed five years.

(c) Notwithstanding subparagraphs (a) and (b), Purchaser may, at its option, terminate the term of this Agreement if [Purchaser, its central bank or other official institution] [Purchaser or member of which Purchaser is central bank in case of central bank as Purchaser] is a participant in an enlarged and amended New Arrangements to Borrow (“NAB”) that becomes effective after the date of this Agreement.

3. Use, Estimates and Limits on Issuance of Notes.

(a) After consultation with the Purchaser, the Fund may issue Notes for purchase under this Agreement in connection with: (i) any use of Fund resources in the General Resources Account, or (ii) the payment of the Fund’s outstanding indebtedness under other official sector borrowing effected pursuant to Article VII, Section 1(i) of the Fund’s Articles of Agreement, in circumstances where the terms of such other borrowing permit the Fund to make drawings under such other borrowing in connection with the payment of the Fund’s outstanding indebtedness under this Agreement.

(b) Unless otherwise agreed between the Purchaser and the Fund, the Fund shall not issue Notes for purchase under this Agreement in a principal amount that exceeds the equivalent of SDR [] billion during any calendar week[, or the equivalent of SDR [] billion during any calendar month].

(c) Prior to the beginning of each quarter of the Fund’s financial year, the Fund shall provide the Purchaser with its best estimates of the amount of Notes that it expects to issue for purchase under this Agreement during the forthcoming quarter, and shall provide revised estimates during each quarter where this is warranted.

(d) Payment by the Fund of the principal amount of a Note [shall]/[shall not] restore *pro tanto* the amount of Notes that may be issued under this Agreement.

[(e)] [The Fund shall not issue Notes for purchase under this Agreement if such issuance would result in the cumulative amount of Notes issued for purchase under this Agreement exceeding [currency] [] billion at the time of such issuance, as calculated pursuant to paragraph 5(d).] [The Fund shall not issue Notes for purchase under this Agreement if such issuance would result in total outstanding Notes issued for purchase under this Agreement exceeding [currency] [] billion at the time of such issuance, as calculated pursuant to paragraph 5(d).]

4. Denomination and Price.

Notes shall be denominated in the special drawing right (SDR). Notes shall be issued in multiples of SDR 10 million. The purchase price for each Note shall be 100 percent of the principal amount thereof.

5. Payments for Purchases, Exchanges of Currencies and SDR Valuation.

(a) Unless otherwise agreed between the Fund and the Purchaser, the purchase price of each Note shall be paid by the Purchaser on the value date specified in the Fund's notice under paragraph 2(a), by transfer of the SDR equivalent amount of the currency of the Purchaser if the Purchaser is a Fund member, or of the currency of the member of which the Purchaser is the central bank (the "Relevant Member") if the Purchaser is the central bank of a member. The transfer shall be made to the account of the Fund with the designated depository of the Purchaser or Relevant Member, as the case may be.

[(b) [Included if counterpart is member] The obligations of the Purchaser under Article V, Section 3(e) and Article V, Section 7(j) concerning exchanges of its currency purchased or to be used in repurchases from the Fund shall apply, respectively, to purchase and repurchase transactions in the General Resources Account involving its currency used in the purchase of Notes or to be used in the payment of Notes.]

(c) Unless otherwise agreed between the Fund and the Purchaser, all purchases of Notes and exchanges of currency pursuant to this Agreement shall be made at the exchange rate for the relevant currency in terms of the SDR established pursuant to Article XIX, Section 7(a) and the rules and regulations of the Fund thereunder for the second business day of the Fund before the value date of the purchase or exchange. If this exchange rate determination date is not a business day in [location of Purchaser], then such date shall be the last preceding business day of the Fund that is also a business day in [location of Purchaser].

(d) If the commitment amount in paragraph 1 is expressed in currency rather than in SDRs, then for purposes of applying the limit specified in paragraphs 1 and 3(e) on Fund issuance of Notes for purchase under this Agreement, the [currency] value of each SDR-denominated Note issued by the Fund shall be determined and permanently fixed on the value date of the issuance based on the [currency]/SDR exchange rate established pursuant to Article XIX, Section 7(a) and the rules and regulation of the Fund thereunder for the second business day of the Fund before the value date of the issuance. If this exchange rate determination date is not a business day in [location of Purchaser], such date shall be the last preceding business day of the Fund that is also a business day in [location of Purchaser].

