

EBD/10/43
Supplement 1

August 30, 2010

To: Members of the Executive Board

From: The Secretary

Subject: **Final Calculations Under Article XII, Section 3(c)**

Article XII, Section 3(c) of the Articles of Agreement provides that if, at a regular election of Executive Directors, the five members entitled to appoint Executive Directors by virtue of having one of the five largest quotas do not include the two members, the holdings of whose currencies by the Fund in the General Resources Account have been, on the average over the preceding two years, reduced below their quotas by the largest amounts in terms of the special drawing right, either one or both of such members, as the case may be, may appoint an Executive Director. In practice this means that if either or both of the two members whose currencies are most utilized under the General Resources Account are not entitled to appoint an Executive Director on the basis of quota, then either or both of such members, as the case may be, may appoint an Executive Director on the basis of Article XII, Section 3(c).

In light of this provision, Section 18(a) of the Fund's By-Laws provides that at least six weeks before each regular election, the Managing Director shall notify all members of the two members whose currencies held in the General Resources Account have been, on the average over the preceding two years, reduced below their quotas by the largest absolute amounts in terms of the special drawing right. The Managing Director shall state whether either or both may appoint an Executive Director in accordance with Article XII, Section 3(c). Since 1950, the relevant calculations have been interpreted to be based on the two years preceding July 31 for each year in which an election is to take place.¹ It was projected in EBD/10/43 (6/24/10) that, for the two years ended July 31, 2010, the two members extending the largest absolute amount of credit in the General Resources Account for the purpose of the appointment of additional Executive Directors under Article XII, Section 3(c) would be the United States and Japan.

¹ See Executive Board Decision No. 597-4 (7/28/50).

Final calculations under Article XII, Section 3(c) have been made for the two years ended July 31, 2010 and the ranking is as follows:

Member	Average Creditor Position (SDR millions)
United States	8,623.6
Japan	3,534.9
Germany	2,452.4
France	2,127.3
United Kingdom	1,954.3
China	1,874.3
Canada	1,435.1
Italy	1,252.9
Saudi Arabia	1,098.6
Netherlands	1,015.8

The results of these calculations confirm that no member other than the five members with the largest quotas is entitled to appoint an Executive Director under Article XII, Section 3(c).

Questions may be referred to Mr. Andrews (ext. 38318) and Ms. Manno (ext. 38175) in FIN.

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