

**LAPSE OF
TIME**

EBD/16/49
Revision 1

October 3, 2016

To: Members of the Executive Board

From: The Secretary

Subject: **Rules and Regulations Amended Since the 2015 Annual Meeting**

Board Action:

Executive Directors' **consideration** on a lapse of time basis

Deadline to Request a Board Meeting, after which the Letter Submitting the Draft Resolution will be Deemed Approved:

**Tuesday, October 4, 2016
12:00 (noon)**

Additional Information:

The attached draft letter to the Chairman of the Board of Governors and draft resolution on the text of the amendments to the Rules and Regulations adopted since the 2015 Annual Meeting have been revised to incorporate the amendment to Rule O-1 approved by the Executive Board on September 30, 2016.

Questions:

Ms. Fletcher, SEC (ext. 34790)
Mr. Baker-Rice, SEC (ext. 34486)
Ms. Kosonen, LEG (ext. 34459)
Mr. Blair, LEG (ext. 38164)

[date]

Dear Mr. Chairman:

In accordance with Section 16 of the By-Laws, the attached amendments to the Rules and Regulations adopted since the 2015 Annual Meeting (Annex I) are submitted for review by the Board of Governors. A draft resolution for approval by Governors appears in Annex II.

Rule B-1, with effect from January 26, 2016; Rule N-16(c)(i) and (ii) with effect from January 26, 2016; Rule I-8 with effect from February 17, 2016; Rule O-1 with effect from October 1, 2016; and Rule T-1(c) with effect from October 1, 2016, were amended by the Executive Board as attached.

The Executive Board has made no other changes in the Rules and Regulations since the last Annual Meeting.

Yours very truly,

/s/

Christine Lagarde
Managing Director
and
Chairman of the Executive Board

Chairman of the Board of Governors
2016 Annual Meeting
International Monetary Fund

Annex I

Rules and Regulations Amended Since the 2015 Annual Meeting

Rule B-1. Text as amended, effective January 26, 2016:

"Executive Director, except where otherwise specified, shall include the Alternate or the temporary Alternate, as the case may be. In matters pertaining exclusively to the Special Drawing Rights Department references in these Rules and Regulations to Executive Director, other than in Rules C-1, C-5(a), C-15, and C- 16, shall apply to an Executive Director elected or designated by at least one member that is a participant. Staff shall include all officers or employees of the Fund other than the Managing Director and those persons whose contracts state that they are not staff members. It shall not include Executive Directors, Alternate Executive Directors, Senior Advisors, or Advisors to Executive Directors."

Rule N-16(c)(i) and (ii). Text as amended, effective January 26, 2016:

- "(c) (i) Official travel by persons on the staff of the Fund to a member's territory shall be undertaken only after consultation with the Executive Director elected or designated by the member.
- (ii) In addition, normally, meetings of persons on the staff of the Fund with officials of a member to discuss official business shall be held only after consultation with the Executive Director elected or designated by the member."

Rule I-8. Text as amended, effective February 17, 2016:

"The following provisions shall apply to all GRA arrangements:

- (a) Subject to paragraphs (e) and (f) below, a charge shall be payable at the beginning of each twelve-month period ("the relevant period") of an arrangement as follows:
- (i) 15/100 of 1 percent per annum on amounts of up to 115 percent of the member's quota that could be purchased during the relevant period; and
 - (ii) 3/10 of 1 percent per annum on amounts in excess of 115 percent and up to 575 percent of the member's quota that could be purchased during the relevant period; and
 - (iii) 3/5 of 1 percent per annum on amounts in excess of 575 percent of the member's quota that could be purchased during the relevant period.

