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CONTAINS CONFIDENTIAL
INFORMATION

January 11, 1994

To: Members of the Executive Board
From: The Secretary
Subject: Consolidation, Update, and Simplification of
Rules and Decisions on Charges

The text of the decisions on charges approved at EBM/94/1 (1/7/94)
is attached for the convenience of the Executive Directors.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Consolidation, Update, and Simplification
of Rules and Decisions on Charges

Executive Board Decisions - January 7, 1994

Amendment of I-Rules and Rule T-1(d)

Rules I-4 and 5, Rule I-6(1), (2), (3), (5), (6), (8), (9), (10), (11), and the Note to Rule I-6(10) and (11) shall be deleted. Rules I-1, 2, 3, and 6(4)(a) and (b) shall be amended as shown in Attachment I. Rule T-1(d) shall be deleted.

Amendment of burden-sharing Decision No. 10340-(93/54)

In Decision No. 10340-(93/54), adopted April 14, 1993, the following changes shall be made:

(a) Section IV, paragraph 3 shall be deleted.

(b) A new paragraph 3 shall be added in Section II, to read as follows:

"When estimating income for purposes of Rule I-6(4)(a) and (b), no projection shall be made of deferred income. The calculation of actual net income under Rule I-6(4)(b) shall include the proceeds of adjustments for deferred income under Section IV, paragraph 2".

(c) The references to Rule I-7(5)(a) in Section II, paragraph 1 and Section IV, paragraph 1 shall be deleted.

Amendment of extended burden-sharing Decision No. 9471-(90/98)

The references to Rule I-7(5)(a) in paragraphs 1 and 2 of Decision No. 9471-(90/98), adopted June 20, 1990, as amended, shall be deleted.

Amendment of Decision No. 8165-(85/189) G/TR on special charges

The references to Rule I-6(8) and (11) in Section I, paragraphs 1 and 3 of Decision No. 8165-(85/189) G/TR, adopted December 30, 1985, as amended, shall be deleted.

Amendment of Decision No. 10391-(93/86) on the net income target
for FY 1994 and the rate of charge effective May 1, 1993

In paragraph 3 of Decision No. 10391-(93/86) the words "of the rate of charge referred to in Rule I-6(4) to the SDR interest rate under Rule T-1" shall be added after the word "proportion".

Amendment of I-Rules

The introductory sentence of Rule I-6(4), Rule I-6(4)(c), and Rule I-8 shall be amended as shown in Attachment I. Rule I-6(7) shall be deleted.

Effectiveness of decisions

Upon effectiveness of these decisions, Decision No. 10224-(92/147), paragraphs 2, 4, 5 and 6 of Decision No. 10391-(93/86), and Decision No. 4720-(75/114) shall cease to apply.

RULE I - CHARGES IN RESPECT OF GENERAL
RESOURCES ACCOUNT TRANSACTIONS AND REMUNERATION

I-1. The service charge payable by a member buying, in exchange for its own currency, the currency of another member or SDRs from the General Resources Account shall be 0.5 percent, except that no service charge shall be payable in respect of any purchase to the extent that it is a reserve tranche purchase. The service charge shall be paid at the time the transaction is consummated.

I-2. The Fund shall notify each member by cable, as soon as possible after July 31, October 31, January 31, and April 30, of the charges it owes to the Fund pursuant to Article V, Section 8(b) or (c) for the three calendar months ending on each such date. The charges shall be payable on the third business day following the dispatch of the notification.

I-3. Charges levied under Article V, Section 8(b) or (c) shall be computed for each member on the basis of the daily balances of its currency held by the Fund that are subject to charges. The Fund's holdings of each member's currency shall consist of all of its currency except amounts, not in excess of 0.1 percent of quota, in a special account to meet administrative expenses and amounts in sundry cash accounts.

I-4. Deleted.

I-5. Deleted.

I-6. (1) Deleted.
(2) Deleted.
(3) Deleted.

(4) The rate of charge on holdings (i) acquired as a result of a purchase under a policy that has been the subject of an exclusion under Article XXX (c), or (ii) that exceed the amount of the member's quota after excluding any balances referred to in (i), shall be determined in accordance with (a), (b), and (c) below.

(a) The rate of charge shall be determined at the beginning of each financial year as a proportion of the SDR interest rate under Rule T-1. The proportion shall be determined on the basis of the estimated income and expense of the Fund during the year, and the target amount of net income for the year. The latter shall be 5 percent of the Fund's reserves at the beginning of the year or such other percentage as the Executive Board may determine particularly in the light of the results in the previous financial year.

- (b) A mid-year review of the Fund's income position shall be held shortly after October 31 of each year. If actual net income for the first six months of the financial year, on an annual basis, is below the target amount for the year by an amount equal to, or greater than, two percent of the Fund's reserves at the beginning of the financial year, the Executive Board will consider how to deal with the situation. If by December 15 no agreement has been reached as a result of this consideration, the proportion of the SDR interest rate under Rule T-1 determined under (a) at the beginning of the year shall be increased as of November 1 to the level necessary to reach the target amount of net income for the year.
- (c) A review of the Fund's income position shall be held shortly after the end of each financial year. If the net income for the year just ended is in excess of the target amount for the year, the Executive Board will consider whether the whole or a part of the excess should be used to reduce the rate of charge retroactively for the year just ended, or to place all or part of the excess to reserve.
- (d) If the Fund's net income for a financial year is in excess of the target amount for that year, the Executive Board may for the purposes of the determinations and estimates referred to in (a) and (b) above in respect of the immediately subsequent financial year, decide to deem any part of the excess over the target amount that has been placed to reserve as income for that subsequent financial year.

- (5) Deleted.
- (6) Deleted.
- (7) Deleted.
- (8) Deleted.
- (9) Deleted.
- (10) Deleted.
- (11) Deleted.

I-7. Already deleted.

I-8. The following provisions shall apply to stand-by and extended arrangements:

- (a) A charge of $\frac{1}{4}$ of 1 percent per annum shall be payable at the beginning of each twelve-month period of an arrangement on the total amount of the arrangement that could be purchased during that period.

- (b) When a purchase is made under an arrangement, the amount of the charge paid shall be reduced in the proportion the amount of the purchase bears to the total amount that can be purchased under the arrangement during the period of twelve months or less in which the purchase was made. A refund equal to the reduction shall be made.
 - (c) If a member notifies the Fund that it wishes to cancel an arrangement, the Fund shall repay to the member a portion of the charge. The portion repaid shall represent the charge for the period remaining unexpired at the date of cancellation for the amount that could still be purchased under the arrangement at the date of cancellation for which the member has paid a charge.
 - (d) Refunds for reductions under subparagraph (b) above and repayments under subparagraph (c) above of a charge paid for an arrangement shall be made in the media selected by the Fund.
- I-9. (a) Remuneration shall accrue daily. The amount that has accrued during each quarter of the financial year of the Fund shall be paid as of the beginning of the following quarter.
- (b) A member that wishes to receive in its own currency the whole or a specified portion of the remuneration payable to it shall so notify the Fund.
- I-10. (a) The rate of remuneration shall be equal to 100 percent of the rate of interest on holdings of SDRs under Rule T-1 (hereafter referred to as "SDR interest rate").
- (b) The relationship of the rate of remuneration to the SDR interest rate will be referred to as the "remuneration coefficient."

T - Interest, Charges and Assessments in Respect of SDRs

T-1(d) Deleted.

