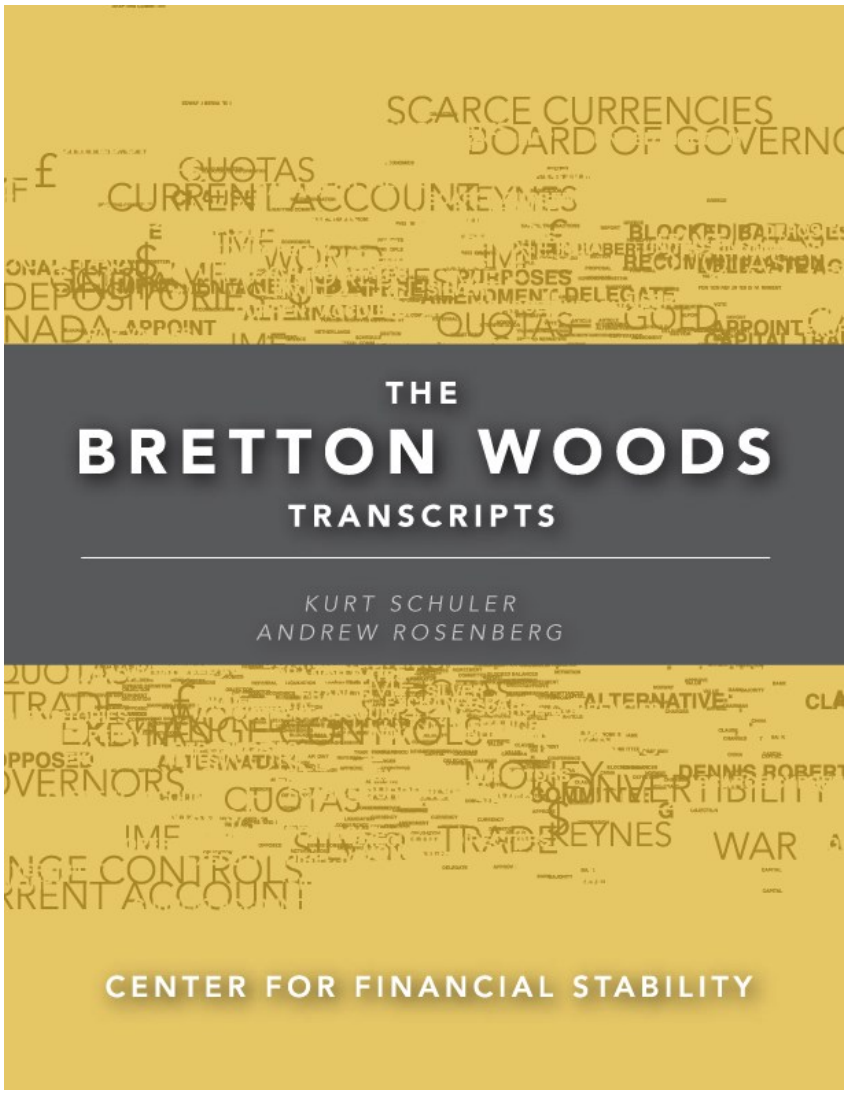

2024 PDF version:
Appendix F, Selected Conference Documents

Appendix F (Electronic Only)

Selected Conference Documents

This appendix includes conference documents cited in the transcripts. The original edition of *The Bretton Woods Transcripts* offered both a print version and electronic versions for reading devices such as Kindles and Nooks. The electronic versions included hyperlinks in the main text to Appendix F, so that readers could toggle back and forth to see what documents delegates were discussing. For the 2024 PDF edition of the book, we have only revised the text of the printed version. We have not revised the versions for electronic reading devices. Appendix F is therefore not as useful here as it was in the original electronic versions, but we include it for completeness.

The documents here are converted them from PDF files of the print version of the conference proceedings, which were published in 1948. We have often reformatted the documents, changing features of the print layout that do not affect the content.

Each document begins on a new page. Page numbers in square brackets, such as "[p. 21]," indicate pages in the conference proceedings published in 1948, while page numbers in parentheses, such as "(p. 3)," indicate pages in the original 1944 conference documents. We have silently corrected some printer's errors in the documents. We have also in many cases made minor changes to the formatting of documents to make them easier to read on electronic devices. Scholars who wish to quote the conference proceedings should check the original published version, available in libraries and, as PDF copies, online at the Federal Reserve Bank of St. Louis FRASER Web site and elsewhere.

Conference documents in appendix

The appendix shows the following conference documents cited in the main text: 6, 7, 32, 47, 49, 51, 58, 59, 60, 61, 102, 103, 104, 105, 107, 108, 109, 111, 112, 113, 121, 122, 124, 125, 127, 128, 129, 132, 138, 140, 141, 142, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 157, 162, 164, 166, 171, 172, 173, 174, 175, 177, 178, 179, 181, 182, 187, 191, 192, 194, 196, 198, 200, 203, 204, 205, 207, 208, 209, 210, 212, 216, 217, 218, 219, 224, 225, 226, 227, 234 (except Appendix A), 235, 236, 237, 238, 241, 243, 245, 256, 258, 259, 260, 265, 267, 277, 278, 279, 280, 281, 284, 287, 288,

289, 294, 300, 302, 303, 306, 307, 310, 311, 315, 320, 321, 323, 325, 326, 328, 329, 333, 334, 342, 343, 345, 346, 347 (278), 353, 370, 370 (Correction), 374, 376, 383, 393, 395, 403, 405, 409, 410, 414, 417, 425, 428, 431 (410), 433, 435, 447, 448, 451, 455, 459, 466, 467, 470, 473, 477, 481 (470), 485, 492, 496, 501, 519 (473); Appendix IV, part 3; Appendix IV, part 7.

The appendix omits a handful of documents cited in the main text, either because their graphics would be hard to view on many electronic readers or because they have little role in the conference discussions. All the omitted documents are available at the page for this book on the Web site of the Center for Financial Stability: 14, 40, 50, 114, 169, 202, 234 (only Appendix A is omitted), 240 (202), 285, 413, 665.

Key to symbols used on documents[1]

COMMISSIONS
CI — Commission I
CII — Commission II
CIII — Commission III

COMMITTEES OF COMMISSIONS
1, 2, 3, 4 — Committees 1, 2, 3, and 4
A — Agenda Committee
AH — Ad Hoc Committee
DC — Drafting Committee
QC — Quota Committee
S — Sub-committee
SC (or SP) — Special Committee

The following symbols were used to differentiate documents within the above categories:
RP — Reports
R — Remarks, recommendations
B — Status of Business
M — Minutes
MC — Miscellaneous Documents

[1] From Appendix III, p. 1535.

Examples:
CI/1/RP1 — Report of Committee 1 to Commission I: Document 125
CII/MC/1 — Memorandum submitted to Commission II by the United Nations Interim Commission on Food and Agriculture: Document 286
C/CO/RP1— Report of Coordinating Committee: Document 509

OTHER TYPES OF DOCUMENTS
DP — Delegation Proposal
FD — Foreign Delegation
J.S. — Joint Statement by Experts on the Establishment of an International Monetary Fund of the United and Associated Nations
GD — General Document
PC — Pre-Conference Document
SA — Secretariat Agenda (alternatives to draft articles of agreement for the IMF and World Bank drawn up at a preliminary meeting at Atlantic City, New Jersey, June 1944, and contained in the Joint Statement)
SN — Secretariat Notices

Examples:
GD/2 — Inaugural Plenary Session: Document 11
DP/1 — Proposal submitted by the Mexican Delegation: Document 56

[p. 3 of the conference proceedings published in 1948]

Document 6

JOURNAL

UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

No. 1 Bretton Woods, New Hampshire July 1, 1944

ORDER OF THE DAY

Saturday, July 1, 1944

12 Noon Executive Meeting of the Chairmen of the Delegations Banquet Room
3 p.m. Inaugural Plenary Session Auditorium
5 p.m. Reception by the Delegation of the United States The Hemicycle
9 p.m. Committee on Rules and Regulations Room A
10 p.m. Committee on Nominations Room B (p. 2 [of the original 1944 conference document])

TEMPORARY PRESIDENT OF THE CONFERENCE, SECRETARY GENERAL, AND TECHNICAL SECRETARY GENERAL

In accordance with established international practice, the President of the United States of America, as Chief of State of the country serving as host to the Conference, has designated the Chairman of the Delegation of the United States, the Honorable Henry Morgenthau, Jr., as Temporary President of the Conference, to serve until the election of the Permanent President.

In further observance of international practice, the President has designated Warren Kelchner, Chief of the Division of International Conferences, Department of State, as Secretary General of the Conference, and V. Frank Coe, Assistant Administrator, Foreign Economic Administration, as Technical Secretary General of the Conference.

INVITATION OF THE UNITED STATES OF AMERICA TO THE CONFERENCE

A paraphrase of the circular note sent by the Secretary of State [p. 4] to the Washington missions, inviting them to attend the United Nations Monetary and Financial Conference, follows:

The Secretary of State presents his compliments to Their Excellencies and Messieurs, the chiefs of mission or principal representatives of the governments and authorities of the United Nations and the nations associated with them in this war, and refers to the Joint Statement of Technical Experts recommending the establishment of an international monetary fund and outlining the principles for such a fund.

The Government of the United States feels that the joint statement marks an important step toward international economic cooperation in the post-war world and is confident that others have been equally gratified by this evidence of the desire of the United Nations and the Nations associated with them in this war to cooperate in meeting post-war economic problems.

As a further step toward the realization of this objective, the President of the United States now proposes to call a United Nations conference for the purpose of formulating proposals of a definite character for an international monetary fund and possibly a bank for reconstruction and development. Of course, it would be understood that the delegates would not be required to possess plenipotentiary powers and that the proposals formulated at the meeting would be submitted to the several governments and authorities for acceptance or rejection.

Accordingly, telegraphic instructions have been issued to the chiefs of the appropriate diplomatic missions of the United States to extend on behalf of the President a cordial invitation for the respective governments and authorities to send (p. 3) one or more delegates to the United Nations Monetary and Financial Conference to convene in the United States on July 1, 1944. The governments and authorities are being informed that the United States Delegation to the Conference will be under the chairmanship of the Secretary of the Treasury and that the names of the other United States delegates, as well as information concerning the site of the Conference and arrangements for the meeting, will be forwarded at a later date.

The Government of the United States, believing that the early formulation of precise proposals for an international monetary fund and a bank for reconstruction and development is of vital concern to all of the United Nations group, hopes that favorable replies to the invitations extended on behalf of the President will be received at the earliest possible moment, together with the names of all of the members of the respective delegations.

[p. 5] Mr. Hull will be glad to communicate from time to time to Their Excellencies and Messieurs, the chiefs of mission or principal representatives, detailed information concerning the arrangements for the forthcoming Conference.

DEPARTMENT OF STATE,
Washington, May 26, 1944.

GOVERNMENTS AND AUTHORITIES PARTICIPATING IN THE CONFERENCE

Australia, Belgium, Bolivia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Cuba, Czechoslovakia, Dominican Republic, Ecuador, Egypt, El

Salvador, Ethiopia (p. 4), French Committee of National Liberation, Greece, Guatemala, Haiti, Honduras, Iceland, India, Iran, Iraq, Liberia, Luxembourg, Mexico, Netherlands, New Zealand, Nicaragua, Norway, Panama, Paraguay, Peru, Philippine Commonwealth, Poland, Union of South Africa, Union of Soviet Socialist Republics, United Kingdom, United States of America, Uruguay, Venezuela, Yugoslavia

CREDENTIALS OF DELEGATIONS

It will be appreciated if the chairmen of the respective delegations will cause to be delivered to the Office of the Secretary General, room 138, before noon on Sunday, July 2, the necessary credentials in the form chosen by the respective governments or authorities. It is anticipated that, as is customary, the credentials will be in the form of a certificate, a communication from an appropriate official of the accrediting government or authority, or a certification by the chief of mission at Washington.

[p. 5]

Document 7
UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE
Agenda

I. International Monetary Fund

A. Purposes, Policies and Quotas of the Fund

(Purposes and policies of the Fund, obligations of member [p. 6] countries, transitional arrangements for the period during which the Fund and member countries adopt the agreed policies, relationship of the Fund with the public and with nonmember countries, and relationship of member countries with non-member countries, to consider the quota of member countries, the basis for future revision of quotas, and payment of subscriptions in gold and local currency.)

B. Operations of the Fund

(Operations of the Fund including the sale of exchange, acquisition of gold by the Fund, borrowing by the Fund, charges levied by the Fund, determination of parities and changes in parities, guarantee of the value of the assets of the Fund, regulation of capital transactions, apportionment of scarce currencies, and provision for reserves and distribution of profits.)

C. Organization and Management

(Establishment of governing boards, basis for voting, selection of officers, appointment of committees, location of offices and depositories, provision for by-laws and regulations, publication of reports by the Fund, information to be reported to the Fund by member countries, and suspension from membership, liquidation of reciprocal obligations on termination of membership, and general liquidation of the Fund.)

D. Form and Status of the Fund

(Nature of the agreement establishing the Fund, the legal position of the Fund in member countries, immunities of the Fund and its assets, amendment of the Fund agreement and the relationship[2] of the Fund to other international organizations.)

(p. 2) **II. Bank for Reconstruction and Development**

A. Purposes, Policies, Capital and Subscription of the Bank

(Purposes and policies of the Bank, relationship of the Bank with the public and with non-member countries, and relationship of member countries with non-member countries, capital of the Bank, subscription of member countries, proportion of subscriptions to be paid in, payment in gold

[2] The conference volume says "regulationship," an error. [Editors' note.]

and local currencies, further calls for payment on subscriptions and the reservation of part of the unpaid capital as a surety fund.)

B. Operations of the Bank

(Conditions under which the Bank may guarantee, participate in or make loans, the manner in which it will aid and [p. 7] encourage equity investment, provision for safeguarding funds lent by the Bank, guarantee of the value of the local currency assets of the Bank, provision for repayment of principal and interest, borrowing by the Bank, the limitation on direct and contingent liabilities of the Bank, the charges the Bank may levy, provision for reserves and distribution of profits, security and foreign exchange transactions the Bank may undertake, and other operations of the Bank.)

C. Organization and Management

(Establishment of governing boards, basis for voting, selection of officers, appointment of committees, location of offices and depositories, provision for by-laws and regulations, publication of reports by the Bank, withdrawal or suspension from membership, contingent liability of former members, and general liquidation of the Bank.)

D. Form and Status of the Bank

(Nature of the agreement establishing the Bank, the legal position of the Bank in member countries, immunities of the Bank and its assets, amendment of the Bank agreement and the relationship of the Bank to other international organizations.)

III. Other Measures for International Financial Cooperation

[p. 21]

Document 32
SA/1
Document F-1
July 1, 1944

Preliminary Draft of Suggested Articles of Agreement for the Establishment of an International Monetary Fund

There is attached a preliminary draft of provisions which have been submitted to the Secretariat.

At the top of each page there is set forth the pertinent provision of the Joint Statement of Principles. Immediately below appear alternative and supplementary texts submitted to the Secretariat. It is expected that further suggestions will be made and as they are presented to the Secretariat, they will be distributed for inclusion in the attached draft.

The Secretariat has attempted to put the various proposals together in a manner which would be helpful in the consideration of the alternative provisions suggested. The order adopted conforms in general to the Joint Statement but is in no way indicative of where the provisions might appropriately appear in a final document.

The Secretariat is aware of the possibility that errors and omissions have been made in the attached draft, despite the care employed in its preparation. Accordingly, the Secretariat requests the indulgence of any delegation whose proposals may have been partially or wholly omitted or improperly presented. If the attention of the Secretariat is called to any error or omission, such error or omission will be corrected promptly.

Three types of alternatives have been submitted: (1) Suggestions that do not appear to make substantial changes in the Joint Statement provisions but merely modify the language for purposes of clarity, (2) suggestions that substantially modify the Joint Statement provisions, and (3) suggestions that supplement the provisions of the Joint Statement. For the convenience of the reader, the Secretariat has used symbols to indicate the character of the alternative provisions submitted. In each case the characterization is that of the Secretariat and, if errors have been made, the proper characterization (p. ii) should be communicated to the Secretariat by the delegation proposing the alternative provision so that corrections can be made. The symbols employed are:

* = No substantial change
& = Substantial change
# = Supplementary material

[p. 22] (p. 1)

JOINT STATEMENT I
I. Purpose and Policies of the Fund

The Fund will be guided in all its decisions by the purposes and policies set forth below:

1. To promote international monetary cooperation through a permanent institution which provides the machinery for consultation on international monetary problems.

2. To facilitate the expansion and balanced growth of international trade and to contribute in this way to the maintenance of a high level of employment and real income, which must be a primary objective of economic policy.

3. To give confidence to member countries by making the Fund's resources available to them under adequate safeguards, thus giving members time to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.

4. To promote exchange stability, to maintain orderly exchange arrangements among member countries, and to avoid competitive exchange depreciation.

5. To assist in the establishment of multilateral payments facilities on current transactions among member countries and in the elimination of foreign exchange restrictions which hamper the growth of world trade.

6. To shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries.

7/1/44 J.S. Art. I

(p. 1a)

Alternative A

The purposes of the International Monetary Fund are:

* 1. To promote international monetary co-operation by providing permanent machinery for consultation on international monetary problems.

* 2. To facilitate the expansion and balanced growth of international trade and to contribute thereby to the maintenance of high levels of employment and real income, as a primary objective of economic policy.

* 3. To give confidence to member countries by making the Fund's resources available to them under adequate safeguards, thus giving them time to correct maladjustments in their balance [p. 23] of payments without resort to measures destructive of national or international prosperity.

* 4. To promote exchange stability, to maintain orderly exchange arrangements among member countries, and to avoid competitive exchange depreciation.

* 5. To assist in the establishment of a multilateral system of payments in

respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.

* 6. To shorten the periods and lessen the degree of disequilibrium in the international balance of payments of members.

The Fund shall be guided in all its decisions by the purposes set forth above.

7/1/44 J.S. Art. I

(p. 1b)

Alternative B

(Substitute for Joint Statement I, subdivisions 2, 3, 4 and 6)

* 2. To facilitate the expansion and balanced growth of international trade and to contribute to a high level of employment and real income which must be a primary objective of economic policy.

& 3. To make the Fund's resources available to members under adequate safeguards and to assist them to correct maladjustments in their balance of payments without resort to measures destructive of national or international prosperity.

& 4. To secure orderly changes in exchange rates among member countries where necessary to correct exchange disequilibrium, thus promoting exchange stability and avoiding competitive exchange depreciation.

* 6. *In accordance with the above principles*, to shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries.

Alternative C

(Substitute for Joint Statement I, subdivision 2)

& 2. To facilitate the expansion and balanced growth of international trade, *to assist in the fuller utilisation of the resources of economically underdeveloped countries* and to contribute thereby to the maintenance in the world as a whole of a high level of employment and real income, which must be a primary objective of economic policy; [p. 24]

Alternative D

(Substitute for Joint Statement I, subdivision 4)

& 4. To promote exchange stability and avoid competitive exchange depreciation by securing, where necessary to correct exchange disequilibrium, orderly changes in exchange rates among member countries.

7/1/44 J.S. Art. I

(p. 1c)

Alternative E

(Substitute the following for Joint Statement I, subdivision 4)

& 4. To promote exchange stability.

& 5. To avoid competitive exchange depreciation by securing, where necessary to correct fundamental disequilibria, orderly changes in par values of member currencies.

Alternative F

(Add as a new subdivision)

To correlate procedures for exchange stability with a policy for the promotion of international investment by other international financial agencies and to evolve a working relationship with such agencies.

Alternative G

(Add as a new subdivision)

To promote and facilitate the settlement of abnormal indebtedness arising out of the war.

7/1/44 J.S. Art. I

[p. 24 lower] (p. 2)

JOINT STATEMENT II, 1

II. *Subscription to the Fund*

1. Member countries shall subscribe in gold and in their local funds amounts (quotas) to be agreed, which will amount altogether to about $8 billion if all the United and Associated Nations subscribe to the Fund (corresponding to about $10 billion for the world as a whole).

Alternative A

Section 1. *Countries Eligible for Membership.*

The members of the Fund shall be those of the countries represented at the United Nations Monetary and Financial Conference [p. 25] whose governments accept membership in the Fund.

Membership in the Fund shall be open to other countries at such times and in accordance with such terms as may be prescribed by the Fund.

Section 2. *Quotas.*

Each member shall be assigned a quota. The quotas of the countries represented at the United Nations Monetary and Financial Conference shall be those set forth in Schedule A.

(Schedule A to be added later)

Quotas of other countries which become members of the Fund shall be determined by the Fund.

Section 3. *Time and Place of Payment.*

Each member shall provide the Fund at the appropriate depository with the full amount of its quota on or before the date fixed for exchange transactions in its currency to begin. Any member whose quota is increased shall provide the full amount of the increase within thirty days of the date on which the member approves the increase in its quota.
7/1/44 J.S. Art. II, Sec. 1

[p. 25 lower] (p. 2a)

Alternative B

(It is suggested to add to the text of Alternative A:)

Notwithstanding the fundamental principles on payment of quotas particular arrangements may be made with countries whose currency system has been disrupted as a result of enemy occupation. Such arrangements may not extend over more than nine months i.e., after nine months, at the latest, the obligations of the country will be the same as they would have been if such an exception had not been granted. The government of the respective country has to guarantee by a specific act that the fund will not suffer any loss because of that particular arrangement.
7/1/44 J.S. Art. II, Sec. 1

[p. 25 lowest] (p. 3)

JOINT STATEMENT II, 2

2. The quotas may be revised from time to time but changes shall require a four-fifths vote and no member's quota may be changed without its assent. [p. 26]

Alternative A

* Section 4. *Adjustment of Quotas.*

The Fund may, at intervals of five years, adjust the quotas of the members. It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned. A four-fifths majority vote shall be required for any change in quotas and no quota shall be changed without the consent of the member concerned.
7/1/44 J.S. Art. II, Sec. 2

[p. 26 lower] (p. 4)

JOINT STATEMENT II, 3

3. The obligatory gold subscription of a member country shall be fixed at 25 percent of its subscription (quota) or 10 percent of its holdings of gold and gold-convertible exchange, whichever is the smaller.

Alternative A

* Section 5. *Initial Payments.*

Each member shall pay in gold the smaller of (a) twenty-five percent of its quota or (b) ten percent of its official holdings of gold and gold-convertible exchange[3] on ----------. In the case of any member occupied by the enemy whose holdings are not ascertainable as of ----------, the Fund shall fix an appropriate alternative date. The data necessary to determine official holdings of gold and gold-convertible exchange shall be furnished by the members as provided in this Agreement.

Each member shall pay the balance of its quota in its own currency.

Section 6. *Payments When Quotas are Changed.*

(a) Each member whose quota is increased shall pay twenty-five percent of the increase in gold. Each member shall pay the balance of any increase in its own currency. If, however, on the date the member approves an increase, its holdings of gold and gold-convertible exchange are less than its new quota, the Fund may reduce the portion of the increase to be paid in gold.

(b) Each member whose quota is reduced shall receive from the Fund within thirty days of the reduction an amount in its own currency or gold equal to the reduction. In making this [p. 27] payment, the Fund shall pay to such member only the amount of gold necessary to prevent reducing the holdings of the Fund of that currency below seventy-five percent of such new quota of the member.

7/1/44 J.S. Art. II, Sec. 3

[p. 27 lower] (p. 4a)

Alternative B

(Add at the end of Joint Statement II, 3)

& Any country represented at the United Nations Monetary and Financial Conference whose home areas have suffered from enemy occupation and hostilities during the present war, may reduce its gold payment to between seventy-five and fifty percent of the amount it would otherwise have to pay, dependent on the extent of the damage caused to it by the enemy occupation and hostilities.

Alternative C

(Add to Joint Statement II, 3)

& Any country represented at the United Nations Monetary and

[3] The phrase "gold and gold-convertible exchange" is subject to definition and to such change in terminology as may be agreed. [Note in conference proceedings.]

Financial Conference whose home areas have suffered substantial damage from enemy action or occupation during the present war, may reduce its initial gold payment to ---------- per cent of the amount it would otherwise have to pay.
7/1/44 J.S. Art. II, Sec. 3

[p. 27 lowest] (p. 5)

JOINT STATEMENT III, 1
III. *Transactions with the Fund*

1. Member countries shall deal with the Fund only through their Treasury, Central Bank, Stabilization Fund, or other fiscal agencies. The Fund's account in a member's currency shall be kept at the Central Bank of the member country.

Alternative A

* Section 1. *Agencies Dealing with the Fund.*

Each member country shall deal with the Fund only through its Treasury, Central Bank, Stabilization Fund or other similar [p. 28] fiscal agency *and the Fund shall deal only through the same agencies.*

(Second sentence of J.S. dealt with elsewhere)
7/1/44 J.S. Art. III, Sec. 1

[p. 28 lower] (p. 6)

JOINT STATEMENT III, 2

2. A member shall be entitled to buy another member's currency from the Fund in exchange for its own currency on the following conditions:

(a) The member represents that the currency demanded is presently needed for making payments in that currency which are consistent with the purposes of the Fund.

(b) The Fund has not given notice that its holdings of the currency demanded have become scarce in which case the provisions of VI, below, come into force.

(c) The Fund's total holdings of the currency offered (after having been restored, if below that figure, to 75 percent of the member's quota) have not been increased by more than 25 percent of the member's quota during the previous 12 months and do not exceed 200 percent of the quota.

(d) The Fund has not previously given appropriate notice that the member is suspended from making further use of the Fund's resources on the ground that it is using them in a manner contrary to the purposes and policies of the Fund; but the Fund shall not give such notice until it has presented to the member concerned a report setting forth its views and has

allowed a suitable time for reply.

The Fund in its discretion and on terms which safeguard its interests waive any of the conditions above.

7/1/44 J.S. Art. III, Sec. 2

(p. 6a)

Alternative A

Section 2. *Conditions upon which any Member may Purchase Currencies of other Members.*

A member shall be entitled to buy the currency of another member from the Fund in exchange for its own currency subject to the following conditions:

* (1) The member *initiating the purchase* represents that the currency *requested* is presently needed for making payments [p. 29] in that currency which are consistent with the *provisions of this Agreement;*

* (2) The Fund has not given notice under Article VI that its holdings of the currency *requested* have become scarce;

* (3) The total holdings of the Fund in the currency of the member *initiating the purchase* (after having been restored, if below that figure, to seventy-five percent of the quota of such member) have not increased during the previous twelve months by more than twenty-five percent of the quota of such member and do not exceed two hundred percent of the quota; and

& (4) The Fund has not previously declared under Section 3 of this Article that the member initiating the purchase is ineligible to use the resources of the Fund.

The Fund may, in its discretion, and on terms which safeguard its interests, waive any of these conditions. In special circumstances, where the Fund considers it necessary, it may require collateral security as a condition of such waiver.

& Section 2a. *Conditions Governing Purchases for Capital Transfers.*

If the Fund's holdings of the currency of a member have remained below 75 percent of its quota for a period not less than six months such member shall be entitled, notwithstanding the provisions of Article V, Section 1, to buy the currency of another member from the Fund for its own currency for any purpose, including capital transfers, provided, however, that (p. 6b) purchases for capital transfers may not have the effect of raising the Fund's holdings of the currency of such member above 75 percent of its quota, or reducing the Fund's holdings of the currency purchased below 75[4] percent of the quota of the member whose currency is purchased.

[4] Should this figure be 60, 75 or 100 percent? [Footnote in conference proceedings.]

& Section 3. *Declaring Members Ineligible to Use the Resources of the Fund.*

Whenever the Fund is of the opinion that any member is using the resources of the Fund in a manner contrary to the purposes and policies of the Fund, it shall present to the member a report setting forth the views of the Fund and stating a suitable time for reply. After presenting such a report to a member the Fund may limit the use of its resources by the member. If no reply to the report is received from the member [p. 30] within the stated time, or the reply received is unsatisfactory, the Fund may continue to limit the member's use of the Fund's resources or, after giving reasonable notice to the member, declare it ineligible to use the resources of the Fund.

Alternative B

(Substitute for Joint Statement III, 2(c).)

& (c) The Fund's total holdings of the currency offered (after having been restored, if below that figure, to 75 percent of the member's quota) have not been increased by more than $33\sim y_3$ percent of the member's quota during the previous 12 months and do not exceed 200 percent of the quota.
7/1/44 J.S. Art. III, Sec. 2

(p. 6c)

Alternative C

(Amend Joint Statement III, 2 as follows:)

* It is suggested to change the term "consistent with the purposes of the Fund" to "consistent with the purposes and provisions of the Fund."

Alternative D

(Substitute for Joint Statement III, 2(c).)

& The total holdings of the Fund in the currency of the member country initiating the purchase shall not exceed 125% of the quota during the first, 150% of the quota during the second, 175% of the quota during the third year of the operations of the Fund in that particular currency and 200% thereafter.
7/1/44 J.S. Art. III, Sec. 2

[p. 30 lower] (p. 7)

JOINT STATEMENT III, 3

3. The operations on the Fund's account will be limited to transactions for the purpose of supplying a member country on the member's initiative with another member's currency in exchange for its own currency or for gold. Transactions provided for under 4 and 7, below, are not subject to this limitation.

Alternative A

* Section 4. *Limitation on the Operations of the Fund.*

Except as otherwise provided in this Agreement, operations [p. 31] for the account of the Fund shall be limited to transactions for the purpose of supplying a member, on the initiative of such member, with the currency of another member in exchange for the currency of the member initiating the transactions or for gold.

7/1/44 J.S. Art. III, Sec. 3

[p. 31 lower] (p. 8)

JOINT STATEMENT III, 4

4. The Fund will be entitled at its option, with a view to preventing a particular member's currency from becoming scarce:

(a) To borrow its currency from a member country;

(b) To offer gold to a member country in exchange for its currency.

Alternative A

Section 5. *Operations for the Purpose of Preventing Currencies from becoming Scarce.*

* The Fund may, if it deems such action appropriate to prevent the currency of any member from becoming scarce, take either or both of the following steps:

& (1) Propose to the member that it lend such currency to the Fund or, with the approval of the member, borrow such currency within that country from some other source, but no member shall be under any obligation to lend its currency to the Fund or to approve the Fund's borrowing its currency from any other source.

* (2) Offer to buy the currency of that member with gold.

Alternative B

(Substitute for Joint Statement III, 4(b))

& To *sell* gold to a member country in exchange for its currency.

7/1/44 J.S. Art. III, Sec. 4

[p. 31 lowest] (p. 9)

JOINT STATEMENT III, 5

5. So long as a member country is entitled to buy another member's currency from the Fund in exchange for its own currency, it shall be prepared to buy its own currency from that member with that member's currency or with gold. This shall not apply to currency subject to restrictions in

conformity with IX, 3 below, or to holdings of currency which have accumulated as a result of [p. 32] transactions of a current account nature effected before the removal by the member country of restrictions on multilateral clearing maintained or imposed under X, 2 below.

Alternative A

& Section 6. *Multilateral International Clearing.*

Each member shall buy balances of its currency held by another member with currency of that member or, at the option of the member buying, with gold, if the member selling represents either that the balances in question have been currently acquired or that their conversion is needed for making currency payments which are consistent with the provisions of the Fund. This obligation shall not relate to transactions involving:

(a) capital transfers, except those transactions referred to in the second and third sentences of V, 1, below; or

(b) holdings of currency which have accumulated as a result of transactions effected before the removal by a member of restrictions on multilateral clearing maintained or imposed under X, 2, below; or

(c) the provision of a currency which has been declared scarce under VI, above; or

(d) holdings of currency acquired as a result of dealings illegal under the exchange regulations of the member which is asked to buy such currency;

nor shall it apply to a member which has ceased to be entitled to buy currencies of other members from the Fund in exchange for its own currency.

Nothing in this section shall be deemed to modify or affect the obligation of a member under IX, 2 and 3, below.

(Proposed to be transferred in final draft to Article IX as Section 3)

7/1/44 J.S. Art. III, Sec. 5

[p. 32 lower] (p.10)

JOINT STATEMENT III, 6

6. A member country desiring to obtain, directly or indirectly, the currency of another member country for gold is expected, provided that it can do so with equal advantage, to acquire the currency by the sale of gold to the Fund. This shall not preclude the sale of newly-mined gold by a gold-producing country on any market. [p. 33]

Alternative A

* Section 7. *Acquisition by Members of the Currencies of Other Members for Gold.*

Any member desiring to obtain, directly or indirectly, the currency of another member for gold *shall,* provided that it can do so with equal

advantage, acquire the currency by the sale of gold to the Fund. *Nothing in this Section shall be deemed* to preclude any member from selling in any market the new production of gold from mines located within territory subject to its jurisdiction.
7/1/44 J.S. Art. III, Sec. **6**

[p. 33 lower] (p.11)

JOINT STATEMENT III, 7

7. The Fund may also acquire gold from member countries in accordance with the following provisions:

(a) A member country may repurchase from the Fund for gold any part of the latter's holdings of its currency.

(b) So long as a member's holdings of gold and gold-convertible exchange exceed its quota, the Fund in selling foreign exchange to that country shall require that one-half of the net sales of such exchange during the Fund's financial year be paid for with gold.

(c) If at the end of the Fund's financial year a member's holdings of gold and gold-convertible exchange have increased, the Fund may require up to one-half of the increase to be used to repurchase part of the Fund's holdings of its currency so long as this does not reduce the Fund's holdings of a country's currency below 75 percent of its quota or the member's holdings of gold and gold-convertible exchange below its quota.

Alternative A

Section 8. *Other Acquisitions of Gold by the Fund.*

(To be submitted later.)

