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Supplement 1

April 9, 1990

To: Members of the Executive Board

From: The Secretary

Subject: Buffer Stock Financing Facility - Possible Fund Financing
of Natural Rubber Buffer Stocks Established Under the
1987 International Natural Rubber Agreement

Attached for the records of Executive Directors is the Secretary's understanding of the decision relating to the buffer stock financing facility, adopted at EBM/90/53 (4/4/90).

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Buffer Stock Financing Facility - Possible Fund Financing
of Natural Rubber Buffer Stocks Established Under the
1987 International Natural Rubber Agreement

Executive Board Decision - April 4, 1990

1. The Fund, having considered the text of the International Natural Rubber Agreement as established by the United Nations Conference on Natural Rubber on March 10, 1987 (hereinafter called "1987 International Natural Rubber Agreement"), finds that the international natural rubber buffer stock established under the terms of that Agreement is consistent with the principles referred to in Executive Board Decision No. 2772-(69/47), adopted June 25, 1969, as amended.

2. In view of Paragraph 1 above, the Fund will be prepared to meet, subject to the provisions of Executive Board Decision No. 2772-(69/47), as amended, a member's request for a purchase in connection with the financing by the member of its direct compulsory contribution toward covering the acquisition costs of the buffer stock established under the 1987 International Natural Rubber Agreement, if its request is received in the Fund not later than six months after the date of the contribution.

3. A member that has outstanding purchases under this decision,

(a) shall make repurchases in respect of these purchases in accordance with Paragraph 1 of Decision No. 5703-(78/39), adopted March 22, 1978, as amended, and

(b) will be expected to repurchase at an earlier date than would otherwise be required, when, upon termination of the 1987 International Natural Rubber Agreement without replacement by a new agreement providing for a buffer stock in natural rubber, transfers in liquidation are made to the member. Any transfer of natural rubber from the buffer stock to the member will be treated as a distribution in currency, valued at the lowest current price for each type or grade so transferred during the 30 market days preceding the termination of the Agreement.

4. If the 1987 International Natural Rubber Agreement is to be replaced by a new agreement providing for a buffer stock in natural rubber,

(a) a transfer of all or part of a member's share under the 1987 International Natural Rubber Agreement to the buffer stock account of the new agreement will not be treated as a distribution in currency for the purpose of repurchase, if within 180 days after the termination of the 1987 International Natural Rubber Agreement the Fund finds the terms of the new agreement to be consistent with the principles referred to in Executive Board Decision No. 2772-(69/47), as amended, and

(b) members that do not participate in the new agreement will be expected to repurchase at an earlier date than would otherwise be required when the members receive payment of their respective shares in the buffer stock account.

5. The staff will keep the Executive Board informed on the operation of the buffer stock and other developments in connection with the 1987 International Natural Rubber Agreement by reports that will be made at least once a year, and the Fund may make such review of this decision as is appropriate in the light of these reports.