[(e)] If the Fund changes the method of valuing the SDR, all purchases and exchanges of currency made two or more business days of the Fund after the effective date of the change shall be made on the basis of the new method of valuation.

6. Termination of Purchases at Request of Purchaser.

The Purchaser's commitment to purchase Notes under this Agreement shall be terminated if: (i) the Purchaser represents that its balance of payments and reserve position (the balance of payments and reserve position of the Relevant Member if the Purchaser is the central bank of a member) does not justify further purchases, and (ii) the Fund, having given this representation the overwhelming benefit of any doubt, determines that no further

purchases should be made in light of the balance of payments and reserve position of the Purchaser or Relevant Member, as the case may be.

7. Transferability.

The Purchaser may not transfer any of its rights or obligations under this Agreement except with the prior written consent of the Fund; provided however that transfers of Notes may be effected pursuant to, and subject in any event to the transfer restrictions and other limitations on transfers of the Notes set forth in, the General Terms and Conditions for International Monetary Fund Series A and Series B Notes attached as Annex I to this Agreement.

8. Settlement of Questions.

Any question arising under this Agreement shall be settled by mutual agreement between the Purchaser and the Fund.

9. Counterparts.

This Agreement may be executed in duplicate counterparts, each of which shall be deemed an original and both of which together shall constitute but one and the same instrument.

[10. Concurrence under Article VII, Section 1(i).

[Included if the Purchaser is the central bank of a member] This Agreement shall become effective only after the Relevant Member has provided the concurrence required under Article VII, Section 1(i) of the Fund's Articles of Agreement for Fund borrowing of the Relevant Member's currency from a party other than the Relevant Member.]

IN WITNESS WHEREOF, the Purchaser and the Fund have executed this Agreement as of the date first written above.

For the PURCHASER:

[NAME]
[TITLE]

Date

For the INTERNATIONAL MONETARY FUND:

Dominique Strauss-Kahn
Managing Director

Date

**ANNEX I. General Terms and Conditions
for International Monetary Fund Series A and Series B Notes**

1. Definitions. These are the General Terms and Conditions for International Monetary Fund Series A and Series B Notes that are referred to in the Applicable Note Purchase Agreement, as defined below, and in the Notes described therein and herein. The following definitions apply for purposes of these General Terms and Conditions:

(a) “Applicable Note Purchase Agreement” for any Note means the Note Purchase Agreement between the Fund and the original Eligible Purchaser to whom the Fund (i) had issued the Note, or (ii) had issued any Note in cancellation of which the Note (or one or more Notes previously cancelled in exchange for the Note) had been issued.

(b) “Eligible Purchaser” means (i) a member of the Fund, and (ii) the central bank of a member of the Fund.

(c) “Eligible Holder” means (i) an Eligible Purchaser, (ii) a fiscal agency designated by a member of the Fund for purposes of Article V, Section 1 of the Fund’s Articles of Agreement (hereinafter referred to as the “fiscal agency of a member”), and (iii) an official entity that has been prescribed as a holder of special drawing rights (SDRs) pursuant to Article XVII, Section 3 of the Fund’s Articles of Agreement (hereinafter referred to as a “prescribed SDR holder”).

(d) “Notes” mean the promissory notes (International Monetary Fund Series A and Series B Notes) that are subject to these General Terms and Conditions. Series A and Series B Notes are identical, except that only Series A Notes are eligible for immediate early payment at the request of certain Permitted Holders as provided in paragraph 7.

(e) “Permitted Holder” means (i) an Eligible Holder, and (ii) any other official entity in respect of whom the Fund has consented in writing to a transfer of Notes pursuant to subparagraph 6(b) of these General Terms and Conditions.

(f) “Relevant Member” means, in the case of a Permitted Holder that is the central bank or fiscal agency or other official institution of a member of the Fund, that member of the Fund.

(g) “Series” with respect to any Note refers to whether such Note is a Series A Note or a Series B Note.

2. Eligible Purchasers and Permitted Holders of Notes.

The Fund will issue Notes solely to Eligible Purchasers. Each Eligible Purchaser will enter into a Note Purchase Agreement with the Fund governing the terms of its purchases of Notes from the Fund. Permitted Holders shall be the only authorized holders of the Notes.

3. Series, Form, Delivery and Custody of Notes.

(a) Notes will be issued as either Series A Notes or Series B Notes.