Alternative B

(Add to Joint Statement III, 7(b))

This provision shall not be applied during five-year period from the beginning of the operations of the Fund to member countries who suffered particularly great damage from enemy occupation and hostilities. [p. 34]

(Add to Joint Statement III, 7(c))

This provision shall not be applied during the period of restoration of economy to the newly-mined gold of member countries, whose home areas particularly suffered from enemy occupation and hostilities.
7/1/44 J.S. Art. III, Sec. 7

(p. 11a)

Alternative C

Substitute for Joint Statement III, 7(c))

& (c) If at the end of any financial year of the Fund, the official holdings

of gold and gold-convertible exchange of any member country have increased as compared to that member's official holdings of gold and gold-convertible exchange at the moment of joining the Fund, the Fund may require...etc....

Alternative D

(Substitute for Joint Statement III, 7(b))

& So long as a member's holdings of gold and gold-convertible exchange exceed its quota, the Fund in selling foreign exchange to that country shall require that one-half of the net sales of such exchange during the Fund's financial year be paid for with gold or gold-convertible exchange. *The Fund, however, may in its discretion waive this condition with respect to any particular country if its application would reduce the facilities accorded by the Fund to that Country in a way contrary to the purposes and policies of the Fund and in particular to the purpose stated in I(3).*

7/1/44 J.S. Art. III, Sec. 7

[p. 34 lower] (p. 12)

JOINT STATEMENT—No Provisions

The following material has been suggested as an addition to Article III.

Alternative A

Section 9. *Transferability and Guarantee of the Assets of the Fund.*

(a) All assets of the Fund shall, to the extent necessary to carry out the operations prescribed by this Agreement, be free from restrictions, regulations and controls of any nature imposed by members. [p. 35]

(b) The currency of a member purchased from the Fund shall always be accepted by that member in payment of current account obligations due to that member.

(c) All assets of the Fund shall be guaranteed by each member against loss resulting from failure or default on the part of the depository designated by such member.

7/1/44 J.S. Art. III, Additional Section (9)

[p. 35 lower] (p. 13)

JOINT STATEMENT—No Provisions

The following material has been suggested as an addition to Article III.

Alternative A

Section 10. *Charges and Commissions.*

(a) Any member buying the currency of any other member from the

Fund in exchange for its own currency shall pay a service charge in addition to the parity price.

(b) The Fund may levy a reasonable handling charge on any member buying gold from the Fund or selling gold to the Fund.

(c) The Fund shall prescribe charges uniform among members which shall be payable by any member on the amount of its currency in excess of its quota held by the Fund, as follows: (to be inserted later)

(d) All charges and commissions shall be paid in gold. If, however, the member's holdings of gold and gold-convertible exchange are less than one-half of its quota, it shall pay in gold that proportion which such holdings bear to one-half of its quota, and shall pay the balance in its own currency.

Alternative B

(Substitute for Section 10(c) of Alternative A)

The Fund shall levy a charge uniform to all countries, at a rate not more than 1 percent per annum, payable in gold, against any country on the amount of its currency held by the Fund in excess of the quota of that country. An additional charge, payable in gold, shall be levied by the Fund against any member country on the Fund's holdings of its currency in excess of 200 percent of the quota of that country.

7/1/44 J.S. Art. III, Additional Section (10)

[p. 36] (p.14)

JOINT STATEMENT—No Provisions

The following material has been suggested as an addition to Article III.

Alternative A

Section 11. *Furnishing Information.*

The Fund may require members to furnish it with such information as it deems necessary for its operations. In requesting information the Fund shall, however, take into consideration the ability of individual members to furnish the data asked for. The minimum amount of information necessary for the due carrying out of the Fund's operations includes the following: (List of required information to be inserted)

The Fund may arrange to obtain further information by agreement with the members.

Alternative B

(Substitute for list to be inserted in Alternative A)

1. Gold holdings of the Central Bank and the Treasury and their changes.

2. Gold convertible exchange holdings of the Central Bank and the Treasury.

3. Movement of capital.

4. Foreign Trade data.

5. Other items of the balance of payments.

6. Rates of exchange and their changes.

7/1/44 J.S. Art. III, Additional Section (11)

[p. 36 lower] (p. 15)

JOINT STATEMENT—No Provisions

The following material has been suggested as an addition to Article III.

Alternative A

Section 12. *Consideration of Representations of the Fund.*

The Fund may make representations to a member on monetary or economic conditions and developments in such member which tend, or may tend, to produce a serious disequilibrium in the international balance of payments of members. A representative of the member country involved shall participate in the preparation of the Fund's representations. The Fund shall not [p. 37] make representations which would involve changes in the fundamental structure of the economic organization of members.

Alternative B

The Fund shall have at all times the right to communicate its views informally to any member on any matter arising under this Agreement.

7/1/44 J.S. Art. III, Additional Section (12)

[p. 37 lower] (p. 16)

JOINT STATEMENT IV, 1

IV. *Par Values of Member Currencies*

1. The par value of a member's currency shall be agreed with the Fund when it is admitted to membership, and shall be expressed in terms of gold. All transactions between the Fund and members shall be at par, subject to a fixed charge payable by the member making application to the Fund, and all transactions in member currencies shall be at rates within an agreed percentage of parity.

Alternative A

& Section 1. *Par Values of the Currencies of Members.*

The par value of the currency of each member shall be expressed in terms of gold, *as a common denominator, or in terms of a gold-convertible currency unit*

of the weight and fineness in effect on July 1, 1944. All computations relating to currencies of members for the purpose of applying the provisions of this Agreement shall be on the basis of their par values.
7/1/44 J.S. Art. IV, Sec. 1

[p. 37 lowest] (p. 17)

JOINT STATEMENT IV, 2, 3, 4

2. Subject to 5, below, no change in the par value of a member's currency shall be made by the Fund without the country's approval. Member countries agree not to propose a change in the parity of their currency unless they consider it appropriate to the correction of a fundamental disequilibrium. Changes shall be made only with the approval of the Fund, subject to the provisions below.

3. The Fund shall approve a requested change in the par value of a member's currency, if it is essential to the correction of a fundamental disequilibrium. In particular, the Fund shall not [p. 38] reject a requested change, necessary to restore equilibrium, because of the domestic social or political policies of the country applying for a change. In considering a requested change, the Fund shall take into consideration the extreme uncertainties prevailing at the time the parities of the currencies of the member countries were initially agreed upon.

4. After consulting the Fund, a member country may change the established parity of its currency, provided the proposed change, inclusive of any previous change since the establishment of the Fund, does not exceed 10 percent. In the case of application for a further change, not covered by the above and not exceeding 10 percent, the Fund shall give its decision within 2 days of receiving the application, if the applicant so requests.
7/1/44 J.S. Art. IV, Secs. 2-4

(p. 17a)

JOINT STATEMENT IV, 2-4

(All alternatives to be supplied later)
7/3/44 J.S. Art. IV, Secs. 2-4

[p. 38 lower] (p. 18)

JOINT STATEMENT IV, 5

5. An agreed uniform change may be made in the gold value of member currencies, provided every member country having 10 percent or more of the aggregate quotas approves.

Alternative A

* Section 5. *Uniform Changes in Par Values.*

Notwithstanding the provisions of Section 3 of this Article, the Fund *by majority vote* may make uniform proportionate changes in the par values of the currencies of all the members, provided each such change is approved by every country which has ten percent or more of the aggregate quotas. *Such uniform changes shall be excluded from consideration in applying the provisions of Sections 4(3) and (b) of this Article.* (J.S. IV, 4).

7/1/44 J.S. Art. IV, Sec. 5

[p. 38 lowest] (p. 19)

JOINT STATEMENT—No Provisions

The following material has been suggested as an addition to Article IV. [p. 39]

Alternative A

Section 6. *Protection of the Assets of the Fund.*

No change in the foreign exchange value of the currency of any member shall alter the gold value of the assets of the Fund. Whenever (i) the par value of a currency of a member is reduced, or (ii) the foreign exchange value of the currency of any member has depreciated within its jurisdiction to a significant extent in the opinion of the Fund, the member shall compensate the Fund by paying to the Fund within a reasonable time an amount of its own currency equal to the reduction in the gold value of the currency of such member held by the Fund. Whenever the par value of the currency of any member has been increased the Fund shall compensate such member by returning, within a reasonable time, an amount in the currency of such member equal to the increase in the gold value of the currency of such member held by the Fund.

7/1/44 J.S. Art. IV, Additional Section

[p. 39 lower] (p. 20)

JOINT STATEMENT—No Provisions

The following material has been suggested as an addition to Article IV.

Alternative A

Section 7. *Separate Currencies within a Member's Jurisdiction.*

A member proposing a change in the par value of its currency shall be deemed, unless it declares otherwise, to be proposing a corresponding change in the par value of the currencies of all territories under its jurisdiction. It

shall however be open to a member to declare that its proposal relates either to the metropolitan currency alone, or to one or more specified subordinate currencies alone, or to the metropolitan currency and one or more specified subordinate currencies.

Alternative B

(Add to Joint Statement IV)

If separate currencies are used in different parts of the territory of a member country, the provisions of this article shall apply to each of these currencies.

7/1/44 J.S. Art. IV, Additional Section

[p. 40] (p. 21)

JOINT STATEMENT V, 1

V. *Capital Transactions*

1. A member country may not use the Fund's resources to meet a large or sustained outflow of capital, and the Fund may require a member country to exercise controls to prevent such use of the resources of the Fund. This provision is not intended to prevent the use of the Fund's resources for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking, or other business. Nor is it intended to prevent capital movements which are met out of a member country's own resources of gold and foreign exchange, provided such capital movements are in accordance with the purposes of the Fund.

Alternative A

& Section 1. *Use of the Resources of the Fund for Transfers of Capital.*

A member may not use the resources of the Fund to meet a large or sustained outflow of capital, and the Fund may request a member to exercise controls to prevent such use of the resources of the Fund. If after receiving such request, a member fails to exercise appropriate controls the Fund may declare such member ineligible to use the resources of the Fund.

This Section is not intended to prevent the use of the resources of the Fund for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking or other business. Capital movements which are met out of a member's own resources of gold and foreign exchange, are not affected by this section, but members undertake that such capital movements will be in accord with the purposes of the Fund.

7/1/44 J.S. Art. V, Sec. 1

[p. 40 lower] (p. 22)

JOINT STATEMENT V, 2

2. Subject to VI below, a member country may not use its control of capital movements to restrict payments for current transactions or to delay unduly the transfer of funds in settlement of commitments. [p. 41]

Alternative A

* Section 2. *Limitation on Controls of Capital Movements.*

Members may control international capital movements but no member may exercise such controls in a manner which will restrict payments for current transactions or which will unduly delay the transfer of funds in settlement of commitments, except as provided in VI, 2 and in X.
7/1/44 J.S. Art. V, Sec. 2

[p. 41 lower] (p. 23)

JOINT STATEMENT VI, 1, 2
VI. *Apportionment of Scarce Currencies*

1. When it becomes evident to the Fund that the demand for a member country's currency may soon exhaust the Fund's holdings of that currency, the Fund shall so inform member countries and propose an equitable method of apportioning the scarce currency. When a currency is thus declared scarce, the Fund shall issue a report embodying the causes of the scarcity and containing recommendations designed to bring it to an end.

2. A decision by the Fund to apportion a scarce currency shall operate as an authorization to a member country, after consultation with the Fund, temporarily to restrict the freedom of exchange operations in the affected currency, and in determining the manner of restricting the demand and rationing the limited supply among its nationals, the member country shall have complete jurisdiction.
7/1/44 J.S. Art. VI, Sec. 1 & 2

(p. 23a)

JOINT STATEMENT VI, 1 and 2
Alternative A

Section 1. *General Scarcity.*

If the Fund finds that a general scarcity of a particular currency is developing, the Fund may so inform members and may issue a report setting forth the causes of the scarcity and containing recommendations designed to bring it to an end. *In the preparation of such report there shall participate a representative of the member the currency of which is involved.*

& Section 2. *Scarcity of the Fund's Holdings.*

If it becomes evident to the Fund that the demand for a member's [p. 42] currency seriously threatens the Fund's ability to supply that currency, the Fund, whether or not it has acted under Section 1 above, shall formally declare such currency scarce and shall thenceforth apportion the existing and accruing supply of the scarce currency *with due regard to the relative needs of members and the general international economic situation and any other pertinent considerations.* The Fund shall also issue a report concerning its action. The formal declaration shall operate as an authorization to each member, after consultation with the Fund, temporarily to restrict the freedom of exchange operations in the affected currency; and, in determining the manner of restricting the demand and rationing the limited supply among its nationals, the members shall have complete jurisdiction *subject to the provisions of Article IX, Section 2.* (J.S.).

7/1/44 J.S. Art. VI, Secs. 1 & 2

[p. 42 lower] (p. 24)

JOINT STATEMENT VII, 1
VII. *Management of the Fund*

1. The Fund shall be governed by a board on which each member will be represented and by an executive committee. The executive committee shall consist of at least nine members including the representatives of the five countries with the largest quotas. (As to Executive Committee see p. 25)

Alternative A

Section 1. *Board of Governors.*

(a) The administration of the Fund shall be vested in a Board of Governors consisting of one governor and one alternate appointed by each member in such manner as it may determine. Governors and alternates shall serve for five years, subject to the pleasure of their respective governments, and may be reappointed. No alternate may vote except in the absence of his governor. The Board shall select a chairman from its members.

(b) The Board of Governors may delegate to the Executive Directors authority to exercise any powers of the Board, except:

(1) Determining what new members may be admitted and the conditions of their admission;

(2) Approving a revision of quotas;

(3) Approving an agreed uniform change in the par value of the currencies of all member countries; [p. 43]

(4) Requiring a member to withdraw;

(5) Deciding appeals against interpretations of the Agreement by the

Executive Directors given on application by a member country;

(6) Making agreements to cooperate with other international organizations;

(7) Deciding to liquidate the Fund.

7/1/44 J.S. Art. VII, Sec. 1 (Board of Directors)

(p.24a)

(c) The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or convened by the Executive Directors. Meetings of the Board shall be convened by the Executive Directors whenever requested by one quarter of the members or by members having one quarter of the aggregate votes.

(d) The Board may by regulation establish a procedure whereby the Executive Directors, when they deem such action to be in the best interests of the Fund, may obtain a vote of the governors on a specific question in lieu of calling a meeting of the Board.

(e) Governors and alternates shall serve as such without compensation from the Fund, but the Fund shall pay such reasonable expenses as are incurred by the governors and alternates in attending any meetings.

Alternative B

(Substitute the following for section 1(c) of Alternative A:)

(a) The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or convened by the Executive Directors. Meetings of the Board shall be convened by the Executive Directors whenever requested *by five member countries*. Annual meetings shall not be held in the same country more than once in five years.

7/1/44 J.S. Art. VII, Sec. 1 (Board of Directors)

[p. 43 lower] (p. 25)

JOINT STATEMENT VII, 1

1. The Fund shall be governed by a board on which each member will be represented and by an executive committee. The executive committee shall consist of at least nine members including [p. 44] the representatives of the five countries with the largest quotas. (As to Board of Directors see p. 25)

Alternative A

Section 2. *The Executive Directors.*

(a) There shall be twelve Executive Directors, namely, the General Manager, the governors representing the five member countries having the

largest quotas, and six other governors elected biennially by the governors who are not automatically Executive Directors. The General Manager shall be chairman of the Executive Directors. The Executive Directors shall exercise all authority delegated to them by the Board of Governors and shall be in continuous session at the principal office of the Fund for at least the first three years of operations. In the absence of any Executive Director, his alternate on the Board of Governors may serve in his place. Executive Directors shall be compensated by the Fund in an amount fixed by the Board of Governors.

Whenever a member country not having a governor among the Executive Directors has requested action or will be directly affected by a decision of the Executive Directors, the governor representing such country shall be entitled to be present at the meeting of the Executive Directors considering such request or decision, but he shall not be entitled to vote.

(b) In balloting for the elective Executive Directors, each governor eligible to vote shall cast for one governor all of the votes to which he is entitled under the first paragraph of Section 3 of this article. (J.S. VII, 2) The six persons receiving the greatest number of votes shall be Executive Directors, except that no person who receives less than sixteen percent of the aggregate eligible votes shall be considered elected. When six persons are not elected on the initial balloting, a (p. 25a) second balloting shall be held in which the person receiving the lowest number of votes shall be ineligible for election and in which there shall vote only those governors who vote for a person not elected and these governors all or part of whose votes for a person elected are deemed to have raised the votes cast for such person above seventeen per cent of the aggregate eligible votes. In determining whether any part of the votes cast by a governor raised the total of any person above seventeen per cent, there shall be considered as not forming part of the excess the votes of [p. 45] the governor casting the largest number of votes for such person, then the votes of the governor casting the next largest number, and so on until the total reaches seventeen per cent. Any governor whose votes are partly not in excess and partly in excess shall be eligible to vote in the second balloting only to the extent of the votes in excess. If enough additional persons are not elected on the second balloting to bring to six the total number each of whom has received at least sixteen per cent of the aggregate eligible votes, further ballots shall be taken on the same principles until six such persons have been elected, provided that after five persons are elected the sixth may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.

(c) Each governor who is automatically an Executive Director shall be entitled to cast the number of votes allotted under Section 3 of this Article (J.S. VII, 2) to the country which he represents. Each elected Executive Director shall be entitled to cast the number of votes to which the governors

who elected him would be entitled. A member whose election is due in part to his having received a portion of the votes of a particular governor shall be entitled to vote only those votes of such governor which contributed to his election. When the provisions of the second paragraph of Section 2 of this Article are applicable to a vote (p. 25b) on any question the votes to which an Executive Director would otherwise be entitled shall be increased or decreased proportionately. The General Manager shall have no vote.

(d) The Executive Directors may appoint such committees as they deem advisable. Membership of such committees need not be limited to governors and alternates.

7/1/44 J.S. Art. VII, Sec. 1 (Executive Committee)

(p. 25b)

Alternative B

(b) There shall be twelve Executive Directors, of whom x shall be appointed by the members having the x largest quotas, (the remaining y seats being filled by Executive Directors appointed by members chosen for this purpose by all the Governors excluding those representing the members with the x largest quotas). The members so chosen shall have the power [p. 46] of appointment of directors for two years; at the end of this period any of the members may be chosen again or other members may be chosen. The persons chosen as Executive Directors need not be Governors. The Executive Directors shall meet not less than once every three months.

(c) The Executive Directors shall appoint as *Chairman* a suitable person who is not a Director. The Chairman may appoint a Director to act for him as Deputy Chairman. The Chairman of the Executive Directors, if he is not a Governor, may attend and speak at meetings of the Board. He shall be eligible to be elected as Chairman of the Board of Governors.

(b)[5] *Executive Directors.*

The Executive Directors shall conduct all of the business of the Fund delegated to them by the Board of Governors.

(c) *The Chairman.*

(i) the Chairman shall reside at the Headquarters of the Fund and the Deputy Chairman must reside there at those times when he is acting for the Chairman;

(ii) the Executive Directors may delegate to the Chairman or Deputy Chairman the power of performing on their behalf any of the functions delegated to them except the following, supposing they have been so delegated:

(p. 25c)

[5] Because of a printer's error, this and the subsequent sections of the alternative are mislabeled. We have left them as they are. [Editors' note.]

(1) waiver of any of the conditions in III (2) ;
(2) the exercise of the options of the Fund in 111(4);
(3) all decisions on the par value of member currencies in IV(l-4) ;
(4) all action relating to the apportionment of scarce currencies (VI) ;
(5) decision on the use of the resources of the Fund by a member who has withdrawn (VIII (4) as revised) ;
(6) decision on X(3) as revised and X(4) as revised ;
(7) a formal interpretation of the Statute.
(d) *Voting.*

On questions before the Executive Directors, the Director [p. 47] appointed by the United States shall cast 6 votes, the Director appointed by the United Kingdom shall cast 3 votes, the Director appointed by the U.S.S.R. shall cast 2 votes, and all the other Directors shall cast 1 vote each. The appointed Chairman shall only have a casting vote in case of an equal division in the voting.

In order to constitute a quorum for the Executive Directors there must be present Directors representing not less than one-half of the total voting power of the Executive Directors and not less than six in number.
7/1/44 J.S. Art. VII, See. 1 (Executive Committee)

[p. 47 lower] (p. 26)

JOINT STATEMENT VII, 2, 3[6]

2. The distribution of voting power on the board and the executive committee shall be closely related to the quotas.

3. Subject to II, 2 and IV, 5, all matters shall be settled by a majority of the votes.

Alternative A

& Section 3. *Voting*

Each member shall have two hundred fifty votes plus one additional vote for each part of its quota equivalent to one hundred thousand United States dollars of the weight and fineness in effect on July 1, 1944.

Whenever a vote is required under Article III, each member shall be entitled to a number of votes modified from its normal number:

(a) By the addition of one vote for the equivalent of each two hundred thousand United States dollars of the weight and fineness in effect on July 1, 1944 of net sales of its currency by the Fund (adjusted for its net transactions in gold), and

[6] Because of a printer's error, mistakenly labeled "III 2, 3" in the published conference proceedings. [Editors' note.]

(b) By the subtraction of one vote for the equivalent of each two hundred thousand such United States dollars of its net purchases of the currencies of other member countries from the Fund (adjusted for its net transactions in gold).

Except as otherwise specifically provided all matters before the Fund shall be decided by a majority of the aggregate votes cast.
7/1/44 J.S Art. VII Sec. 2 & 3

[p. 48] (p. 26a)

Alternative B

(Substitute for Joint Statement III, 2 and 3.)

& (a) On the Board of Governors the number of votes which each governor can cast shall be related to the quota of the member appointing the governors;

A quorum for the Board shall consist of not less than two-thirds of the total voting power of the governors.
7/1/44 J.S. Art. VII, Sec. 2 and 3

[p. 48 lower] (p. 27)

JOINT STATEMENT—No Provisions

The following material has been suggested as an addition to Article VII.

Alternative A

Section 4. *The General Manager.*

The Board of Governors shall appoint and fix the compensation of a General Manager of the Fund and one or more Assistant General Managers. The General Manager shall be chief of the operating staff of the Fund and shall be a member *ex officio* of the Board of Governors.

Alternative B

(d) The Executive Directors shall appoint a *General Manager,* being a person of knowledge and experience of the business.

(e) The Chief Assistants of the General Manager shall be appointed by the Executive Directors, on the proposal of the General Manager. The General Manager and his Chief Assistants shall be appointed under contract determinable by six months' notice on either side. The continuance of the service of each of these officials shall be considered by the Executive Directors after every period of 5 years.

(f) The *General Manager* shall conduct, under the general direction of the Chairman, the ordinary business of the Fund's work. Subject to the (p. 27a) general control of the Executive Directors, he shall be responsible for internal organization and the appointment and dismissal of subordinate staff.

The General Manager shall be responsible to the Executive Directors for the accounts.

The Chairman, the Deputy-Chairman, the General Manager [p. 49] and all the members of the staff shall be paid such salaries and expenses and serve under such conditions as the Fund may determine.
7/1/44 Article VII, Additional Section (4)

[p. 49 lower] (p. 28)

JOINT STATEMENT VII, 4

4. The Fund shall publish at short intervals a statement of its position showing the extent of its holdings of member currencies and of gold and its transactions in gold.

Alternative A

Section 5. *Publication of Reports.*

The Fund shall publish an annual report containing an audited statement of its accounts and shall issue at intervals of three months or less, a summary statement of its transactions and its holdings of gold and currencies of members.

The Fund may publish such other reports as it deems desirable for carrying out its purposes and policies.
7/1/44 J.S. Art. VII, Sec. 4

[p. 49 lowest] (p. 29)

JOINT STATEMENT—No Provisions

The following material has been suggested as an addition to Article VII.

Alternative A

Section 6. *Depositories.*

(a) Each member country shall designate its central bank as a depository for all the Fund's holdings of its currency or, if it has no central bank, it shall designate such other institution as may be acceptable to the Fund.

(b) The Fund may hold other assets, including gold, in designated depositories in the four members having the largest quotas and in such other depositories as the Fund may select. At least one-half of the holdings of gold of the Fund shall be held in the designated depository in the member in which the Fund has its principal office. In an emergency, the Executive Directors may transfer all or any part of the Fund's holdings of gold to any place where it can be adequately protected.

Section 7. *Form of Holdings of Currency.*

The Fund shall accept from any member in lieu of any part [p. 50] of the currency of that country not needed by the Fund in its operations, notes or similar obligations issued by the Government of the country or the depository designated by such member, which shall be non-negotiable, non-interest bearing and payable at their par value on demand by a credit to the currency account of the Fund in that country.
7/1/44 J.S Art. VII, Additional Sections (6 & 7)

(p. 29a)

Alternative B

(Substitute for (b) under Section 6 of Alternative A)

(b) Sums payable to the Fund in gold shall be placed at the disposal of the Fund at a depository indicated by the Fund. In indicating a depository the Fund shall pay regard to the convenience of the member, the costs of transport, and the expected requirements of the Fund. Gold and assets other than holdings of currency belonging to the Fund may be held in or moved to any depository as the Fund may determine.

Alternative C

(Substitute the following for subdivision (b) of Alternative A)

(b) Other assets of the Fund, including gold, shall be held in designated depositories, as a general rule, in the four member countries having the largest quotas.

About one-half of the holding of gold of the Fund shall be deposited in the designated depository in the country in which the Fund has its principal office.
7/1/44 J.S. Art. VII, Additional Section (6)

[p. 50 lower] (p. 30)

JOINT STATEMENT—No Provisions

The following material has been suggested as an addition to Article VII.

Alternative A

Section 8. Relationship to other International Organizations.

The Fund, within the terms of this Agreement, shall cooperate with any general international organization and with public international organizations having specialized responsibilities in related fields. Any arrangements for such cooperation which would involve a modification of any of the provisions [p. 51] of this Agreement may be effected only after amendment to this Agreement in conformity with the procedure set forth in Article ----------.
7/1/44 J.S. Art. VII, Additional Section (7)

[p. 51 lower] (p. 31)

JOINT STATEMENT—No Provisions

The following material has been suggested as an addition to Article VII:

Alternative A

Section 9. *Location of Offices.*

The principal office of the Fund shall be located in the member having the largest quota, and agencies or branch offices may be established in any member or members.

Alternative B

The location of the principal office of the Fund shall be decided by the Fund at the first meeting of the Board of Governors, which shall take place in the territory of the member having the largest quota.

7/1/44 J.S. Art. VII, Additional Section (9)

[p. 51 lowest] (p. 32)

JOINT STATEMENT—No Provisions

The following material has been suggested as an addition to Article VII.

Alternative A

The Fund shall determine annually what part of its net income shall be placed to reserve and what part, if any, shall be distributed.

7/1/44 J.S. Art. VII, Additional Section (10)

(p.32a)

(Alternative B [A] continued)

If any part is distributed, two per cent noncumulative shall be paid, as a first charge against the distribution of any year, to each member on the average amount during the year by which 75 percent of its quota exceeds the holdings by the Fund of its [p. 52] currency; and the balance to the members in proportion to their quotas. Payments to each member shall be made in its own currency.

7/1/44 J.S. Art. VII, Additional Section (10)

[p. 52 lower] (p.33)

JOINT STATEMENT—No Provisions

The following material has been suggested as an addition to Article VII.

Section 11. *Miscellaneous Powers.*

In order to carry out its purposes, the Fund may:

(1) Make contracts;

(2) Acquire and dispose of real and personal property;

(3) Institute legal proceedings in any court of competent jurisdiction;

(4) Employ such staff as shall be necessary to conduct the business of the Fund; and

(5) Adopt such rules or regulations as may be necessary or appropriate to conduct the business of the Fund.

7/1/44 J.S. Art. VII, Additional Section (10)

[p. 52 lowest] (p. 34)

JOINT STATEMENT VIII, 1

VIII. *Withdrawal from the Fund*

1. A member country may withdraw from the Fund by giving notice in writing.

Alternative A

* Section 1. *Right of Members to Withdraw.*

Any member may withdraw from the Fund at any time by serving written notice on the Fund at its principal office. *Withdrawal shall become effective on the date such notice is received.*

Alternative B

& A member country may withdraw from the Fund by giving notice in writing *and the right of withdrawal shall not be prejudiced by membership of the Fund being made a condition of membership of any other international body.*

7/1/44 J.S. Art. VIII, Sec. 1

[p. 53] (p. 35)

JOINT STATEMENT—No Provisions

The following material has been suggested as an addition to Article VIII.

Alternative A

Section 2. *Suspension of Membership or Compulsory Withdrawal.*

(To be inserted later.)

7/1/44 J.S. Art. VIII, Additional Sec. (2)

[p. 53 lower] (p. 36)

JOINT STATEMENT VIII, 2 & 3

1. The reciprocal obligations of the Fund and the country are to be liquidated within a reasonable time.

2. After a member country has given notice in writing of its withdrawal from the Fund, the Fund may not dispose of its holdings of the country's currency except in accordance with the arrangements made under 2, above. After a country has given notice of withdrawal, its use of the resources of the Fund is subject to the approval of the Fund.

Alternative A

Section 3. *Settlement of Accounts with Countries Ceasing to be Members.*
(To be inserted later)

Alternative B

(To be inserted later)

7/1/44 J.S. Art. VIII, Secs. 2 & 3

[p. 53 lowest] (p. 37)

JOINT STATEMENT—No Provisions

The following material has been suggested as an addition to Article VIII.

Alternative A

Section 4. *Liquidation of the Fund.*
(To be inserted later)

Alternative B

(To be inserted later)

7/1/44 J.S. Art. VIII, Additional Section (4)

[p. 54] (p.38)

JOINT STATEMENT IX, 1
IX. *Obligations of Member Countries*

1. Not to buy gold at a price which exceed the agreed parity of its currency by more than a prescribed margin and not to sell gold at a price which falls below the agreed parity by more than a prescribed margin.

Alternative A

Section 1. *Purpose and Scope of Additional Undertakings*
(To be inserted later)

* Section 2. *Gold Purchases Based on Parity Prices*

No member country shall buy or sell gold from or to the monetary authorities of another member at prices which vary from the agreed parity of its currency by more than a prescribed margin.
7/1/44 J.S. Art. IX, Sec. 1

[p. 54 lower] (p.39)

JOINT STATEMENT IX, 2

2. Not to allow exchange transactions in its market in currencies of other members at rates outside a prescribed range based on the agreed parities.

Alternative A

& Section 3. *Foreign Exchange Dealings Based on Par Values.*

(a) The Fund shall prescribe maximum and minimum rates for exchange transactions in the currencies of members, which shall not differ by more than percent from parity.

(b) Each member undertakes, through appropriate measures authorized under this Agreement, not to permit within its jurisdiction an appreciation or depreciation of the exchange value of its own currency in terms of gold beyond the range prescribed under (a) above. A member whose monetary authorities in fact freely buy and sell gold within the prescribed range, to settle international transactions, shall be deemed to be fulfilling this undertaking.

(c) Exchange transactions in the territory of one member involving the currency of any other member, which evade or avoid the exchange regulations prescribed by that other member [p. 55] and authorized by this Agreement, shall not be enforceable in the territory of any member.
7/1/44 J.S. Art. IX, Sec. 2

[p. 55 lower] (p. 40)

JOINT STATEMENT IX, 3

3. Not to impose restrictions on payments for current international transactions with other member countries (other than those involving capital transfers or in accordance with VI, above) or to engage in any discriminatory currency arrangements or multiple currency practices without the approval of the Fund.

Alternative A

* Section 4. *Exchange Controls on Current Payments.*

No member shall impose restrictions on the transfer into the currency of

another member of the proceeds of current transactions with that member, or engage in any discriminatory currency arrangements or multiple currency practices unless authorized under this Agreement, or approved by the Fund.

Alternative B

* 4. Not to impose restrictions save as otherwise provided on payments for current international transactions with other member countries, or to engage in any discriminatory currency arrangements or multiple currency practices without the approval of the Fund.
7/1/44 J.S. Art. IX, Sec. 3

[p. 55 lowest] (p. 41)

JOINT STATEMENT—No Provisions

The following material has been suggested as an addition to Article IX:

Alternative A

* Section 5. *Immunity of Assets of the Fund.*

The Fund and its assets of whatsoever nature shall, wheresoever located and by whomsoever held, be exempt and immune from search, seizure, attachment, execution, requisition, confiscation, moratorium and expropriation in the territory of any member.
7/1/44 J.S. Art. IX, Additional Sec. (5)

[p. 56] (p. 42)

JOINT STATEMENT—No Provisions

The following material has been suggested as an addition to Article IX:

Section 6. *Immunity from Suit.*

The Fund shall be immune from suit except when it consents to be sued.
7/1/44 J.S. Art. IX, Additional Sec. (6)

[p. 56 lower] (p. 43)

JOINT STATEMENT—No Provisions

The following material has been suggested as an addition to Article IX:

Section 7. *Restrictions on Taxation of Fund, its Employees and Obligations.*

(a) The Fund, its assets, property, income, activities, operations and transactions of whatsoever nature shall be exempt and immune from all taxation or liability for the collection or payment of any tax, including without limitation by reason of this enumeration, excises, duties, and

imposts, imposed by any member or any political subdivision or taxing authority thereof.

(b) No member, or any political subdivision or taxing authority thereof shall impose or collect any tax on or measured by salaries or remunerations for personal services paid by the Fund to persons who are not citizens of such country.

(c) (Provision concerning taxation of securities issued by the Fund to be inserted later.)

