

**IMMEDIATE
ATTENTION**

EBS/09/130

August 26, 2009

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Note Purchase Agreement with the People's Bank of China**

Attached for consideration by the Executive Directors is a paper on a proposed note purchase agreement with the People's Bank of China.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by **noon on Tuesday, September 1, 2009**. In the absence of such a request, the draft decision that appears on pages 4 and 5 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

It is intended that this paper will be published on the Fund's external website after the note purchase agreement is signed and enters into force.

Questions may be referred to Mr. Rossi, FIN (ext. 35651), and Mr. Steinki (ext. 38222) 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.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Note Purchase Agreement with the People's Bank of China

Prepared by the Finance Department and the Legal Department

Approved by Andrew Tweedie and Sean Hagan

August 26, 2009

I. INTRODUCTION

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 On July 1, 2009, the Board endorsed a framework for issuing notes to the official sector, including a form Note Purchase Agreement (NPA) that could be concluded with members and the general terms and conditions of these notes.² Although the issuance of notes would be novel for the Fund, the key financial and operational terms of this framework, which are discussed in detail in Section II of EBS/09/96, are effectively those found in the borrowing agreement with the Government of Japan.³ The decision endorsing the NPA framework also provides that the Fund is prepared to consider the approval of NPAs with members or central banks of members whose balance of payments and reserve position is sufficiently strong in the opinion of the Fund that their currency is being used in transfers under the Financial Transactions Plan, with such approval expected to be sought on a lapse-of-time basis.

2. This paper presents for approval by the Executive Board a draft NPA between the People's Bank of China (PBC) and the Fund for up to the equivalent of SDR 32 billion (about US\$50 billion). In June 2009, the Chinese authorities signaled their intention to invest up to US\$50 billion in notes issued by the Fund to boost the Fund's capacity to help member countries—particularly developing and emerging market countries—cope with the crisis and thus benefit all members by facilitating an early recovery of the global economy.⁴ Staff and

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

² *A Framework for the Fund's Issuance of Notes to the Official Sector* (EBS/09/96, 6/17/09) and *A Framework for the Fund's Issuance of Notes to the Official Sector-Decision* (EBS/09/96, Supplement 2, 7/6/09).

³ *Borrowing Agreement with the Government of Japan* (EBS/09/19, 2/10/09).

⁴ See <http://www.imf.org/external/np/sec/pr/2009/pr09204.htm>. The motivation by China to particularly support developing and emerging market countries is reflected in paragraph 1 of the Agreement.

PBC representatives have now reached agreement on a draft NPA, the text of which is set forth in the Attachment (the “Agreement”). The Agreement would make an important contribution to the multilateral effort to ensure the adequacy of the Fund’s financial resources, adding to the resources already available to the Fund from the borrowing agreements already in effect (Japan, Norges Bank, and Canada), or expected to become effective shortly (France and the UK).⁵

3. In accordance with the decision endorsing the NPA framework, the Agreement, which is consistent with the form documents endorsed by the Board, is proposed for Board approval on a lapse of time basis. As envisaged under the NPA framework, the proposed NPA reflects a limited number of preferences of the PBC that are permitted under the framework, which are summarized in Section II below. Consistent with the framework, there are no changes to the General Terms and Conditions (Annex I to the form NPA) and the Forms of Registered Notes A and B (Annexes II and III to the form NPA), which will be attached to, and become part of, the proposed NPA with the PBC.

II. SPECIFIC FEATURES OF THE PROPOSED AGREEMENT

4. This section highlights the key terms and provisions of the Agreement with the PBC, including terms that are unique to the Agreement. A comprehensive commentary of the other features of the framework is provided in EBS/09/96.

Amount

5. The ceiling for issuance under the Agreement is expressed in SDRs (SDR 32 billion). The first SDR 15 billion in total principal of notes issued under the Agreement shall comprise Series A Notes and the remainder shall comprise Series B Notes, consistent with the SDR 15 billion limit on immediate encashment under the recently amended Guidelines for Borrowing by the Fund.⁶

6. The Agreement also provides that payment by the Fund of the principal amount of a Note does not restore an equivalent amount for which notes could be issued under the Agreement, i.e., it provides for a cumulative limit on issuance (Paragraphs 3(d) and (e)).

⁵ *Borrowing Agreement with the Government of Japan* (EBS/09/19, 2/10/2009 and Decision No. 14264-09/15, adopted February 12, 2009), *Borrowing Agreement with Norges Bank* (EBS/09/77, 5/29/09 and Decision adopted June 5, 2009), and *Borrowing Agreement with the Government of Canada* (EBS/09/85, 6/10/09 and Decision adopted June 17, 2009), *Borrowing Agreement with the Government of France* (EBS/09/107, 6/10/09 and Decision adopted July 6, 2009) and proposed *Borrowing Agreement with the Government of the United Kingdom* (EBS/09/128, 08/24/09).