(b) Notes will only be issued in book entry form. The Fund will establish and maintain in its records a book entry account in the name of each Permitted Holder recording pertinent details of all Notes issued, including the number, issue date, principal amount, relevant Series and maturity date. As of the value date of each purchase or transfer of a Note, the Fund will make an appropriate entry in its records regarding details of the Note purchased or transferred. The making of such an entry in the records of the Fund shall constitute a taking of delivery of the Note by the purchaser or transferee.

(c) Upon the request of a Permitted Holder, the Fund will issue to the Permitted Holder a registered Note substantially in the form set out in Annex II, in the case of Series A Notes, or Annex III, in the case of Series B Notes, including without limitation the legend regarding restrictions on transfer of Notes. Each such registered Note will bear as its issue date the value date of the purchase of the Note and shall be issued in the name of the relevant Permitted Holder. Unless otherwise agreed between a Permitted Holder and the Fund, the Fund will keep registered Notes in custody for the Permitted Holder, and acceptance of custody by the Fund shall constitute delivery of Notes to the Permitted Holder.

4. Maturity

(a) Except as otherwise provided in this paragraph 4 and in subparagraph 7(b)(ii) below, each Note shall have a maturity date that is three months from its issue date. The Fund may in its sole discretion elect to extend the maturity date of any Note or of any portion thereof by additional periods of three months after the initial maturity date, which extension the Fund shall automatically be deemed to have elected with respect to the maturity dates then in effect for all Notes unless, at least five business days (Washington) before a maturity date, the Fund notifies a Permitted Holder in writing that the Fund does not elect to extend the maturity date of the particular Note or portion thereof; provided however that, in no event, shall the maturity date of any Note be extended to a date that is later than the fifth anniversary of the issue date of such Note.

(b) The Fund shall pay the principal amount of each Note on the maturity date that is applicable to that Note in accordance with subparagraph (a). If a maturity date for a Note is not a business day in the place where payment is to be made, then the payment date for such principal amount will be the next business day in that place.

(c) The Fund may at its option make an early payment in part or in full of the principal amount of any Note prior to its maturity date, after consultation with the relevant Permitted Holder.

(d) The Fund will cancel a Note upon payment of the principal amount of the Note and all accrued interest. If the Fund makes early payment of less than the principal amount of a Note, the Fund will cancel the Note and issue a new Note of the relevant Series for the remainder of the amount, with the same maturity date as the cancelled Note. If the maturity date of a Note is extended with respect to less than the principal amount of the Note, the Fund will cancel the Note and issue a new Note of the relevant Series for the remainder of the amount, with the extended maturity date.

(e) Any Note to be cancelled by the Fund that is not already in the custody of the Fund shall be surrendered by the Permitted Holder to the Fund for cancellation.

5. Rate of Interest.

(a) Each Note bears interest at the SDR interest rate established by the Fund pursuant to Article XX, Section 3 of the Fund's Articles of Agreement; however, if the Fund pays an interest rate higher than the SDR interest rate on outstanding balances from any other borrowing on comparable terms that has been effected pursuant to Article VII, Section 1(i) of the Fund's Articles of Agreement, and for as long as the payment of such higher interest rate remains in effect, the interest rate payable on each Note will be equivalent to the interest rate paid by the Fund on such other comparable borrowing.

(b) The amount of interest payable on each Note is calculated on the basis of the principal amount of the Note (including the principal amount of any Note issued in substitution of a Note cancelled pursuant to paragraph 4(d) above). Interest accrues daily and is to be paid promptly by the Fund after each July 31, October 31, January 31 and April 30.

6. Transferability of Notes.

(a) A Permitted Holder has the right to transfer at any time all or part of any Note to any Eligible Holder. If requested, the Fund will use its best efforts to arrange such transfers to one or more Eligible Holders identified by the Fund or by the transferor Permitted Holder.

(b) Transfers by a Permitted Holder of all or part of any Note to an official entity other than an Eligible Holder shall require the prior written consent of the Fund, and may only take place on such additional terms and conditions as the Fund may approve.

(c) In no event shall any Permitted Holder have the right to sell, assign, dispose of or otherwise transfer any Note or any part of any Note, directly or indirectly, to any entity that is not (i) an Eligible Holder, or (ii) an official entity in respect of which the Fund has consented in writing to the transfer pursuant to subparagraph (b).

(d) Derivative transactions in respect of any Note, and transfers of participation interests in any Note, are prohibited.