- (b) When a purchase is made under an arrangement, the amount of the charge paid under subparagraph (a) above shall be reduced, and a refund equal to the reduction shall be made, as follows:
- (i) to the extent that purchases during the relevant period do not exceed 115 percent of the member's quota, the portion of the charge calculated in accordance with subparagraph (a)(i) above shall be reduced by the proportion that the amount of the purchase bears to the amount of the arrangement not exceeding 115 percent of the member's quota that could be purchased during the relevant period;
 - (ii) to the extent that purchases during the relevant period exceed 115 percent but do not exceed 575 percent of the member's quota, the portion of the charge calculated in accordance with subparagraph (a)(ii) above shall be reduced by the proportion that the amount of the purchase bears to the amount of the arrangement exceeding 115 percent but not exceeding 575 percent of the member's quota that could be purchased during the relevant period; and
 - (iii) to the extent that purchases during the relevant period exceeds 575 percent of the member's quota, the portion of the charge calculated in accordance with subparagraph (a)(iii) above shall be reduced by the proportion that the amount of the purchase bears to the amount of the arrangement exceeding 575 percent of the member's quota that could be purchased during the relevant period.
- (c) If a member notifies the Fund that it wishes to cancel an arrangement, the Fund shall repay to the member a portion of the charge. The portion repaid shall represent the charge for the period remaining unexpired at the date of cancellation for the amount that could still be purchased under the arrangement at the date of cancellation for which the member has paid a charge.
- (d) Refunds for reductions under subparagraph (b) above and repayments under subparagraph (c) above of a charge paid for an arrangement shall be made in the media selected by the Fund.
- (e) Instead of the thresholds of 115 percent and 575 percent referred to in subparagraphs (a) and (b) above, the thresholds of 200 percent and 1000 percent, respectively, shall be used in computing charges and refunds for a member until the earlier of (i) the effective date of that member's quota increase under the 14th General Review of Quotas, or (ii) February 26, 2016.
- (f) A member with an arrangement in effect on February 17, 2016 may notify the Fund by February 25, 2016 that it elects to have the charges and refunds applicable to such arrangement to be based on the thresholds of 200 percent and 1000 percent of the member's quota in effect prior to the effectiveness of the quota increase for that member

under the 14th General Review of Quotas, instead of the thresholds of 115 percent and 575 percent, respectively, under subparagraphs (a) and (b) above. Absent such notification, the relevant charges and refunds shall be determined under subparagraphs (a), (b), (c) and (d) above. If a member has made an election under this subparagraph (f), such election shall cease to apply as of the date of the Fund's approval of any augmentation of an arrangement in effect for that member on February 17, 2016. The member shall then be subject to the relevant charges and refunds as determined under subparagraphs (a), (b), (c) and (d). New arrangements approved by the Fund after February 17, 2016 are not eligible for the election under this subparagraph (f)."

Rule O-1. Text as amended, effective October 1, 2016:

"The value of the SDR shall be the sum of the values of the following amounts of the following currencies:

U.S. dollar	0.58252
Euro	0.38671
Chinese yuan	1.0174
Japanese yen	11.900
Pound sterling	0.085946"

Rule T-1(c). Text as amended, effective October 1, 2016:

1. Rule T-1(c) shall be amended to read as follows:

"(c) The combined market interest rate shall be the sum, rounded to the three nearest decimal places, of the products that result from multiplying each yield or rate listed below, expressed as an equivalent annual bond yield, for the preceding Friday by the value in terms of the SDR on that Friday of the amount of the corresponding currency specified in Rule O-1, as determined pursuant to Rule O-2(b). If a yield or rate is not available for a particular Friday, the calculation shall be made on the basis of the latest available yield or rate.

U.S dollar	Market yield for three-month U.S. Treasury bills
Euro	Three-month spot rate for euro area central government bonds with a rating of AA and above published by the European Central Bank

Chinese renminbi	Three-month benchmark yield for China Treasury bonds as published daily by the China Central Depository and Clearing Co., Ltd.
Japanese yen	Three-month Japanese Treasury Discount Bills
Pound sterling	Market yield for three-month U.K. Treasury bills"

Annex II
DRAFT RESOLUTION

Amendments of the Rules and Regulations

RESOLVED:

That the Board of Governors of the Fund hereby notifies the Executive Board that it has reviewed the amendments of Rule B-1, Rule I-8, Rule N-16(c)(i) and (ii), Rule O-1, and Rule T-1(c), which have been made since the 2015 Annual Meeting, and has no changes to suggest.