

SM/11/3
Supplement 2

February 1, 2011

To: Members of the Executive Board

From: The Secretary

Subject: **Enhancing International Monetary Stability—A Role for the SDR?—
Draft Public Information Notice**

Attached for the information of Executive Directors is the background section of the draft Public Information Notice (PIN) relating to the paper entitled Enhancing International Monetary Stability—A Role for the SDR? (SM/11/3, 1/7/11), which was discussed at the Board meeting on **Friday, January 28, 2011**. It is intended that the paper, together with the PIN summarizing the discussion, will be posted on the Fund's external website.

Questions may be referred to Ms. Mateos y Lago (ext. 37219) and Ms. Maziad (ext. 36619) in SPR.

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

Public Information Notice

EXTERNAL
RELATIONS
DEPARTMENT

Public Information Notice (PIN) No. 11/xx
FOR IMMEDIATE RELEASE
January 31, 2011

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes the Meeting on Enhancing International Monetary Stability—A Greater Role for the SDR?

On January 28, 2011, the Executive Board of the International Monetary Fund (IMF) concluded the meeting on Enhancing International Monetary Stability—A Greater Role for the SDR?¹

Background

Since the onset of the crisis, there has been renewed interest in the debate over the long-term stability of the international monetary system, which provides the framework to facilitate the exchange of goods, services, and capital among countries, and sustain the necessary conditions for financial and economic stability.

To enhance the stability and effectiveness of the International Monetary System (IMS), various streams of work are underway, including work on improving global policy coordination and stronger surveillance by the International Monetary Fund (IMF), managing capital flows and defining the role of the IMF in this area, assessing official reserve adequacy, and improving global financial safety nets.

In this context, the IMF Executive Board discussed a paper examining the potential contribution that Special Drawing Rights (SDR) could make to improve the long-term functioning of the IMS. *The SDR is an international reserve asset, created by the IMF in 1969 to supplement its*

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.imf.org/external/np/sec/misc/qualifiers.htm>.

member countries' official reserves. The value of the SDR is currently based on a basket [hyperlink basket: <http://www.imf.org/external/np/exr/facts/sdr.htm>] of four key international currencies; namely, U.S. dollar, euro, pound sterling, and Japanese yen, for which it can be exchanged). The paper outlines a range of options that would over time enhance the role of the SDR in the IMS, and highlights their potential costs and benefits, while emphasizing that IMS problems are complex and interrelated, calling for a comprehensive set of remedies.

Executive Board Assessment

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Public Information Notices (PINs) form part of the IMF's efforts to promote transparency of the IMF's views and analysis of economic developments and policies. With the consent of the country (or countries) concerned, PINs are issued after Executive Board discussions of Article IV consultations with member countries, of its surveillance of developments at the regional level, of post-program monitoring, and of ex post assessments of member countries with longer-term program engagements. PINs are also issued after Executive Board discussions of general policy matters, unless otherwise decided by the Executive Board in a particular case.