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July 8, 1986

To: Members of the Executive Board

From: The Secretary

Subject: Additional Appointed Executive Directors--1986
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, 1986. In order to enable the Committee on Rules for the 1986 Regular Election of Executive Directors to make its recommendations to the Executive Board in mid-July, 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 average of their daily values over a two-year period. As a consequence of this averaging process, changes in the Fund's holdings of a member's currency or in the amount of borrowed currencies used by the General Resources Account of the Fund in the last few weeks of a calculation period would normally need to be very large to cause changes in the ranking resulting from the calculations.

The results of the calculations under Article XII, Section 3(c) for the 23 months ended June 30, 1986 are presented below for the ten largest creditor members. The differences between the two leading creditors and the third 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, 1986. 1/

Member	Average Credit (SDR millions)
Saudi Arabia	8,973.5
United States	8,831.1
Germany	2,355.1
Japan	1,473.2
Kuwait	523.0
Venezuela	470.9
Netherlands	458.6
Italy	396.8
United Kingdom	375.9
France	351.8

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, 1986 the two members referred to in Article XII, Section 3(c) will be Saudi Arabia and the United States. The United States is already entitled to appoint an Executive Director under Article XII, Section 3(b)(i) as one of the five members with the largest quotas. Final calculations will be made for the period ending July 31, 1986 and these results will be communicated to the Executive Board.

Other Distribution
Department Heads

1/ For example, in order for the positions of Saudi Arabia and Germany to be reversed, the absolute change in credit extended by these two members would have to be SDR 153.1 billion as from July 1, 1986 and SDR 296.6 billion as from July 15, 1986.

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", Commentary, Section 0, para. 2(f) page 66.