7/1/44 J.S. Art. IX, Additional Sec. (7)

[p. 56 lowest] (p. 44)

JOINT STATEMENT X, 1-4

X. *Transitional Arrangements*

1. Since the Fund is not intended to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of the war, the agreement of a member country to provisions III, 5 and IX, 3 above, shall not become operative until it is satisfied as to the arrangements at its disposal to facilitate the settlement of the balance of payments differences during the early post-war transition period by means which will not unduly encumber its facilities with the Fund. [p. 57]

2. During this transition period member countries may maintain and adapt to changing circumstances exchange regulations of the character which have been in operation during the war, but they shall undertake to withdraw as soon as possible by progressive stages any restrictions which impede multilateral clearing on current account. In their exchange policy they shall pay continuous regard to the principles and objectives of the Fund; and they shall take all possible measures to develop commercial and financial relations with other member countries which will facilitate international payments and the maintenance of exchange stability.

3. The Fund may make representations to any member that conditions are favorable to withdrawal of particular restrictions or for the general abandonment of the restrictions inconsistent with IX, 3 above. Not later than 3 years after coming into force of the Fund any member still retaining any restrictions inconsistent with IX, 3 shall consult with the Fund as to their further retention.

4. In its relations with member countries, the Fund shall recognize that the transition period is one of change and adjustment, and in deciding on its attitude to any proposals presented by members it shall give the member country the benefit of any reasonable doubt.

Alternative A
(To be inserted later)

Alternative B
(To be inserted later)
7/1/44 J.S. Art. X, Secs. 1-4

[p. 57 lower] (p.45)
JOINT STATEMENT—No Provisions

The following material has been suggested as part of an additional Article (XI).

[Alternative A]
Article XI—*Amendments*

Any governor or executive director desiring to introduce modifications in this Agreement shall communicate his proposal to the Chairman of the Board of Governors who shall bring the proposal before the Board of Governors. If the proposed amendment is approved by the Board of Governors by a majority of the aggregate votes, the Fund shall prepare a protocol, by dated circular letter, to the governments of all the members asking whether they accept the proposed modifications. When [p. 58] the governments of members having four-fifths of the aggregate votes, have accepted the proposed amendment, or, in the case of modifications of the right to withdraw from the Fund, when the governments of all of the members have accepted, the Fund shall certify the fact by means of a *procès verbal,* which it shall communicate to the governments of all members. The protocol will enter into force between all members three months from the date of the *procès verbal* unless a shorter period is specified in the protocol.

Alternative B
(Add the following to Alternative A)

Notwithstanding the foregoing provisions (of Alternative A) amendments may be made to the following provisions of this Agreement, namely (unimportant provisions will be inserted later) by a four-fifths majority vote of the Board of Governors.
7/1/44 J.S. Art. XI (Additional Article)

[p. 58 lower] (p.46)
JOINT STATEMENT—No provisions

The following material has been suggested as part of an additional

Article (XII) on interpretation of the Agreement.

Alternative A

Article XII—*Interpretation of the Agreement*

Section 1. Interpretation.

All questions of interpretation of the provisions of this Agreement between two or more member countries shall be resolved by the Fund. Whenever a disagreement arises between the Fund and a country which has ceased to be a member, or between the Fund and any member country after liquidation of the Fund, such disagreement shall be submitted to arbitration.

Alternative B

(1) All questions which arise involving doubts or differences relating to the interpretation of the provisions of this Agreement shall be submitted to the Executive Directors of the Fund for their opinion. If the question is one which involves a dispute affecting particularly one (or more) member (s) and that (or those) member (s) are not represented among the Executive Directors by a Director appointed by it (or them) then that (or those) [p. 59] member (s) may appoint a representative to take part in the discussions of this question of the Executive Directors on the same footing as the Directors.

(2) In any case where the Executive Directors have given an opinion under paragraph (1) above, a member may require that the question be submitted to the Board and the opinion of the Board is final. Pending the result of the reference to the Board of Governors, the Fund may (so as is necessary) act on the basis of the opinion of the Executive Directors.
7/1/44 Art. XII, Sec. 1 (Additional Article)

[p. 59 lower] (p. 47)

JOINT STATEMENT—No provisions

The following material has been suggested as part of an additional Article (XII) on interpretation of the Agreement.

Alternative A

Section 2. *Definitions.*

(To be inserted later)

Alternative B

(To be inserted later)

Alternative C

(To be inserted later)

7/1/44 Art. XII, Sec. 2 (Additional Article)

[p. 59 lower still] (p. 48)

JOINT STATEMENT—No provisions

The following material has been suggested as part of an additional Article (XII) on interpretation of the Agreement.

Alternative A

Section 3. *Effect on other International Commitments.*

(To be inserted later)

7/1/44 Art. XII, Sec. 3 (Additional Article)

[p. 59 lowest] (p. 49)

JOINT STATEMENT—No Provisions

The following material has been suggested as an additional Article (XIII) on putting the Fund into operation: [p. 60]

Alternative A

Section 1. *Entry into Effect.*

(To be inserted later)

Section 2. *Effective Date of the Agreement.*

(To be inserted later)

Section 3. *Calling the Initial Meeting of the Fund.*

(To be inserted later)

Section 4. *Agenda of the Initial Meeting.*

(To be inserted later)

Section 5. *Fixing Initial Par Values.*

(To be inserted later)

Alternative B

I A. *Entry into Effect.*

(To be inserted later)

7/1/44 J.S. Art. XIII, Sec. 1 (Additional Article)

[p. 84]

Document 47
ID/2
Opening Remarks of Lord Keynes at the First Meeting of the Second Commission on the Bank for Reconstruction and Development

It is our hope that the institution of the Bank for Reconstruction and Development, to which this Commission is to devote its work, will serve the purpose of increasing the health, prosperity and friendship of the participating countries in two main respects.

In the first place, it will be authorised in proper cases and with due prudence to make loans to the countries of the world which have suffered from the devastation of war, to enable them to restore their shattered economies and replace the instruments of production which have been lost or destroyed. It is no part of the purpose of UNRRA to provide funds for reconstruction as distinguished from the necessary relief and rehabilitation in the days immediately following liberation. There is, therefore, at present a gap in the proposals of the United and Associated Nations which is not yet filled, and to fill which there is no proposal in view except the institution of this Bank. Yet this is a matter of the utmost urgency and importance where we should, therefore, press forward to reach agreement on methods and on details. We do not know the date of the complete liberation of the occupied countries of Europe and Asia. But we are now entitled to hope that it will be not unduly delayed. We should be bitterly failing in duty if we were not ready prepared for the days of liberation. The countries chiefly concerned can scarcely begin to make their necessary plans until they know upon what resources they can rely. Any delay, any avoidable time lag will be disastrous to the establishment of [p. 85] at which the victorious armies of liberation can return to their homelands.

(p. 2) I cannot, therefore, conceive a more urgent, necessary and important task for the Delegates of the forty-four nations here assembled. I am confident that the members of the Commission of which I have the honour to be the Chairman will devote themselves to their work in a spirit of full responsibility, well aware how much depends on their success.

It is likely, in my judgment, that the field of reconstruction from the consequences of war will mainly occupy the proposed Bank in its early days. But as soon as possible, and with increasing emphasis as time goes on, there is a second primary duty laid upon it, namely, to develop the resources and productive capacity of the world, with special attention to the less developed countries, to raising the standard of life and the conditions of labour everywhere, to make the resources of the world more fully available to all mankind, and so to order its operations as to promote and maintain

equilibrium in the international balances of payments of all member countries.

These two purposes deserve particular emphasis, but are not exclusive or comprehensive. In general, it will be the duty of the Bank, by wise and prudent lending, to promote a policy of expansion of the world's economy in the sense in which this term is the exact opposite of inflation. By "expansion" we should mean the increase of resources and production in real terms, in physical quantity, accompanied and facilitated by a corresponding increase of purchasing power. By "inflation" on the other hand, we should mean the increase of purchasing power corresponding to which there is no accompanying increase in the quantity of production. The Bank will promote expansion and avoid inflation.

(p. 3) Under the proposals to be brought before you, the Bank will be free to operate along three different lines.

A certain part of the Fund's subscribed capital will be called up and will be available for direct lending by the Bank for approved purposes in the currencies of the contributing members.

But the greater part of its subscribed capital will be held as a reserve fund with which to guarantee two other types of operations.

The first type of loan eligible for such guarantee will be loans for suitable purposes and on suitable terms issued through the ordinary channels of the investment market where on account of the risks involved there would be difficulty otherwise in placing the loan on terms which the borrowing country could afford to pay. [p. 86]

The second type of loan secured by the assets and subscribed capital of the Bank will also be placed through the ordinary channels of the investment market but will be offered on the Bank's behalf in its own name. The proceeds of such loans will then be re-lent by the Bank to borrowing countries on terms and for purposes to be directly agreed with them.

The proceeds of both these types of loan would be freely available for the borrower to make purchases in any member country, with due regard to economy and efficiency.

Let me now explain the nature of the proposed guarantee, for this is of a novel character which may be regarded as marking in a particularly significant way the international character of the proposed institution.

(p. 4) It is evident that only a few of the member countries will be in possession of an investable surplus available for overseas loans on a large scale, especially in the years immediately following the war. It is in the nature of the case that the bulk of the lending can only come from a small group of the member countries, and mainly from the United States. How then can the other member countries play their proper part and make their appropriate contribution to the common purpose?

Herein lies the novelty of the proposals which will be submitted to you. Only those countries which find themselves in a specially favoured position can provide the loanable funds. But this is no reason why these lending countries should also run the whole risk of the transaction. In the dangerous and precarious days which lie ahead, the risks of the lender will be inevitably large and most difficult to calculate. The risk premium reckoned on strict commercial principles may be beyond the capacity of an impoverished borrower to meet, and may itself contribute to the risks of ultimate default. Experience between the wars was not encouraging. Without some supporting guarantee, therefore, loans which are greatly in the interests of the whole world, and indeed essential for recovery, it may prove impossible to float.

Yet, as I have said, there is no reason in a case like this, where the interests of all countries alike, whether lenders or borrowers, or exporters, are favourably affected, why the unavoidable risks should fall exclusively on the lenders, for example, the investors or the government of the United States, if it turns out that they are the chief source of available funds.

(p. 5) The proposal is, therefore, that all the member countries should share the risk in proportions which correspond to their capacity. The guarantees will be joint and several, up to [p. 87] the limit of any member's subscription, so that the failure of any member to implement his guarantee will not injuriously affect the lender, so long as the Bank has other assets and subscriptions to draw upon, resources which will, according to our proposals, be of considerable dimensions. Moreover, it is proposed that every member country should undertake to provide gold or free exchange up to the full amount of its subscription, in so far as it is called upon under its guarantee. Therefore the quality of the bonds thus guaranteed should be of the first order; at any rate they will be a great deal better than in the case of many borrowing countries there would be any hope of offering otherwise than under the auspices of the new institution.

The bonds will be good for several different reasons. In the first place, they will have behind them the vast resources of the Bank available in gold or free exchange. In the second place, the proceeds will be expended only for proper purposes and in proper ways, after due enquiry by experts and technicians, so that there will be safeguards against squandering and waste and extravagance, which were not present with many of the ill-fated loans made between the wars. In the third place, they will carry the guarantee of the borrowing country; and this borrower will be under an overwhelming motive to do its best and play fair, for the consequences of improper action and avoidable default to so great an institution will not be lightly incurred.

(p. 6) But there is also a fourth safeguard of great importance to the guaranteeing countries as well as to the lenders. There are two reasons for hoping that the guarantors will not find themselves under any insupportable or burdensome liability. In the first place, a guarantee will relate to the annual

servicing of the loan for interest and amortisation. Its implementation will, therefore, be spread over a period corresponding to the term of the loan and cannot fall due suddenly as a lump sum obligation. In the second place, there is an interesting and essential feature of the proposals in the shape of a commission payable by the borrower in return for its guarantee. It is suggested that for long-term loans of the normal character this commission should be at the rate of 1 per cent, per annum. This rate of commission should be the same for all members alike, for it would be a mistake, and worse than a mistake, to attempt the invidious task of discriminating between members and assessing their creditworthiness in what is really a mutual pool of credit insurance amongst a group acting in good faith—indeed in the old language [p. 88] of insurers consecrated by tradition, in the spirit of *uberrima fides,* of good faith, complete, abundant and overflowing.

This commission should not be an excessive burden on the borrower. 1 per cent, added to the interest appropriate to a loan guaranteed by the Bank will not be onerous. On the other hand, the annual receipts from the commission will greatly augment the free reserves of the Bank available to meet its obligations before calling on the guarantors. The Bank should aim at so conducting its business that there would be a good hope of the pool of commissions being sufficient by itself to carry it most of the way.

(p. 7) Here are the broad outlines of the proposals which you will be asked to consider. There are other aspects and much detail for you to work out. For the Bank has not enjoyed so much discussion as has the Fund prior to this Conference.

But I believe that we have before us a proposal the origins of which we owe primarily to the initiative and ability of the United States Treasury, conceived on sound and fruitful lines. Indeed, I fancy that the underlying conception of a joint and several guarantee of all the member countries throughout the world, in virtue of which they share the risks of projects of common interest and advantage even when they cannot themselves provide the lump sum loan originally required, thus separating the carrying of risk from the provision of funds, may be a contribution of fundamental value and importance to those difficult, those almost overwhelming tasks which lie ahead of us, to rebuild the world when a final victory over the forces of evil opens the way to a new age of peace and progress after great afflictions.

3rd July 1944.

[p. 1152]

Document 49
UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE
Bretton Woods

For the Press July 3, 1944
No. 14

Remarks by the Honorable Eduardo Suarez, Chairman of Commission III, at First Session.

Fellow Delegates and Members of Commission III:

As I call this meeting to order, I feel that I should take this [p. 1153] opportunity to say a few words about the importance and scope of the work of this Commission.

As we know, we have come together at this Conference to consider two definite proposals for dealing with some of our most fundamental problems. The first is the proposal for the establishment of an International Monetary Fund which has as one of its primary objectives the assurance of a pattern of stable and orderly exchange rates that will make possible the expansion of International Trade and the maintenance of a high level of employment and business activity. The second is the proposal for the Bank of Reconstruction and Development for the purpose of encouraging sound international investment, thus contributing to economic reconstruction and development. Commissions I and II, respectively, have been established for dealing with these two specific proposals. This Commission will consider and make recommendations relative to "Other means of international monetary and financial cooperation."

I assume that it is not necessary for me to stress to the members of this group the importance of the cooperative and united approach to the important international financial problems with which we are confronted. As members of the United Nations, we accept as a basic premise the desirability of working together to solve our common problems.

Unlike the other Commissions, Commission III is not dealing with specific proposals which have been the subject of extended joint consultations and study by the technical representatives of various nations. Although at this early stage we cannot foresee the character and disposition of our recommendations, it is not impossible that some of them may influence the recommendations approved by the other Commissions.

Without seeming to place undue limitations upon the range of subjects to be considered, I fed that our time will be most profitably employed if we restrict ourselves to problems predominantly financial and monetary, and international in scope. For instance, it has been suggested that there should be some international agreement with respect to the status of earmarked

gold. Some delegations have privately expressed their concern over the fluctuations in international price levels to the extent that they are important to international exchange stability. Concern has also been expressed about the international monetary functions of silver, for it is felt that the habits and needs of the peoples who continue to use it have not been thoroughly considered and appraised.

[p. 1154] (p. 2) I am not sure that there has been ample opportunity for members to bring before this group their suggestions as to problems which might profitably be considered. It may hence be desirable before appointing committees to consider any specific problems to make arrangements for the purpose of receiving suggestions which may be appropriately considered in the Commission.

[p. 88]

Document 51
Commission I
COMMITTEE ASSIGNMENTS

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Article I. Purposes and Policies of the Fund Article II. Subscription to the Fund

Sec. 1. Countries eligible for membership
Sec. 2. Quotas [p. 89]
Sec. 3. Time and place of payment
Sec. 4. Adjustment of quotas
Sec. 5. Initial payments
Sec. 6. Payments when quotas are changed

Article IX. Obligations of Member Countries

Sec. 1. Purpose and scope of additional undertakings
Sec. 2. Gold purchases based on parity prices
Sec. 3. Foreign exchange dealings based on par values
Sec. 4. Exchange controls on current payments

Committee II. Operations of the Fund

Article III. Transactions with the Fund Sec. 1. Agencies dealing with the Fund

Sec. 2. Conditions upon which any member may purchase currencies of other members
Sec. 2 (a). Conditions governing purchases for capital transfers
Sec. 3. Declaring members ineligible to use the resources of the Fund
Sec. 4. Limitation on the operations of the Fund
Sec. 5. Operations for the purpose of preventing currencies from becoming scarce
Sec. 6. Multilateral international clearing
Sec. 7. Acquisition by members of the currencies of other members for gold
Sec. 8. Other acquisitions of gold by the Fund (p. 2)
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Sec. 10. Charges and commissions
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Committee III. Organization and Management of the Fund

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Article VIII. Withdrawal from the Fund
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Sec. 3. Settlement of accounts with countries ceasing to be members
Sec. 4. Liquidation of the Fund

Committee IV. Form and Status of the Fund

Article IX. Obligations of Member Countries
Sec. 5. Immunity of assets of the Fund
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Sec. 1. Interpretation
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Sec. 1. Acceptance of membership in the Fund
Sec. 2. Effective date of the Agreement [p. 91]
Sec. 3. Calling the initial meeting of the Fund
Sec. 4. Agenda of the initial meeting
Article XIV. Execution of the Agreement

[p. 96]

Document 58
CI/M/1
Minutes of Meeting of Commission I
July 3, 1944, 2 *p.m.*

The first meeting of Commission I was called to order by the Secretary General, who announced that in conformity with the rules and regulations adopted July 3, 1944, Harry D. White (U.S.A.) had been designated Chairman, Rodolfo Rojas (Venezuela), Vice Chairman, and L. Rasminsky (Canada), Reporting Delegate. Mr. White took over the Chair and introduced the Secretary of the Commission, Leroy D. Stinebower, and the Assistant Secretary, Mrs. Eleanor Lansing Dulles. (The Secretaries will be available in room 156 for assistance to the members of the Commission.)

Mr. White then addressed the Commission, explaining the objectives of the Fund and its importance for full production and employment, and for improvement of the standard of living in all peace-loving countries. He stressed the danger of economic warfare and the need for fostering multilateral trade. He said that the international monetary fund is designed to promote exchange stability, to assure multilateral payment facilities, and to lessen international disequilibrium.

The Chairman asked the Delegations to submit the names of members on Commission I to the Secretary General (room 136) or to the office of Commission I (room 156). He said that it had been decided that the work of the Commission would be divided into four Committees according to the agenda already distributed, and that the Committees would usually report their conclusions to the Commission after each two meetings.

It was announced that the basic documentation for the work of Commission I, in addition to the Preliminary Draft Outline and the Joint Statement, will include the Preliminary Draft of July 1, 1944 (SA/1). (This document is not yet complete but the first part has been distributed.)

The Chairman announced that Committees 1 and 3 would meet at 10 a.m., July 4, 1944, and Committees 2 and 4 at 11:30, the places of meeting to be announced. The Committees will also meet in the afternoon.

The Commission was thereupon adjourned, to meet again at the call of the Chairman.

[p. 97]

Document 59
CI/R/1
Opening Remarks of Mr. Harry D. White at the First Meeting of the Commission on the International Monetary Fund

Each of the United and Associated Nations has as a fundamental objective the creation of as full production and employment as is possible in its own country. This is the only practical way to improve the standard of living in the peace-loving nations. But this objective is attainable only if there is the fullest trade among the nations based on the interests of all. It cannot be achieved if military warfare is followed by economic warfare—if each country, to the disregard of the interests of other countries, battles solely for its own short-range economic interests. The unrestrained economic fighting of the 1930's points clearly to the conclusion that such economic warfare is neither in the best interests of the particular country nor in the general interest of all countries. Unrestrained economic warfare, if allowed to continue in the future, will again disrupt production and employment by destroying international trade and injuring national markets. It will undermine one of the foundation stones for a secure peace. [p. 98]

Some examples from the United States may illustrate what I mean: The condition of American cotton, tobacco, and other agricultural producers depends upon the ability of European and other countries to buy substantial portions of their crops. If Europe is not prosperous and the proper mechanisms of trade are not used, these American producers will not be able to export as much of their produce. At the same time the prosperity of other parts of the world and of the United States depends on the importation of raw materials from foreign countries. The higher the production levels in the United States and the more efficient the trade mechanisms, the more raw materials we import from (p. 2) abroad. Both the United States and other countries are thus benefited. A unilateral or bilateral approach to our trade problems cannot produce the highest benefits for the peace-loving nations. The approach must be multilateral.

The proposal for an International Monetary Fund which we are to consider in this Commission is designed to promote the development of international markets by providing a permanent institution for international monetary cooperation. It would promote exchange stability, assure multilateral payment facilities, help lessen international disequilibrium, and give confidence to member countries. Only by developing the necessary machinery to maintain multilateral non-discriminatory trading among nations can we hope to avoid resort to exchange restrictions, quotas, and other devices which inevitably cause a contraction of trade and production. The proposed Fund, which is before you for consideration, would be an

important influence toward stability in international monetary and economic relations.

Clearly it is going to be a difficult task to get over all the ground that we hope to cover before the end of the Conference. We can be successful only if we concentrate on the job and cooperate to the fullest possible extent. That is the task of this Commission and its various Committees.

Document 60
CIII/M/1
Minutes of Meeting of Commission II
July 3, 1944, 3:30 *p.m.*

The Secretary General called the meeting to order and announced the election by the Conference of representatives of the United Kingdom, Chile, and Belgium to the positions of Chairman, Vice Chairman, and Reporting Delegate, respectively. He also announced that the respective delegations had nominated Lord Keynes as Chairman, Luis Alamos Barros as Vice Chairman, and Georges Theunis as Reporting Delegate.

Lord Keynes assumed the Chair and introduced the Secretaries of the Commission, Messrs. Upgren and Smithies, and the Assistant Secretary, Miss Russell, who will be available in room 147 for assistance to members of the Commission.

The Chairman then delivered a brief address (copies of which have been separately distributed), on the purposes of the proposed United Nations Bank for Reconstruction and Development.

The Chairman suggested that it would be advisable to appoint an agenda committee to assemble suggestions from the various delegations and prepare for the next meeting of the Commission. The Delegate of Ecuador thereupon moved that the Chairman's suggestion be adopted and that the Chairman be empowered to appoint a committee. The motion was seconded by the Delegate of Haiti and carried unanimously.

The Chairman announced that the members of the Committee would be representatives of the following delegations:

United Kingdom, *Chairman*
Brazil
French Committee
Canada
India
China
Union of Soviet Socialist Republics
Cuba
Czechoslovakia
United States of America

The meeting was thereupon adjourned until further notice.

[p. 99]

Document 61
CIII/M/1
Minutes of Meeting of Commission III
July 3, 1944, 5 *p.m.*

The meeting was opened by the Secretary General who announced the election of officers of Commission III and introduced the Chairman, Eduardo Suarez (Mexico), the Vice Chairman, Sany Lackany Bey (Egypt), and the Reporting Delegate, A. G. B. Fisher (New Zealand). [p. 100]

The Chairman discussed the nature and scope of the work of the Commission. He pointed out that Commission III will not be dealing with specific proposals that have been the subject of extended consultation and study by the technical representatives of various nations.

A motion was passed authorizing the Chairman to appoint a committee to receive suggestions and make recommendations as to the problems which should be dealt with by the Commission. The Chairman appointed the following agenda committee:

Representative of Poland, *Chairman*
Representative of the Netherlands, *Reporter*
Representatives of Chile, Ethiopia, and Uruguay, *Members*

Delegates were requested to submit specific problems to the committee during the next three days through the Technical Secretary (office, room 151).

The meeting was thereupon adjourned until further notice.

[p. 117]

Document 102
CI/1/M1
Minutes of Meeting of Commission I, Committee 1
PURPOSES, POLICIES, AND QUOTAS OF THE FUND
(July 4, 10 *a.m.)*

The Chairman of Commission I, Mr. White (U.S.A.), introduced the .Permanent Chairman of Committee 1, Dr. Tsiang (China). Dr. Tsiang introduced the Reporter, Mr. Varvaressos (Greece), and the Secretaries, Mr. Brown and Mr. Young.

Dr. Tsiang said that the procedure would be that whenever there were several alternatives to be considered, those involving substantial changes would be considered first.

It was agreed to postpone temporarily the discussion of quotas until a paper on this subject had been distributed. [p. 118]

The discussion then turned to article L section 1. Alternative A, section 1, was rejected by the Committee.

It was moved that in order to expedite matters, a drafting committee be appointed and that sections involving no substantial change be referred to such committee by the Chair with the approval in each case of the full Committee. This motion was carried.

The Chair then brought up section 2, Alternative C, in which appear the following words: "to assist in the fuller utilisation of the resources of economically underdeveloped countries". Considerable discussion took place as to whether this purpose was an appropriate one for the Fund or whether it did not belong in the purposes of the Bank.

The purpose of the alternative was explained to the Committee as making explicit an objective which was implicit in the references in the Joint Statement to the expansion of trade. The wording of the provision of the Joint Statement which speaks of the maintenance of high levels of employment and real income was thought by the proposers of Alternative C to stress unduly the position of highly industrialized countries. In discussion there developed a consensus that the attainment and promotion of high levels of real income and employment, as well as their maintenance, once attained, was intended to be included among the purposes and that the addition of the appropriate words to that effect would be desirable. The main discussion of the amendment turned on the question of whether as *worded it did not broaden the purposes of the Fund to include objectives which were appropriately those of the Bank. A number of suggestions for alternative language were suggested in the course of discussion.

The Chairman, at the conclusion of the discussion, referred Alternative C to the drafting committee upon the understanding that the intent of the

amendment was not to enlarge the meaning of the purposes as they are stated in the Joint Statement but merely to make the stated purposes more explicit.

[p. 118]

Document 103
CI/3/M1
Minutes of Meeting of Commission I, Committee 3
ORGANIZATION AND MANAGEMENT OF THE FUND
(July 4, 10 *a.m.)*

The Committee was organized with the introduction of the [p. 119] Chairman, Dr. de Souza Costa (Brazil), the Reporter, Dr. Hexner (Czechoslovakia), and the Secretaries, Messrs. Bryan and Bittermann.

The text of VII-1 (a) (Alternative A) was accepted by the Committee with the suggestion that the words "all powers" be substituted for the word "administration" since the latter word has too restricted a meaning in Spanish.

The Committee next considered VII-1 (b). After an exchange of views about the delegation of powers, the text of Alternative A met with general approval.

Alternatives A and B of VII-1 (c) were discussed. The view was expressed that Alternative A did not give adequate opportunity to the small countries to protect their interests by asking for special meetings of the Board of Governors. After full consideration, the Committee generally agreed to the incorporation into the draft of Alternative B with the exception of the last sentence. As agreed, VII-1 (c) therefore would provide that special meetings of the Board of Governors could be called on the initiative of five countries or of countries having 25 percent of the quotas.

[p. 119]

Document 104

CI/2/M1

Minutes of Meeting of Commission I, Committee 2

OPERATION OF THE FUND

(July 4, 1944, 11:30 *a.m.)*

The first meeting of Committee 2 of Commission I was called to order by Harry D. White (U.S.A.), who introduced the Chairman of Committee 2, N. A. Maletin (U.S.S.R.). The Chairman of the Committee introduced the Reporter, Robert Mossé (French Delegation), the Secretary, Karl Bopp, and the Assistant Secretary, Miss Alice Bourneuf. (The Secretaries will be available in room 158 for assistance to the members of the Committee.)

The Chairman asked permission of the Committee to appoint a Vice Chairman to assist him in presiding over the Committee. This request was granted, and the Chairman appointed W. A. Mackintosh (Canada) as Vice Chairman, who presided during the remainder of the meeting.

The Vice Chairman indicated that the Committee would begin with a discussion of matters relating to article III of the Joint Statement beginning on page 5 of Document F-1. [p. 120]

On article III-l, Alternative A was reserved for later discussion. On article III-2, paragraph (1) of Alternative A was passed over without discussion and paragraph (2) was reserved for later discussion.

There was considerable discussion on III-2 (3) with respect to Alternatives A, B, and D. Some delegates felt that Alternative B would be most likely to meet the needs of those countries that have wide variations in their balance of payments positions. Others felt that the waiver provision in Alternative A would permit adequate flexibility to handle the needs of such countries and would also more adequately protect the Fund. Those who supported Alternative B held that the waiver provision was inadequate in view of the fact that the member countries would have no assurance that the waiver would be granted.

There was discussion also as to the relative merits of the "carryover" provision suggested in Alternative D and section 2 (3) of Alternative A. Those who favored Alternative D felt that Alternative A might induce member countries to resort to the Fund when it was not necessary, while Alternative D would assure countries of more ample assistance from the Fund in times of need. Those who favored section 2 (3) of Alternative A felt that the Fund must have assurance that it will always be able to provide resources when needed and that if Alternative D were adopted it might be impossible to avoid continuous exercise of discretion by the Fund over the sale of exchange.

[p. 120]

Document 105
CI/4/M1
Minutes of Meeting of Commission I, Committee 4
FORM AND STATUS OF THE FUND
(July 4, 1944, 11:30 *a.m.)*

The first meeting of Commission I, Committee 4 was held on July 4 at 11:30 a.m. The Chairman of Commission I, Mr. White (USA), introduced the Chairman of the Committee, Mr. Llosa (Peru), who in turn introduced the Committee Reporter, Mr. Keilhau (Norway) and the Secretaries of the Committee, Mr. Fuqua and Colonel Dyson. (The Secretaries will be available in room 162 for assistance to members of the Committee.)

After expressing appreciation on behalf of his country, the [p. 121] Chairman explained that a document indicating the parts of the preliminary draft of the agreement within the scope of the Committee had just been distributed and suggested that it would be advisable to delay discussion until the next meeting. He also suggested that the next meeting be held the following morning. There was no objection to these suggestions.

The Chairman stated that it appeared that the following sections of the preliminary draft fall within the scope of the Committee's activities: Article IX, sections 5, 6, and 7; article XI; article XII, sections 1, 2, and 3; article XIII, sections 1, 2, 3, and 4; and article XIV.

[p. 121 upper]

Document 107

(p. 6d) SA/1/1

ALTERNATIVE E[7]

(Add as an additional section after Joint Statement III, 2)

Apart from the facilities provided under Art. III Section 2 of the Joint Statement, a silver-hoarding member country shall be entitled to buy from the Fund another member's currency in exchange for its own currency, in an amount not exceeding 80 percent of the gold value of that country's silver hoardings, which will be assigned to the Fund as collateral guaranty.

7/4/44 J.S. Art. III, Additional Section

[7] For Preliminary Draft of Suggested Articles of Agreement for the Establishment of an International Monetary Fund, to which this and following SA/1 alternative texts refer, see Doc. 32, p. 21.—Editor. [Note in conference proceedings.]

[p. 121 lower]

Document 108
(p. 18a) SA/1/2
ALTERNATIVE B

A uniform change in the gold value of member currencies may be made provided that a majority of countries, voting as countries, so decide, including in that majority those countries having 10 percent or more of the aggregate quotas.

7/4/44 J S. Art. IV, Sec. 5

[p. 122 upper]

Document 109
(p. 1d) SA/1/3
Alternative H
(Add as a new Subdivision**)**

To promote the multilateral settlement of foreign credit balances accumulated during the war.

7/4/44 J.S., Art. I

[p. 122 lower]

Document 110
(p. 11b) SA/1/4
Alternative E
(Substitute for Joint Statement III, 7 (b))

If, at the end of the Fund's financial year, a member's holding of gold and gold convertible exchange exceeds its quota, the Fund shall require that half of the net increase of its holdings in that member's currency during that year shall be repurchased by that member with gold or gold convertible exchange, *but only if and inasmuch as the Fund's holdings at that moment exceed the member's quota.*

7/4/44 J.S. Art. III, Sec. 7

[p. 122 lowest]

Document 111

CI/1/M2

Minutes of Meeting of Commission I, Committee 1

PURPOSES, POLICIES, AND QUOTAS OF THE FUND

July 4, 1944, 4 *p.m.*

The second meeting of the Committee was devoted to a discussion of the various alternatives proposed for sections 2-6 of article 1 of the preliminary Draft Articles of Agreement, and to additional alternatives suggested in the course of the discussion.

The wording of Alternative A, section 5, was agreed to by the Committee. [p. 123]

Alternatives A and B for sections 2 and 3 were referred to the drafting committee after brief discussion.

The various alternatives to section 4 were discussed at length and the purposes of the sponsors of Alternatives B and E on this section were developed. In this discussion Alternative D was withdrawn by the member proposing it.

In view of the fundamental importance of the wording of the section dealing with exchange stability (section 4), the Committee agreed not to express a choice between these alternatives by a vote. It further agreed that the wording of this section of article I should be in harmony with the balance of the document and especially with the sections dealing with changes in par values. The alternatives on section 4, article I were therefore referred to the drafting committee on the understanding that it would take into account the various views expressed but would not make its report until a later stage when the provisions of the plan regarding par values were agreed upon.

The Committee then considered the additional subdivision proposed for correlation of the activities of the Fund with those of the Bank (Alternative F). It was stated that a proposal would be brought forward in another part of the plan dealing with the general relations of the Fund with other international organizations. The proposer of Alternative F agreed to postpone consideration of that alternative until the new provisions were made available and agreed upon.

The Committee then considered Alternative G which would include among the purposes of the Fund "to promote and facilitate settlement of abnormal-indebtedness arising out of war". The sponsors of this proposal noted that some provision for dealing with these balances had been included in an earlier version of the plan but had been omitted in subsequent drafts. They stressed the vital importance of the problem for the countries directly concerned, and indicated that it was difficult to justify the complete exclusion of the subject from any scheme of post-war international monetary

cooperation.

