

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

SM/85/40
Supplement 1
Corrected: 2/25/85

February 22, 1985

To: Members of the Executive Board

From: The Acting Secretary

Subject: Overdue Payments to the Fund - Purchases from Fund

There follows for the information of Executive Directors the Secretary's understanding of the decisions taken at Executive Board Meeting 85/26 on February 20, 1985 regarding purchases from the Fund by members with overdue payments to the Fund (Option B as set forth in SM/85/40 (2/4/85)):

I. 1. The following paragraph shall be included, as paragraph 5, in the form of the stand-by arrangement in Attachment A to Decision No. 6838-(81/70), April 29, 1981, as amended, with an appropriate reference to this paragraph to be included in paragraph 1 and the subsequent paragraphs of the form to be renumbered accordingly: "(Member) will not make purchases under this stand-by arrangement during any period of the arrangement in which the member has an overdue financial obligation to the Fund or is failing to meet a repurchase expectation pursuant to the Guidelines on Corrective Action in respect of a noncomplying purchase."

2. The following paragraph shall be included, as paragraph 5, in the form of the extended arrangement in Attachment B to Decision No. 6838-(81/70), April 29, 1981, as amended, with an appropriate reference to this paragraph to be included in paragraph 1 and the subsequent paragraphs of the form to be renumbered accordingly: "(Member) will not make purchases under this extended arrangement during any period in which the member has an overdue financial obligation to the Fund or is failing to meet a repurchase expectation pursuant to the Guidelines on Corrective Action with respect to a noncomplying purchase."

3. Other stand-by or extended arrangements granted by the Fund after the date of this decision shall include also the provision in 1 or 2 above.

4. The provision in 1 and 2 above shall be included also in an existing stand-by or an extended arrangement when the Fund and the member reach understandings regarding the circumstances in which further purchases may be made under the arrangement.

5. Decision No. 7678-(84/62), April 20, 1984, shall cease to apply in respect of a stand-by or an extended arrangement that includes the provision in 1 or 2 above.

II. Rule G-4 shall be amended to include the following provision as paragraph (e):

"Instructions for the transfer of currency for any purchase, other than a reserve tranche purchase, shall be rescinded, to the extent that it is feasible, during the period between the issuance of the instructions and the value date for the purchase if, during that period, the member requesting the purchase has any overdue financial obligation to the Fund or is failing to meet a repurchase expectation pursuant to the Guidelines on Corrective Action with respect to a noncomplying purchase."

At the same meeting the Executive Board agreed (as part of Option B as set forth in SM/85/40) that, if a member were failing to meet a repurchase expectation pursuant to the Guidelines on Corrective Action with respect to a noncomplying purchase, the Fund would not negotiate or approve either a stand-by or extended arrangement for the member or the use of the Fund's general resources outside an arrangement, as in the case of an overdue financial obligation to the Fund.

Other Distribution:
Department Heads