

**EXECUTIVE
BOARD
MEETING**

EBD/15/51

September 10, 2015

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Republic of Nauru—Report of the Committee on Membership**

Board Action: Executive Directors' **consideration**

Tentative Board Date: **Wednesday, September 23, 2015**

Proposed Decision: Page 2

Additional Information: Attached is the report by the Chairman of the Committee on Membership for the Republic of Nauru, recommending the approval of a draft membership Resolution for the Republic of Nauru for submission to the Board of Governors for a vote without meeting.

Questions: Mr. Rumbaugh, SEC (ext. 36094)
Mr. Morco, SEC (ext. 39787)

September 9, 2015

To: Members of the Executive Board

From: Marzunisham Omar
Chairman, Committee on Membership for the Republic of Nauru

Subject: Republic of Nauru—Report on Membership

On June 23, 2015, the Executive Board decided to proceed with the formal investigation of the application for membership in the Fund made by the government of the Republic of Nauru on April 15, 2014 (EBD/14/23, 5/8/14), and established this committee to study the application and to report to the Executive Board.

The committee, after considering the size and characteristics of the economy of Nauru in relation to those of existing members and taking into account the existing structure of Fund quotas, concluded that an initial quota of SDR 2.0 million would be appropriate for Nauru. The committee further agreed that the government of Nauru should be given the option to consent to an increase in its quota to SDR 2.8 million in accordance with the provisions of the Board of Governors' Resolution No. 66-2 on the Fourteenth General Review of Quotas and Reform of the Executive Board. This increase would take effect in accordance with the terms of that Resolution, and Nauru would pay for the increase in accordance with Article III, Section 3 of the Articles.

The committee considers that Nauru should be permitted to pay its initial subscription within six months after accepting membership in the Fund. The committee further recommends that Nauru should pay an amount equivalent to 24 percent of its initial quota in SDRs or in currencies of other members acceptable to the Fund. Such payment would be in accordance with Article II, Section 2 of the Articles of Agreement and the guidelines adopted by the Executive Board in Executive Board Decision No. 6266–(79/156), adopted September 10, 1979, for the payment of reserve assets in connection with the initial quota payment. The balance of the subscription shall be paid in the currency of Nauru.

The authorities of Nauru have indicated that they accept the proposed terms and conditions for the membership of Nauru.

Accordingly, the committee recommends that the attached draft decision be adopted by the Executive Board, and that the report and the draft Resolution appended thereto be sent to the Board of Governors, the latter for a vote without meeting.

Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board.

MEMBERSHIP FOR THE REPUBLIC OF NAURU

1. The Board of Governors is requested to vote without meeting pursuant to Section 13 of the By-Laws of the Fund on the attached draft Resolution.
2. The Secretary is directed to send the attached report and draft Resolution on Membership for the Republic of Nauru to each member of the Fund by rapid means of communication on or before September 25, 2015.
3. To be valid, votes must be cast by Governors or Alternate Governors and must be received at the seat of the Fund before 6:00 p.m., Washington time, on November 6, 2015. Votes received after that time will not be counted.
4. The effective date of the Resolution of the Board of Governors shall be the last day allowed for voting.
5. All votes cast pursuant to this decision shall be held in the custody of the Secretary until counted, and all proceedings with respect thereto shall be confidential until the Executive Board determines the result of the vote.
6. The Secretary is authorized to take such further action as he shall deem appropriate to carry out the purpose of this decision.

**REPORT OF THE EXECUTIVE BOARD
MEMBERSHIP FOR THE REPUBLIC OF NAURU**

The Republic of Nauru applied on April 15, 2014, for admission to membership in the International Monetary Fund in accordance with Article II, Section 2 of the Articles of Agreement of the Fund. Pursuant to Section 21 of the By-Laws, the Executive Board has consulted with the representative of the Government of Nauru and has agreed upon the terms and conditions which, in the opinion of the Executive Board, the Board of Governors may wish to prescribe for admitting Nauru to membership in the Fund. The Executive Board has therefore approved the attached Resolution for submission to the Board of Governors for a vote without meeting pursuant to Section 13 of the By-Laws.

