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SECRETARY'S CIRCULAR NO. 90/86

To: Members of the Executive Board

From: The Secretary

Subject: Procedures for Consent and Payment for Increases in Quotas  
Under the Ninth General Review

The attached paper sets out the procedures for consent and payment for increases in quotas under the Ninth General Review as they are being transmitted to Members, Depositories, and Fiscal Agencies and is circulated for the information of the Executive Directors. Copies will also be given to country delegations during the Annual Meeting.

Mr. Bhuiyan (ext. 7627) or Ms. Voulgaris (ext. 7629) is available to answer technical or factual questions relating to this paper.

Att: (1)

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Department Heads

INTERNATIONAL MONETARY FUND

Procedures for Consent and Payment for Increase in Quotas  
Under the Ninth General Review

1. Introduction

This memorandum describes the procedures to be followed by members in consenting to increases in their quotas and in making their subscription payments in accordance with the provisions of the Resolution on "Increases in Quotas of Fund Members - Ninth General Review" (Attachment I).

2. Consent to an increase in quota

A member may consent to an increase in its quota at any time before 6:00 p.m., Washington time, December 31, 1991. The Executive Board may extend this period as it may determine. However, a member cannot consent so long as it has overdue obligations with respect to repurchases, charges, or assessments to the General Resources Account. The consent to the increase shall be to the amount shown against the member's name in the Annex to the Resolution. The Resolution does not provide for increases in quotas by installments or for consent to any amount other than that proposed for the member.

The consent can be sent to the Fund in the form of a letter, telex or cable by a duly authorized official, bearing his/her signature if it is in the form of a letter, or with his/her name appended to the text if it is in the form of a telex or cable, and should be addressed to the Secretary of the Fund. 1/ A duly authorized official is a Governor of the Fund or any other person duly authorized and directed to sign the notice on behalf of the member. A draft notice of consent that a member might use is set out in Attachment II. Details of the arrangements to be made for the payment of the quota increase may be included in the notice of consent, but may be left to further correspondence between the member's fiscal agency and the Treasurer. The question of the payment in that case should be settled before the date on which payment must be made, as explained in the next section.

3. Effective date of quota increase

The increase in a member's quota under the Resolution will not become effective unless the member has notified the Fund of its consent to the increase in quota within the prescribed time period and has paid

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1/ An appropriate method of authentication in this regard would be the use of the test number. Please note that facsimiles should not be used to communicate consents.

the increase in its quota in full. The Resolution provides that no increase in quota will become effective before the later of:

(i) during the period ending December 30, 1991, the date of the Fund's determination that members having not less than eighty-five (85) percent of the total of quotas on May 30, 1990 have consented to the increases in their quotas, or, after December 30, 1991, the date of the Fund's determination that members having not less than seventy (70) percent of the total of quotas on May 30, 1990 have consented to the increases in their quotas; or

(ii) the effective date of the third amendment of the Articles. 1/

A communication of consent received from a member which has overdue financial obligations to the General Resources Account of the Fund will not be taken into account in the Fund's determination of the participation requirement.

All members will be informed promptly by the Secretary of the Fund by telex or cable of the date on which the requirement for effectiveness under paragraph 3 (i) and (ii) of the Resolution, as quoted above, has been met.

#### 4. Timing of payments

A member must pay the increase in its quota--both the reserve asset portion and the domestic currency portion--within 30 days after the later of (i) the date on which the member notifies the Fund of its consent, or (ii) the date on which the requirement for the effectiveness of the increases in quotas specified in paragraph 3 above has been met, provided that the Executive Board may extend the payment period as it may determine.

Since an increase in a member's quota will not take place until payment is received, members should make the necessary arrangements to transfer the amounts of SDRs or currencies specified by the Fund and SDR equivalent in domestic currency to ensure that payment will be completed within 30 days of the date on which the above mentioned requirements have been met.

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1/ Total quotas on May 30, 1990 were equivalent to SDR 90.13 billion. Thus, the minimum participation requirement will be met (i) during the period ending December 30, 1991, when members accounting for at least SDR 76.61 billion of total quotas on May 30, 1990 have consented to increases in their respective quotas, or (ii) after December 30, 1991, when members accounting for at least SDR 63.09 billion of total quotas have consented to increases in their respective quotas.