(e) The transferee of a Note transferred pursuant to this paragraph 6 shall, as a condition of the transfer, assume in full the obligations of a Permitted Holder with respect to extensions of the maturity of the Note pursuant to subparagraph 4(a). More generally, any Note or part thereof transferred pursuant to this paragraph 6 shall be held by the transferee on the same terms and conditions as the Note was held by the transferor, except as provided in paragraph 7 with respect to the right to early repayment at the request of a Permitted Holder.

(f) The price of a Note transferred pursuant to this paragraph 6 will be as agreed between the transferor and the transferee.

(g) Transfers made pursuant to subparagraph (a) that are in accordance with the terms and conditions of this paragraph 6 will be effected by a duly authenticated notice of transfer from the transferor to the Fund stating the name of the transferee, the transferee's eligibility for a transfer pursuant to subparagraph (a), and the value date of the transfer.

(h) For all transfers under this paragraph 6, the Fund will cancel the Note that has been transferred in whole or in part and, if the Note is a registered Note, the transferor shall, as a condition for the transfer, surrender for cancellation any such registered Note that is not already in the custody of the Fund. Upon cancellation of the relevant Note, the Fund will issue a new Note of the relevant Series in the name of the transferee for the principal amount transferred and, where appropriate, a new Note of the relevant Series in the name of the transferor for any part of the principal amount retained by it. The issue date of each new Note will be the issue date of the cancelled Note, and the new Notes will have the same maturity date (including any maturity date resulting from extensions of a previous maturity date) that is applicable to the cancelled Note pursuant to paragraph 4. The form and delivery of each new Note will be as specified in paragraph 3 of these General Terms and Conditions.

(i) If all or part of a Note is transferred during a quarterly period as described in paragraph 5(b), the Fund will pay interest to the transferee on the principal amount of the Note for the whole of that period.

7. Early Payment by the Fund at Request of Certain Permitted Holders.

(a) The rights provided in subparagraph (b) shall apply only to Permitted Holders of Notes that are either (i) Eligible Purchasers in respect of such Notes, or (ii) transferees of such Notes pursuant to subparagraphs 6(a) or 6(b) for which the following conditions are met: (A) the transferee is a member of the Fund or the central bank or fiscal agency of a member of the Fund, and (B) at the time of transfer, the balance of payments and reserve position of the member or Relevant Member, as the case may be, was considered sufficiently

strong in the opinion of the Fund that its currency was being used in transfers under the Financial Transactions Plan.

(b) If a Permitted Holder described in subparagraph (a) represents that its balance of payments and reserve position (the balance of payments and reserve position of the Relevant Member if the Permitted Holder is the central bank or fiscal agency of a member) justifies early payment of all or part of the principal amount of Notes as described in subparagraph (a) that are held by such Permitted Holder, and if the Fund (having given this representation the overwhelming benefit of any doubt) determines that there is a need for early payment as requested by the Permitted Holder in light of the balance of payments and reserve position of the Permitted Holder or the Relevant Member, as the case may be, then the following shall occur: (i) the Fund shall pay the principal amount of the Permitted Holder's Series A Notes covered by subparagraph (a) that is then outstanding, up to the amount for which early payment has been requested, and (ii) the maturity date for that portion of the Permitted Holder's remaining Notes (if any) covered by subparagraph (a) for which early repayment has been requested shall be changed to the date that is 12 months after the date of the Fund's determination under this subparagraph.

(c) The Fund shall pay the principal amount of the Permitted Holder's Notes that are covered by subparagraph (b)(ii) as soon as practicable after the Fund's determination under subparagraph (b) and shall, in any event, make full payment of all such Notes within the 12-month maturity period specified in subparagraph (b)(ii).

8. Media and Modalities of Payments on the Notes.

(a) Payments by the Fund of the principal amount of Notes shall be made to a Permitted Holder in (i) the currency of the Permitted Holder, if the Permitted Holder is a member of the Fund, (ii) the currency of the Relevant Member, if the Permitted Holder is the central bank or fiscal agency of a member of the Fund, or is a prescribed SDR holder that is an official institution of a member, or (iii) any freely usable currency determined by the Fund, in the case of all other Permitted Holders; provided however that the Fund, after consultation with a Permitted Holder covered by clauses (i) or (ii), may make payments of principal to such Permitted Holder in SDRs or in any freely usable currency as determined by the Fund; and provided further that the Fund, after consultation with a Permitted Holder covered by clause (iii) that is a prescribed SDR holder, may make payments of principal to such Permitted Holder in SDRs.