**INTERNATIONAL MONETARY FUND
DRAFT RESOLUTION
MEMBERSHIP FOR REPUBLIC OF NAURU**

WHEREAS, the Republic of Nauru, on April 15, 2014, applied for admission to membership in the International Monetary Fund in accordance with Article II, Section 2 of the Articles of Agreement of the Fund;

WHEREAS, pursuant to Section 21 of the By-Laws of the Fund, the Executive Board has consulted with the representative of the Government of Nauru and has agreed upon the terms and conditions, which, in the opinion of the Executive Board, the Board of Governors may wish to prescribe for admitting Nauru to membership in the Fund;

WHEREAS, pursuant to its national legislation, Nauru does not issue a currency of its own but uses the Australian dollar as legal means of payment, which for the purposes of the Articles of Agreement of the Fund is deemed to be the currency of Nauru;

NOW, THEREFORE, the Board of Governors, having considered the recommendations of the Executive Board, hereby resolves that the terms and conditions upon which Nauru shall be admitted to membership in the Fund shall be as follows:

1. *Definitions:* As used in this Resolution:
 - (a) The term "Fund" means the International Monetary Fund;
 - (b) The term "Articles" means the Articles of Agreement of the Fund, as amended; and
 - (c) The term "SDRs" means Special Drawing Rights of the Fund.
2. *Quota:* The quota of Nauru shall be SDR 2.0 million.

3. *Payment of Subscription:* The subscription of Nauru shall be equal to its quota. Nauru shall pay twenty four percent of its subscription in SDRs or in the currencies of other members selected by the Managing Director from those currencies that the Fund would receive in accordance with the Fund's quarterly financial transactions plan in effect at the time of payment. The balance of the subscription shall be paid in the currency of Nauru.
4. *Timing of Payment of Subscription:* Nauru shall pay its subscription within six months after accepting membership in the Fund.
5. *Increase in Quota Once the Fourteenth General Review of Quotas Becomes Effective:* The quota of Nauru shall be increased to SDR 2.8 million, subject to the consent of Nauru to be given in accordance with the provisions of the Resolution of the Board of Governors No. 66-2 on the Fourteenth General Review of Quotas and Reform of the Executive Board. This increase shall take effect in accordance with the terms of that Resolution and Nauru shall pay the increase in accordance with Article III, Section 3 of the Articles.
6. *Exchange Transactions with the Fund and Remuneration:* Nauru may not engage in transactions under Article V, Section 3, or receive remuneration under Article V, Section 9, until its subscription has been paid in full.
7. *Exchange Arrangements:* Within 30 days after accepting membership in the Fund, Nauru shall notify the Fund of the exchange arrangements it intends to apply in fulfillment of its obligations under Article IV, Section 1 of the Articles.
8. *Representation and Information:* Before accepting membership in the Fund, Nauru shall represent to the Fund that it has taken all actions necessary to sign and deposit the Instrument of Acceptance and to sign the Articles as contemplated by

paragraphs 9(a) and 9(b) of this Resolution, and Nauru shall furnish to the Fund such information in respect of such action as the Fund may request.

9. *Effective Date of Membership:* After the Fund shall have informed the government of the United States of America that Nauru has complied with the conditions set forth in paragraph 8 of this Resolution, Nauru shall become a member of the Fund on the date when Nauru shall have complied with the following requirements:

- (a) Nauru shall deposit with the government of the United States of America an instrument stating that it accepts in accordance with its law the Articles and all the terms and conditions prescribed in this Resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this Resolution; and
- (b) Nauru shall sign the original copy of the Articles held in the Archives of the government of the United States of America.

10. *Period of Acceptance of Membership:* Nauru may accept membership in the Fund pursuant to this Resolution not later than six months after the effective date of this Resolution, which date shall be the date of its adoption by the Board of Governors; provided, however, that if the circumstances of Nauru are deemed by the Executive Board to warrant an extension of the period during which Nauru may accept membership pursuant to this Resolution, the Executive Board may extend such period until such later date as it may determine.