Members that are not current in their obligations to the General Resources Account may not make payments towards an increase in their quotas. 1/

5. Media of payment

Twenty-five percent of the increase in a member's quota must be paid in reserve assets, namely, in SDRs or in currencies of other members specified by the Fund, with their concurrence, or in any combination of SDRs and such currencies. The balance of the increase, expressed in SDRs, is payable in the member's own currency.

It is generally expected that members will, to the extent feasible, pay the reserve asset portions of their quota increases in SDRs. While a member can pay the equivalent of 25 percent of the increase in SDRs or in currencies acceptable to the Fund, it is proposed that a member first consider paying the 25 percent either from its SDR holdings, or, if needed, by purchasing them with acceptable currencies from other participants in transactions by agreement. The Treasurer of the Fund will assist members in this regard and there will be no additional cost to members associated with such transactions. Members whose foreign exchange and SDR holdings are less than the reserve asset portion of their quota increase proposed under the Ninth General Review are expected to be able to obtain SDRs for this purpose by borrowing SDRs from certain members with the help of the Fund, as set out in paragraph 7 below.

a. Reserve asset payment

Members that wish to make the reserve asset payments in SDRs, are required to instruct the Fund to debit their SDR holdings account with the amount of SDRs. Keeping in mind that SDRs may be needed to settle SDR obligations to the Fund (such as charges on net use of SDRs in the SDR Department and charges on the use of the Fund's resources through the General Resources Account), it is suggested that members review their possible need to acquire SDRs for quota payments in the light of their present and prospective holdings and expected use of SDRs. The Treasurer of the Fund will remain ready to assist members in this matter, including supplying estimates of charges that have to be settled in SDRs.

In the event a member does not wish to use or acquire SDRs for payment of the reserve asset portion of the quota increase, it should inform the Fund at the earliest possible date, preferably at the time of the consent, and in time to be able to make full payment within the time period specified in paragraph 4 above. The Fund will then advise

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1/ In this connection, see also paragraph 6 of the attached Resolution on increases in quotas.

members of the currencies and amounts to be paid based on the exchange rates in terms of the SDR three business days before the value date of payment. If necessary, the Fund will also advise on arrangements for the acquisition of the currencies concerned.

b. Payment in the member's own currency is to be made to the Fund's account maintained with the depository for the Fund's holdings of the member's currency. Payment may be made to the Fund's No. 1 Account or the Fund's Securities Account. In this regard, the member must ensure that the balance in the Fund's No. 1 Account does not fall below one quarter of one per cent of the new quota. For the remainder of the currency payment, the member may deposit into the Fund's Securities Account nonnegotiable, noninterest-bearing notes or similar obligations payable on demand (see Article III, Section 4 of the Articles of Agreement and Rule E-1 of the Rules and Regulations).

c. Payments before the requirement for the effectiveness of increases in quotas has been met

It is possible that for domestic, budgetary or other reasons, a member may find it necessary to transfer domestic currency to the Fund before the requirement for the effectiveness of increases in quotas is met. <sup>1/</sup> Members wishing to make such advance transfers should inform the Fund of their intentions before such transfers would be made. The amounts of currency transferred will be held by the Fund on behalf of the member until the date that payments can be accepted in the Fund's General Resources Account. The member must be in a position to ensure that on the day the member instructs the Fund to transfer the currency to the Fund's No. 1 account for payment of the quota increase, the amount of currency will correspond exactly to the SDR value of the payments needed to be made for the increase in quota, if need be by making additional payments in currency to the amount held by the Fund on behalf of the member before the quota increase can go into effect. No interest will be due nor any other rights be attached to the currency balances held by the Fund on behalf of the member for use in payment of the increase in quota. As regards the SDR payment to be made in connection with the increase in quota, it is suggested that the member continue to hold the SDRs in its account and preauthorize the Fund to debit the members account on the due payment date for the increase in quota.

6. Payment procedures

As indicated above, an increase in a member's quota would not take effect until the member pays in full the amount of the quota increase.

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<sup>1/</sup> In the event that the Fund is requested to receive such payments, an enabling decision will be proposed for adoption by the Executive Board.