The dangers and difficulties of burdening the Fund from the outset with the immense problem of settlement of balances accumulated in war time was brought out in the discussion. The suggestion was made that the Committee might refer the matter to Commission I with the suggestion that it might be referred by that Commission to Commission III, which deals with "Other Means of International Financial Cooperation" outside the Fund. The view was also expressed that the matter should be dealt with [p. 124] by negotiations between debtor and creditors and not by this Conference.

(p. 2) The Chairman announced at the close of the meeting that the drafting committee of Committee 1 would be made up of delegates from Australia, Brazil, Czechoslovakia, the United Kingdom, and the United States, and that the Reporting Member and the Secretary should have the right to be present at its meetings. He further stated that if any proposal referred to the drafting committee was of especial interest to any delegation, that delegation should be represented when the proposal was being discussed.

[p. 124]

Document 112
CI/2/M2
Minutes of Meeting of Commission I, Committee 2
OPERATIONS OF THE FUND
(July 4, 1944, 5:30 *p.m.)*

The second meeting of Committee 2 of Commission I was held on July 4 at 5:30 p.m. The Chairman announced that the Chairmen of all the delegations had agreed that there would be no formal voting in the Committees. It was agreed that questions of wording and language would be referred to a small committee to be appointed by the Chairman, and that in the case of lack of agreement on important questions the lack of agreement would be reported to the Commission.

The Committee continued its discussion of article III, Transactions With the Fund.

In answer to a question by one of the delegates, it was explained that the wording of section 2 (1) of Alternative A (page 6a of SA/1) is intended to indicate that the representation of a member country will be accepted by the Fund except in cases of obviously false representation.

Section 2 (4) of Alternative A (page 6a) was approved by the Committee and also the remaining sentences of section 2 (page 6a).

The Committee approved section 2a of Alternative A (pages 6a and 6b), but it was suggested that this clause should be inserted in another part of the draft.

Section 3 of Alternative A (page 6b) was approved by the [p. 125] Committee. It was suggested that the words "and policies" be deleted from the second line of section 3.

The Committee accepted the withdrawal of Alternative C (page 6c).

The Committee approved Alternative A (page 7).

There was some discussion of Alternative A (page 8). It was pointed out that the language of Alternative A (1) was not clear, and the Committee agreed to refer this paragraph to the small committee to be appointed by the Chairman. The Committee discussed very briefly paragraph (2) of Alternative A (page 8) and also Alternative B (page 8). It was decided to continue the discussion of these provisions at the next meeting of the Committee.

[p. 125]

Document 113
CI/3/M2
Minutes of Meeting of Commission I, Committee 3
ORGANIZATION AND MANAGEMENT OF THE FUND
(July 4, 1944, 4 *p.m.)*

At its second meeting, held on July 4 at 4 p.m., the Committee continued discussion of article VII, Management of the Fund.

It was agreed that the provisions of VII-1 (d) are supplementary to VII-1 (c), and, on this understanding, the provision was accepted. The meeting agreed to VII-1 (e) without discussion.

Consideration was then given to VII-2 (a). Some members favored postponement of the discussion of this section until the quotas shall have been determined. Others suggested that the principles of the quotas were known so that discussion of this section could profitably be undertaken at once. Proposals were made to increase the Board of Governors from 12 to 15 and to refer the matter to a proper subcommittee. No action was taken on these proposals. Discussion of Alternatives A and B followed. It was stated that Alternative A proposed to vest the powers of the Fund on most matters except those specially reserved to a small body which could be in continuous session and so could transact business expeditiously as is required under other clauses of the draft. The voting method permitted the formation of groups for the election of members and so made possible representation on a geographical basis or on the basis of similarity of economic interests irrespective of areas. The proposal was consistent [p. 126] with VII-2 of the Joint Statement, which provided that voting in the Board of Governors and in the Executive Directorate was to be roughly proportional to the quotas.

On the other hand, in the opinion of some of the delegates present, the importance of voting might be overemphasized, since the principal function of the Fund would be consultative. For this purpose, periodic meetings would be sufficient, whereas continuous meeting might result in excessive activity on the part of the management of the Fund. In opposition to this view, it was stated that agreement and unanimity would be desirable but might not always be possible. The consultative function of the Fund was not to be minimized but, in the absence of complete agreement, voting might be necessary. It was also suggested that a monthly meeting of the Directors would not be adequate unless in practice many of the functions of the Executive Directorate were delegated to the managers.

In the argument in favor of Alternative B, it was suggested that the routine powers of the Executive Directors would in many cases be delegated to a permanent official, who need not be a member of the Board and so might be selected for reasons other than the considerations involved in

selection by governments direct. Furthermore, the Chairman could call meetings of the Directors in advance of crises which could be anticipated. In general, the argument emphasized the consultative functions of the Executive Directors rather than their direct administrative responsibility. There was no consensus of views on this question at the meeting and discussion will be continued.

[p. 129]

Document 121
(p. 43) SA/1/6
JOINT STATEMENT—No Provisions

The following material has been suggested as an addition to Article IX:
Alternative A

Section 7. *Restrictions on Taxation of Fund, its Employees and Obligations.*

(a) The Fund shall be exempt and immune from all taxation or liability for the collection or payment of any tax, including [p. 130] without limitation by reason of this enumeration, excises, duties, and imposts, imposed by any member or any political subdivision or taxing authority thereof, in respect of its assets, property, income, activities, operations and transactions of whatsoever nature.

(b) No member, or any political subdivision or taxing authority thereof shall impose or collect any tax on or measured by salaries paid by the Fund to its Executive Directors, officials and employees who are not citizens of such member.

(c) No member, or any political subdivision or taxing authority thereof, shall impose or collect any taxation on any obligation or security issued by the Fund or any dividend or interest thereon, by whomsoever held or received, which discriminates against such obligation, dividend, or interest, because of its origin, or which is applicable with respect to such obligation, security, dividend, or interest solely because of the place or currency in which it is issued, made payable or paid, or solely because of the location of any office or place of business maintained by the Fund.

7/5/44 J.S. Art. IX, Additional Sec. (7)

[p. 130]

Document 122

CI/1/DC1

Report of the Drafting Committee of Committee 1 of Commission I on Matters Referred to It at the Meeting of Committee 1 on July 4

The Drafting Subcommittee met on July 5 to consider the matters referred to it by the Full Committee.

The following members were present: Mr. Goldenweiser Chairman, Dr. Tsiang, Dr. Gudin, Mr. Mládek, Mr. Melville, Professor Robbins and Mr. Varvaressos.

The Committee considered Alternatives A, B and C relating to Section 2 of Article I in the Preliminary Draft Articles of Agreement (Document F-1) and also considered alternative language submitted by the Colombian, New Zealand, and French delegations bearing on this Section. The drafting committee recommends for the consideration of the full committee the following language:

Article I, Section 2

"To facilitate the expansion and balanced growth of international [p. 131] trade and to contribute thereby to the promotion and maintenance of high levels of employment and to the development of the sources of productive power in all member countries as primary objectives of economic policy."

In recommending this new formulation the drafting committee wishes to report that the representatives of the Indian delegation who were present during the discussion expressed themselves as regarding the language as an improvement from their point of *new* but as not completely meeting their wishes on the point.

The representative of the Australian delegation also agreed that the new language was an improvement but stated that its suitability from the point of view of his delegation was partly dependent upon the language to be adopted under Article III, paragraphs 2, sections (a) and (d) of the Joint Statement, which deal with the conditions under which a member is entitled to buy another member's currency from the Fund in exchange for its own currency.

The drafting committee therefore recommends that if the new wording it suggests is adopted by the Committee, the attention of Committee 2 shall be drawn to the position of the Australian delegation on this matter.

The drafting committee wishes also to report that the suggestion was made in its discussions that many of the difficulties encountered in the drafting of the language of Article I, Section 2 might be overcome if there were a suitable general preamble to the final document of the Conference, in

which the basic economic objectives of all its work, both Fund and Bank, are clearly stated.

(p. 2) The drafting committee recommends the following language for Article I, Section 3:

"To give confidence to member countries by making the Fund's resources available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity."

In accordance with its instructions, the drafting committee deferred consideration of Article I, Section 4.

The drafting committee considered Alternatives A and B of Article I, Section 6 and recommends to the Committee the following language:

"In accordance with the above objectives, to shorten the periods and lessen the degree of disequilibrium in the international balances of payments of member countries." [p. 132]

The drafting committee calls the attention of the Committee to the words at the end of Article I, Alternative A, which read:

"The Fund shall be guided in all its decisions by the purposes set forth above."

The drafting committee recommends that the whole Committee approve the inclusion of this language at the end of Article I.

[p. 132]

Document 124
(p. 36) SA/1/7
JOINT STATEMENT VIII, 2 & 3

2. The reciprocal obligations of the Fund and the country are to be liquidated within a reasonable time.

3. After a member country has given notice in writing of its withdrawal from the Fund, the Fund may not dispose of its holdings of the country's currency except in accordance with the arrangements made under 2, above. After a country has given notice of withdrawal, its use of the resources of the Fund is subject to the approval of the Fund.

Alternative A

Section 3. *Settlement of Accounts with Governments Ceasing to be Members.*

(a) When a government ceases to be a member in any of the cases referred to in sections above, settlement of all accounts between the Fund and such government shall be made with reasonable dispatch by agreement between the Fund and the government. The Fund shall not engage in any transactions in the currency of such country except in accordance with this Section.

(b) The Fund shall be obligated to pay to such government an amount equal to its quota, plus any other amounts due to it from the Fund, less any amounts due to the Fund from such government, including charges accruing after the government ceases to be a member; but no payment shall be made prior to six months from the date when such government ceases to be a member. Payments shall be made in the currency of that country.

(c) If the Fund's holdings of the currency of such country are not sufficient to pay the net amounts due from the Fund, the balance shall be paid in gold, or in a manner to be agreed between the Fund and such government. If the Fund and the [p. 133] government have not reached agreement within six months from the date of withdrawal, the currency of that country held by the Fund shall immediately be paid to the government. The balance shall be paid in 12 quarterly installments during the following 3 years. Each such installment shall be paid in the currency of the country acquired by the Fund since the date of withdrawal or by the delivery of gold.

(p. 36a) (d) If the Fund fails to meet any payment due in accordance with -the preceding paragraphs, the government shall be entitled to acquire from the Fund against the amount then due to it from the Fund the currency of any member held by the Fund, which has not been declared scarce under Article VI, Section 2 (J.S. VI, 2).

(e) If the Fund's holdings of the currency of such country exceed the

amount due to such government, and the Fund and the government do not reach agreement on the method of settling their accounts within six months from the date of withdrawal, settlement shall be made as provided in this and the following paragraphs. The government shall be obligated to redeem such excess currency in gold or in the currencies of members which at the time of actual redemption are convertible under Article III, Section 6 (J.S. III, 5) within three years from the date of withdrawal or such longer period as may be fixed by the Fund. Such redemption shall not be effected at a rate in any quarterly period greater than one-twelfth of the Fund's excess holdings at the date of withdrawal of the currency to be redeemed plus current accruals of such currency during such quarterly period. If the Government fails to redeem such excess currency in this manner, the Fund may liquidate in any market that currency at the same rate in an orderly manner. The withdrawing government unconditionally guarantees at all times the unrestricted use of such currency for the purchase of goods or for the payment of other sums due to it or to its nationals. Further, the withdrawing government shall indemnify the Fund against any loss resulting from exchange depreciation until such currency has been used or redeemed.

(f) Any member desiring to obtain the currency of a former member shall acquire the currency by purchase from the Fund, to the extent that such member has access to the resources of the Fund and such currency is available under the preceding paragraph. [p. 134]

(g) In the event of the Fund going into liquidation under ... within six months of the date upon which any government ceases to be a member, all rights and obligations of such government shall be determined in accordance with the provisions governing liquidation instead of the provisions of this section.

7/5/44 J.S. Art. VIII, Sec. 2 & 3

[p. 134]

Document 125

CI/RP/1

Report of Committee 1 on Purposes, Policies, and Quotas of the Fund to Commission I

(July 5, 1944, 10:30 *a.m.)*

MR. VARVARESSOS:

Mr. Chairman, your Committee I on Purposes, Policies, and Quotas of the Fund held two meetings on July 4; the first at 10:00 A.M. and the second at 4:00 P.M.

A document (Doc. #51) containing the Committee assignments had been distributed to the Members of the Committee at its first meeting. In determining the objects which should come within its jurisdiction the Committee had been guided by the suggestions contained in the document.

With regard to the procedure to be followed, the Chairman proposed and the Committee accepted that whenever there were several alternatives to be considered, those involving substantial changes of the provisions of the Joint Statement would be considered first.

On the other hand, it has been moved and accepted by the Committee that, in order to expedite matters, a small drafting subcommittee be appointed and that alternatives involving no substantial changes of the Joint Statement provisions be referred to this Committee by the Chairman with the approval in each case of the Committee.

A subcommittee has been accordingly constituted to that effect.

At the beginning of the first meeting it was suggested that the principal question which comes within the jurisdiction of the Committee is the question of the determination of the quotas of member countries referred to in Article II, section 7, of the Joint Statement. It was argued that this question was of the highest importance to the member countries and that a procedure ought to be established for determining such quotas. The Committee, being [p. 135] in the meantime informed that a paper referring to this subject was being prepared for distribution to its members, has decided to postpone temporarily the discussion of quotas until such paper has been distributed.

During the further discussions of the specific subjects of the Committee, it was suggested that it would be desirable in so far as possible to eliminate voting and that, where a fundamental difference of opinion was evident and a rapprochement of the different views was unattainable, the Chairman, with the consent of the Committee, would refer the matter to your Commission with a record of the different opinions represented.

(p. 2) The Committee then proceeded to the discussion of Article I of the Joint Statement referring to the purposes and policies of the Fund and of

the numerous alternatives submitted by members.

The Committee has not been able to make substantial progress in arriving at an agreement in the first day of its meetings.

Three subjects involving questions of principle have been reviewed, which absorbed the time allowed for the two meetings. The first of these three subjects was Alternative C, section 2, of Article I. The purpose of this Alternative, which was explained to the Committee, was to state explicitly that one of the purposes of the Fund was "to assist in the fuller utilization of the resources of economically underdeveloped countries and to contribute thereby to the maintenance in the world as a whole of a high level of employment and real income ..." It was thought by the proposer that the wording of section 2 as it stands now was stressing unduly the position of highly industrialized countries while it made no reference to underdeveloped agricultural countries. Alternative C has been seconded by several members while others expressed very serious doubts on the advisability of adopting a wording which would be interpreted as enlarging the purposes of the Fund in a way which was out of proportion with the means at its disposal and attributing to it objectives which were appropriately those of the Bank for Reconstruction and Development.

In discussion, however, there developed a consensus that the *attainment* of a high level of employment and real income as well as *their maintenance was* intended to be included among the purposes and that the addition of appropriate words to that effect would be desirable.

At the conclusion of the discussion, the Chairman referred Alternative C to the drafting committee upon the understanding [p. 136] that the intent of the amendment was not to enlarge the purposes of the Fund but merely to make them more explicit.

The second subject involving a question of principle was Alternatives B, D and E of Article I, section 4, which relates to exchange stability. The discussion on these Alternatives revealed that the wording of this section of the purposes and policies of the Fund was closely connected with Article IV of the Joint Statement dealing with par values of member countries and providing for changes in these par values.

(p. 3) It has been accordingly decided that the subject be referred to the drafting committee on the understanding that it would not make its report until a later stage when the provisions of Article IV of the plan have been agreed upon.

The third subject was Alternative G, which should include among the purposes of the Fund "to promote and facilitate the settlement of abnormal indebtedness arising out of war." The sponsors of the proposal stressed the vital importance of the problem for the countries directly concerned, and indicated the necessity of including the subject in a scheme of postwar international monetary cooperation. In the discussion the dangers and

difficulties of burdening the Fund with the immense problem of settlement of balances accumulated in wartime was emphasized. It has been suggested that the Committee should refer the matter to your Commission.

Other Alternatives to the sections of Article I of the Joint Statement which do not involve substantial changes have been referred by the Committee to the drafting subcommittee which will report to the Committee in due time.

[p. 138]

Document 127
CI/4/RP1
Report of Committee 4 on Form and Status of the Fund to Commission I
July 5, 1944, 10:30 *a.m.*

Mr. KEILHAU: After the opening remarks of the Chairman at the first meeting of Committee 4 of Commission I on July 4, he announced that the material to be used by the Committee would not be available for distribution until the afternoon. Because of this, discussion was postponed until the regular afternoon meeting scheduled for July 5. There is nothing further to report.

[p. 139]

Document 128

CI/2/RP1

Report of Committee 2 on Operations of the Fund to Commission I

July 5, 1944—10:30 *a.m.*

MR. MOSSÉ: I am reporting to you on the work of Committee No. 2 of Commission I, which deals with the *Operations of the Fund.* I shall cover both the morning and the afternoon meetings held on July 4. I shall keep the following order:

1. I shall offer some remarks on the procedure of our Committee,

2. I shall enumerate the items which have obtained a general agreement,

3. Finally I shall report to you more fully about one point on which wide differences of opinion have appeared.

Concerning the procedure, it had been generally accepted that committees should not take a formal vote but that they should try to iron out differences of opinion.

In order to do so, the committee authorized the Chairman to appoint a small *asterisk committee*—so called because it will study the texts which are marked with an asterisk in document F-l. This asterisk committee will be limited to questions which do not involve wide differences and are chiefly questions of language.

Committee 2 also decided that the Chairman should invite objections; when no objection is made the Chairman shall declare that there is a general agreement and the reporting delegate shall so report to the committee. However, any delegate may go on record for any opinion, if it so desires, and this will be reported by the reporting delegate.

When there are wide differences of opinion, the reporter will so report to the Commission. But the Chairman stated that it will always welcome suggestions from the floor designed to adjust differences. Any delegate may suggest devices which might serve to reconcile conflicting views—for instance, an *ad hoc* committee or unofficial conversations among delegates. So much for the question of procedure.

(p. 2) I am now glad to report that Committee No. 2 has covered Article III, 1, 2, 3. If you refer to Document #51 on committee assignments, the Committee has covered section 1, section 2, section 2A, section 3, section 4 and, in part, section 5. With the exception of one question, there has been general agreement on substance on all questions. I shall name them in order, [p. 140] according to Document #32. May I invite you, gentlemen, to take document 32, or FI, page 5.

On page 5, with reference to Joint Statement III, 1, there has been general agreement on alternative A with, however, a suggestion for the lawyers to insure harmony between this alternative A and alternative A,

section 5, on page 8, concerning borrowing by the Fund from any other source. The minutes of the meeting of Committee 2 of Commission I at 1.1:30 A.M. on July 4 (Document #104) should be corrected accordingly to include this suggestion.

Section 2, page 6A, alternative A has been accepted by common agreement with the exception of paragraph 2, which was reserved for later discussion, and of paragraph 3, upon which I shall speak later. Now, although there was general agreement on the wording, I am not sure that there is agreement on the interpretation; some countries believe that buying is a right while others believe that a certain amount of elbow room is left to the Fund.

There has been general agreement on section 2A, on Conditions Governing Purchases for Capital Transfers. But an important question was raised by the delegates of Greece and Czechoslovakia. They asked whether the country of which the currency is requested for capital transfer is obliged to accept imports of capital. Let me take an illustration of this point. Under certain conditions, which have been fully agreed and understood by the members of the Committee, Canada might purchase drachmas in order to make capital investments in Greece. Normally, Greece is required to accept drachmas for current payments, but is she obliged to accept them for capital investments in Greece by Canadian interests? The delegates of Canada gave the answer that any country could refuse imports of capital. In other words, the consent of the nation of which the currency is purchased, will be required in practice. This answer was deemed satisfactory, and it is with this implication that the section has been generally accepted.

Section 3, page 6b, concerning ineligibility of members to use the resources of the Fund has been generally accepted, but with the suppression of the words "and policies" at the end of the second line. The Committee recognized that alternative A is more mindful of the dignity of the country members; as Mr. Brown (U.S.A.) said "It is better to limit the use of the Fund or to declare a nation ineligible rather than to suspend it with a connotation of blame".

(p. 3) Section 4, alternative A, page 7. Elimination on the [p. 141] Operations of the Fund, has been generally approved without objection.

Section 5, alternative A, page 8 on Operations for the Purpose of Preventing Currencies from Becoming Scarce has been generally agreed with the exception of paragraph (2), which has not yet been discussed. However, there are in paragraph (1) of this section some minor problems of drafting and this section has been turned over to the asterisk committee.

To summarize, committee 1 has achieved a general agreement on Section 1, 2, 2A and 4, with exception of paragraphs 2 and 3 in section 2.

I think that I am not going beyond the assignment of a reporting delegate in saying that Committee 2 recommends that this Commission

approve these articles.

Now I come to the only point upon which there were wide differences of opinion, namely III, 2, c of the Joint Statement. Before doing so, I want to ask, What is your pleasure? If the Commission decides to put that question on its order of the day right away, it is appropriate that I should report to you the discussion which took place in Committee No. 2. If, on the other hand, you decide to postpone the discussion on this rather ticklish question, I respectfully submit that my report be postponed until such time as the Commission may select.

[p. 141]

Document 129
C/SP/1
Report of the Special Committee on Furnishing Information of the Pre-Conference Agenda Committee, June 28, 1944

The Special Committee on Furnishing Information met on June 28 under the Chairmanship of Mr. Morozov of the U.S.S.R. The other members of the Committee were Sir Theodore Gregory of India, Mr. Deutsch of Canada, Mr. Polak of the Netherlands, and Mr. Maffry of the United States as Reporter.

The Committee considered the advisability of a general provision which would require member countries to furnish information needed for the operations of the Fund as against a listing of required information. Several members of the Committee [p. 142] would have been willing to accept a general provision on the assumptions that the Fund would be reasonable in its demands for information and that it would make allowances for the position of countries the statistical services of which are less well developed than those of others.

It was decided to attempt a listing of information essential for the operations of the Fund with an escape clause which would permit a country to plead inability to supply certain information but not unavailability of information in its possession. Such a clause was considered necessary because some countries cannot now furnish some of the information which would be considered essential to the operations of the Fund.

It was recognized that a listing of required information would have the positive advantage of putting member countries on notice as to what was required and in this way of promoting the development of new statistical and other information.

The Committee did not reach full agreement on required items of information and has therefore submitted two lists as given below. It should be noted that items 3, 6 (b), (c), and (d), and 10, which appeared in Alternative A submitted to the Committee for consideration were deleted and that the exact phrasing of items 1 and 2 on List I will depend upon the final definition of terms.

The Committee discussed at some length the* question of requiring information on gold production. It was pointed out that gold production may be inferred, although with some margin of error, from data on gold holdings and gold movements, and could not be shown to be required under any specific provision of the draft agreement. The opposing view was that it would be very useful and indeed essential for the Fund to know current additions to gold supply as a result of new production independently of

factors such as movements into and out of private hoards. The longer list given below includes gold production as an item of required information.

Section —. *Furnishing Information*

The Fund may require member countries to furnish it with such information as it deems necessary for its operations. In requesting information the Fund shall, however, take into consideration the ability of individual countries to furnish the data asked for. The minimum amount of information necessary for the due carrying out of the Fund's duties includes the following:

(p. 2) 1. Official holdings of (a) gold at home and abroad, (b) gold-convertible

currencies distributed by currencies, and (c)][p. 143] other currencies distributed by currencies, as defined for purposes of the Fund.

2. Holdings by banking and financial agencies other than official agencies of (a) gold at home and abroad, (b) gold-convertible currencies distributed by currencies, and (c) other currencies distributed by currencies, as defined for purposes of the Fund.

3. Production of gold.

4. Gold exports and imports distributed by countries of destination and origin.

5. Total exports and imports of merchandise, in terms of local currency values, distributed by countries of destination and origin.

6. International balance of payments, including (a) trade in goods and services, (b) gold movements, and (c) capital transactions.

7. International investment position, i.e., investments within the country owned abroad and investments abroad owned by residents of the country.

8. National income.

9. Price indexes. (Indexes of commodity prices in wholesale and retail markets and of export and import prices as available from official sources).

10. Buying and selling rates for foreign currencies.

11. Exchange controls. (Comprehensive statement of exchange controls in effect at the time of assuming membership in the Fund and changes thereafter as they occur.)

(p. 3) 12. Where official exchange controls exist, arrearages for commercial or financial remittances in terms both of the time lag in remittances and total amounts in arrears by types of arrearage.

(List 2)

1. Gold holdings of the Central Bank and the Treasury and their changes.

2. Gold convertible exchange holdings of the Central Bank and the Treasury.

3. Movement of capital.

4. Foreign trade data.

5. Other items of the balance of payments.
6. Rates of exchange and their changes.

[p. 145]

Document 132
CI/M/2
Minutes of Meeting of Commission I
INTERNATIONAL MONETARY FUND
(July 5, 10:30 *a.m.)*

The Chairman urged that the work should be speeded.

The Reporters of the four Committees of Commission I (Mr. Varvaressos, Greece, for Committee 1; Mr. Mossé, French Committee of National Liberation, for Committee 2; Mr. Hexner, [p. 146] Czechoslovakia, for Committee 3; and Mr. Keilhau, Norway, for Committee 4) then reported on the progress made to date by their respective Committees. (These reports are being circulated separately.)

The Commission discussed procedure to be followed with respect to these reports and its future activities and decided:

(1) To postpone consideration of the reports until further progress has been made in the Committees;

(2) To have the reports from the Committee circulated in advance so that the members would be better able to participate;

(3) That the next meeting of the Commission should be left to further determination but in any event should not be held until reports covering several more meetings of the Committees are available;

(4) To have the Committee sessions longer and less frequent, and

(5) To have one meeting of each Committee on July 6 (two in the morning and two in the afternoon).

[p. 150]

Document 138
CI/1/M3
Minutes of Meeting of Committee 1 of Commission I
PURPOSES, POLICIES, AND QUOTAS OF THE FUND
(July 5, 1944, 4 *p.m.)*

The third meeting of Committee 1 of Commission I was held on Wednesday, July 5, 1944, at 4 p.m.

Copies of the first report of the drafting committee of Committee 1 were distributed. The Committee agreed to defer discussion of the report until the next meeting.

The Chairman then took up the regular agenda, beginning with Alternative A of Article II—"Subscription to the Fund"— (Page 2 of document SA/1). Section 1 of this Alternative deals with "Countries Eligible for Membership". A question was raised as to whether there was not a defect in the wording of this provision which might be remedied by reference to "original" members or "founder" members, or some similar expression. The Chairman found that the consensus of the Committee was to agree with the sense of Alternative A and to refer the question to the drafting committee. [p. 151]

Section 2 of Alternative A—"Quotas"—was passed over, as the Chairman indicated that the expected document on this subject was not yet ready.

The Chairman then read Alternative A, section 3—"Time and Place of Payment". In answer to inquiries from various members as to whether all the quotas had to be paid in before the fund could begin operations, it was explained that this problem would be dealt with in section 5 of an additional article XIII, referred to on page 49 of Document SA/1.

The Committee then discussed Alternative B (p. 2a), proposed as an addition to section 3 of Alternative A. The proposer of this amendment explained its importance to liberated countries, indicating the complete disorganization of their monetary systems. He also pointed out the safeguards for the Fund contained in Alternative B. It was brought out in discussion that other countries in the Middle East would be faced with similar difficulties and might require similar arrangements.

This led to general discussion of the applicability of the Agreement to liberated countries, and the Committee agreed to recommend to Commission I that it appoint an *ad hoc* committee to consider the problems of liberated countries with respect to their initial quota payments and other matters dealt with in other provisions of the Fund.

(p. 2) The Chairman found that there was agreement with the substance of Alternative A, section 3, but that since it was related to provisions not yet

before the Committee, final consideration should be deferred.

The discussion then turned to Alternative A, section 4 (p. 3), which deals with adjustment of quotas. Questions were raised regarding whether the Fund should be permitted to revise quotas in general at any time or only at five-year intervals, and also whether the Fund should be able to revise an individual quota at any time. The consensus of the meeting was that the Fund should be permitted to revise quotas whenever it was deemed appropriate, and that it should also review the question every five years. Various phrases were suggested to accomplish this purpose. The matter was referred to the drafting committee.

The Committee then considered Alternative A, section 5, to article II, section 3 of the Joint Statement (p. 4), dealing with "Initial Payments". The Committee concurred in the substance of this provision and referred the various suggested improvements in language to the drafting committee.

[p. 152]

Document 140
CI/2/M3
Minutes of Meeting of Committee 2 of Commission I Operations of the Fund
(July 5, 1944, 5:30 *p.m.)*

The third meeting of Committee 2 of Commission I was held at 5:30 p.m. on July 5.

The Chairman was authorized to appoint an *ad hoc* committee to consider the question recommitted to Committee 2 by Commission I, that is, Alternative A, section 2 (3) (p. 6a of Document SA/1), Alternative B (p. 6b), and Alternative D (p. 6c), all of which refer to the conditions under which a member country may purchase the currency of another member from the Fund.

The Committee then continued its discussion of article III, "Transactions with the Fund". The Committee agreed to defer discussion of Alternative A, section 5 (2) and Alternative B (p. 8) in order to allow time for informal discussion of these Alternatives.

The Committee agreed to defer discussion of Alternative A, section 6 (p. 9) until article IX, sections 2 and 3 of the Joint Statement have been considered, since the meaning of section 6 (p. 9) depends on the provisions of article IX. In view of the close relation of article IX, sections 2 and 3, to the work of Committee 2, the possibility of a reassignment of work among the Committees of Commission I was suggested. The Committee also noted certain typographic errors in section 6. In the fifth line the word "currency" should be replaced by the word "current" and in the second line of paragraph (c) the word "above" should be replaced by the word "below". The Committee agreed that, pending further discussion, paragraph (c) be referred to the language committee with the suggestion that the words "contrary to" be substituted for the words "as a result of dealings illegal under".

The Committee agreed to approve Alternative A, section 7 (p. 10).

The Committee agreed to defer consideration of Alternatives A, C, D, and E to article III, section 7, of the Joint Statement (pp. 10, 11a, 11b) until Alternative A has been presented to the Committee.

The Committee agreed to refer Alternative A, section 9 (p. 12), to the language committee for rewording and clarification. [p. 153]

The Committee was informally presented with a new Alternative F to article III-2 (3) of the Joint Statement which the Committee agreed to refer to the *ad hoc* committee mentioned above, which is to be appointed by the Chairman to consider the other Alternatives to this same paragraph.

The Committee discussed briefly Alternative E (p. 6d), proposed as an addition to article III, section 2 of the Joint Statement. It will continue the

discussion of this Alternative at its next meeting.

[p. 153]

Document 141
CI/3/M3
Minutes of Meeting of Committee 3 of Commission I
ORGANIZATION AND MANAGEMENT OF THE FUND
(July 5, 1944, 4 p.m.)

At its third meeting, held on July 5 at 4 p.m., Committee 3 of Commission I decided to defer action and further consideration of article VII, section 2, Alternatives A and B, relating to the executive directors, until new drafts would be submitted by various members for the sections in controversy. The Committee proceeded to consider article VII, section 3, voting in the board of governors. After extended debate it was agreed to accept in principle the first paragraph providing for a number of votes to be assigned to each country by virtue of its membership, in addition to the votes proportional to quotas. No decision was taken on the number of 250 votes per country until more information about the quotas becomes available.

The Committee discussed, at considerable length, the implications of the second paragraph of article VII, section 3, providing for the reduction of votes of members purchasing currency from the Fund and increasing the votes of members whose currencies are sold by the Fund. In the discussion it was brought out that the precise limitations of the use of the proposed provision should be clarified by redrafting so as to make clear that the special voting provisions applied only to a few circumstances, e.g., the waiver by the Fund of the limitations on the annual purchase of currency by a member country and the prevention of the misuse of the Fund's assets. While there was no general agreement, [p. 154] the weight of opinion seemed to approve of the terms of Alternative A, with perhaps some reduction in the penalty to be applied to the countries making large purchases of currency from the Fund.

The third paragraph of the section was accepted. Alternative B was withdrawn by its supporters, except the portion relating to the quorum. It was agreed that the quorum should be constituted by at least half of the member countries and at least two thirds of the votes.

(N.B. The last word of the minutes of the meeting of Committee 3 of Commission I held on July 4 at 10:00 a.m. (Doc. 103) should read "votes" instead of "quotas".)

[p. 154]

Document 142

CI/4/M2

Minutes of Meeting of Committee 4 of Commission I

FORM AND STATUS OF THE FUND

(July 5, 1944, 5:30 *p.m.)*

The second meeting of Committee 4 of Commission I was held on July 5 at 5:30 p.m. The Chairman announced that the Chairmen of all of the delegations had agreed that there would be no formal voting in the Committees. The Chair was authorized to appoint a small "asterisk committee" to which minor questions of wording and coordination may be referred. In the case of a lack of agreement on important questions, the lack of agreement will be reported to the Commission. Approval was obtained permitting the technical personnel accompanying the delegations to be allowed, at the request of the representatives, to express the point of view of their delegations without entering into debate.

The Committee proceeded with the discussion of article IX, sections 5, 6, and 7, as amended. After considerable discussion and comments by various delegates, section 5 of article IX was approved as amended by document No. 120 to include the substance of section 6. There was considerable discussion of section 7, as amended by document No. 121. The Chairman appointed a subcommittee to review this section further before final approval. The subcommittee appointed consists of one delegate from Cuba, Norway, Union of Soviet Socialist Republics, United Kingdom, [p. 155] and United States of America, with the delegate of the United States as Chairman.

