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June 16, 1992

To: Members of the Executive Board

From: The Secretary

Subject: Additional Appointed Executive Directors - 1992
Regular Election of Executive Directors

Section 18 of the By-Laws requires the Managing Director, at least six weeks before each regular election of Executive Directors, to notify all members of the two members whose currencies held in the General Resources Account have been reduced below their quotas by the largest absolute amounts on the average over the preceding two years. The Managing Director is required to state whether either or both may appoint an Executive Director in accordance with Article XII, Section 3(c).

In accordance with Executive Board Decision No. 597-4 (7/28/50), "the preceding two years" for the purpose of Article XII, Section 3(c) ends on July 31, 1992. In order to enable the Committee on Rules for the 1992 Regular Election of Executive Directors to make its recommendations to the Executive Board before the informal August recess of the Executive Board, it might be helpful for the Committee to know whether a member or members will be able to appoint an Executive Director under Article XII, Section 3(c).

While the two-year period used for the calculation of average credit ends on July 31, it is normally possible to calculate with virtual certainty the outcome for the two-year period some weeks before the end of that period. The reason is that the calculations under Article XII, Section 3(c) determine credit extended to the General Resources Account on the basis of the daily average over the preceding two-year period. As a consequence of this averaging process, changes in member positions during the last few weeks of a calculation period would need to be very large to cause changes in the calculated rankings.

The results of the calculations under Article XII, Section 3(c) for the 22 months ended May 31, 1992 are presented below for the ten largest creditor members. The differences between the two leading creditors and the third creditor are of a magnitude that make

it virtually certain that the order of ranking between these creditors will not change in the period to July 31, 1992. 1/

	Average Credit (SDR millions)
United States	4,217.0
Japan	4,005.8
Germany	1,136.7
Saudi Arabia	857.1
Italy	731.5
Spain	465.7
Norway	271.1
France	177.8
Austria	133.8
Korea	132.5

These calculations have been made in accordance with existing legal interpretations and conventions. 2/

The calculations presented above show in a virtually conclusive manner that for the two years ending July 31, 1992 the two members referred to in Article XII, Section 3(c) will be the United States and Japan. Both of these members are entitled to appoint an Executive Director under Article XII, Section 3(b)(i) being one of the five members with the largest quotas, and consequently no member other than the five members having the largest quotas can appoint an Executive Director. Final calculations will be made for the period ending July 31, 1992 and these results will be communicated to the Executive Board.

Other Distribution:
Department Heads

1/ For example, in order for the positions of Japan and Germany, to be reversed, the absolute change in credit extended by these two members would have to be in the order of SDR 34.4 billion as from June 1, 1992 and SDR 68.9 billion as from July 1, 1992.

2/ For a detailed explanation of the legal interpretations and of the conventions used in making these calculations, see EBD/76/137, "Calculations Under Article XII, Section 3(c)" (7/2/76) and "Proposed Second Amendment to the Articles of Agreement of the International Monetary Fund. A Report by the Executive Directors to the Board of Governors" (March 1976), Commentary, Chapter 0, Section 2(f).