(b) Payments by the Fund of interest on the Notes will normally be made in SDRs if the Permitted Holder is a member of the Fund or a central bank or fiscal agency of such a member or a prescribed SDR holder, or in any freely usable currency as determined by the Fund in the case of other Permitted Holders.

(c) All payments made by the Fund to a Permitted Holder in currency will be made by crediting the amount due to an account specified in advance by the Permitted Holder for purposes of receiving such payments. Payments in SDRs will be made by crediting the

SDR Department account of the Permitted Holder or of the of the Relevant Member as the case may be.

9. Effective Exchange Rate for Payments.

Unless otherwise agreed between a Permitted Holder and the Fund, all payments in currency of principal and interest under these General Terms and Conditions will be made at the exchange rates for the relevant currencies in terms of the SDR established pursuant to Article XIX, Section 7(a) and the rules and regulations of the Fund thereunder for the second business day of the Fund before the value date of the payment. If this exchange rate determination date is not a business day in the Permitted Holder's principal location, then such date will be the last preceding business day of the Fund that is also a business day in the Permitted Holder's principal location.

10. Changes in Method of Valuation of SDR.

If the Fund changes the method of valuing the SDR, all payments of principal and interest on the Notes made two or more business days of the Fund after the effective date of the change will be made on the basis of the new method of valuation.

11. Non-Subordination of Claims.

The Fund will not take any action that would have the effect of making a Permitted Holder's claim on the Fund resulting from any Note subordinate in any way to claims on the Fund resulting from any other borrowing effected pursuant to Article VII, Section 1(i) of the Fund's Articles of Agreement.

12. Settlement of Questions.

Any question arising under any Note shall be settled by mutual agreement between the relevant Permitted Holder and the Fund.

ANNEX II. Form of Registered Series A Note

Number _____

SDR _____

INTERNATIONAL MONETARY FUND

REGISTERED NOTE

SERIES A NOTE

Issue Date: _____

Maturity Date: [to include description of automatic extensions of maturity]

The INTERNATIONAL MONETARY FUND (“the Fund”), for value received, hereby promises to pay to _____, being the registered holder of this note, an amount equivalent to

_____ Special Drawing Rights (SDR _____)

on the maturity date specified above and to pay interest thereon as set forth below.

This Note is one of a series of “Series A Notes” issued in accordance with the General Terms and Conditions for International Monetary Fund Series A and Series B Notes (the “General Terms and Conditions”) and the Applicable Note Purchase Agreement as such term is defined in the General Terms and Conditions. Each holder of this Note is deemed to have agreed to the General Terms and Conditions and relevant terms of the Applicable Note Purchase Agreement, including without limitation the maturity date (including the terms on which it may be extended at the sole option of the Fund from time to time), the interest rate, the terms and conditions of early payment at the request of the Fund or the holder hereof, and the terms and conditions of transfer of this Note or any part thereof.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES LAWS OF ANY JURISDICTION.

IN NO EVENT SHALL ANY HOLDER OF THIS NOTE SELL, ASSIGN, DISPOSE OF OR OTHERWISE TRANSFER THIS NOTE, DIRECTLY OR INDIRECTLY, TO ANY ENTITY THAT IS NOT (I) A MEMBER OF THE FUND OR THE CENTRAL BANK OF A MEMBER OF THE FUND, (II) A FISCAL AGENCY DESIGNATED BY A MEMBER OF THE FUND FOR PURPOSES OF ARTICLE V, SECTION 1 OF THE FUND’S ARTICLES OF AGREEMENT, (III) AN OFFICIAL ENTITY THAT HAS BEEN PRESCRIBED AS A HOLDER OF SPECIAL DRAWING RIGHTS PURSUANT TO ARTICLE XVII, SECTION 3 OF THE FUND’S ARTICLES OF AGREEMENT, OR (IV) ANY OTHER OFFICIAL ENTITY IN RESPECT OF WHICH THE FUND HAS

CONSENTED IN WRITING TO A TRANSFER PURSUANT TO PARAGRAPH 6(B) OF THE GENERAL TERMS AND CONDITIONS.

ANY DERIVATIVE TRANSACTIONS IN RESPECT OF THIS NOTE, AND TRANSFERS OF PARTICIPATION INTERESTS IN THIS NOTE, ARE PROHIBITED.

