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EB/CQuota/69/3

Room 912

#12

November 19, 1969

To: Members of the Committee of the Whole on Review of
Quotas

From: The Secretary

Subject: Fifth General Review of Quotas: Mitigation of the Primary
Impact of Gold Subscriptions

The attached memorandum has been prepared by the staff for consideration at the meeting of the Committee on Wednesday, November 19, 1969.

Att: (1)

Other Distribution:
Department Heads
Division Chiefs

INTERNATIONAL MONETARY FUND

Fifth General Review of Quotas: Mitigation of the Primary
Impact of Gold Subscriptions

Prepared by the Treasurer's Department

Approved by Walter O. Habermeier

November 19, 1969

At EBM/69/97 an Executive Director asked the staff to prepare a brief paper indicating the amount of "mitigation" of gold payments which would result if the provisions of Article III, Section 4(a) were applied by reducing the gold payment in the proportion to which a member's monetary reserves, as defined, were below its new quota.

A member's monetary reserves for the purpose of Article III, Section 4(a) are defined in Article XIX as amended, which means that currency liabilities can no longer be deducted for this purpose. In addition, holdings of special drawing rights are included in the definition of monetary reserves by the terms of Article XXV, Section 7(a). Furthermore, it is the date on which the member consents to an increase, which is used to determine whether its monetary reserves are below its new quota.

Since the Fund has no way of knowing what a member's monetary reserves will be on the day when the member consents to an increase in its quota, the following figures must be regarded as purely illustrative and hypothetical. Another caveat should be mentioned: the monetary reserves, as defined in Article XIX, are reported to the Fund by most members only once a year, as of April 30, on a confidential basis. Not all reports have been received for April 30, 1969; to that extent, monetary reserves reports for April 30, 1968 have been used.

Assumptions had also to be made on the new quotas of members. The quota figures used are those that appear in Buff Document 69/149, Column 6, for the Group of Ten countries, and for all other members the quotas that appear in SM/69/88, Column 9. Gold subscription payments of 25 per cent of all increases would amount to \$1,858 million.

On the various hypotheses outlined above, mitigation under Article III, Section 4(a) would amount to \$217 million, on the assumption that the Fund would decide to waive the full gold payment for members whose monetary reserves were below their new quotas. If the Fund were to decide that the gold payment should be waived in proportion to which a member's monetary reserves were below its new quota, the total amount of mitigation would be \$53 million.

The following table also provides some information, the value of which is subject to limitations similar to those mentioned earlier, on the percentage deviation of monetary reserves (as defined) from assumed quotas.

Number of Members	Percentage Deviation of Gross Monetary Reserves from Tentative Quota	Gold Subscription	Percentage of Gold Subscription
30	-25.1 and less	72	3.9
11	-10.1 to -25	118	6.3
none	- 5.1 to -10	-	-
4	Equal to quota to -5	27	1.5
45		217	11.7
4	+0.1 to 5	97	5.2
3	+5.1 to 10	38	2.0
5	+10.1 to 25	115	6.2
55	+25.1 and over	1,391	74.9
Total (112) ^{1/}		1,858	100.0

^{1/} Not including the Republic of China.