⁶ *Borrowing by the Fund—Operational Issues* (SM/09/150, Supplement 2, 6/29/09).

Term of the Agreement

7. The Agreement provides for a maximum total term (Availability Period) of up to three years, which defines the period within which drawings can be made under the agreement. Specifically, consistent with the form NPA, the Agreement has an initial term of one year commencing on the earlier of the first drawing or September 30, 2009 (Paragraph 2(a)), which can be extended for one year by the Fund after consultation with the PBC. An additional one-year extension may be made with the agreement of the PBC (Paragraph 2(b)).

Limits on Issuance

8. The Agreement provides for weekly and monthly limits on issuance. Specifically, unless otherwise agreed between the PBC and the Fund, the Fund cannot issue more than SDR 4 billion during any calendar week and SDR 15 billion during any calendar month (Paragraph 3(b)).

Central Bank as Counterpart

9. Technical provisions on media and modalities of payment reflect the fact that the counterpart under the Agreement is not a member but the central bank of a member. In particular paragraph 5(b) of the form NPA is not included in the Agreement, and paragraph 10 of the form NPA is included as paragraph 9(b) of the Agreement.

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 to the People's Bank of China on the terms and conditions set forth in the Note Purchase Agreement that is set out in the Attachment to EBS/09/130 (08/26/09) (the "Agreement").
2. The Executive Board approves the Agreement and authorizes the Managing Director to take such actions as are necessary to execute the Agreement on behalf of the Fund.
3. The Managing Director is authorized, following the execution of the Agreement, to make such determinations and take such actions as are necessary to implement the Agreement, 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 Agreement, the extension of the term of the Agreement 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 Agreement in reports to be furnished by the Managing Director on a quarterly basis

throughout the term of the Agreement, with reports to be furnished more frequently in the event of significant developments related to the Agreement. Such reports shall cover all aspects of the implementation of the Agreement, including, as applicable, issuances of notes, disposition of amounts received from such issuances, and payments by the Fund of the principal amount of notes.

**Note Purchase Agreement
Between the People's Bank of China
and the International Monetary Fund**

This Note Purchase Agreement (this "Agreement") is entered into between the People's Bank of China (the "PBC") 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, particularly to developing and emerging market countries affected by the global financial crisis, the PBC 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 32 billion (equivalent to RMB 341.2 billion as of August 25, 2009) shall be issued under this Agreement, of which the first SDR 15 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 PBC shall purchase Notes during an initial period of one year commencing on the date the first Note is issued or September 30, 2009, whichever is earlier (the "Availability Period"). Unless otherwise agreed between the PBC and the Fund, the Fund shall give the PBC at least five business days' (Beijing) 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 PBC at least two business days (Beijing) prior to the value date of the purchase by SWIFT.

(b) After consultation with the PBC, 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 an additional one-year period, and thereafter with the agreement of the PBC by a further one-year period.

(c) Notwithstanding subparagraphs (a) and (b), the PBC may, at its option, terminate the term of this Agreement if China, the PBC, or another official institution of China 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 PBC, 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 PBC and the Fund, the Fund shall not issue Notes for purchase under this Agreement in a principal amount that exceeds the equivalent of SDR 4 billion during any calendar week, or the equivalent of SDR 15 billion during any calendar month.

(c) Prior to the beginning of each quarter of the Fund's financial year, the Fund shall provide the PBC 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 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 the equivalent of SDR 32 billion.

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 PBC, the purchase price of each Note shall be paid by the PBC on the value date specified in the Fund's notice under paragraph 2(a), by transfer of the SDR equivalent amount of Chinese Renminbi to the account of the Fund with the designated depository of China.

(b) Unless otherwise agreed between the Fund and the PBC, 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 Beijing, then such date shall be the last preceding business day of the Fund that is also a business day in Beijing.

(c) 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 the PBC.

The PBC's commitment to purchase Notes under this Agreement shall be terminated if: (i) the PBC represents that China's balance of payments and reserve position 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 China's balance of payments and reserve position.

7. Transferability.

The PBC 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 PBC and the Fund.

9. Final Provisions.

(a) 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.

(b) This Agreement shall become effective on the date last signed below or the date on which China provides the concurrence that is required under Article VII, Section 1(i) of the Fund's Articles of Agreement for Fund borrowing of Chinese Renminbi from the PBC, whichever is later.

IN WITNESS WHEREOF, the People's Bank of China and the Fund have executed this Agreement

For the PEOPLE'S BANK OF CHINA:

[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]