Interest shall accrue daily on the principal amount of this Note at the SDR interest rate established by the Fund pursuant to Article XX, Section 3 of the Fund's Articles of Agreement; provided however that, if the Fund pays an interest rate higher than the SDR interest rate on outstanding balances from any other borrowing on comparable terms that has been effected pursuant to Article VII, Section 1(i) of the Fund's Articles of Agreement, and for as long as the payment of such higher interest rate remains in effect, then the interest rate payable on this Note shall be equivalent to the interest rate paid by the Fund on such other comparable borrowing. Interest shall be paid promptly after each July 31, October 31, January 31 and April 30. Payments of interest shall normally be made in SDRs if the registered holder is a member of the Fund or a central bank or fiscal agency of a member of the Fund or a prescribed holder of SDRs, or in a freely usable currency as determined by the Fund in the case of other registered holders. Payments in SDRs shall be made by crediting the SDR Department account of the registered holder, or of the member for which the registered holder serves as central bank or fiscal agency in the case of registered holders that are the central bank or fiscal agency of a member of the Fund.

[Signatures]

ANNEX III. Form of Registered Series B Note

Number _____

SDR _____

INTERNATIONAL MONETARY FUND

REGISTERED NOTE

SERIES B NOTE

Issue Date: _____

Maturity Date: [to include description of automatic extensions of maturity]

The INTERNATIONAL MONETARY FUND (“the Fund”), for value received, hereby promises to pay to _____, being the registered holder of this note, an amount equivalent to

_____ Special Drawing Rights (SDR _____)

on the maturity date specified above and to pay interest thereon as set forth below.

This Note is one of a series of “Series B Notes” issued in accordance with the General Terms and Conditions for International Monetary Fund Series A and Series B Notes (the “General Terms and Conditions”) and the Applicable Note Purchase Agreement as such term is defined in the General Terms and Conditions. Each holder of this Note is deemed to have agreed to the General Terms and Conditions and relevant terms of the Applicable Note Purchase Agreement, including without limitation the maturity date (including the terms on which it may be extended at the sole option of the Fund from time to time), the interest rate, the terms and conditions of early payment at the request of the Fund or the holder hereof, and the terms and conditions of transfer of this Note or any part thereof.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES LAWS OF ANY JURISDICTION.

IN NO EVENT SHALL ANY HOLDER OF THIS NOTE SELL, ASSIGN, DISPOSE OF OR OTHERWISE TRANSFER THIS NOTE, DIRECTLY OR INDIRECTLY, TO ANY ENTITY THAT IS NOT (I) A MEMBER OF THE FUND OR THE CENTRAL BANK OF A MEMBER OF THE FUND, (II) A FISCAL AGENCY DESIGNATED BY A MEMBER OF THE FUND FOR PURPOSES OF ARTICLE V, SECTION 1 OF THE FUND’S ARTICLES OF AGREEMENT, (III) AN OFFICIAL ENTITY THAT HAS BEEN PRESCRIBED AS A HOLDER OF SPECIAL DRAWING RIGHTS PURSUANT TO ARTICLE XVII, SECTION 3 OF THE FUND’S ARTICLES OF AGREEMENT, OR (IV) ANY OTHER OFFICIAL ENTITY IN RESPECT OF WHICH THE FUND HAS

CONSENTED IN WRITING TO A TRANSFER PURSUANT TO PARAGRAPH 6(B) OF THE GENERAL TERMS AND CONDITIONS.

ANY DERIVATIVE TRANSACTIONS IN RESPECT OF THIS NOTE, AND TRANSFERS OF PARTICIPATION INTERESTS IN THIS NOTE, ARE PROHIBITED.

Interest shall accrue daily on the principal amount of this Note at the SDR interest rate established by the Fund pursuant to Article XX, Section 3 of the Fund's Articles of Agreement; provided however that, if the Fund pays an interest rate higher than the SDR interest rate on outstanding balances from any other borrowing on comparable terms that has been effected pursuant to Article VII, Section 1(i) of the Fund's Articles of Agreement, and for as long as the payment of such higher interest rate remains in effect, then the interest rate payable on this Note shall be equivalent to the interest rate paid by the Fund on such other comparable borrowing. Interest shall be paid promptly after each July 31, October 31, January 31 and April 30. Payments of interest shall normally be made in SDRs if the registered holder is a member of the Fund or a central bank or fiscal agency of a member of the Fund or a prescribed holder of SDRs, or in a freely usable currency as determined by the Fund in the case of other registered holders. Payments in SDRs shall be made by crediting the SDR Department account of the registered holder, or of the member for which the registered holder serves as central bank or fiscal agency in the case of registered holders that are the central bank or fiscal agency of a member of the Fund.

[Signatures]