If the member has already consented to its quota increase, payment for the increase must be made within 30 days of the date on which the Fund determines that the requirement for the effectiveness described in paragraph 3 above is met. The member should cable the Fund the desired value date for the payment and the Fund will inform the member of the amount of domestic currency that is to be paid on the basis of the Fund's holdings rate of the member's currency in terms of the SDR on the day that the information is sent to the member. As noted above, the domestic currency payment could be made in the form of nonnegotiable, noninterest-bearing notes to the Fund's Securities Account, subject to the minimum balance in the Fund's No. 1 Account, or entirely to the Fund's No. 1 Account. Payment of the reserve asset portion of the quota increase should be made on the same day as the domestic currency payment. Accordingly, it is suggested that members give the Fund authorization to debit their SDR holdings account with the amount of SDR payment for the quota increase on the same value date that the currency payment will be made. The authorization to debit a member's SDR account could be given at the same time that the member cables the Fund the desired value date for the currency payment as follows:

"Treasurer's Department, IMF

Regarding payment for increase in quotas,

please debit SDR holdings account of (insert name of member)

with SDR \_\_\_\_\_ on \_\_\_\_\_ .

Fiscal agency

Test No."

The Treasurer's Department of the Fund will give appropriate instructions, as indicated in paragraph 5(a) above, to those members who inform the Fund that they intend to pay currencies specified by the Fund in full or partial payment of 25 per cent of their quota increase.

7. Borrowing of SDRs for payment of quota increases and simultaneous reserve tranche purchase and repayment of borrowing

As in the case of the Eighth General Review of Quotas, the Fund will endeavour to assist members that do not hold sufficient reserves to make their reserve asset payments to the Fund by arranging for them to borrow SDRs from other members that hold sufficient SDRs and are willing to enter into some arrangements with the Fund to lend SDRs to members who need them for this purpose. Under these arrangements, members borrowing SDRs would on the same day repay the loans from the

SDR proceeds of drawings of reserve tranche positions in the Fund that have been established by the payment of SDRs. The execution of the SDR loans, the quota payments, the drawings of reserve tranche positions and the repayment of the loans will be completed and recorded on the same value date as the member completes the payment of the domestic currency portion of the quota payment. The loan of SDRs will be free of any interest, fee, or commission. 1/ A text of the cable to be sent to the Fund by a member using this arrangement is set out as Attachment III.

The Fund will communicate with individual members in due course asking about their intentions as regards the media of reserve asset payments in connection with quota increases.

Treasurer's Department  
International Monetary Fund

Attachments (3)

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1/ Each loan and its repayment will constitute operations in SDRs under Article XIX, Section 2(c), in accordance with the applicable Rules and prescriptions of the Fund.

Resolution of the Board of Governors:  
Increases in Quotas of Fund Members - Ninth General Review

WHEREAS, the Executive Board has submitted to the Board of Governors a report entitled "Increases in Quotas of Fund Members--Ninth General Review" containing recommendations on increases in the quotas of individual members of the Fund; and

WHEREAS, the Executive Board has recommended the adoption of the following Resolution of the Board of Governors, which Resolution proposes increases in the quotas of members of the Fund as a result of the Ninth General Review of Quotas and deals with certain related matters, by vote without meeting pursuant to Section 13 of the By-Laws of the Fund;

NOW, THEREFORE, the Board of Governors hereby RESOLVES that:

1. The International Monetary Fund proposes that, subject to the provisions of this Resolution, the quotas of members of the Fund shall be increased to the amounts shown against their names in the Annex to this Resolution.

2. A member's increase in quota as proposed by this Resolution shall not become effective unless the member has notified the Fund of its consent to the increase not later than the date prescribed by or under paragraph 4 below and has paid the increase in quota in full within the period prescribed by or under paragraph 5 below, provided that no member with overdue repurchases, charges or assessments to the General Resources Account may consent to or pay for the increase in its quota until it becomes current in respect of these obligations.

3. No increase in quota shall become effective before the later of:

(i) during the period ending December 30, 1991, the date of the Fund's determination that members having not less than eighty-five (85) percent of the total of quotas on May 30, 1990 have consented to the increases in their quotas, or, after December 30, 1991, the date of the Fund's determination that members having not less than seventy (70) percent of the total of quotas on May 30, 1990 have consented to the increases in their quotas; or

(ii) the effective date of the third amendment of the Articles.