In addition to the articles and sections assigned to this Committee in document No. 51, the following matters previously assigned to Committee 3 of Commission I were also assigned for discussion at the next meeting of the Committee on July 6:

Article VII—Management of the Fund

Sec. 8—Relationship to other international organizations

Article VIII—Withdrawal from the Fund Sec. 1—Right of members to withdraw

Sec. 2—Suspension of membership or compulsory withdrawal

[p. 156]

Document 144
(p. 9a) SA/1/9
Alternative B
(Substitute for Joint Statement III, 5)

So long as a member country is entitled to buy another member's [p. 157] currency from the Fund in exchange for its own currency it shall be prepared to buy its own currency from that member with that member's currency or with gold and silver. In the latter case the proportion of the silver shall not exceed a percentage corresponding to that in which silver was used by the member country in subscribing its quota. This shall not apply to currency subject to restrictions in conformity with IX, 3 below, or to holdings of currency which have accumulated as a result of transactions of a current account nature effected before the removal by the member country of restrictions on multilateral clearing maintained or imposed under X, 2 below.

7/5/44 J.S. Art. III, Sec. 5

[p. 157 upper]

Document 145
(p. 2b) SA/1/10
Alternative C
(Substitute for Joint Statement II, 1)

Member countries shall subscribe in gold and in their local currencies amounts (quotas) to be agreed, up to a total of $10 billions (for the world as a whole) or $8 billions (for all the United and Associated Nations). Member countries may subscribe part of their quotas, as per 3 below (Alternative D, page 4b), in silver.

7/5/44 J.S. Art. II, Sec. 1

[p. 157 lower]

Document 146
(p. 4b) SA/1/11
Alternative D
(Substitute for Joint Statement II, 3)

The obligatory gold subscription of a member country shall be fixed at 25 percent of its quota or 10 percent of its holdings of gold and gold convertible exchange, whichever is the smallest. The remaining 75 percent shall be subscribed in local currencies or, if a member nation so wishes, in silver and its local currency in a proportion to be agreed upon in each individual case.

7/5/44 J.S. Art. II, Sec. 3

[p. 158 upper]

Document 147
(p. 6c) SA/1/12
ALTERNATIVE F
(Substitute in Alternative A of Art. III, Section 2 for paragraph (3))

(3) The total holdings of the Fund in the currency of the member initiating the purchase (after having been *brought up,* if below that figure, to *the value of* the quota of such member) have not increased during the previous twelve months by more than twenty-five percent of the quota of such member and do not exceed two hundred percent of the quota; and

7/5/44 J.S. Art. III, Sec. 2

[p. 158 lower]

Document 148

(p. 11c) SA/1/13

ALTERNATIVE F

(Substitute for Joint Statement III, 7(a), (b), and (c))

The Fund may also acquire gold and silver from member countries in accordance with the following provisions:

(a) A member country may repurchase from the Fund for gold and silver, as per III, 5 (Alternative B, page 10a) above, any part of the latter's holdings of its currency.

(b) So long as a member's holding of gold, gold-convertible exchange and silver exceed its quota, the Fund in selling foreign exchange to that country shall require that one-half of the net sales of such exchange during the Fund's financial year be paid for with gold.

(c) If at the end of the Fund's financial year a member's holdings of gold, gold-convertible exchange and silver have increased, the Fund may require up to one-half of the increase to be used to repurchase part of the Fund's holdings of its currency so long as this does not reduce the Fund's holdings of a country's currency below 75 percent of its quota or the member's holdings of gold, gold-convertible exchange and silver below its quota.

7/5/44 J.S. Art. III, Sec. 7

[p. 159 upper]

Document 149

(p. 10a) SA/1/14

Alternative B

(Substitute for Joint Statement III, 6)

A member country desiring to obtain, directly or indirectly, the currency of another member country for gold and silver is expected, provided that it can do so with equal advantage, to acquire the currency by the sale of gold and silver to the Fund. This shall not preclude the sale of newly mined gold and silver in any market.

7/5/44 J.S. Art. III, Sec. 6

[p. 159 middle]

Document 150
(p. 25g) SA/1/15
Alternative D
(Substitute for Joint Statement VII, 1)

(b) There shall be 12 Executive Directors of whom 5 shall be appointed by the members having the five largest quotas, 3 by the members having the six next largest quotas, and 4 by the other members. In the balloting for the seats allowed to each of the last two categories, each member eligible to vote in that category shall cast for one director all the votes to which he is entitled and the directors receiving the greatest number of votes shall be Executive Directors.

The members so chosen shall have the power of appointment of directors for two years; at the end of this period any of the members may be chosen again or other members may be chosen. The persons chosen as Executive Directors need not be Governors. The Executive Directors shall meet not less than once every three months.

7/5/44 J.S. Art. VII, Sec. 1

[p. 159 lower]

Document 151
(p. 25d) SA/1/16
ALTERNATIVE C

(a) The Board of Governors shall appoint an Executive Committee. [p. 160]

The Executive Committee shall conduct all of the business of the Fund delegated to them by the Board of Governors.

(b) *Formation of the Executive Committee.*

The Executive Committee shall consist of fourteen Executive Directors appointed as follows:

1. Five Directors representing each one of the five member countries having the largest quotas in the Fund.

2. Three Directors representing the member countries in the economic area of the British Empire.

3. Three Directors representing the member countries in the economic area of the American Republics.

4. Three Directors representing the member countries in all other economic areas.

Each Director shall have an alternate appointed in the same manner. Executive Directors and their alternates need not be Governors and may be reappointed.

(c) *Method of Election of the Executive Committee.*

The five Executive Directors of the five member countries having the largest quotas in the Fund shall be appointed directly by each one of such member countries and shall continue to serve for an indefinite period, subject to the pleasure of their respective Governments.

The remaining nine Executive Directors shall be chosen by the Board of Governors every year at its Annual meeting by separate elections in which all the governors of the respective economic areas shall participate, except those governors representing member countries holding permanent seats in the Executive Committee.

(p. 25e) Each governor, in the respective economic area to which his member country belongs, shall be entitled to cast exclusively for one Executive Director all of the votes to which his member country is entitled according to the rules of voting of Section 3 of this Article. The three persons receiving the highest number of votes shall be considered elected, provided, however, that no Executive Director shall be considered elected at the first ballot who has not received at least one-third of all the votes of the participating countries of his respective economic area.

If at the first balloting of the respective economic areas all three Directors should not have been elected according to the application of the

preceding rules, then a second balloting shall be held at which only those governors who voted for a person not elected shall [p. 161] be entitled to participate in the second balloting. If at the second balloting the total number of Directors of the respective area shall not have been elected, further ballotings shall be taken applying the same rules until two Directors shall have been so elected. The third Director may then be elected by a simple majority vote.

The above procedure shall be equally applicable to the election of alternate Executive Directors.

(d) *Meetings of the Executive Committee.*

The Executive Committee shall meet as often as the business of the Fund may require. The Executive Committee may also decide to hold regular meetings at stated periods to consider questions of general policy of the Fund and to prepare the agenda for the annual meeting of the Board of Governors.

The General Manager of the Fund shall act as Chairman of the Executive Committee, but shall have no vote.

(p. 25f) In order to constitute a quorum for the meetings of the Executive Committee there must be present not less than seven Directors representing not less than one-half of the total voting power of the Executive Directors.

Whenever a member country not having a national among the Executive Directors may have requested action or will be directly affected by a decision of the Executive Committee, such member country shall be entitled to have a representative present at the meeting when such request or decision is to be considered, but such representative shall not be entitled to vote.

(e) *Decisions of the Executive Committee.*

Resolutions of the Executive Committee shall be adopted by the favorable vote of the majority of Directors attending the meeting, provided, however, that in the said voting there should also concur a majority of the voting power represented by each Director according to Section 8.

For the purpose of computing their voting power under Section 3, the Director representing an economic area on the Executive Committee shall be entitled to represent and cast the accumulated number of votes of the member countries that voted for him in his area.

(f) The Executive Committee shall appoint the General Manager of the Fund, and shall determine his duties and powers.

The Executive Committee may also appoint such committees as they deem advisable. Membership of such committees need not be limited to governors, directors and alternates. [p. 162]

The General Manager and the Executive Directors shall be compensated by the Fund in an amount fixed by the Board of Governors.

7/5/44 J.S. Art. VII, Sec. 1

[p. 162]

Document 152

(p. 26) SA/1/17

COMBINED ALTERNATIVES A AND B FOR JOINT STATEMENT VII 1, 2, AND 3, AND ADDITIONAL MATERIAL ON PAGE 27 OF DOCUMENT SA/1

1. The Executive Directors shall be responsible for the conduct of the general operations of the Fund, and for this purpose, shall exercise all the powers delegated to them by the board of Governors.

2. There shall be eleven Executive Directors, of whom five shall be appointed by the five members having the largest quotas and six shall be elected biannually, in accordance with the provisions of Schedule B, by all the Governors other than those appointed by the members having the five largest quotas. Persons chosen as Executive Directors need not be Governors.

3. Every Executive Director may appoint an alternate with full power to act for him when he is not present. When the Executive Directors appointing them are present, alternates may participate in meetings but shall not vote.

4. The Executive Directors shall be in continuous session at the principal office of the Fund.

5. In order to constitute a quorum for any meeting of the Executive Directors, there must be present a majority of the Directors representing not less than one-half of the voting power of all the Executive Directors.

6. Each Executive Director appointed by one of the members with the five largest quotas shall be entitled to cast the number of (p. 26a) votes allotted under Section 3 of this Article (J.S. VII, 2) to the member appointing him. Each elected Executive Director shall be entitled to cast only the number of votes which actually count toward his election. When the provisions of the second paragraph of Section 2 of this Article are applicable, the votes to which an Executive [p. 163] Director would otherwise be entitled shall be increased or decreased proportionately. Each Executive Director shall cast all of the votes to which he is entitled as a single unit.

7. The Board of Governors shall make regulations containing provisions under which a member which is not entitled to appoint an Executive Director under 2 above shall be permitted to send a representative to attend any meeting of the Executive Directors when a request made by, or a matter particularly affecting, that member is under consideration.

8. The Executive Directors shall appoint a Managing Director who shall not be a Governor or an Executive Director. The Managing Director shall be Chairman of the Executive Directors, but shall have no vote except a casting vote in case of an equal division. He may participate in meetings of the Board of Governors, but shall not vote at such meeting. He shall, however, be eligible for election as Chairman of the Board of Governors. The Managing

Director shall hold office at the pleasure of the Executive Directors.

(p.26b) 9. The Managing Director shall be chief of the operating staff of the Fund and shall conduct under the direction of the Executive Directors, the ordinary business of the Fund's work. Subject to the general control of the Executive Directors, he shall be responsible for the internal organization of the Fund's staff and the appointment and dismissal of its staff. The Managing Director shall be responsible to the Executive Directors for the accounts.

10. The Executive Directors may appoint such committees as they deem advisable. Members of such committees need not be limited to Governors or Executive Directors or their alternates.

11. The Board of Governors shall determine the remuneration to be paid to the Executive Directors and the salary and terms of service of the Managing Director.

SCHEDULE B

(a) In balloting for the elective Executive Directors, each governor eligible to vote shall cast for one person all of the votes to which he is entitled under the first paragraph of Section 3 of this article (J.S. VII, 2). The six persons receiving the greatest number of votes shall be Executive Directors, except that no person who receives less than sixteen percent of the aggregate eligible votes shall be considered elected.

(p. 26c) (b) When six persons are not elected on the first ballot, a second ballot shall be held in which the person receiving the [p. 164] lowest number of votes shall be ineligible for election and in which there shall vote only those governors who voted on the first ballot for a person not elected and those governors all or part of whose votes for a person elected are deemed to have raised the votes cast for that person above seventeen percent of the aggregate eligible votes.

(c) In determining whether any part of the votes cast by a governor are to be deemed to have raised the total of any person above seventeen percent, there shall be considered as not forming part of the excess over seventeen percent the votes of the governor casting the largest number of votes for such person, then the votes of the governor casting the next largest number, and so on until the total reaches seventeen percent.

(d) Any governor whose votes are partly not in excess and partly in excess shall be eligible to vote in the second balloting only to the extent of the votes in excess.

If on the second ballot, six persons have not been elected, further ballots shall be taken on the same principles until six persons have been elected, provided that after five persons are elected, the sixth may be elected by a simple majority of the remaining votes and shall be deemed to have been

elected by all such votes.

[p. 164]

Document 153

DP/5 Egyptian Delegation

Memorandum to be Submitted to Commission I (Committee 2)

Paragraph IV, 1 of the Joint Statement lays down that "The par value of a member's currency.... shall be expressed in terms of gold."

This statement lacks precision. It fails to indicate the date on which the expression is to take place, an important point, since the value of gold varies from day to day, and the place at which the gold is situated, in terms of which the currency is to be valued. This also is important, for a kilogram of gold in New York has not the same value as a kilogram of gold in London, in Pretoria, in Bombay or in Cairo. [p. 165]

Difficulties are bound to arise, unless this ambiguity is removed, as it can be removed by setting up an international standard of value, which, it is suggested should be that of 10 (ten) grams of fine gold at the seat of the Fund as of a date to be agreed.

It is suggested that this international unit of value be called the *val,* with subdivision decimally into millivals (thousandths) and multiples, kilovals (thousands) and megavals (millions).

It is further suggested that the value be expressed in terms of gold, through the definition

"The price of ten grams of fine gold at the central seat of the Fund, on (an agreed date) shall be one val."

The possibility of such changes as have been mentioned above seems to be envisaged in IV, 5 of the Joint Statement, which provides for a uniform change in the gold value of member currencies. In the suggested plan, such a change would be made by a modification of the defined price of ten grams of gold, in terms of vals.

It is submitted that the institution of some such international unit of value will be found ultimately to be necessary, in order to facilitate accounting, the expression of currencies in terms of gold, and the expression of currencies in terms of each other, to serve, in fact, as a common denominator of value. Its institution is in line with the adoption of international measures of length, weight, electrical units and so forth.

The introduction of an international unit into both the plans associated with the names of Mr. White and Lord Keynes was based on sound principles, although exception may be taken to the particular units there devised, (p. 2) The amount, 10 grams, is suggested because it links the international currency decimally to the C.G.S. system already adopted for so many international purposes. Its magnitude gives a convenient size to the unit, namely, approximately $11,253 or 54.013 shillings, and the millival, about 1-1/8 cent, is not very different from the cent, which is roughly the

lowest unit of value used in commercial accounting. (If lower submultiples should be required for special purposes, there is no difficulty in subdividing further decimally).

The following resolution is therefore recommended:

"An international unit of value shall be instituted. This international unit shall be denominated one VAL. The val shall be subdivided and multiplied decimally. The value of the val shall be expressed in terms of gold by the definition:

'The price of ten grams of fine gold at the central seat of the Fund as of (a date to be agreed) shall be one VAL.' "

[p. 182]

Document 157
DP/6
Address Delivered Before Committee 2 of Commission I, by Antonio Espinosa de los Monteros, Mexican Delegate, in Support of Mexico's Proposal on Silver, on July 5, at 6:30 p.m.

MISTER CHAIRMAN, FELLOW DELEGATES:

On behalf of the Mexican Delegation I want to explain why we are making this proposal.

It is easy to misunderstand our position. Mexico produces 40% of all the silver. Therefore, one could think, Mexico is interested, above all, in furthering the interests of her mining industry.

However, we do not come before this High Assembly of Nations as the largest producers of silver. Certainly nobody could believe that the gold-producing nations are represented here to further their own interests. Rather, we are all here to present our common monetary problems, and to seek an agreement on how to meet them in the brotherly spirit of cooperation.

We wish to emphasize, then, that Mexico wants to present to your consideration a strictly monetary problem. We believe that this problem has international implications, undoubtedly small in economic significance for the world as a whole, but certainly large and vital for some members of the community of nations. Furthermore, we are certain that this problem has never received the unprejudiced consideration it deserves by the nations which do not have to face the same difficulties.

Mexico's problem derives from the fact that her people continue to hoard large amounts of silver coins. They, of course, have been doing that for centuries. They know not as yet any of the great advantages of savings banks and fiduciary currencies. Nor do they seem to be very anxious to learn about them. When they can they hoard silver and nothing else, probably because all their ancestors have always done so, and certainly because their personal income does not permit them to hoard gold.

Because of this fact, Mexicans absorb large quantities of silver coins when their income is increasing, and return them to the Central Bank when they have to draw on their savings. This simply means that our Central Bank has to invest heavily in silver, during the upward swing of the trade cycle when the price of silver is naturally higher. On the other hand, the Bank is compelled to cash it in foreign markets, during the downward swing, [p. 183] exactly when silver is cheaper. Thus, our Central Bank loses not only the difference between the buying and selling prices, but also the recurrent minting and melting costs.

Therefore, it is evident that because of the hoarding requirements of our people, Mexico has to invest in silver a large part of her international

balances of gold and gold-convertible currencies when her balance of payments is favorable. But when the situation is (p. 2) reversed, she has to sell that silver in order to support the parity of the peso, in the bargain she is always the loser, since there is no manner in which she can hedge against the fluctuations of silver.

This is the essence of Mexico's problem. Is it not true that many other Nations partake of this same risk? Is it too much to expect that the Fund extend credit facilities specially adopted to meet this special need? It might be said that the Fund, under the proposed provisions, is already authorized to waive all specific conditions set forth under Article III, Section 2 of the Draft, precisely in order to meet exceptional cases. But Mexico's case is not exceptional. Her problem is, we believe, common to several countries, and it is besides recurrent in character. Should not the Fund, which is essentially an instrument for international cooperation, be authorized specifically to extend credit to the silver-hoarding countries of the world?

Specifically, then, Mexico is proposing that the Fund shall extend credits to the silver-hoarding Nations over and above the normal credits extended by the Fund to all countries. Mexico, furthermore, proposes the silver hoarding of her nationals as an adequate collateral security.

Should the Conference adopt this proposal, henceforth Mexico and the countries which have the same problem will not have recurrently to buy and coin silver only to melt and sell it again. Instead of that wasteful and unnecessary process, whenever a silver-hoarding country is running short of foreign exchange with which to maintain the parity of its monetary unit, the Fund would provide that exchange as a credit, with the understanding that all the risks due to fluctuation in the price of silver will remain with the borrowing country.

The Mexican Delegation feels certain that this proposal will be supported by all the Delegates, inasmuch as the amounts of the Fund's resources needed for the purpose will be relatively small, and adequately safe-guarded, and above all because the approval of Mexico's proposal would be an act of elementary international justice.

[p. 184 upper]

Document 162

DP/7 *Indian Delegation*

The following revised amendment to the JOINT STATEMENT I, Subdivision 2 is proposed by the Indian Delegation:—

ALTERNATIVE I

To facilitate the expansion and balanced growth of international trade and to contribute thereby to the promotion and maintenance of high levels of employment and to the development of the resources and productive power of all member countries, with due regard to the needs of economically backward countries.

[p. 184 lower]

Document 164
(p. 18(b)) SA/1/19
Alternative C

* Section 5. *Uniform Changes in Par Values.*

Notwithstanding the provisions of Section 2 of this Article, the Fund may make uniform proportionate changes in the par values of the currencies of all the members, provided each such change is approved (a) by a majority vote and (b) by at least one-third of the members, and (c) by every member which has 10% or more of the aggregate votes. *Such uniform changes shall be excluded from consideration in applying the provisions of Sections 4(3) and (A) of this Article.* (J.S. IV, 4).

[p. 185]

Document 166
(p. 16) SA/1/20
JOINT STATEMENT IV, 1.
IV. Par Values of Member Currencies.

1. The par value of a member's currency shall be agreed with the Fund when it is admitted to membership, and shall be expressed in terms of gold. All transactions between the Fund and members shall be at par, subject to a fixed charge payable by the member making application to the Fund, and all transactions in member currencies shall be at rates within an agreed percentage of parity.

Alternative A

& Section 1. *Par Values of the Currencies of Members.*

The par value of the currency of each member shall be expressed in terms of gold, as *a common denominator, or in terms of a gold-convertible currency unit of the weight and fineness in effect on July 1,1944. All computations relating to currencies of members for the purpose of applying the provisions of this Agreement shall be on the basis of their par values.*

The provisions of this Section shall apply to the case in which a uniform proportionate change is made in the par values of the currencies of all members, unless at the time when such a change is proposed to be made the Fund shall declare them to be inapplicable.

7/1/44 J.S. Art. IV, Sec. 1

[p. 215]

Document 171
CI/2/M4
Minutes of Meeting of Committee 2 of Commission I
OPERATIONS OF THE FUND
(July 6, 1944, 2:30 p.m.)

The Chairman asked the delegations of the following countries to name a member to serve on the language committee: United States, *Chairman*; China, Ecuador, French Delegation, Union of South Africa, and Union of Soviet Socialist Republics. The Chairman asked the delegations of the following countries to name a member to serve on the *ad hoc* committee to consider article III, section 2 (3), Alternatives A, B, D, and F (Document SA/1, pp. 6a, 6b, 6c, and 6e) : French Delegation *Chairman;* Australia, Brazil, Canada, China, Mexico, Netherlands, Union of Soviet Socialist Republics, United Kingdom, and United States.

The Committee continued its discussion of article III, Transactions with the Fund.

On Alternative E (p. 6d), it was decided to defer action pending informal discussions among certain members of the Committee looking toward the submission of a compromise proposal.

On Alternative A, section 5 (2) (p. 8), and Alternative B (p. 8) the Committee agreed to revise Alternative A, section 5 (2) to read "Buy that currency from that member with gold". Alternative B was withdrawn.

(p. 2) On Alternatives A and B (p. 13) the Committee agreed to defer discussion until the material to be inserted in Alternative A is available.

The Committee deferred discussion of Alternatives A and B (pp. 14, 14a, and 14b) until all members have had a chance to study them.

The Committee agreed to refer Alternatives A and B (p. 15) to the language committee.

The Committee agreed to approve Alternative A (p. 16).

The Committee discussed Alternatives A and B (pp. 18 and 18a) at some length. A third Alternative was presented informally [p. 216] and will be circulated. The Committee will continue its discussion of these Alternatives at its next meeting.

[p. 216]

Document 172
CI/1/M4
Minutes of Meeting of Committee 1 of Commission I
PURPOSES, POLICIES, AND QUOTAS OF THE FUND
July 6, 1944—10 a.m.

The Committee began its fourth meeting by discussing the report of the drafting committee. The Committee discussed the revised language for article I, section 2, dealing with the purposes of the Fund. It was agreed to accept this wording with the reservation that delegations not completely satisfied might raise the question later if their viewpoint did not find adequate expression in a general preamble covering the whole work of the Conference.

The Committee approved the revised wording of article I, sections 3 and 6, and also accepted the recommendation of the drafting committee to accept the wording of Alternative A following section 6, which reads, "The Fund shall be guided in all its decisions by the purposes set forth above".

Alternative H to article I (p. 1d), which adds to the purposes of the Fund the liquidation of war balances, was discussed in conjunction with Alternative G (p. 1c), dealing with the same subject. The importance attached by a number of delegations to the inclusion in the Agreement of some means of facilitating the settlement of this problem was fully developed. The considerations which led to the omission of references to this problem from the Joint Statement were once more brought out and the view that the matter was one for (p. 2) direct settlement between creditors and debtors was debated. Some delegations advanced the view that balances of members now in enemy hands had as good a claim to the assistance of the Fund in their liquidation as the balances of one member held by another member.

Following its procedure of the previous day with regard to Alternative G, the Committee agreed to refer Alternative H to Commission I with a report of the nature of its discussions.

The Committee approved Alternative A, section 6 (p. 4 of Document SA/1), which deals with payments when quotas are changed. The Committee also discussed Alternatives B and C relating to the reduction in initial gold payments by countries [p. 217] suffering as a result of enemy occupation (p. 4a), and agreed to refer these proposals to the *ad hoc* committee of Commission I which is to deal with questions of special interest to liberated countries.

The Committee passed over article IX, section 1 (p. 38), since the necessary material was not available.

The suggestion was made that in view of the interest of Committee 2 in the whole of article IX a joint session of the two Committees on this article would be desirable. The Chairman announced that, pending decision on this

suggestion, Committee 1 would continue with its original assignment, which includes this article.

(p. 3) The Committee discussed section 2 of article IX (p. 38), dealing with gold purchases based on parity prices, and referred it to its drafting committee for clarification of statement. The same action was taken with regard to paragraph (a) of the proposed section 3 under article IX, concerning foreign-exchange dealings based on par values. This appears as part of Alternative A on p. 39, Document SA/1; Paragraph (b) of this Alternative was agreed upon in substance but was referred to the drafting committee for language clarification. With regard to paragraph (c) of this Alternative, discussion disclosed various difficulties of a legal nature. Emphasis was also given to the close relationship of this section to the work of Committee 2. The paragraph was therefore referred to the drafting committee with instructions to defer its report.

The Committee then considered Alternative A to section 4 of article IX (p. 40). The discussion developed a substantial degree of uncertainty as to the precise character of the exchange control which member countries obligate themselves to eliminate under this section. The Committee decided to request Commission to clarify the meaning of this provision, and to postpone further consideration of it until Committee 2 had discussed the problem.

[p. 217]

Document 173
CI/3/M4
Minutes of Meeting of Committee 3 of Commission I
ORGANIZATION AND MANAGEMENT OF THE FUND
(July 6, 1944, 10 a.m.)

At the fourth meeting of the Committee, held on July 6 at 10 [p. 218] a.m., the text of article VII, section 5 (p. 28), was accepted without change. Article VII, section 6 (p. 29) on depositories was then given extended consideration. Paragraph (a) in Alternative A was agreed to without change. Agreement was not reached on paragraph (b), Alternatives A and B (pp. 29 and 29a), and the question was referred to Commission I for decision. Alternative C (p. 29a) was dropped by general consent. Section 7 was agreed upon as proposed in Alternative A (p. 29).

The Committee resumed consideration of the question of management of the Fund, article VII, section 2. New drafts for the relevant sections were submitted. The original Alternatives A and B were combined into a new draft (SA/1/17, Document 152). Alternative C (SA/1/16, Document 151) and Alternative D (SA/1/15, Document 150) were introduced at this meeting. After discussion, it was apparent that no complete agreement was possible in view of the differences of these drafts. Additional amendments to these drafts are to be submitted by several of the members. The Chairman was authorized to appoint a special committee to consider the reconciliation of these drafts and to present a new document to the Committee as soon as possible. The following countries were named to this committee: Belgium, Cuba, Netherlands, United Kingdom, and United States.

Article VII, section 8 (p. 30), and article VIII, section 1 (p. 34), were not discussed, pending clarification of their possible assignment to Committee 4. The Committee recommended that the first three clauses of article VII, section 11 (p. 33), be referred to Committee 4. Since an amendment is proposed to the fourth clause, action was postponed on this clause, while the fifth clause was adopted as presented.

(N.B. In the Minutes of Meeting of July 4, 4 p.m., (document no. 113) in lines 6 and 7 of the third paragraph, the words "Board of Governors" should read "Executive Directors".)

[p. 218]

Document 174
CI/4/M3
Minutes of Meeting of Committee 4 of Commission I
FORM AND STATUS OF THE FUND
(July 6, 1944, 2:30 p.m.)

The third meeting of Committee 4 of Commission I was held on July 6, at 2:30 p.m. The Chair appointed the Delegates from China, Cuba, Ecuador, Poland, Union of Soviet Socialist Republics, [p. 219] United Kingdom, and the United States as members of the "asterisk committee", with the Delegate from Cuba serving as Chairman. Also serving as *ex officio* members of this Committee are the Chairman, Reporter, and Secretary of Committee 4.

The Chairman of the subcommittee to review article XI, section 7, reported that the members, at the meeting held today, were substantially in agreement. It was indicated by the Chairman that the revised article XI, section 7, would be submitted to the full Committee at the next scheduled meeting.

Article VII, section 8 (p. 30), was discussed extensively and recommended for approval without change. At the suggestion of one of the delegates, the Committee approved the discussion at this meeting of article VII, section 11, "Miscellaneous Powers", items 1, 2, and 3 (p. 33), which had been previously assigned to Committee 3. After considerable discussion of the interpretation of the proposed wording of the first phrase under the heading, it was agreed that the present wording would be revised and stated as follows: "In order to carry out its purposes, the Fund shall have full legal personality and, in particular, to ..." With this amendment in wording the Committee approved article VII, section 11, (1), (2), and (3).

Following an extended discussion of article VIII, section 1, Alternative A, the Chair stated that a consensus of the delegates indicated approval. During this discussion the delegate of the country proposing Alternative B stated his reasons for recommending changes in Alternative B.

(p. 2) Article VIII, section 2 (p. 35), was not available for discussion.

At a joint meeting of the Chairmen of Committees 3 and 4, it was agreed that article VIII, section 2, would be discussed upon its completion in Committee 3 instead of Committee 4, as previously announced in the minutes of July 5, 1944.

In the case of article XI, "Amendments" (p. 45), there was a consensus of the Committee that certain modifications be made to cover the proposals made by the delegates of two of the countries. This article was referred to the "asterisk committee" for its consideration.

Article XII, section 1 (p. 46), was discussed at length. At the conclusion of the discussion the Chairman stated that the consensus approved

Alternative A but, because Alternative B was an explanation of a part of Alternative A, recommended that the "asterisk committee" meet and prepare one document for presentation to the Committee.

[p. 220 upper]

Document 175
C/S/M1
Procedural Decisions of the Steering Committee
(July 6, 1944)

The Steering Committee has determined upon the following procedures in order to expedite the work of Commission I and its Committees on the International Monetary Fund. It requests that the officers and members of the Commission and its Committees follow these procedures:

1. Commission I should meet next at 9:30 a.m. on July 10. In accordance with the prior decisions of Commission I, the reports of the Reporting Delegates of Committees should be circulated long enough in advance of this meeting to permit full consideration.

2. The Committees of Commission I will want to conclude their consideration of all matters on which the texts of provisions have been laid before them in time to allow the Reporting Delegates opportunity to prepare their reports.

3. No matter should be referred to the Commission unless it has been considered first by the Committees or their subcommittees.

The Chairman of Commission I is empowered, in advance of the meeting of July 10, to appoint such *ad hoc* committees as may be conducive to the securing of agreement on particular questions which have not been resolved by the Committees.

[p. 220 lower]

Document 177

(p. 16a) SA/1/21

ALTERNATIVE B

(For the first sentence of Joint Statement IV, I, substitute:)

The Government of the United States and the Government of the United Kingdom will communicate to the Monetary Fund at its inauguration the initial par value of their respective currencies, expressed in terms of gold. Within one month, the other member countries wishing to adhere to the Fund, will make corresponding communications. Notwithstanding this rule, member countries that have been occupied by the enemy need not [p. 221] make a definitive communication in the above sense until the reconstruction of their monetary system has been completed, and the initial communication may be limited to giving a provisional par value. If the Board of Governors (Directors) of the Fund finds a communicated initial (or provisional) par value reasonable, such par value shall come into force immediately for the purpose of the Fund. If, however, the Board of Governors (Directors) should deem the communicated par value to be open to criticism, the question shall be the subject of further consideration with the member country in question, and the facilities of the Fund shall not be available to the member until agreement has been reached.

7/6/44 J.S. Art. IV, Sec. [1]

[p. 221]

Document 178

(p. 26 d) SA/1/22

ALTERNATIVE C

(For Combined Alternatives A and B for Joint Statement VII, 1, 2 and 3, and additional material on page 27 of Document SA/1/17)

Substitute for 3:

3. For every Executive Director there shall be elected at the same time and according to the same rules an alternate with full power to act for him when he is not present. An Executive Director and his alternate need not represent the same country.

Substitute for 4:

4. The Executive Directors shall be continuously in function at the principal office of the Fund.

Substitute for 8:

8. The Executive Directors shall co-opt a Managing Director who shall not be a Governor or an Executive Director. The Managing Director shall be Chairman of the Executive Directors, but shall have no vote except a casting vote in case of an equal division. He may participate in meetings of the Board of Governors, but shall not vote at such meeting. He shall, however, be eligible for election as Chairman of the Board of Governors. The Managing Director shall cease to hold office when the Executive Directors will so decide. He will not take the chair in the meeting taking such decision.

7/6/44 J.S. Art. VII, Sections 1, 2 and 3

[p. 222]

Document 179
(p. 36b) SA/1/24
ALTERNATIVE D
(For Combined Alternatives A and B for Joint Statements VII, 1, 2 and 3, and additional material on page 27 of Document SA/1/17)

Substitute for 2:

2. There shall be 12 Executive Directors, of whom 6 shall be appointed by the six members having the largest quotas and 6 shall be elected biennially in accordance with the provisions of Schedule B, by all the Governors other than those appointed by the members having the 6 largest quotas. Persons chosen as Executive Directors need not be Governors.

Substitute for 4:

4. Employ such staff as shall be necessary to conduct the business of the Fund, provided that, in employing staff due regard shall be paid to the fair representation of the nationals of member countries.

7/6/44 J.S. Art. VII, Sections 1 , 2 and 3

[p. 223]

Document 181
(p. 29b) SA/1/25
ALTERNATIVE D
(Supplement to Alternative A, section 6-b)

"At least one half of the holdings of gold of the Fund shall be held in the designated depository in the member in which the Fund has its principal office, *and 40% of the holdings of gold of the Fund shall be held in the designated depositories in the remaining three members having the largest quotas.*

J.S. Art. VII, Additional Sections (6 & 7)

[p. 224]

Document 182

(p. 14c) SA/1/26

ALTERNATIVE C

(The following material has been suggested as an addition to Article III)

SECTION 11. *Furnishing Information.*

The Fund may require members to furnish it with such information as it deems necessary for its operations. In requesting information the Fund shall, however, take into consideration the varying ability of members to furnish the data asked for, and members shall be under no obligation to furnish information in such detail that the affairs of individuals or corporations are disclosed. Subject to this proviso members undertake to furnish the desired information in as detailed and accurate a manner as is practicable, and to avoid mere estimates so far as possible. The minimum amount of information necessary for the effective discharge of the Fund's duties includes the following.

