

EBD/14/37

July 2, 2014

To: Members of the Executive Board

From: The Secretary

Subject: **Additional Executive Directors Appointed Under Article XII, Section 3(c)—  
2014 Regular Election of Executive Directors**

The 2014 Regular Election of Executive Directors is to be held in October 2014. Work is underway, following the approach taken in 2012, for the adoption of procedures that would govern the conduct of the 2014 Regular Election of Executive Directors either under the existing legal framework or under the *Proposed Amendment of the Articles of Agreement of the International Monetary Fund on the Reform of the Executive Board—the “Seventh Amendment”*, in the event it enters into force before November 1, 2014.<sup>1</sup>

Under the existing legal framework, Section 18(a) of the Fund’s By-Laws states that: “At least six weeks before each regular election of Executive Directors, the Managing Director shall notify all members by rapid means of communication 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. He shall state whether either or both may appoint an Executive Director in accordance with Article XII, Section 3(c).”<sup>2</sup> In order for the Committee on Rules for the 2014 Regular Election of Executive Directors to make its recommendations to the Executive Board, this memorandum provides the preliminary results of the calculations to establish whether appointments of Executive Directors under Article XII, Section 3(c) are a possibility.

In accordance with Executive Board Decision No. 597–4 (7/28/50), when a regular biennial election of Executive Directors is to be held in September, the phrase “the preceding two years” as used in Article XII, Section 3(c) shall be deemed to be the two-year period ending on the July 31 preceding

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<sup>1</sup> The Seventh Amendment will enter into force when three-fifths of the members, having 85 percent of the total voting power, have accepted the proposed amendment. As of the date of this memorandum, the Fund has yet to receive the requisite number of acceptances for the Seventh Amendment to enter into effect.

<sup>2</sup> Article XII, Section 3(c) provides that if the five members entitled to appoint Executive Directors on the basis of the size of their quotas under Article XII, Section 3(b) (i) do not include the two members with the largest average creditor positions in the General Resources Account over the preceding two years, either one or both of such members, as the case may be, may appoint an Executive Director.

the date of the election, i.e., July 31, 2014 for the upcoming election.<sup>3</sup> As in past elections, the largest average creditor positions for the two-year period ending on July 31 can be predicted on the basis of calculations of such positions for the 22-month period ending on May 31, 2014.

The ten largest creditor members based on the average creditor positions in the General Resources Account for the 22-month period ended May 31, 2014, calculated on the basis of the convention revised by the Executive Board on July 15, 2008 (EBD/08/72)<sup>4</sup> are presented below. These results indicate the United States and Japan, two of the five members with the largest quotas in the Fund, had the largest average creditor positions in the General Resources Account and that, therefore, no member will be entitled to appoint an Executive Director under Article XII, Section 3(c) in connection with the 2014 Regular Election of Executive Directors. Final calculations will be made for the period ending July 31, 2014, and an updated list of the largest creditors will be communicated to the Executive Board shortly thereafter.

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Average Creditor Positions in the General Resources Account  
for the 22 Months Ended May 31, 2014<sup>1/</sup>  
(in millions of SDRs)

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United States	23,868.0
Japan	9,140.8
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Germany	7,525.5
France	5,637.7
United Kingdom	5,537.0
China	4,937.7
Italy	4,070.2
Saudi Arabia	3,467.2
Canada	3,186.5
Russian Federation	2,972.4

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<sup>1/</sup> The five members with the largest quotas are, in descending order, the United States, Japan, Germany, France, and the United Kingdom.

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<sup>3</sup> Decision No. 597-4 also specifies that the decision shall be reconsidered if the elections of Executive Directors are held in months other than September, which will be undertaken as part of the adoption of procedures to govern the 2014 election.

<sup>4</sup> Average creditor positions are computed using the revised methodology for the calculation of credit extended under Article XII, Section 3(c), as set out in 2008 Regular Election of Executive Directors- Appointment of Executive Directors Under Article XII, Section 3(c)- Amendment of the 1950 Convention (EBD/08/72, 7/8/08). The methodology, derived from the 1950 Convention and revised in 2008 to align with the provisions of the Second Amendment, uses a threshold of 100 percent of a member's quota as basis for calculation, compared with 75 percent of a member's quota previously. Average creditor positions also include lending to the Fund under bilateral borrowing agreements and the New Arrangements to Borrow.

Questions may be referred to Ms. Manno (ext. 38175) and Mr. Yuen (ext. 37823) in FIN.

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