4. Notices in accordance with paragraph 2 above shall be executed by a duly authorized official of the member and must be received in the Fund before 6:00 p.m., Washington time, on December 31, 1991, provided that the Executive Board may extend this period as it may determine.

1991, provided that the Executive Board may extend this period as it may determine.

5. Each member shall pay to the Fund the increase in its quota within 30 days after the later of (a) the date on which it notifies the Fund of its consent or (b) the date on which the requirement for the effectiveness of the increase in quota under paragraph 3 above has been met, provided that the Executive Board may extend the payment period as it may determine.

6. When deciding on an extension of the period for consent to or payment for the increase in quotas, the Executive Board shall give particular consideration to the situation of members that may still wish to consent to or pay for the increase in quota, including members with protracted arrears to the General Resources Account, consisting of overdue repurchases, charges or assessments to the General Resources Account, that, in its judgment, are cooperating with the Fund toward the settlement of these obligations.

7. Each member shall pay 25 percent of its increase either in special drawing rights or in the currencies of other members specified, with their concurrence, by the Fund, or in any combination of special drawing rights and such currencies. The balance of the increase shall be paid by the member in its own currency.

Board of Governors Resolution No.45-2  
Adopted June 28, 1990

	<u>Proposed quota</u> (In millions of SDRs)
1. Afghanistan	120.4
2. Algeria	914.4
3. Angola	207.3
4. Antigua and Barbuda	8.5
5. Argentina	1,537.1
6. Australia	2,333.2
7. Austria	1,188.3
8. Bahamas	94.9
9. Bahrain	82.8
10. Bangladesh	392.5
11. Barbados	48.9
12. Belgium	3,102.3
13. Belize	13.5
14. Benin	45.3
15. Bhutan	4.5
16. Bolivia	126.2
17. Botswana	36.6
18. Brazil	2,170.8
19. Burkina Faso	44.2
20. Burundi	57.2
21. Cameroon	135.1
22. Canada	4,320.3
23. Cape Verde	7.0
24. Central African Republic	41.2
25. Chad	41.3
26. Chile	621.7
27. China	3,385.2
28. Colombia	561.3
29. Comoros	6.5
30. Congo, People's Republic	57.9
31. Costa Rica	119.0
32. Cote D'Ivoire	238.2
33. Cyprus	100.0
34. Denmark	1,069.9
35. Djibouti	11.5
36. Dominica	6.0
37. Dominican Republic	158.8
38. Ecuador	219.2
39. Egypt	678.4
40. El Salvador	125.6

	<u>Proposed quota</u> (In millions of SDRs)
41. Equatorial Guinea	24.3
42. Ethiopia	98.3
43. Fiji	51.1
44. Finland	861.8
45. France	7,414.6
46. Gabon	110.3
47. Gambia, The	22.9
48. Germany	8,241.5
49. Ghana	274.0
50. Greece	587.6
51. Grenada	8.5
52. Guatemala	153.8
53. Guinea	78.7
54. Guinea-Bissau	10.5
55. Guyana	67.2
56. Haiti	60.7
57. Honduras	95.0
58. Hungary	754.8
59. Iceland	85.3
60. India	3,055.5
61. Indonesia	1,497.6
62. Iran	1,078.5
63. Iraq	864.8
64. Ireland	525.0
65. Israel	666.2
66. Italy	4,590.7
67. Jamaica	200.9
68. Japan	8,241.5
69. Jordan	121.7
70. Kampuchea, Democratic	25.0
71. Kenya	199.4
72. Kiribati, Republic of	4.0
73. Korea	799.6
74. Kuwait	995.2
75. Lao People's Democratic Republic	39.1
76. Lebanon	146.0
77. Lesotho	23.9
78. Liberia	96.2
79. Libya	817.6
80. Luxembourg	135.5

Proposed quota  
(In millions of SDRs)