1. Official holdings at home and abroad, of (a) gold, (b) foreign exchange.

2. Holdings at home and abroad by banking and financial agencies other than official agencies of (a) gold, (b) foreign exchange.

3. Production of gold.

4. Gold exports and imports according to countries of destination and origin.

5. Total exports and imports of merchandise, in terms of local currency values, according to countries of destination and origin. (p.14d)

6. International balance of payments, including (a) trade in goods and services, (b) gold transactions (c) known capital transactions, and (d) other items.

7. International investment position, i.e., investments within the country owned abroad and investments abroad owned by residents of the country so far as it is possible to furnish this information.

8. National income.

9. Price indices. (Indices of commodity prices in wholesale and retail markets and of export and import prices.)

10. Buying and selling rates for foreign currencies.

11. Exchange controls. (Comprehensive statement of exchange [p. 225] controls in effect at the time of assuming membership in the Fund and changes thereafter as they occur.)

12. Where official clearing arrangements exist, details of amounts awaiting clearance in respect of commercial and financial transactions, and of the time lag for each group.

7/7/44 J.S. Art. III, Additional Section (11)

[p. 227]

Document 187

DP/ 9 *Mexican Delegation*

Submitted for Consideration by Commission III

Agreement on Earmarked Gold.

WHEREAS the practices for earmarking gold might not coincide in all particulars in different countries;

WHEREAS earmarked gold is part, of the monetary reserve of such countries and therefore should be free from all restrictions as to its use, transfer, and transportation; and WHEREAS, in order to avoid unnecessary movements of gold and thereby reduce to a minimum the cost and risks involved, it would be convenient to adopt a common international policy with respect to such gold;

THE MEXICAN DELEGATION submits the following proposal for the consideration of Commission III:

1. The countries represented at this Conference agree to extend to earmarked gold the same treatment and immunities they may agree to give to the gold and other assets of the International Monetary Fund.

[p. 230 upper]

Document 191
(p. 43b) SA/1/29
ALTERNATIVE A
(Suggested as additional section of Art. IX)

SECTION 8. To cooperate with other member countries in order to enable them to render really effective such controls and restrictions as these countries might adopt or continue, with the approval of the Fund, for the purpose of regulating international movements of capital.

7/7/44 J.S. Art. IX, Additional Section (8)

[p. 230 lower]

Document 192
Second Report of the Drafting Committee of Committee 1 of Commission I
July 7, 1944

The Drafting Committee met on July 7, 1944 to consider the matters referred to it by the Full Committee on July 5 and 6,1944.

The following members were present: Mr. Goldenweiser, Chairman, Dr. Tsiang, Dr. Gudin, Mr. Mládek, Mr. Melville, Professor Robbins, Mr. Morozov, and Mr. Varvaressos, and Mr. Brown and Mr. Young from the Secretariat.

The Drafting Committee recommends the following language for Article II, Section 1—Countries Eligible for Membership:

Article II, Section 1

"At the outset the members of the Fund shall be those of the countries represented at the United Nations Monetary and Financial Conference whose governments accept membership in the Fund.

"Subsequently membership in the Fund shall be open to other countries at such times and in accordance with such terms as may be prescribed by the Fund."

The Drafting Committee recommends the following language for Article II, Section 4 — Adjustment of Quotas (page 3):

"The Fund shall at intervals of five years review and, if it deems it appropriate, adjust the quotas of the members. It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned. A four fifths majority vote shall be required for any change in quotas and no quota shall be changed without the consent of the member concerned."

The Drafting Committee recommends the following language for Article II, Section 5—Initial Payments (page 4) :

"Each member shall pay in gold as a minimum either (a) twenty-five percent of its quota, or (b) ten percent of its official holdings of gold and gold convertible exchange,[8] whichever is smaller on ----------. In the case of any member occupied by the enemy whose holdings are not ascertainable as of ----------, the Fund shall fix an appropriate alternative date. The data necessary to determine official holdings of gold and gold convertible exchange shall be (p. 2) furnished by the members as provided in this Agreement. Each member shall pay the balance of its quota in its own

[8] The phrase "gold and gold convertible exchange" is subject to definition and to such change in terminology as may be agreed upon. [Note in conference proceedings.]

currency."

The Drafting Committee recommends the following language [p. 232] for Article IX, Section 2—Gold Purchases Based on Parity Prices (page 38) :

"Monetary authorities or agents of member countries shall not buy or sell gold at prices which vary from the agreed parity of their currencies by more than a prescribed margin."

The Drafting Committee wishes to report that if any revisions are later included under Article IX, Section 1—Purpose and Scope of Additional Undertakings (p. 38 of Document SA/1), which affect Section 2 of this Article, the Committee wishes to reconsider its recommendation.

The Drafting Committee recommends the following language for Article IX, Section 3, Paragraph (a)—Foreign Exchange Dealings Based on Par Values (p. 39 of Document SA/1) :

"The Fund shall prescribe the margin by which the maximum and minimum rates for exchange transactions in member currencies may differ from parity. This margin, however, shall not exceed ---------- percent of the parity."

This recommendation is made by the Drafting Committee in order to make clear that the purpose of the paragraph is to prescribe the spread within which transactions may be carried out and not to fix the level or parity of exchange rates which is dealt with in other provisions of the agreement. The discussions of the Drafting Committee, however, developed a difference of view as to whether it is intended that the buying and selling rates falling within the permissible spread should be agreed upon by the Fund and each member, or whether the member country should have full freedom in this respect. The Drafting Committee considered this to be a matter of substance and not falling within its competence, and referred the question to the Full Committee.

The Drafting Committee recommends the following language for Article IX, Section 3, Paragraph (b):

"Each member undertakes, through appropriate measures authorized under this agreement, not to permit within its jurisdiction an appreciation or depreciation of (p. 3) the exchange value of its own currency in terms of gold beyond the range prescribed under (a) above. In particular, a member whose monetary authorities in fact freely buy and sell gold or gold convertible exchange within the prescribed range, to settle international transactions, shall be deemed to be fulfilling this undertaking."

Some members of the Drafting Committee felt that it would [p. 233] be necessary to obtain clarification of the precise meaning of the word "freely" as used in this provision.

The Drafting Committee deferred consideration of Article IX, Section 3, Paragraph (c), in accordance with its instructions from the Full Committee.

The Drafting Committee considered again Article I, Section 4 of the

agreement which deals with the promotion of exchange stability as one of the purposes of the Fund. The Drafting Committee wishes to inquire of the Full Committee whether the procedure for changing exchange rates has been agreed upon since it can not make a recommendation on this section until that is done.

The Drafting Committee also considered Article II, Section 3— Time and Place of Payment (p. 2 of Document SA/1), which was referred to it by the Committee on July 4, 1944. After considering the possibility that the language in this clause might enable a country to be a member of the Fund for a considerable time without furnishing its quota, the Drafting Committee decided that the language of the clause was not susceptible of such interpretation and was, therefore, satisfactory. The delegate from Czechoslovakia wishes the Drafting Committee to report that his agreement with the wording of this section is contingent upon the manner in which the Conference finally decides to deal with Alternative B to this provision, which provides for special arrangements for the payment of quotas by countries whose currency systems have been disorganized as a result of the war.

[p. 233]

Document 194
(p. 43a) SA/1/28
Alternative B
(Suggested as Article IX, Section 7)
Restrictions on Taxation of the Fund, Its Employees, and Obligations

(a) The Fund, its assets, property, income and its operations, and transactions authorized by these articles of Agreement shall be exempt and immune from all taxation and from all customs duties. The Fund shall also be exempt and immune from liability for the collection or payment of any tax or duty.

(b) No member, or any political subdivision or any taxing authority thereof, shall impose or collect any tax on or measured [p. 234] by salaries paid by the Fund to its executive directors, officials and employees who are not citizens of such member.

(c) No member, or any political subdivision or taxing authority thereof, shall impose or collect any taxation on any obligation or security issued by the Fund, or any dividend or any interest thereon, by whomsoever held or received:

(i) which discriminates against such obligation, dividend, or interest, because of its origin; or

(ii) which is applied solely on the basis of the place or currency in which it is issued, made payable or paid, or solely on the basis of the location of any office or place of business maintained by the Fund.

(d) Each member shall inform the Fund of the detailed action it has taken to grant the exemptions and immunities provided for in this section and in section 5 respectively. Differences which may arise between such member and the Fund as to the sufficiency of propriety of any action shall be resolved in accordance with the provisions of Article XII, Section 1.

7/7/44 J.S. Art. IX, Additional Sec. (7)

[p. 234]

Document 196
(p. 40a) SA/1/31
ALTERNATIVE C

The following has been suggested as an addition to Article IX, Subdivision 4, Alternative A:— [p. 235]

Nothing in this section shall prevent a member from determining the extent to which it will be prepared to incur any financial commitment to any other member.

7/7/44 J.S. Art. IX, Section 3

[p. 235]

Document 198
CI/4/S1
Committee 4 of Commission I
Report of the Subcommittee to Consider Article IX, Section 7—and of the Asterisk Committee
July 7, 1944

At the fourth meeting of Committee 4 the Chairman of the subcommittee to consider article IX, section 7 read the document approved by his Committee.

Following the regular meeting of Committee 4 the Asterisk Committee met to consider articles XI and XII.

Copies of the articles referred to above as approved by their respective committees are enclosed.

MANUEL B. LLOSA *Chairman* of Committee 4
COL. CHARLES DYSON *Secretary,* Committee 4

7/7/44

(p. 33a)

JOINT STATEMENT—No Provisions
The following material has been suggested as an addition to Article VII.
Alternative B

SECTION 11. *Miscellaneous Powers.*

In order to carry out its purposes, the Fund shall have full legal personality and, in particular, may:

(1) Make contracts;

(2) Acquire and dispose of movable and immovable property; and:

(3) Institute legal proceedings in any court of competent jurisdiction; [p. 236]

(4) Employ such staff as shall be necessary to conduct the business of the Fund; and

(5) Adopt such rules or regulations as may be necessary or appropriate to conduct the business of the Fund.

7/7/44 J.S. Art. VII, Additional Section

(p. 45a)

Joint Statement—No Provisions
Alternative C

Substitute for Article XI—Amendment

Any proposal to introduce modifications in the agreement, whether emanating from a member a Governor or an Executive Director, shall be communicated to the Chairman of the Board of Governors who shall bring the proposal before the Board. If the proposed amendment is approved by the Board by a majority of the aggregate votes, the Fund shall, by circular letter, ask the governments of all the members whether they accept the proposed amendment. *When three-fifths of the members, having four-fifths of the aggregate votes,* have accepted the proposed amendment, the Fund shall certify the fact by means of a *procès verbal***,** which it shall communicate to the governments of all members.

However, the acceptance of the amendment by the governments of all members is required in the case of modifications of (1) the right to withdraw from the Fund; (2) the provision that no change in a member's quota shall be made without its consent; (3) the provision that no change may be made in the par value of a member's currency except on the initiative of that member.

The amendment will enter into force for all members three months after the date of the *procès verbal* unless a shorter period is specified in the circular letter.

7/7/44 J.S. Art. XI (Additional Article)

(p. 46a)

Joint Statement—No Provisions

The following material has been suggested as part of an additional Article (XII) on interpretation of the Agreement.

Alternative C

Article XII—-*Interpretation of the Agreement*

Section 1. *Interpretation.*

(a) All questions of interpretation of the provisions of this [p. 237] agreement arising between any member and the Fund or between any members of the Fund shall be submitted to the Executive Directors of the Fund for their decision. If the question is one which involves a dispute affecting particularly one (or more) member (s) and that (or those) member (s) are not represented among the Executive Directors by a Director appointed by it (or them) then the provisions of Article VII, section 7, document 152, apply.

(b) In any case where the Executive Directors have given a decision under paragraph (a) above, any member may require that the question be submitted to the Board, and the decision of the Board shall be final. Pending the result of the reference to the Board of Governors, the Fund may (so far as is necessary) act on the basis of the decision of the Executive Directors.

(c) Whenever a disagreement arises between the Fund and a country which has ceased to be a member, or between the Fund and any member country after liquidation of the Fund, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators, one appointed by the Fund, another by the country involved and an umpire who, unless the parties otherwise agree, shall be appointed by the President of the Permanent Court of International Justice. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

7/7/44 Art. XII, Sec. 1 (Additional Article**)**

[p. 242]

Document 200
CI/3/M5
Minutes of Meeting of Committee 3 of Commission I
ORGANIZATION AND MANAGEMENT OF THE FUND
(July 7, 1944, 9:30 *a.m.)*

The Committee amended article VII (additional section 10) (p. 32), by substituting "The Board of Governors" for "The Fund". With this amendment, the section was adopted. Article III, section 11 (p. 14), was explained, but discussion was deferred on the request of some of the members. Alternative C to article VII, sections 1, 2, and 3 (Document 178, p. 26d), was presented to the Committee and was referred to the subcommittee already dealing with the question of the executive directors and methods of election. The Committee took no action on article VII, sections 1, 2, and 3, pending a report of its special subcommittee. Discussion of article VIII, section 3 (p. 36), was postponed until the next meeting to allow time for the consideration of a proposed Alternative B (p. 36b).

[p. 267]

Document 203
(p. 14e) SA/1/32
ALTERNATIVE D
(Suggested as an alternative to Joint Statement, Art. III)

The member countries shall furnish the Fund with the information on the following data:

1. Gold holdings of the Central Bank and Treasury and their changes.
2. Gold convertible exchange holdings of the Central Bank and Treasury.
3. Movement of capital.
4. Foreign trade data.
5. Other items of the balance of payments.
6. Rates of exchange and their changes.

The Fund may arrange to obtain additional information by agreement with the member country.

7/7/44 J.S. Art. III, Additional Section (11)

[p. 268 upper]

Document 204

(CI/4/M4)

Minutes of Meeting of Committee 4 of Commission I

FORM AND STATUS OF THE FUND

(July 7, 1944, 2:30 *p.m.)*

The fourth meeting of Committee 4 of Commission I was held on July 7 at 2:30 p. m. The Chairman of the subcommittee to review article IX, section 7, read the document agreed upon by the members of the Committee. He stated that one of the delegates reserved decision on a part of the document read to the full Committee.

As the remaining material assigned to this Committee had been referred to subcommittees or was not available for distribution, the meeting was thereupon adjourned.

[p. 268 lower]

Document 205

CI/2/M5

Minutes of Meeting of Committee 2 of Commission I

OPERATIONS OF THE FUND

(July 7, 1944, 2:30 *p.m.)*

The Chairman read the "Procedural Decisions of the Steering Committee" (Document 175) and urged the necessity of handling all items with dispatch.

The Committee continued its discussion of article IV, Par Values of Member Currencies.

On section 5, it was decided to report to the Commission the differences of view indicated in Alternatives A (p. 18, Document SA/1), B (p. 18a), and C (p. 18b).

On section 6 (p. 19), the Chairman announced that the last paragraph of Document 166 had been misplaced and was intended to be an addition to section 6. The Committee approved section 6 as thus amended.

Section 7, Alternative A (p. 20) was approved with the suggestion that the word "however" in line 5 be deleted.

The Committee discussed article V, Capital Transactions.

Section 1, Alternative A (p. 21) was approved with the amendment [p. 269] that the words "make net" be inserted between the words "not" and "use" in line 1 and that the word "of" be inserted between the words "use" and "the" in line 1. Section 2, Alternative A (p. 22) was approved with the amendment that the words underscored in line 1 be replaced by the following: "Members may exercise such controls as are necessary to regulate international capital movements".

The Committee deferred discussion of article VI, Apportionment of Scarce Currencies (p. 23).

At its next meeting the Committee will receive reports from the *ad hoc* and the "asterisk" subcommittees and will reconsider items that were deferred at earlier meetings.

[p. 269]

Document 207
(p. 23b) SA/1/33
SUBSTITUTE ALTERNATIVE A

SECTION 1. *General Scarcity*

If the Fund finds that a general scarcity of a particular currency is developing, the Fund may so inform members and may issue a report setting forth the causes of the scarcity and containing recommendations designed to bring it to an end. In the preparation of such report there shall participate a representative of the member the currency of which is involved.

SECTION 2. *Scarcity of the Fund's Holdings.*

If it becomes evident to the Fund that the demand for a member's currency seriously threatens the Fund's ability to supply that currency, the Fund whether or not it has acted under Section 1 above, shall formally declare such currency scarce and shall thenceforth apportion the existing and accruing supply of the scarce currency with due regard to the relative needs of members and the general international economic situation and any other pertinent considerations. The Fund shall also issue a report concerning its action. The formal declaration shall operate as an authorization to a member, after consultation between such member and the Fund, temporarily to limit the freedom of exchange operations in the affected currency. Subject to the provisions of Article IX, Section 2 (J.S.), the [p. 270] member shall have complete jurisdiction in determining the nature of such limitations, but they shall be no more restrictive than is necessary to limit the demand for the scarce currency to the supply of it held by, or accruing to, the member in question; and they shall be relaxed and removed as rapidly as conditions permit. This authorization shall cease to be in effect whenever the Fund formally declares the currency in question no longer scarce.

7/7/44 J.S. Art. VI, Secs. 1 & 2

(p. 23c) # SECTION 3. *Administration of Restrictions on Scarce Currencies.* Any member imposing restrictions in respect of the currency of any other member pursuant to the provisions of this Article shall give sympathetic consideration to any representations which may be made by such other member regarding the administration of such restrictions.

SECTION 4. *Effect of Other International Agreements on Restrictions on Scarce Currencies.* Members agree not to invoke the obligations of any engagements entered into with other members prior to this Agreement in such a manner as will prevent the operation of the provisions of this Article.

7/7/44 J.S. Art. VI, Secs. 3 & 4

[p. 270]

Document 208
(p. 17a) SA/1/34
ALTERNATIVE A

* SECTION 2. The members agree that they will collaborate with the Fund to promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange alterations.

* SECTION 3. A member shall not propose a change in the par value of the currency except to correct a fundamental disequilibrium.

* SECTION 4. An alteration in the par value of a member's currency may be made only on the proposal of the member and, only after consultation with the Fund. When a proposal for [p. 271] alteration is made, the Fund shall first take into account the changes, if any, which have already taken place in the par value of the member's currency as agreed initially with the Fund. If the proposed change, together with all previous changes, whether increases, or decreases,

* (a) does not exceed 10 percent of the initial par value, the Fund shall raise no objection

* (b) does not exceed a further 10 percent of the initial par value, the Fund may either concur in or object to such a proposal, but shall declare its attitude within 72 hours if the member so requests.

* (c) is not within (a) or (b) above, the Fund may either concur in or object to such a proposal, but shall be entitled to a larger period than 72 hours in which to declare its attitude.

(p.17aa) * SECTION 4a. In examining any proposed change the Fund shall take into consideration the extreme uncertainties prevailing when the par values of the currencies of members were initially determined. Moreover, the Fund shall not object to a proposed change necessary to restore equilibrium because of domestic social or political policies of the member *or because of its economic policies insofar as these contribute to the maintenance of a high level of employment and real income.*

* SECTION 4b. The Fund shall concur in a proposed change under Section 3(b) or (c) if it is satisfied that the change is required to correct a fundamental disequilibrium or that it will not affect the international transactions of the member involved. If the Fund is not so satisfied and deems the proposal unjustified, having regard to the proper working of the Fund, the Fund shall object to the proposed change.

* SECTION 4c. If a member alters the par value of its currency despite the objection of the Fund, in cases where the Fund is entitled to object *the member shall be ineligible to use the resources of the Fund unless the Fund otherwise determines and if, after the expiration of a reasonable period of time, the difference between the member and the Fund continues, the matter shall be subject to the provisions* of Article VIII, Section ----------.

7/7/44 J.S. Art. IV, Secs. 2-4

[p. 272 upper]

Document 209
(p. 48) SA/1/35
JOINT STATEMENT—No provisions

The following material has been suggested as part of an additional Article (XII) on interpretation of the agreement.

ALTERNATIVE A

#SECTION 3. *Effect on Other International Commitments.*

Where under this Agreement a member is authorized in the special or temporary circumstances specified in the Agreement to maintain or establish restrictions on exchange transactions, and there are other engagements between members entered into prior to this Agreement which conflict with the application of such restrictions, the parties to such engagements will consult with one another with a view to making such mutually acceptable adjustments as may be necessary. The provisions of this Article shall be without prejudice to the operation of Article VI, Section 4.

7/1/44 Art. XII, Sec. 2, (Additional Article)

[p. 272 lower]

Document 210
(p. 35) SA/1/36
JOINT STATEMENT—No Provision

The following material has been suggested as an addition to Article VIII.

Alternative A

SECTION 2. If a member fails to fulfill any of its obligations under Article IX [other appropriate Articles, if any, may be mentioned here] or acts otherwise in a manner which is contrary to the purposes of the Fund, the Fund may declare the member ineligible to use the resources of the Fund.

SECTION 2a. If, after the expiration of a reasonable period the member persists in its failure to fulfill any of its obligations under Article IX, or continues to act in a manner which is contrary to the purposes of the Fund, or a difference between a member and the Fund under Article IV, Section 6, continues, that member may be required to withdraw from membership in the Fund by a decision of the Board of Governors carried by a majority of the governors representing a majority of the aggregate voting power.

SECTION 2b. The Board of Governors shall make regulations securing that before action is taken against any member under Section 3, above, the member shall be informed in reasonable time and given a proper opportunity for stating its case.

7/7/44 J.S. Art. VIII, Additional Sections

[p. 275]

Document 212

CI/3/51

Final Alternative Submitted by the Special Subcommittee Appointed to Consider All Proposals Relative to the Executive Directors

Duties and Powers of the Executive Directors

1. The Executive Directors shall be responsible for the conduct of the general operations of the Fund and for this purpose shall exercise all the powers delegated to them by the Board of Governors.

Formation of the Executive Directors

2. There shall be _____ Executive Directors, of whom _____ shall be appointed by the _____ members having the largest quotas and _____ shall be elected biennially, in accordance with the provisions of Schedule B, by all the Governors other than those appointed by the members having the _____ largest quotas. Persons chosen as Executive Directors need not be Governors.

Alternate Directors

3. Every Executive Director may appoint an alternate with full power to act for him when he is not present. When the Executive Directors appointing them are present alternates may participate in meetings but shall not vote.

Meetings of Executive Directors

4. The Executive Directors shall function in continuous session at the principal office of the Fund and shall meet as often as the business of the Fund may require.

5. In order to constitute a quorum for any meeting of the Executive Directors, there must be present a majority of the Directors representing not less than one-half of the voting power of all the Executive Directors.

(p. 2). 6. Each Executive Director appointed by one of the members with the _____ largest quotas shall be entitled to cast the number of votes allotted under Section 3 of this Article (J. S. VII, 2) to the member appointing him. Each elected Executive Director [p. 275] shall be entitled to cast only the number of votes which actually counted toward his election. When the provisions of the second paragraph of Section 2 of this Article are applicable, the votes to which an Executive Director would otherwise be entitled shall be increased or decreased proportionately. Each Executive Director shall cast all of the votes to which he is entitled as a single unit.

6a. Except as otherwise specifically provided, all matters before the Executive Directors shall be decided by a majority of the aggregate votes cast.

7. The Board of Governors shall make regulations containing provisions under which a member which is not entitled to appoint an Executive Director under 2 above shall be permitted to send a representative to attend any meeting of the Executive Directors when a request made by, or a matter particularly affecting, that member is under consideration.

Managing Director

8. The Executive Directors shall select a Managing Director who shall not be a Governor or an Executive Director. The Managing Director shall be Chairman of the Executive Directors, but shall have no vote except a deciding vote in case of an equal division. He may participate in meetings of the Board of Governors but shall not vote at such meetings, (p. 3) He shall, however, be eligible for election as Chairman of the Board of Governors. The Managing Director shall cease to hold office when the Executive Directors shall so decide.

9. The Managing Director shall be chief of the operating staff of the Fund and shall conduct under the direction of the Executive Directors, the ordinary business of the Fund's work. Subject to the general control of the Executive Directors, he shall be responsible for the internal organization of the Fund's staff and the appointment and dismissal of its staff.

10. The Managing Director and the staff of the Fund, in the discharge of their offices owe their duty entirely to the Fund and to no other authority.

Each member of the Fund shall respect the international character of this duty and shall refrain from all attempts to influence any member of the staff in the discharge of his duty.

11. In appointing the staff the Managing Director shall subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to the importance of selecting personnel recruited on as wide a geographical basis as is possible. [p. 277]

Appointment of Committees

12. The Executive Directors may appoint such committees as they deem advisable. Members of such committees need not be limited to Governors or Executive Directors or their alternates.

Remuneration

13. The Board of Governors shall determine the remuneration to be paid to the Executive Directors and the salary and terms of the contract of service of the Managing Director.

[p. 278 upper]

Document 216
(p. 1g) SA/1/39
ALTERNATIVE K
(Add as a new subdivision)

To facilitate the multilateral settlement of a reasonable portion of the foreign credit balances accumulated amongst the member countries during the war so as to promote the purposes referred to in Subdivision 2, without placing undue strain on the resources of the Fund.

7/8/44 J.S. Art. I

[p. 278 lower]

Document 217

(p. 17c) SA/1/40

ALTERNATIVE C

(Suggested as an alternative to Section 4a of Alternative A of Joint Statement, Article IV, p. 17aa)

SECTION 4a. In examining any proposed change the Fund shall take into consideration the extreme uncertainties prevailing when the par values of the currencies of members were initially determined. Moreover, the Fund shall not object to a proposed change necessary to restore equilibrium because of domestic social or political policies of the member *nor one designed to meet a* [p. 279] *serious and persistent deficit in the balance of payments on current account accompanied by a substantially adverse change in the terms of trade.*

7/8/44 J.S. Art. IV, Sec. 4

[p. 279 upper]

Document 218

DP/12

Draft Resolution Submitted by Australian Representatives to United Nations Monetary and Financial Conference.

WHEREAS the raising of standards of living throughout the world must be the primary aim of economic policy and the most essential conditions for this and for the achievement of the objectives set out in Article I of the International Monetary Fund are the promotion and maintenance of high levels of employment; and

WHEREAS the operations of the International Monetary Fund and other forms of international economic cooperation will have the best prospects of success if member countries by domestic measures maintain high levels of employment and consumption and by so doing enable the accumulation of persistent credit (and debit) balances on international account to be avoided;

This Conference RESOLVES that Governments which are to be invited to accept an International Monetary Agreement should be invited to accept con-currently an international agreement in which the signatories will pledge themselves to their own people and to one another to maintain high levels of employment in their respective countries, and to exchange information on measures necessary to prevent the growth of unemployment and its spread to other countries.

[p. 279 lower]

Document 219

(p. 40b) SA/1/41

ALTERNATIVE D

(The following has been suggested as an addition to Article IX, Subdivision 4, Alternative A, p. 40)

While imposing no restrictions on current international payments, a member country may take the necessary measures to ensure that

(a) Its foreign exchange holdings and its quota are used to pay for imports which are essential to its national economy.

(b) The proceeds of exports from the member country are placed at the disposal of its foreign exchange authorities to be used for its essential requirements thereby preventing what may, otherwise, constitute capital transfers.

7/8/44 J.S. Art. IX, Section 3

[p. 286]

Document 224
CI/1/M5
Minutes of Meeting of Committee 1 of Commission I
PURPOSES, POLICIES, AND QUOTAS OF THE FUND
(July 8, 1944, 9:30 *a.m.)*

The Chairman announced that the procedures of the Committee would be governed by the document on procedures issued by the Steering Committee.

Document No. 202, "Status of Committee Assignments", was circulated and the Chairman requested members to note what action was taken on the various items to be considered so as to keep their records up to date.

The second report of the drafting committee was presented by its Chairman, Dr. Goldenweiser.

The Committee accepted the language of the drafting committee for article II, section 1 (p. 2) —Countries Eligible for Membership — and for article II, section 4 (p. 3) — Adjustment of Quotas — with a slight change in wording. The Committee also accepted the [p. 288] recommendation of the drafting committee to retain the language of article II, section 3, Alternative A (p. 2) — Time and Place of Payment.

The Committee approved the language of the drafting committee for article II, section 5 (p. 4) — Initial Payments — with a minor change.

The Committee debated the language of the drafting committee on article IX, section 2 — Gold Purchases Based on Parity Prices (p. 38). Various members felt that the language was too rigid since it excluded certain gold purchases at prices beyond the prescribed margin which might be perfectly consistent with the purposes of the Fund. A request was made not to exclude payments involving no international transactions made as bonuses to the gold-mining industry in gold-producing countries, and other legitimate variations, such as sales to meet a hoarding demand, were also suggested. The close relationship of this clause to the work of Committee 2 was emphasized and the provision was referred back to the drafting committee with instructions to consult with Committee 2 and report again on the matter.

The Committee considered the language of the drafting committee for article IX, section 3, paragraph (a) — Foreign Exchange Dealings Based on Par Values (p. 39). The discussion of the Committee revealed two questions of substance: (1) whether the margin to be prescribed should be for spot and for futures and other types of contract, or whether there should be only one maximum range for spot transactions, and (2) whether it was intended that there should be only a general maximum range applicable to all countries, or whether the Fund should prescribe, within this over-all maximum, a range for each member country. This section was referred again to the drafting

committee with the same instructions as were given with respect to section 2.

The Committee considered the language recommended by the drafting committee for article IX, section 3, paragraph (b) (p. 39). The Committee discussed the necessity and exact force (p. 2) of the last sentence, which states that a member freely buying gold and gold-convertible exchange has fulfilled its obligation under this paragraph. The Chairman referred this section back to the drafting committee.

The Chairman read to the Committee an Alternative to article IX, section 3, paragraph (c) (p. 39), which deals with illegal exchange transactions carried on in a member country in the currencies of other members. Since this provision is still in the [p. 287] drafting committee, the amendment was referred to the drafting committee.

The Committee left for later consideration the following proposals which have been circulated as Alternatives to the articles assigned to it: Alternatives C and D under article II, which provide for the inclusion of silver in the subscriptions of the member countries and which appear on pages 2b and 4b of SA/1; and article IX, section 8, Alternative A (p. 43b), which adds to the obligations assumed by members that of cooperating with other members in rendering permissible and approved exchange restrictions effective.

[p. 288]

Document 225
CI/2/M6
Minutes of Meeting of Committee 2 of Commission I
OPERATIONS OF THE FUND
(July 8, 1944, 11:30 *a.m.)*

The sixth meeting of Committee 2 of Commission I was held on July 8 at 11:30 a.m. and was resumed at 3 p.m. The Committee agreed to reconsider all material submitted to it on which action was pending in the order of its appearance in the basic document, SA/1.

The Committee accepted the report of the language committee that article III, section 1, Alternative A (p. 5), be approved with the addition of the words "with or" after "only" in the third line.

The Committee accepted the report of the language committee that on section 5, Alternative A (p. 8), paragraph (1) be amended as follows:

"Propose to the member that, on terms and conditions agreed between them, it lend such currency to the Fund or, with the approval of the member, that the Fund borrow such currency from some other source either within or outside the territory of the member; but no member shall be under any obligation to make such loans to the Fund or to approve the Fund's borrowing its currency from any other source."

With respect to article III, section 6, Multilateral International Clearing, section 7, Acquisition by Members of the Currencies of Other Members for Gold, and section 8, Other Acquisitions of [p. 289] Gold by the Fund, the Committee agreed that Alternative B (p. 9a), Alternative B (p. 10a), and Alternative F (p. 11c) be deferred for later consideration pending the report of Committee 1 of Commission I on a proposal to which these Alternatives are consequential.

Article III, section 9, Alternative A (p. 12), subsections (a) and (c) were approved. The United States Delegation agreed to distribute a memorandum explaining the purposes to be achieved in subsection (b) and an appropriate phrasing of that subsection.

The Committee discussed article IV, Par Values of Member Currencies.

With respect to section 1, Par Values of the Currencies of Members, it was decided that Alternative B (p. 16a) should be transferred to article XIII, section 5 (p. 49).

On Alternative A, sections 2, 3, 4, 4a, 4b, and 4c (pp. 17a and 17aa), the Chairman noted that the Committee was near agreement but that specific reservations should be reported to the Commission if delegations so indicate and that final approval should be deferred until Alternatives that have not yet been circulated can be considered.

The Committee discussed article VI, Apportionment of Scarce

Currencies.

The Committee approved substitute Alternative A, sections 1 and 2 (p. 23b), and sections 3 and 4 (p. 23c).

[p. 289]

Document 226

CI/3/M6

Minutes of Meeting of Committee 3 of Commission I

ORGANIZATION AND MANAGEMENT OF THE FUND

(July 8, 1944, 9:30 *a.m.)*

The Committee considered Alternative D to article VII, section 6(b), (p. 29b), relating to the depositories for the Fund's gold holdings. After discussion this was referred to Commission I to be considered along with the other Alternatives to this section. The Committee then considered article III, section 11, Alternative C (p. 14c), relating to information to be supplied to the Fund by the member countries, which replaced Alternative A. A new Alternative D, Document 203 (p. 14e), was also discussed. Alternatives C and D were referred to Commission I.

The Committee discussed article VIII, section 3 (p. 36), Settlement of Accounts with Governments Ceasing to be Members. A new Alternative was submitted and will be circulated. An amendment to article VIII, section 4, Liquidation of the Fund, was submitted and will be circulated. After discussion it was decided to refer these matters to a special subcommittee consisting of representatives of Australia, Belgium, Mexico, United Kingdom, and United States.

The subcommittee on the Executive Directors reported a "Final Alternative Submitted by the Special Subcommittee Appointed to Consider All Proposals Relative to the Executive Directors" to replace the combined Alternatives A and B, C, and D with the amendments submitted by various countries. The subcommittee reported that it had been able to reach agreement on all questions before it except the total number of Executive Directors. After discussion the whole Committee approved paragraphs 1, 4, 5, 6, 6(a), 7, 8, 9, 10, 11, 12, and 13. Paragraph 3 was referred to Commission I after consideration of an amendment Document 178, paragraph 3 (p. 26d). Paragraph 2 was discussed but no agreement had been reached at the time of adjournment. An Alternative to paragraph 2 and an amendment to Schedule B of the combined Alternatives A and B has been submitted and will be circulated.

[p. 290]

Document 227
Minutes of Meeting of Committee 4 of Commission I
FORM AND STATUS OF THE FUND
(July 8, 1944, 11:30 *a.m.)*

The fifth meeting of Committee 4 of Commission I was held on July 8 at 11:30 a.m.

Article IX, section 7, Alternative B, Document 194 (p. 43a), was adopted in the form as presented by the subcommittee.

Considerable discussion was held upon the document presented by the subcommittee relating to article VII, section 11, Alternative B, Document 198 (p. 33a). The first three numbered subparagraphs were accepted as presented, subparagraphs 4 and 5 having been previously referred to another Committee. [p. 291]

With respect to article XI, Alternative C, Document 198 (p. 45a), it was decided after considerable discussion to insert in the second line between the words "from" and "a" the words "the Government of" and in the ninth line between the words "three-fifths" and "of" the words "of the Governments" to make the meaning consistent with that indicated in the seventh line and the last line of the first paragraph.

Discussion on article XII, section 1, Alternative C, Document 198 (p. 46a), was prolonged. It was finally decided to accept the text as presented in Alternative C.

After the Delegate from the United States explained the purpose of the wording which was presented, the text of article XII, section 3, Alternative A, Document 209 (p. 48), was adopted without change.

The Committee was advised that article XII, section 2, and article XIII, sections 1, 2, 3, and 4 were not yet ready for presentation to the Committee or its subcommittees. With this exception the Committee has completed the work assigned to it by Commission I.

[p. 309]

Document 234
CI/2/RP2
Second Report of Committee 2 on Operations of the Fund to Commission I
July 9, 1944

PROFESSOR ROBERT MOSSÉ:

Revision of First Report

Upon request by Mr. Rasminsky (Canada), I want to revise one of my statements on Page 2 of my report of July 5, 10:30 a. m., to Commission I (Doc. #128). I substitute the word "willingness" for the word "consent." I did not imply that a specific consent in the legal sense of the word was required from the capital importing country; I merely meant that capital transfers in the case of Section 2a (page 6a) will practically be impossible if the prospective capital importing country should be unwilling to accept these imports of capital. I was thinking in terms of actuality and not in terms of legality.

In its meetings Wednesday through Saturday, Committee 2 made considerable progress, covering Article III, sections 5 to 12, Article IV, Article V and Article VI. Unfortunately, it ducked around a few hurdles; with, however, the firm intention to come back and take them later.

Article III. *Transactions with the Fund*

(The references are always to Doc. SA/1. The numbers of the sections are those appearing in Alternative A.)

SECTION 2. *Conditions upon Which any Member may Purchase Currencies of other Members, (3)* (page 6a) — *Carry-over Provisions*

You remember, Gentlemen, that this Commission sent back to Committee 2, Article III, 2 (3), which can be referred to as the carry-over question. Committee 2 in turn sent this problem to an ad hoc Subcommittee, composed of Australian, Brazilian, Canadian, Chinese, French, Mexican, Dutch, British, Soviet and United States representatives.

I am advised that this ad hoc Subcommittee has made good progress but its report has not yet been placed before Committee 2.

Silver (page 6d)

The Committee has received an Alternative E to be inserted [p. 310] as an additional section after Article III, section 2 (page 6d). This alternative deals with the rights of *silver hoarding* countries to obtain from the Fund additional foreign currency. This suggestion obtained support from a number

of countries. There was also a strong statement in opposition. Further discussion was deferred when it was suggested that some modification of the waiver provision might afford a satisfactory compromise. (p. 2)

SECTION 2(a)—*Conditions Governing Purchases For Capital Transfers* (pages 6a and 6b)

Please refer to Report No. 1, Document CI/2/RP1.

SECTION 3—*Declaring Members Ineligible to Use the Resources of the Fund* (page 6b)

Please see Report No. 1, Document CI/2/RP1.

SECTION 4—*Limitation on the Operations of the Fund* (page 7)

As I already said in Report No. 1, Alternative A (page 7) was approved. I want, however, to elaborate somewhat on my remarks, from an operative standpoint. A member country is expected to call upon the resources of the Fund when its balance of payments with one particular country becomes unfavorable. In the case of two countries having free exchange markets, the signal will be a weakening of the currency of the country which has an unfavorable balance. With the old-fashioned system, the weakening would be stopped by gold exports when the gold point is reached. With our machinery, the interested country will draw foreign currency from a pool of reserves and there appears to be a kind of international Fund *point.* However, I don't think that there is any obligation for a member country to wait until the Fund point is reached to draw from the Fund. In the case of countries with exchange controls, the situation of the balance of payments will appear directly in the books of the central agency dealing with exchange.

There are, however, two limitations on that mechanism. On the one hand, a country can buy only the currency of another country and can not obtain an international medium of payment, therefore, some degree of supervision of the bi-lateral balances of payments is entrusted to the Fund. On the other hand, a country can only *buy* foreign currency from the Fund without being able to *sell* foreign currency to the Fund. This section on limitations [p. 311] was well christened indeed. If I am mistaken in this interpretation, I will be glad to be corrected.

SECTION 5—*Operations for the Purpose of Preventing Currencies from Becoming Scarce* (page 8)

On section 5, page 8, general agreement was reached on Alternative A as amended.

According to paragraph (1), the Fund may borrow the currency of a country either from the Government of that country, or from a private source or from a third country, but in the last two cases, the Government whose currency is being borrowed must approve of the transaction.

Paragraph 2 should now read: "Buy that currency from that member with gold." The meaning implied is that a country is required to sell its currency for gold. It is also meant that the Fund may buy with gold the currency of one member *only from that particular member.*

(p. 3) SECTION 6.—Multilateral International Clearing. *(pages 9a and 9b)*

There was some discussion of this matter but it was agreed to defer further discussion pending clarification.

SECTION 7.—*Acquisition by Members of the Currencies of Other Members for Gold,* (page 10)

The Committee endorses without objection section 7, Alternative A, page 10. According to this section any member desiring to obtain the currency of another member for gold shall make the purchase from the Fund provided it can do so with equal advantage. Apparently this Article gives to the Fund almost a privilege; the idea is to channel gold to the Fund instead of allowing member countries to use their gold outside the Fund. Under this rule the Fund will be able, to a certain extent, to dispose of its holdings of national currencies and to acquire gold instead. The only difficulty is that the phrase "provided that it can do so with equal advantage" offers a rather easy possibility of circumvention.

SECTION 8.—*Other Acquisitions of Gold by the Fund,* (page 11)

The discussion of this question was deferred because Alternative A has not yet been submitted to the Committee.

SECTION 9.—*Transferability and Guarantee of the Assets of the Fund,* (page 12)

Section 9 was referred to the Asterisk Committee. After hearing [p. 312] the report of that Committee, Committee 2 agreed to accept paragraph (a) and paragraph (c) as they stand. But the Asterisk Committee reported that it had not been possible to agree on paragraph (b). After a long discussion, the Committee requested the American delegation to submit a memorandum explaining the implications of this paragraph in economic terms; the memorandum should also recommend technical measures to protect the Fund's interests. May I suggest that the Commission not undertake any discussion until Committee 2 has further considered the question.

SECTION 10.—*Charges and Commissions,* (page 13) Deferred because material lacking.

SECTION 11.—*Furnishing Information,* (page 14) Transferred to Committee 3 of Commission I.

SECTION 12.—*Consideration of Representations of the Fund,* (page 15)

This section is still being considered by the Asterisk Committee of Committee 2.

(p. 4)

Article IV. *Par Values of Member Countries*

On Article IV in general very good progress was made.

SECTION 1. *Par Values of the Currencies of Members* (Page 16)

This section has been approved as per Alternative A. It states that the par values of the currency of each member shall be expressed in terms of gold as a common denominator or in terms of gold convertible currency unit.

SECTIONS 2 to 4. *Changes in Par Value of Currencies* (Page 17a)

There was a long controversy on the very familiar topic Rigidity vs. Stability about which we all have heard for nearly 20 years. Probably neither the adherents of flexibility, nor the adherents of stability have changed their minds during our discussion. But, most of them are almost willing to end this twenty-year war by a compromise. I was instructed to report to you that the Committee made substantial progress but it was decided to defer drawing the discussion to a conclusion until all delegates have had time to examine the proposal more carefully. In the course of the discussion strong views were expressed together with some reservations; but since the discussion has not been concluded, I thought it advisable [p. 313] to postpone reporting reservations and recorded views until final action is taken by the Committee.

SECTION 5. *Uniform Changes in Par Values* (pages 18, 18a, 18b)

Committee 2 has reached no agreement and has instructed me to report that there is wide diversity of opinion.

The issue concerned the majority which would be required in order to decide on a uniform change in the gold value of member currencies. Some committee members wanted the decision to require the approval of each country having 10% or more of the quotas. Others insisted that the question should be decided by a majority vote based on voting power as determined by quotas. And many others would like to see the question decided by a majority of the countries, each country casting one vote.

As a matter of fact these different ideas are diversely combined in the various alternatives. One obvious underlying fact is that countries with a small quota favor having one vote by country. But there is also another underlying issue, namely that the rules on voting determine the degree of flexibility. The more stringent the rule of the majority, the less the possibility of changes in the gold value.

(p. 5) The question is a very intricate one and the only thing I can do is to offer, in a personal capacity, the suggestion that the question be dealt with

by Committee 3 as a part of the general problem of voting. As a further suggestion, your reporter feels that there should be one or two general rules concerning the voting and these rules should be applied in all cases instead of having to decide for each problem what kind of majority is required.

SECTION 6. *Protection of the Assets of the Fund,* (page 19.)

This Section 6 was generally agreed upon with a slight change in the wording (see minutes of meeting, July 7th, 2:30). This Section states that the Fund may have neither losses nor profits out of its holding foreign currencies, in case of change in the value of the currency. This principle is usually referred to as a "gold clause".

SECTION 7. *Separate Currencies Within a Member's Jurisdiction.* (page 20.)

Alternative A, page 20, was accepted, with the suggestion to our legal friends to consider the word "however". Section 7 merely states that in case of various currencies in the different territories of one member, this member has the option to decide whether the change relates to the metropolitan currency alone or to one or more specified subordinate currencies.

With this Section, we close Article IV.

Article V. *Capital Transactions*

SECTION 1. *Use of Resources of the Fund for Transfer of Capital.* (page 21.)

After a very informative discussion, there was a general agreement on this Section (see Minutes of meeting, July 7th, 2:30). According to this Section, as amended, a member may not make net use of the resources of the Fund to meet a large out-flow of capital. But the use of the Fund is permitted for capital transactions of a reasonable amount required for the ordinary course of business. A point well made by the Delegate from India and supported by the Delegate from the United Kingdom was that the movement of capital goods is not restricted in any way by this Article.

SECTION 2. *Limitation on Controls of Capital Movements.* (page 22.)

Committee 2 agreed upon the following new draft: "Members may exercise such controls as are necessary to regulate international capital movements, but no member may exercise (p. 6) such controls in a manner which will restrict payments for current transactions or which will unduly delay the transfer of funds...." and so on, as per Alternative A.

This Article is certainly a very important one because it recognizes the right of any member country to organize or to maintain an exchange control for capital movements. Furthermore, as per Section 1, page 21, the Fund is authorized to request a member to set up such controls. Although the general purpose of the Fund is to foster free exchanges, it is remarkable that the experts have found it advisable not only to make provisions allowing

exchange control for capital movements, but also recommending it in some cases. It will certainly be difficult to draw a line between controlling movements of capital and controlling transactions for trade purposes.

Article VI. *Apportionment of Scarce Currencies,* (page 23b.)

There was general agreement on Section 1, Section 2, Section 3 and Section 4 of this Article. According to these sections, when a currency becomes scarce, the Fund shall formally declare the scarcity of that currency and shall henceforth apportion the supply of that currency with due regard to the relative needs of members, to the general international economic situation and to any other pertinent considerations. Those members whose currency has become scarce may temporarily limit the freedom of exchange operations. Although this Article was approved, some reservations were expressed concerning the way in which the scarce currency or currencies will be apportioned. It seems clear that Alternative A practically gives a blanket control to the Fund. Specifically, the question was raised as to which majority will be necessary to decide upon such matters.

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[Appendix A omitted]

[p. 321]

APPENDIX B
TEXT OF SECTIONS AS APPROVED BY COMMITTEE 2 OF COMMISSION I

Article III, Section 1, Alternative A amended (p. 5)

Each member country shall deal with the Fund only through its Treasury, Central Bank, Stabilization Fund or other similar fiscal agency *and the Fund shall deal only with or through the same agencies.*

Article III, Section 2 (Introductory clause), Alternative A (p. 6a)

Conditions upon which any Member may purchase currencies of other Members. A member shall be entitled to buy the currency of another member from the Fund in exchange for its own currency subject to the following conditions:

Article III, Section 2(1), Alternative A (p. 6a)

The member *initiating the purchase* represents that the currency *requested* is presently needed for making payments in that currency which are consistent with the *provisions of this Agreement*;

Article III, Section 2(4), Alternative A (p. 6a)

The Fund has not previously declared under Section 3 of this Article that

the member initiating the purchase is ineligible to use the resources of the Fund.

Article III, Section 2 (Final Sentence), Alternative A (p. 6a)

The Fund may, in its discretion, and on terms which safeguard its interests, waive any of these conditions. In special circumstances, where the Fund considers it necessary, it may require collateral security as a condition of such waiver.

Article III, Section 2a, Alternative A (p. 6a and 6b)

If the Fund's holdings of the currency of a member have remained below 75 percent of its quota for a period not less than six months such member shall be entitled, notwithstanding the provisions of Article V, Section 1, to buy the currency of another member from the Fund for its own currency for any purpose, including capital transfers, provided, however, that purchases for capital transfers may not have the effect of raising the Fund's holdings of the currency of such member above 75 percent of its quota, or reducing the Fund's holdings of the currency purchased below 75 per cent of the quota of the member whose currency is purchased.

Article III, Section 3, Alternative A (p. 6b)

Declaring Members Ineligible to Use the Resources of the Fund. Whenever the Fund is of the opinion that any [p. 322] member is using the resources of the Fund in a manner contrary to the purposes of the Fund, it shall present to the member a report setting forth the views of the Fund and stating a suitable time for reply. After presenting such a report to a **(p. 2)** member the Fund may limit the use of its resources by the member. If no reply to the report is received from the member within the stated time, or the reply received is unsatisfactory, the Fund may continue to limit the member's use of the Fund's resources or, after giving reasonable notice to the member, declare it ineligible to use the resources of the Fund.

Article III, Section 4, Alternative A (p. 7)

Limitation on the operations of the Fund. Except as otherwise provided in this Agreement, operations for the account of the Fund shall be limited to transactions for the purpose of supplying a member, on the initiative of such member, with the currency of another member in exchange for the currency of the member initiating the transactions or for gold.

Article III, Section 5 (Introductory clause), Alternative A (p. 8)

Operations for the Purpose of Preventing Currencies from Becoming Scarce. The Fund may, if it deems such action appropriate to prevent the currency of any member from becoming scarce, take either or both of the following steps:

Article III, Section 5(1), Alternative A as Amended (p. 8)

Propose to the member that, on terms and conditions agreed between them, it lend such currency to the Fund or, with the approval of the member, that the Fund borrow such currency from some other source either within or outside the territory of the member; but no member shall be under any obligation to make such loans to the Fund or to approve the Fund's borrowing its currency from any other source.

Article III, Section 5(2), Alternative A as Amended (p. 8)

Buy that currency from that member with gold.

Article III, Section 7, Alternative A (p. 10)

Acquisition by Members of the Currencies of Other Members for Gold. Any member desiring to obtain, directly or indirectly, the currency of another member for gold *shall,* provided that it can do so with equal advantage, acquire the currency by the [p. 323] sale of gold to the Fund. *Nothing in this Section shall be deemed* to preclude any member from selling in any market the new production of gold from mines located within territory subject to its jurisdiction.

(p. 3) **Article III, Section 9, (a) Alternative A (p. 12)**

All assets of the Fund shall, to the extent necessary to carry out the operations prescribed by this Agreement, be free from restrictions, regulations and controls of any nature imposed by members.

Article III, Section 9, (c) Alternative A (p. 12)

All assets of the Fund shall be guaranteed by each member against loss resulting from failure or default on the part of the depository designated by such member.

Article IV, Section 1, Alternative A (p. 16)

Par Values of the Currencies of Members. The par value of the currency of each member shall be expressed in terms of gold, *as a common denominator, or in terms of a gold-convertible currency unit of the weight and fineness in effect on July 1, 1944. All computations relating to currencies of members for the purpose of applying the provisions of this Agreement shall be on the basis of their par values.*

Article IV, Section 6, Alternative A as Amended, (p. 19)

Protection of the Assets of the Fund. No change in the foreign exchange value of the currency of any member shall alter the gold value of the assets of the Fund. Whenever (i) the par value of a currency of a member is reduced, or (ii) the foreign exchange value of the currency of any member has

depreciated within its jurisdiction to a significant extent in the opinion of the Fund, the member shall compensate the Fund by paying to the Fund within a reasonable time an amount of its own currency equal to the reduction in the gold value of the currency of such member held by the Fund. Whenever the par value of the currency of any member has been increased the Fund shall compensate such member by returning, within a reasonable time, an amount in the currency of such member equal to the increase in the gold value of the currency of such member held by the Fund.

The provisions of this Section shall apply to the case in which a uniform proportional change is made in the par values of [p. 324] the currency of all members, unless at the time when such a change is proposed to be made the Fund shall declare them to be inapplicable.

Article IV, Section 7, Alternative A (p. 20)

Separate Currencies within a Member's jurisdiction. A member proposing a change in the par value of its currency shall be deemed, unless it declares otherwise, to be proposing a corresponding change in the par value of the currencies of all territories under its jurisdiction. It shall however be open to a member to declare that its proposal relates either to the metropolitan currency alone, or to one or more specified subordinate currencies alone, or to the metropolitan currency and one or more specified subordinate currencies.

(p. 4) **Article V, Section 1, Alternative A as Amended (p. 21)**

Use of the Resources of the Fund for Transfers of Capital. A member may not make net use of the resources of the Fund to meet a large or sustained outflow of capital, and the Fund may request a member to exercise controls to prevent such use of the resources of the Fund. If after receiving such request, a member fails to exercise appropriate controls the Fund may declare such member ineligible to use the resources of the Fund.

This Section is not intended to prevent the use of the resources of the Fund for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking or other business. Capital movements which are met out of a member's own resources of gold and foreign exchange are not affected by this section, but members undertake that such capital movements will be in accord with the purposes of the Fund.

Article V, Section 2, Alternative A as Amended (p. 22)

Limitation on Controls of Capital Movements. Members may exercise such controls as are necessary to regulate international capital movements but no member may exercise such controls in a manner which will restrict payments for current transactions or which will unduly delay the transfer of funds in settlement of

commitments, except as provided in VI, 2 and in X.

Article VI, Section 1, Substitute Alternative A (pp. 23b and 23c)

SECTION 1. *General Scarcity*

If the Fund finds that a general scarcity of a particular currency [p. 325] is developing, the Fund may so inform members and may issue a report setting forth the causes of the scarcity and containing recommendations designed to bring it to an end. In the preparation of such report there shall participate a representative of the member the currency of which is involved.

SECTION 2. *Scarcity of the Fund's Holdings*

If it becomes evident to the Fund that the demand for a member's currency seriously threatens the Fund's ability to supply that currency, the Fund whether or not it has acted under Section 1 above, shall formally declare such currency scarce and shall thenceforth apportion the existing and accruing supply of the scarce currency with due regard to the relative needs of members and the general international economic situation and any other pertinent considerations. The Fund shall also issue a report concerning its action. The formal declaration shall operate as an authorization to a member, after consultation between such member and the Fund, temporarily to limit the freedom of exchange operations in the affected currency. Subject to the provisions of Article IX, Section 2 (J. S.), the member shall have complete jurisdiction in determining the nature of such limitations, but they shall be no more restrictive than is necessary to limit the demand for the scarce currency to the supply of it held by, or accruing to, the member in question; and they shall be relaxed and removed as rapidly as conditions permit. This authorization shall cease to be in effect whenever the Fund formally declares the currency in question no longer scarce.

(p. 5) # SECTION 3. *Administration of Restrictions on Scarce Currencies.*

Any member imposing restrictions in respect of the currency of any other member pursuant to the provisions of this Article shall give sympathetic consideration to any representations which may be made by such other member regarding the administration of such restrictions.

SECTION 4. *Effect of Other International Agreements on Restrictions on Scarce Currencies.*

Members agree not to invoke the obligations of any engagements entered into with other members prior to this Agreement in such a manner as will prevent the operation of the provisions of this Article.

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[p. 326]

Document 235

CIII/A

Report Submitted to Commission III by the Agenda Committee Appointed to Receive and Consider Proposals Submitted for Consideration in Commission III

(To be presented at meeting of Commission III, July 10)

Bretton Woods, *July 10, 1944*

MR. CHAIRMAN:

At the first meeting of Commission III held at 5:00 p. m. on July 3, 1944, an Agenda Committee was appointed to receive and consider topics submitted as appropriate for consideration in Commission III. During the week ten proposals were received by the Agenda Committee.

After studying these proposals, it appeared to the members of the Agenda Committee that the proposals related to three general fields of interest. One of the proposals related to the use of Silver for international monetary purposes. Several proposals related to the general subject of looted property and assets controlled by the enemy. A number of other proposals related to economic and financial policies and the publication and interchange of information. Accordingly, it is the recommendation of the Agenda Committee that there be established in Commission III three "ad hoc" committees to consider these general fields of interest and to make recommendations to the full Commission for action to be taken at this Conference with respect to their respective fields.

Committee 1 would be charged with making recommendations concerning "The Use of Silver for International Monetary Purposes;" Committee 2 would make recommendations concerning action to be taken by this Conference relating to "Enemy Assets, Looted Property, and Related Matters;" and Committee 3 would be charged with proposing recommendations to be made by this Commission relating to "Economic and Financial Policies, Exchange of Information, and Other Means of Financial Cooperation".

It was felt by the members of the Agenda Committee that all of the proposals received by it should be placed before the members of this Commission for such discussion as might be desired in the light of the recommendations of the Agenda Committee. Accordingly, I will read the full text of the proposals, indicating in each case the Committee to which the proposal, in the opinion of the Agenda Committee, should be assigned. It is suggested, Mr. Chairman, that after the reading of each proposal the Delegation [p. 327] which submitted it be permitted to make supporting or clarifying remarks, should it care to do so, and any other Delegation wishing to comment upon the proposal be afforded an opportunity to do so.

1. Proposal on silver submitted by Mexican Delegation:

(p. 2) WHEREAS it is undeniable that about half of the world's population prefers silver coins to any other kind of currency for everyday use and trade, as well as for hoarding;

WHEREAS the economically weaker silver-using nations of the world, upon becoming members of the proposed International Monetary Fund, would in fact agree, among other things, to collaborate with the stronger nations in the establishment of a world-wide free market for gold, and in the maintenance of a stable and fair price for that metal;

WHEREAS it is just and fair that, in due correspondence, the economically stronger countries should agree to extend their cooperation to the economically weaker ones, in order that silver may also have an ample market and a relatively stable and fair international price;

WHEREAS, to comply fully with the proposed agreement, the silver-using peoples would need proportionately larger, and therefore more burdensome, monetary reserves, since besides their normally heavy investments in silver coins, they would also have to maintain a gold reserve proportionately as large as that of any gold-using nation;

WHEREAS it is not fair that the economically weaker peoples should carry the whole weight of their silver stocks, as well as the heavy losses caused by the wide fluctuations of their international value, and carry besides their proportionate share of the gold stocks;

WHEREAS it has been fully demonstrated by the farsighted policy of the United States during the past decade, that it is not only possible but equally feasible, without the slightest danger to the monetary equilibrium even of a single nation, to maintain stable the relative international prices of gold and silver, and to stabilize both prices in terms of a single currency;

WHEREAS it should be relatively easier and less costly for the United and Associated Nations to establish a fair and reasonable international price for silver than to fix one for gold, inasmuch as the present value of the visible stocks of gold is around thirty billion dollars, while that of silver is only a fifth or a sixth of that amount;

WHEREAS one of the main purposes of this Conference should [p. 328] evidently be, not to select gold or anything else as a metallic standard which would lead the world back into the rigidity of an arbitrary yardstick for national and international values, but rather to lay the foundations of a well-integrated world monetary system, wherein certain important currencies generally accepted in international trade, as well as gold and silver itself, can and should be used to great advantage, each to fulfill a different international function;

(p. 3) WHEREAS in the proposed agreement it is foreseen that the Monetary Fund may be forced to change the price of gold in terms of all the

member countries' currencies, in order to provide additional means of international payments;

WHEREAS silver, because of its traditional monetary use by approximately half of the inhabitants of the world, can and should be used as a collateral monetary metal for meeting such increases in credit requirements of member countries;

WHEREAS in principle there can be no better grounds for pegging the price of gold in terms of the United Nations' currencies, than those for preventing the wide fluctuations of the international price of silver, in relation to the same currencies;

WHEREAS the wide fluctuations in the international value of silver besides placing a heavy risk on the shoulders of those countries least able to carry it, are the direct source of recurrent dislocation of the monetary system of silver-using countries; and

WHEREAS it is technically possible to achieve a minimum price of gold and a maximum price for silver in terms of all the currencies of member countries;

The Mexican Delegation presents for the consideration of this Conference the following tentative plan to link silver with gold for international monetary purposes:

I. That the Monetary Fund should buy and sell from and to member countries gold and silver *together and jointly,* at the fixed rate in terms of member currencies and in a ratio of, say, one ounce of pure gold to ten ounces of fine silver.

II. That member countries would agree to buy and sell from and to the Fund, and from and to one another, gold and silver *together and jointly,* at the same rate and in the same ratio as above.

III. That the Fund should have power:

a. To alter permanently, by a four-fifths majority vote, the proportions of gold and silver set forth above in I and II, only when a permanent and fundamental change [p. 329] in the average yearly rate of production and consumption of both metals has taken place; and

(p. 4) b. To eliminate silver entirely that temporarily from its joint purchases and sales of gold and silver, and to permit member countries to do likewise, only when and just as long as, due to an increase in the price of silver, over and above an agreed ceiling, the price of one ounce of pure gold in the basic composite unit as defined in I and II above, should be less than the agreed minimum price of thirty-five U. S. dollars per ounce.

THE MEXICAN DELEGATION submits to this Conference the following RESOLUTION:

A. That the Fund shall determine the feasibility of linking silver with gold for international monetary purposes, in accordance with the formula preinserted or any other formula;

B. That the Fund shall be authorized to carry oat whatever policy it deems appropriate as regards the proper role and function of silver within the international monetary structure.

The Agenda Committee recommends that this proposal be referred to Committee 1 on the use of Silver for International Monetary Purposes.

2. Proposal on enemy assets, submitted by the Polish Delegation:

I. That the members of the United Nations Monetary Fund approach at the earliest possible time the neutral countries with a view to securing their cooperation in blocking all the assets of Axis governments and nationals located in neutral territory;

II. That the blocked assets referred to above be liquidated by an appropriate United Nations agency and the proceeds used in settling the claims of the countries which are victims of Axis aggression;

III. That the neutral countries which will collaborate in the above-mentioned measures become eligible for membership in the Fund and in the Bank.

The Agenda Committee recommends that this proposal be referred to Committee 2 on Enemy Assets, Looted Property, and Matters.

(p. 5) **3. Proposal on enemy assets and looted property submitted by the French Delegation:**

That Commission III consider and make recommendations concerning steps to be taken to prevent the enemy from successfully [p. 330] secreting funds in neutral territories or in United Nations territories under assumed names.

The measures to be recommended should apply to beneficiaries of property looted by the enemy, whether such beneficiaries be enemy nationals, or their associates of whatever nationality. They should be directed in particular against Axis leaders and their collaborators in occupied countries, war criminals and associates, who might attempt, by retaining control of such funds, to perpetuate their influence, power and ability to plan future aggrandizement and domination in the post-war period.

The Agenda Committee recommends that this proposal be referred to Committee 2 on Enemy Assets, Looted Property, and Related Matters.

4. Proposal concerning the liquidation of the Bank for International Settlements, submitted by the Norwegian Delegation:

Be IT RESOLVED that the United Nations Monetary and Financial Conference recommends the liquidation of the Bank for International

Settlement at Basel. It is suggested that the liquidation shall begin at the earliest possible date, and that the Governments of the United Nations now at war with Germany, appoint a Commission of Investigation, in order to examine the management and transactions of the bank during the present war.

The Agenda Committee recommends that this proposal be referred to Committee 2 on Enemy Assets, Looted Property, and Related Matters.

5. Proposal for an international agreement on maintenance of high levels of employment submitted by the Australian Delegation.

WHEREAS the raising of standards of living throughout the world must be the primary aim of economic policy and the most essential conditions for this and for the achievement of the objectives set out in Article I of the International Monetary Fund are the promotion and maintenance of high levels of employment; and

(p. 6) WHEREAS the operations of the International Monetary Fund and other forms of international economic cooperation will have the best prospects of success if member countries by domestic measures maintain high levels of employment and consumption and by so doing enable the accumulation of persistent credit (and debit) balances on international account to be avoided;

This Conference RESOLVES that Governments which are to be [p. 331] invited to accept an International Monetary Agreement should be invited to accept concurrently an international agreement in which the signatories will pledge themselves to their own people and to one another to maintain high levels of employment in their respective countries, and to exchange information on measures necessary to prevent the growth of unemployment and its spread to other countries.

The Agenda Committee recommends that this proposal be referred to Committee 3 on Recommendations on Economic and Financial Policy, the Exchange of Information, and Other Means of Financial Cooperation.

6. Proposal remanded to Commission III from Commission I concerning the settlement of abnormal indebtedness arising out of the war, submitted to Commission I as Alternative G by the Delegation from India:

To promote and facilitate the settlement of abnormal indebtedness arising out of the war.

The Agenda Committee recommends that this proposal be referred to Committee 3 on Recommendations on Economic and Financial Policy, the

Exchange of Information, and Other Means of Financial Cooperation.

7. Proposal concerning the use of members' gold contribution to the Fund as coverage for note issuance, submitted by the Norwegian Delegation:

Member States whose note issue, according to their monetary legislation, bears some relation to the holdings of gold and/or gold convertible exchange of their central bank or some other institution, are advised to allow their gold contribution to the Fund to be regarded as part of the gold coverage of the note issue.

Member States possessing rules limiting their note issue, are advised to regard notes held by the Fund as additional fiduciary money, which should not be included in the amount of notes bearing any required relation to prescribed legal coverage.

(p. 7) The Agenda Committee recommends that this proposal be referred to Committee 3 on Recommendations on Economic and Financial Policy, the Exchange of Information, and Other Means of Financial Cooperation.

8. Proposal concerning a political prerequisite for admission of Germany and Japan to membership of the Fund or Bank, submitted by the Norwegian Delegation: [p. 332]

Be IT RESOLVED that the United Nations Monetary and Financial Conference is of the opinion that neither Germany nor Japan should be admitted to membership of the United and Associated Nations Monetary Fund or Bank for Reconstruction and Development until the country in question has been admitted to the planned Political World Organization.

The Agenda Committee recommends that this proposal be referred to Committee 3 on Recommendations on Economic and Financial Policy, the Exchange of Information, and Other Means of Financial Cooperation.

9. Proposal for a conference on commercial policy submitted by the Delegation from Peru:

WHEREAS the International Monetary Fund is devised to maintain orderly exchange arrangements and to lend help to member countries by supplying their needs of foreign exchange of a temporary nature not due to fundamental disequilibrium in their international balance of payments;

WHEREAS the Fund is not meant to deal with basic economic factors which affect the rate of employment and production in the world at large;

WHEREAS the Bank will, as its name implies, act only in the fields of Reconstruction and Development;

WHEREAS the successful operation of these two institutions is dependent on the smooth development of economic phenomena free from crises of a disruptive nature; and,

WHEREAS this condition requires the relaxation of artificial trade barriers to attain greater freedom of commerce; the provision of adequate markets for staple products on which so many national economies depend; and the attainment and maintenance of a high degree of employment and production which will raise the standards of life and conditions of labour everywhere, which must be one of the primary objects of economic policy;

RESOLVED that for the successful attainment of the objects to be pursued by the International Monetary Fund and the Bank for Reconstruction and Development a Conference of the United and Associated Nations on Commercial Policy be called to make recommendations for the achievement of greater freedom of commerce and for the orderly (p. 8) marketing of staple products; and that, in the sense of this Conference, the nations here assembled should pursue policies to promote the fuller employment of the nations' resources both of men and materials.