81.	Madagascar	90.4
82.	Malawi	50.9
83.	Malaysia	832.7
84.	Maldives	5.5
85.	Mali	68.9
86.	Malta	67.5
87.	Mauritania	47.5
88.	Mauritius	73.3
89.	Mexico	1,753.3
90.	Morocco	427.7
91.	Mozambique	84.0
92.	Myanmar	184.9
93.	Nepal	52.0
94.	Netherlands	3,444.2
95.	New Zealand	650.1
96.	Nicaragua	96.1
97.	Niger	48.3
98.	Nigeria	1,281.6
99.	Norway	1,104.6
100.	Oman	119.4
101.	Pakistan	758.2
102.	Panama	149.6
103.	Papua New Guinea	95.3
104.	Paraguay	72.1
105.	Peru	466.1
106.	Philippines	633.4
107.	Poland	988.5
108.	Portugal	557.6
109.	Qatar	190.5
110.	Romania	754.1
111.	Rwanda	59.5
112.	Sao Tome & Principe	5.5
113.	Saudi Arabia	5,130.6
114.	Senegal	118.9
115.	Seychelles	6.0
116.	Sierra Leone	77.2
117.	Singapore	357.6
118.	Solomon Islands	7.5
119.	Somalia	60.9
120.	South Africa	1,365.4

Proposed quota  
(In millions of SDRs)

121.	Spain	1,935.4
122.	Sri Lanka	303.6
123.	St. Kitts & Nevis	6.5
124.	St. Lucia	11.0
125.	St. Vincent	6.0
126.	Sudan	233.1
127.	Suriname	67.6
128.	Swaziland	36.5
129.	Sweden	1,614.0
130.	Syrian Arab Republic	209.9
131.	Tanzania	146.9
132.	Thailand	573.9
133.	Togo	54.3
134.	Tonga	5.0
135.	Trinidad and Tobago	246.8
136.	Tunisia	206.0
137.	Turkey	642.0
138.	Uganda	133.9
139.	United Arab Emirates	392.1
140.	United Kingdom	7,414.6
141.	United States	26,526.8
142.	Uruguay	225.3
143.	Vanuatu	12.5
144.	Venezuela	1,951.3
145.	Viet Nam	241.6
146.	Western Samoa	8.5
147.	Yemen Arab Republic	70.8
148.	Yemen, People's Democratic Republic of	105.7
149.	Yugoslavia	918.3
150.	Zaire	394.8
151.	Zambia	363.5
152.	Zimbabwe	261.3

Suggested Text for Notification of Consent to  
Increase in Quota - Cable or Letter

I am duly authorized and directed by the Government of (name of member) to notify you that (name of member) hereby consents to the increase in its quota to SDR (amount) in accordance with Paragraph 1 of the Board of Governors' Resolution No. 45-2 on "Increases in Quotas of Fund Members - Ninth General Review."

[My Government intends to effect payment as follows: .....] 1/

\_\_\_\_\_  
(Signature of the authorized official)

The Secretary  
International Monetary Fund  
Washington, D.C. 20431

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1/ It would be helpful if the member could indicate the media of payment to the extent it is possible to decide on this matter at the time consent is communicated.

Text of Communication to be Sent to Fund by Members  
Wishing to Borrow SDRs with Which to Pay Reserve Asset  
Portions of Quota Increases Under the Ninth General Review

Primo.

1. [Name of member] represents that it does not have sufficient foreign exchange and SDR holdings with which to pay the reserve asset portion of its quota increase and wishes to borrow SDR [amount] from another participant as arranged by the Fund for this purpose.

2. Therefore, please arrange a loan of this amount and credit our SDR Account accordingly, value [date on which domestic currency payment is completed].

Secundo.

Please debit our SDR Account with SDR [amount] representing 25 per cent of the quota increase consented to under the Ninth General Review on the same day that proceeds of the borrowing described in primo above are credited to our SDR Account.

Tertio.

1. As fiscal agency for the Government of [purchasing member] we desire to purchase from the International Monetary Fund SDR [amount] in accordance with terms of Article V, Section 3.

2. We do hereby represent that this purchase is needed in accordance with the provisions of Fund agreement.

3. Please credit [purchasing member's] SDR Account with SDR [amount] on value date of purchase.

4. The equivalent of desired purchase namely, [purchasing member's

4. The equivalent of desired purchase namely, [purchasing member's own currency and amount] will be credited to Fund's No. 1 Account with [purchasing member's depository] on the value date of purchase.

Quarto.

5. Upon credit to our SDR account of the SDR proceeds of the reserve tranche purchase described in Tertio above, please debit our SDR account and credit SDR [amount of loan] to the SDR account of the original lender, same value.

6. The loan and its repayment will constitute an operation in SDRs and is in accordance with Article XIX, Section 2(c).