The Agenda Committee recommends that this proposal be referred to Committee 3 on Recommendations on Economic and Financial Policy, the Exchange of Information, and Other Means of Financial Cooperation.

10. Proposal on status of earmarked gold submitted by the Mexican Delegation:

WHEREAS the practices for earmarking gold might not coincide in all particulars in different countries;

WHEREAS earmarked gold is part of the monetary reserve of such countries and therefore should be free from all restrictions as to its use, transfer, and transportation; and

WHEREAS, in order to avoid unnecessary movements of gold and thereby reduce to a minimum the cost and risks involved, it would be convenient to adopt a common international policy with respect to such gold;

RESOLVED that the countries represented at this Conference agree to extend to earmarked gold the same treatment and immunities they may agree to give to the gold and other assets of the International Monetary Fund.

The Agenda Committee recommends that this proposal be referred to Committee 3 on Recommendations on Economic and Financial Policy, the Exchange of Information, and Other Means of Financial Cooperation.

Mr. Chairman, all of the proposals received to date by the Agenda

Committee have now been placed before Commission III together with recommendations of the Agenda Committee—namely: that there be established in this Commission three "ad hoc" committees to consider these proposals and to make recommendations to the full Commission concerning action to be taken at this Conference with respect to the general subject assigned to each committee.

Respectfully yours,
(Signed) LUDWIK GROSFELD (Poland)
Ludwik Grosfeld, *Chairman*
(Signed) J. W. Beyen (Netherlands)
J. W. BEYEN
(Signed) FERNANDO MARDONES (Chile)
FERNANDO MARDONES
(Signed) Hugo Garcia (Uruguay)
HUGO GARCIA
(Signed) GEORGE BLOWERS (Ethiopia)
GEORGE BLOWERS

To the Honorable Eduardo Suárez
Chairman of Commission III

[p. 334 upper]

Document 236

(p. 39a) SA/1/43

ALTERNATIVE B

(Suggested as an alternative to Alternative A, Section 3, Paragraph (c) of Article IX, Page 39)

(c) Exchange transactions in the territory of one member involving the currency of any other member, which evade or avoid the exchange regulations prescribed by that other member and authorized by this Agreement, shall be an offense in the territories of all members.

7/9/44 J.S. Art. IX, Section 2

[p. 334 lower]

Document 237
(page 26g) SA/1/44
ALTERNATIVE G

(The following material is suggested as an addition to *Combined Alternatives A and B for Joint Statement VII, 1, 2, and 3 and Additional Material on p. 27 of Document SA/1.)*

(a) Add to Section 2:

Directors shall continue in office until their successors are appointed or elected.

(b) Add as a new section after Section 3:

4. If the office of an elective director becomes vacant more than ninety days before the end of his term, another director shall be elected for the remainder of the term by the members who elected the former director. A majority of the votes cast shall be required for election. While the office remains vacant, the alternate of the former director shall exercise his powers, except that of appointing an alternate.

(Renumber subsequent sections.)

7/9/44 J.S. Art. VII, Sections 1, 2 & 3

[p. 335]

Document 238
CI/1/RP2
Report of the Reporting Delegate of Committee 1 of Commission I on the Purposes, Policies, and Quotas of the Fund
(July 9, 1944)

MR. CHAIRMAN:

Since I had the honor to present to your Commission my first report on July 5th, your Committee I on Purposes, Policies, and Quotas of the Fund held three meetings, on July 5th at 4:00 p.m.; on July 6th at 10:00 a.m.; and on July 8th at 9:30 a.m.

I consider it advisable, for the convenience of the members of this Commission, to report on the progress of the Committee's work by following the order of the Committee's assignments as stated in Document No. 51, and by referring to the Articles and sections of Document SA/1.

At the end of this report I shall submit to the Commission the actual text of the provisions recommended by Committee 1 to your commission for acceptance, and a summary record of the disposition thus far made by the Committee of other matters submitted to it.

Article I, Alternative A

SECTION 1 (p. 1a)

The purpose of section 1 of Alternative A was to substitute for the words of Section 1 of Article I of the Joint Statement "through a permanent *institution* which provides . . .", the words "by providing permanent machinery . . .".

The Committee has shown a preference for the original wording of the Joint Statement although it recognizes that the *institution* mentioned in the Joint Statement may be the Fund itself, and that the Fund would provide permanent machinery for consultations on international monetary problems.

SECTION 2 (p. 1a)

As I have reported on page 2 of my first report to your Commission, an Alternative C, Section 2 of Article I, (page 1c) presented by the Indian Delegation raised a question of principle regarding the purposes of the Fund.

The question was referred to the Drafting Committee, which was also asked to examine three other alternatives to the same Section 2 of Article I presented by the Colombian, French, and New Zealand Delegations. [p. 336]

After considerable discussion on all issues involved in these alternatives, both in the Drafting Committee and in Committee 1, the full Committee accepted a proposal by the Drafting Committee to (p. 2) add to Section 2 of

Article I of Alternative A, page 1a, after the words "of high levels of employment" the words *"and to the development of the sources of productive power in all member countries . . ",* and to delete the words "and real income". The Committee was guided in its decision by the general principle that the declaration of the purposes and policies of the Fund must be in agreement with the real objectives and powers of the Fund as stated in the provisions contained in its constitutional document and with the means put at its disposal.

The Committee thought that the direct purpose which the Fund can and must pursue by using the powers and means at its disposal is to facilitate the expansion and balanced growth of international trade and that the promotion of high levels of employment and the development of the productive resources of the country may be and, it is hoped that it will be, an indirect result of the activities of the Fund.

The Committee reached this decision because it felt obligated to limit its considerations to the one particular plan of post-war collaboration of the United and Associated Nations which is now under discussion, namely, the Fund.

In view of the fact, however, that the united effort of our countries will not be limited to the constitution of the Fund alone, and that another very important plan of economic collaboration, that of the Bank for Reconstruction and Development, is under discussion, the Committee considers it necessary that a general preamble to the final document of the Conference be prepared in which all basic economic objectives of the work of the Conference regarding both the Fund and the Bank are clearly stated.

The Indian Delegation, which presented Alternative C, and other delegations, declared that while they considered the amendment of Section 2 of Article I, as proposed above by the Committee, an improvement, they reserved the right to raise the question later if their point of view did not find adequate expression in the general preamble mentioned above.

SECTION 3 (p. 1a)

Some doubts had been expressed by members of the Committee with regard to the exact meaning of the words "thus giving them time" which appear in Alternative A as well as in the Joint Statement. In order to disperse such doubts, the Committee, at [p. 337] the proposal of the Drafting Committee, decided to propose the substitution of these words by the following: "thus providing them with opportunity…"

SECTION 4 (p. 1a)

As I had the opportunity to explain in my first report, the Committee examined Alternatives B, D, and E, relating to Section 4 of Article I. These alternatives are to be found on pages 1b and 1c of Document SA/1.

(p. 3) It has been already reported that the Committee thought that the alternatives mentioned above were closely connected with Article IV of the Joint Statement, the examination of which has been assigned to Committee 2 of your Commission. Committee 1 accordingly decided to refer the subject to the Drafting Committee on the understanding that it would not make its report until the provisions of Article IV have been agreed upon.

The Drafting Committee and the full Committee are now in a position to take up this subject since they have the text of Alternative A of Article IV (pages 17a and 17aa of Document SA/1) which has been discussed in Committee 2 of your Commission.

SECTION 5 (p. 1a)

Section 5 of Alternative A of Article I has been adopted without any change.

SECTION 6 (p. 1a)

The Committee has examined the report of the Drafting Committee on Alternatives A and B of this section (pages 1a and 1b of Document SA/1) and has accepted the proposal of the Drafting Committee to add at the beginning of Section 6 of Alternative A the following words: "In accordance with the above objectives…".

The Committee has also accepted the recommendation of the Drafting Committee to include at the end of Article I the words "The Fund shall be guided in all its decisions by the purposes set forth above," which are at the end of Alternative A of Article I, page 1a.

The Committee has also examined a new Alternative H (page Id of Document SA/1) which is similar to Alternative G (page 1c) which the Committee had already discussed and which it has already reported to your Commission. During the discussion of this new alternative, members of the Committee expressed their views about the advisability of including in the Agreement a clause referring to the balances accumulated during the war, [p. 338] along the same lines as that already reported to your Commission (page 3 of my first report).

Following the same procedure as that adopted with reference to Alternative G, the Committee agreed to refer Alternative H to your Commission.

The only section, therefore, of Article I of the plan which is still in the Drafting Committee is Section 4, mentioned above.

The Committee then proceeded to the examination of the sections of Article II, assigned to it.

Article II, Alternative A

SECTION 1 (p. a).
Countries Eligible for Membership

Upon the advice of the Drafting Committee, the Committee has decided to recommend the acceptance of Section 1 of Alternative A, Article II.

(p. 4) In view, however, of the fact that some members expressed doubts about the legal accuracy of the wording, the Committee, following the advice of the Drafting Committee recommends that the first paragraph of this section should begin with the words, "At the outset," and that the second paragraph should begin with the word "Subsequently".

The precise wording of this section, as of all other sections adopted by the Committee, is given in an appendix attached to this report.

SECTION 2 (p. a).
Quotas.

This section has not been discussed by the Committee because the document referred to on page 1 of the first report to the Commission was not yet available.

SECTION 3 (p. 2)
Time and Place of Payment.

The Committee has accepted the opinion of the Drafting Committee that the language in this clause was not susceptible of misinterpretation as some members suggested and that it was, therefore, satisfactory. The Committee recommends, therefore, the adoption of this section without amendment.

In this connection, the Committee discussed Alternative B, (page 2a), which is proposed as an addition to Section 3 of Alternative A. The proposer of this amendment explained to the Committee that in some of the countries occupied by the enemy the currency system has been completely disorganized and that [p. 339] special arrangements will have to be made by the Fund in the case of such countries with regard to the initial payment of their quotas.

It was, therefore, proposed that the Fund should be free to provide for such special arrangements if, in its own discretion, it considers them necessary, and provided that the Fund does not suffer any loss as a result of such arrangements.

The discussion of this specific proposal led to the discussion of the general question of how far a number of provisions in the agreement should apply to liberated countries, and the Committee agreed to recommend to your Commission the appointment of an ad hoc Committee to consider these problems.

In accordance with the procedure determined by the Steering Committee, the Chairman of Committee I, who has been empowered to

appoint such ad hoc committees as may be necessary, has appointed an ad hoc committee to consider the problems of liberated countries. This committee, so appointed, has already started the examination of the subject.

(p. 5) SECTION 4 (p. 3)
Adjustment of Quotas

This section was referred to the Drafting Committee, which has proposed the substitution of the word "shall" for the word "may"; the addition after the words "of five years" of the words "review and, if it deems it appropriate, propose an adjustment of"; and the deletion of the word "adjust".

The full Committee accepted these proposals. The new wording of this section, as proposed, is given at the end of this report.

SECTION 5 (p. 4)
Initial Payments.

The Drafting Committee has recommended and the full Committee has agreed to adopt Section 5 with a slight alteration in wording designed to prevent any possible misconstruction. Consequently, it is proposed that the beginning of Section 5 should read as follows: "Each member shall pay in gold *as a minimum* either (a) twenty-five percent of its quota, or (b) ten percent of its official holdings of gold and gold convertible exchange, whichever is the smaller, on ----------."

After the addition of the words *as a minimum,* it becomes clear that any member is entitled to pay a higher percentage of its quota in gold if it so wishes. [p. 340]

SECTION 6 (p. 4)
Payments when quotas are changed.

The Committee has decided to recommend the adoption of paragraphs (a) and (b) of this section without alteration.

The Committee has discussed Alternatives B and C (page 4a) which are proposed as additions to Alternative A, Section 6 (page 6). As both alterations refer to liberated countries, the Committee decided to charge the ad hoc committee, mentioned above, with their examination.

In addition to Articles I and II which have been already dealt with in this report, Article IX, Sections 1, 2, 3, and 4 have been assigned to your Committee I.

The Committee had discussed the subjects with which these sections deal and has referred the greater part of them to the Drafting Committee.

The present stage of the Committee's work with regard to this Article may be reported as follows:

Article IX—Obligations of Member Countries

Alternative A, SECTION 1—*Purposes and Scope of Additional Undertakings,* (p. 38)

The wording of this section is to be inserted later. Consequently, consideration has been deferred.

(p. 6) SECTION 2—Gold Purchases Based on Parity Prices *(p. 38).*

In discussing this section, the Committee felt that the words "from or to the monetary authorities of another member," might convey the impression that member countries were free to buy or sell gold from or to other sources at any price. It was agreed that this was not the intention of the proposers of Alternative A, Section 2. The Committee, therefore, decided to refer this section to the Drafting Committee. After the Drafting Committee had presented its first report, it became evident that this subject was closely connected with subjects relating to the operation of the Fund, which have been assigned to Committee 2 of Commission I. The Committee thought, therefore, that it would be advisable to send this section back to the Drafting Committee with instructions to consult with Committee 2 and report on the matter.

The same decision has been taken for the same reasons with regard to Alternative A, Section 3—Foreign Exchange Dealings Based on Par Values, Paragraph (a), page 39. This paragraph (a) is, therefore, still in the Drafting Committee. [p. 341]

SECTION 3, Paragraph (b), Alternative A (p. 39).

The Committee agreed in principle with this paragraph (b), but decided to refer it to the Drafting Committee for reconsideration. Some information regarding the recommendation on this paragraph which the Drafting Committee will make, is given at the end of this report.

SECTION 3, Paragraph (c), Alternative C (p. 39).

It has been suggested that the last line in this paragraph reading: "not be enforceable in the territory of any member", be substituted by the following: "be an offense in the territory of any member." This proposal has been referred to the Drafting Committee.

SECTION 4—*Exchange Controls on Current Payments* (p. 40).

During the discussions of this section, it has been recognized that a distinction must be made between exchange control and exchange restrictions. However, as the discussion developed some uncertainty as to the character of restrictions which member countries obligate themselves to eliminate under this section, the Committee decided to request Commission I to clarify the matter and to postpone further consideration of it until Committee 2 had also discussed the question.

The full text of provisions recommended by Committee I is attached to this report as an appendix.

K. VARVARESSOS
Reporting Delegate
7/9/44

APPENDIX
I
TEXT OF PROVISIONS RECOMMENDED BY COMMITTEE 1
(July 9, 1944)

Article I. *Purposes and Policies of the Fund*

The purposes of the International Monetary Fund are:

1. To promote international monetary cooperation through a permanent institution which provides the machinery for consultation on international monetary problems.

2. To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and to the development of the sources of productive power in all member countries as primary objectives of economic policy. (Subject to revision.)

3. To give confidence to member countries by making the Fund's resources available to them under adequate safeguards, [p. 342] thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.

4. Still in the Drafting Committee.

5. To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.

6. In accordance with the above objectives, to shorten the periods and lessen the degree of disequilibrium in the international balances of payments of member countries.

The Fund shall be guided in all its decisions by the purposes set forth above.

Article II. *Subscription to the Fund*

SECTION 1. *Countries Eligible for Membership*

At the outset the members of the Fund shall be those of the countries represented at the United Nations Monetary and Financial Conference whose

governments accept membership in the Fund.

Subsequently membership in the Fund shall be open to other countries at such times and in accordance with such terms as may be prescribed by the Fund.

SECTION 2. *Quotas*

Not yet taken up by the Committee.

(p. 2) SECTION 3. *Time and Place of Payment*

Each member shall provide the Fund at the appropriate depository with the full amount of its quota on or before the date fixed for exchange transactions in its currency to begin. Any member whose quota is increased shall provide the full amount of the increase within thirty days of the date on which the member approves the increase in its quota.

SECTION 4. *Adjustment of Quotas*

The Fund shall at intervals of five years review and, if it deems it appropriate, propose an adjustment of the quotas of the members. It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned. A four-fifths majority vote shall be required for any change in quotas and no quota shall be changed without the consent of the member concerned. [p. 343]

SECTION 5. *Initial Payments.*

Each member shall pay in gold as a minimum either (a) twenty-five percent of its quota, or (b) ten percent of its official holdings of gold and gold convertible exchange,[1] whichever is smaller, on ----------. In the case of any member occupied by the enemy whose holdings are not ascertainable as of ----------, the Fund shall fix an appropriate alternative date. The data necessary to determine official holdings of gold and gold convertible exchange shall be furnished by the members as provided in this Agreement. Each member shall pay the balance of its quota in its own currency.

SECTION 6. *Payments When Quotas are Changed*

(a) Each member whose quota is increased shall pay twenty-five percent of the increase in gold. Each member shall pay the balance of any increase in its own currency. If, however, on the date the member approves an increase, its holdings of gold and gold-convertible exchange are less than its new quota, the Fund may reduce the portion of the increase to be paid in gold.

(b) Each member whose quota is reduced shall receive from the Fund within thirty days of the reduction an amount in its own currency or gold equal to the reduction. In making this payment, the Fund shall pay to such member only the amount of gold necessary to prevent reducing the holdings

of the Fund of that currency below seventy-five percent of such new quota of the member.

(p. 3) **Article IX. *Obligations of Member Countries***

SECTION 1. *Purpose and Scope of Additional Undertakings*
Consideration deferred.

SECTION 2. *Gold Purchases Based on Parity Prices*
In Drafting Committee.

SECTION 3. *Foreign Exchange Dealings Based on Par Values*
(a) In Drafting Committee.
(b) Each member undertakes, through appropriate measures authorized under this agreement, not to permit within its jurisdiction an appreciation or depreciation of the exchange value of its own currency in terms of gold beyond the range prescribed under (a) above. In particular, a member whose monetary authorities in fact freely buy and sell gold or gold convertible exchange [p. 344] within the prescribed range, to settle international transactions, shall be deemed to be fulfilling this undertaking . . .[9]
(c) The Drafting Committee will report to the full Committee at its next meeting that this paragraph contains matters of legal substance and is, therefore, not within the competence of a drafting committee.

SECTION 4. *Exchange Controls on Current Payments*
Referred to Commission I.

II
DISPOSITION BY COMMITTEE 1 OF ADDITIONAL PROVISIONS SUBMITTED FOR INCLUSION IN THE ARTICLES ASSIGNED TO IT

Article I. *Purposes of the Fund*
Alternative F
Correlation of international exchange policy and international investment policy.
Consideration deferred.
(p. 4) *Alternatives G and H*
Liquidation of wartime indebtedness.
Referred to Commission I.

9 This language will be recommended by the Drafting Committee to Committee 1 at its next meeting, but has not been passed upon by the full Committee. [Footnote in conference proceedings.]

Alternatives I and J

Alternative wording of Section 2 of Article I rejected by Drafting Committee in favor of recommended text given above. *Alternative K* Facilitation of multilateral clearing.

Not reached by Committee prior to adjournment on July 8, 1944.

Article II. *Subscription to the Fund*

Alternative B—Page 2a

Special arrangements for time and place of payment of quotas by occupied countries.

Referred to ad hoc committee of Commission I.

Alternatives B and C—Page 4a

Initial subscription payable in gold by countries suffering damage by enemy occupation.

Referred to ad hoc committee of Commission I.

Alternative C—Page 2b, and *Alternative D*—Page 4b Inclusion of silver in quota subscriptions.

Not reached by the Committee prior to adjournment July 8.

Article IX. *Obligation of Member Countries*

SECTION 8, *Alternative A*

Cooperation of members in enforcing permissible exchange restrictions.

Not reached by the Committee at the time of adjournment, July 8.

7/9/44

[p. 360]

Document 241
(p. 37bb) SA/1/45
ALTERNATIVE B
Article VIII, Section 4. *Liquidation of the Fund*

Substitute for (d) of Section 4 of Alternative A:

"The assets of the Fund available after the discharge of the above liabilities shall be distributed in such manner as the Board of Governors shall decide to be most equitable in the circumstances then existing."

7/9/44 J.S. Art. VIII, Additional Section

[p. 363]

Document 243
CI/3/S3
Report of Subcommittee of Committee 3 of Commission I on Liquidation and Withdrawal

The sub-committee wishes to report progress in its consideration of the matter of liquidation. In its meeting it decided to recommend to the Committee the approval of Article VIII, Section 4(a) of Alternative A, Document 211. The sub-committee wishes to recommend that paragraph (b) be amended to read: "If a decision to liquidate the Fund is carried, (i) the Fund shall forthwith cease to engage in any activities except those incident to an orderly liquidation of its assets and the settlement of its liabilities, and (ii) all the obligations of members under this agreement other than those specified in the following paragraphs of this Section and ……. shall cease to have effect." The sub-committee was of the opinion that this clause might be inserted either at this place or in some other Section of the document relating to the obligations of the members, at the discretion of the final drafting committee. With this amendment the substance of paragraph (b) was recommended for the approval of the committee. Paragraph (c) was recommended for adoption as given in Alternative A.

The sub-committee regrets that it was unable to reach agreement on paragraph (d) of Article VIII, Section 4. Two drafts of this paragraph were under consideration while a third was added in the course of discussion. The sub-committee wishes to refer this back to the whole Committee for action.

It may be noted that some members of the sub-committee favored leaving the matter of liquidation to the discretion of the Board of Governors. The predominant sentiment, however, favored some more definite provision though it could not agree upon the exact provision to be suggested. A draft of a discretionary method of treatment is given in Alternative D. The sub-committee recommended approval of paragraph (e), but one member favored a five-year term for redemption of excess currency instead of the three-year term now provided.

In dealing with the question of withdrawal the Committee had before it two Alternatives. It was the opinion of some of the members that the Alternatives must be discussed as a whole since the principles involved are similar to the principles of liquidation and accordingly the sub-committee was unable to embody its deliberations in an approved draft for the consideration of Committee [p. 364] 3. Certain amendments to Alternative A were offered to perfect this draft without prejudice to consideration of Alternative B. It was suggested that Article VIII, Section 3(a) be amended with (p.2) the insertion after the first sentence of the following: "Failing such agreement settlement shall be made in accordance with the provisions of (c),

(d) and (e)." A new draft, Alternative C, for the entire Section was submitted and this draft will be presented to the whole Committee.

Respectfully submitted,
CAMILLE GUTT, *Chairman*
H. J. BITTERMANN, *Secretary*

7/9/44

[p. 365]

Document 245

SA/3

Preliminary Draft of Proposals for the Establishment of a Bank for Reconstruction and Development

There is attached a preliminary draft of provisions which have been submitted to the Secretariat.

At the top of each page there is set forth as Alternative A the pertinent provision of the "Proposal for a Bank for Reconstruction and Development (Doc. SA/2, #169). Immediately below appear alternative and supplementary texts submitted to the Secretariat (Room 147). It is expected that further suggestions will be made [p. 366] and as they are presented to the Secretariat, they will be distributed for inclusion in the attached draft.

The Secretariat has attempted to put the various proposals together in a manner which would be helpful in the consideration of the alternative provisions suggested. The order adopted is in no way indicative of where the provisions might appropriately appear in a final document.

The Secretariat is aware of the possibility that errors and omissions have been made in the attached draft, despite the care employed in its preparation. Accordingly, the Secretariat requests the indulgence of any delegation whose proposals may have been partially or wholly omitted or improperly presented. If the attention of the Secretariat is called to any error or omission, such error or omission will be corrected promptly.

(p. 1)

TITLE

Alternative A

Agreement to Establish a Bank for Reconstruction and Development.

Alternative B

It is suggested that the title be: "The International Corporation for Reconstruction and Development", or some other title omitting the word "Bank".

7/10/44 Title, Alts. A & B

(p. 1a)

TITLE

Alternative C

It is suggested that the title be either "The International Guarantee and Investment Association" or "The International Investment and Guarantee Association".

7/10/44 Title, Alt. C

(p. 2)

Article I

Purposes of the Bank

Alternative A

The bank shall be guided in all its decisions by the following purposes.

1. To assist in the reconstruction and development of member [p. 367] countries by facilitating provision of long-term investment capital for productive purposes through private financial agencies, by means of guaranteeing and participating in the loans made by private investors;

2. To supplement private financial agencies by providing capital for productive purposes out of its own resources, on conditions that amply safeguard its funds, when private capital is not available on reasonable terms;

3. To promote the long-range balanced growth of international trade by encouraging international investment for the development of the productive resources of member countries;

4. To coordinate loans made or guaranteed by it with international loans through other channels so that the more useful and urgent projects will be dealt with first;

5. To conduct its operations with due regard to the effect of international investment on business conditions in member countries and, in the immediate post-war years, to assist in bringing about a smooth transition from a wartime to a peacetime economy.

Alternative B

(a) Respecting subdivision 2, it is proposed that the words "on conditions which amply safeguard its funds" should be replaced by "on suitable conditions".

7/10/44 Art. I, Alts. A & B

(p. 2a) (b) Substitute the following for subdivision 3:

3. To assist in raising the productivity, the standard of life, and conditions of labour in member countries, thereby helping to make available through international collaboration long-term capital for the sound development of production and resources.

4. To permit the long-range balanced growth of international trade among member countries.

(and renumber other subdivisions accordingly)

Alternative C

1. To assist in the reconstruction *and the restoration of the economy destroyed by the hostilities,* and in the development of member countries by facilitating provision of long-term investment capital for productive purposes through

private financial agencies, by means of guaranteeing and participating in the loans made by private investors:

2. To supplement private financial agencies by providing capital [p. 368] *for reconstruction and restoration of the economy destroyed by the hostilities and for development* for productive purposes out of its own resources, on conditions that amply safeguard its fund, when private capital is not available on reasonable terms;

7/10/44 Art. I, Alts. B & C

(p. 2b)

ARTICLE I
Alternative D

An International Bank for the Reconstruction and Development of Member Countries is hereby established for the following purposes:

(1) To assist in the reconstruction or the development of the productive resources of member countries, more especially those whose economy has been disrupted by the war or has been inadequately developed, by providing or facilitating the provision of long-term investment capital;

(2) To help promote the balanced growth of international trade by encouraging international investment; and

(3) In the immediate post-war years, to assist in bringing about a smooth transition from a wartime to a peacetime economy.

Alternative E

The following Section has been proposed as an alternative to Section 2:

(2) To supplement private financial agencies by providing capital for promising productive purposes out of its own resources when private capital is not available on reasonable terms.

7/10/44 Art. I, Alts. D & E

(p.2c)

ARTICLE I
Alternative F

Paragraph 1 should read:

1. To assist in the reconstruction and development of member countries by facilitating provision of *capital for sound and constructive international investment* through private financial agencies by means of guaranteeing and participating in the loans made by private investors.

Paragraph 5 should read:

5. To facilitate a rapid and a smooth transition from a wartime to peacetime economy by increasing the flow of international [p. 369] investment and thus to help to bring economy back to work and to avoid serious disruption of economic life of member countries.

7/10/44 Art. I, Alt. F

(p. 3)

Article II

Membership in and Capital of the Bank

Alternative A

SECTION 1. *Countries Eligible for Membership*

The members of the Bank shall be those members of the International Monetary Fund which accept membership in the Bank.

7/10/44 Art. II, Sec. 1, Alternative A

(p. 4)

Article II

Alternative A

SECTION 2. *Authorized Capital.*

The authorized capital stock of the Bank shall be $10,000,000,000, in terms of United States dollars of the weight and fineness in effect on _____. The capital stock shall be divided into 100,000 shares having a par value of $100,000 each, which shall be available for subscription only by members.

The Capital stock may be increased when the Bank deems it advisable by four-fifths of the aggregate votes.

Alternative B

It is proposed that the second paragraph of this Section should read as follows:

The Capital Stock may be increased when the Bank deems it advisable. But no member shall be obligated to increase its subscription pro rata unless it desires to do so.

7/10/44 Art. II, Sec. 2 Alts. A & B

(p. 5)

Article II

Alternative A

SECTION 3. *Subscription for Stock.*

Each member shall subscribe for shares of stock. The minimum numbers of shares to be subscribed by countries represented at the United Nations Monetary and Financial Conference shall be [p. 370] those set forth in Schedule A. (Schedule A to be added later). The minimum number of shares for other countries which become members of the Bank shall be determined by the Bank.

Any member may subscribe for additional shares of stock in accordance with rules to be established by the Bank, except that a part of the authorized capital shall be reserved by the Bank for minimum subscriptions of countries

not represented at the United Nations Monetary and Financial Conference.
7/10/44 Art. II, Sec. 3, Alt. A

(p. 6)

ARTICLE II
Alternative A

SECTION 4. *Availability of Subscribed Capital.*

The subscription of each member country shall be divided into two parts as follows:

(a) Twenty percent shall be callable by the Bank as needed for any of its operations.

(b) The remaining 80 percent shall be callable by the Bank only when required to implement obligations of the Bank created under IV(1) (b) and (c) below.

Calls on unpaid subscriptions shall be uniform on all shares.
7/10/44 Art II. Sec. 4, Alt. A

(p. 6a)

ARTICLE II
Alternative B

Substitute for Alternative A, subdivision (a) the following:

(a) Twenty percent shall be callable by the Bank as follows:

(i) two percent in gold or gold-convertible currency within 60 days after the date set for the operations of the Bank to begin;

(ii) eighteen percent in maximum amounts of five percent in any three months period as needed for any of its operations;

provided, however, that not less than ten percent in the aggregate shall be called within one year from the date set for the operations of the Bank to begin.

And add to the last sentence of the section:

If one or more shareholders fail to meet a call in whole or in part, an additional call or additional calls shall be made until [p. 371] the entire amount of the call shall have been paid, subject always to the provision of section 7, below.
7/10/44 Art. II, Sec. 4, Alt. B

(p. 7)

Article II
Alternative A

SECTION 5. *Payment of Subscription.*

(a) Payments under Section 4(a) shall be partly in gold and partly in local currency except that payments required to implement obligations of the Bank created under Article IV, Section 1(b) or 1(c), shall be made in the manner

provided in the following subdivision. The proportions to be paid in gold and local currency under this subdivision shall be graduated according to an agreed upon schedule which shall take into account the adequacy of the gold and free foreign exchange holdings of each member country. The portion to be paid in gold shall not in any event exceed 20 percent of the total payment.

(Schedule to be inserted)

(b) Payments under Section 4(b) shall at the option of the member be made either in gold or in the currency required to implement the obligations with respect to which a call is made.

(c) The initial payment on each share issued shall be such as to equal the total amount per share already called on outstanding shares, adjusted for the amount by which the issue price of the share differs from par value.

7/10/44 Art. II, Sec. 5, Alt. A

(p. 7a)

Alternative B

It is suggested that the following should replace the last sentence of Section 5(a):

"No Member will be expected to contribute in gold more than 20 percent of its callable subscription under 4(a), and every member will be required to contribute not less than 10 per cent unless the member satisfies the Bank that a lower percentage would be appropriate to its circumstances."

Alternative C

Add the following to Section 5:

To any country represented at the United Nations Monetary [p. 372] and Financial Conference whose home areas have suffered from enemy occupation and hostilities during the present war will be granted the right to postpone till the end of its restoration period the payment of its gold contribution in the amount from twenty-five to fifty percent, dependent on the extent of the damage caused by the enemy occupation and hostilities.

7/10/44 Art. II, Sec. 5, Alts. B & C

(p. 8)

ARTICLE II

Alternative A

SECTION 6. *Issue Price of Shares.*

Shares of stock included in the initial subscription of a member represented at the United Nations Monetary and Financial Conference shall be issued at par if the subscription is received not later than one year after the date set for operations of the Bank to begin. Other shares shall be issued at par or such other price as may be fixed by three-fourths vote of the Bank.

7/10/44 Art. II, Sec. 6, Alt. A

(p. 8a)

ARTICLE II
Alternative B

It is proposed that the last sentence of Alternative A should be amended to read as follows:

Other shares shall be issued at a price equal to the total of the net assets as shown on the last balance sheet, divided by the number of shares in existence at the time of the issue of that balance sheet, or such other price as may be fixed by a three-fourths vote.

7/10/44 Art. II, Sec. 6, Alt. B

(p. 9)

ARTICLE II
Alternative A

SECTION 7. *Limitation on Liability.*

Liability on shares shall be limited to the unpaid portion of the issue price of the shares.

7/10/44 Art. II, Sec. 7, Alt. A

(p. 10) [p. 373]

Article II
Alternative A

SECTION 8. *Disposal of Shares Limited.*

Shares shall not be pledged or encumbered in any manner whatever and they shall be transferable only to the Bank.

7/10/44 Art. II, Sec. 8, Alt. A

(p. I1)

Article II
Alternative A

SECTION 9. *Return of Subscriptions.*

When the liquid resources of the Bank are substantially in excess of prospective needs, the Bank may return, subject to call, uniform amounts on all shares of stock outstanding.

7/10/44 Art. II, Sec. 9, Alt. A

(p. 11a)

Article II
Alternative B

It is suggested that the following be added to Alternative A:

, provided always that the amounts returned do not encroach upon the

amounts of currency and/or gold to be held available pursuant to Article III, Section 3, Alternative B.
7/10/44 Art. II, Sec. 9, Alt. B

(p. 12)

Article III
General Provisions Relating to Loans
Alternative A

SECTION 1. *Use of Resources Restricted.*

The resources and the facilities of the Bank shall be used exclusively for the benefit of members.

Alternative B

The resources and the facilities of the Bank shall be used exclusively for the benefit of members.

The Bank shall give equal consideration to projects for development and to projects for reconstruction, and its resources and [p. 374] facilities shall always be made available to the same extent for either kind of project.
7/10/44 Art. III, Sec. 1, Alts. A & B

(p. 13)

ARTICLE III
Alternative A

SECTION 2. *Agencies Dealing with the Bank.*

Except as otherwise indicated in this Agreement, the Bank shall conduct its business only with or through the governments of the members, their central banks, stabilization funds and other similar fiscal agencies, the International Monetary Fund, and other international agencies participated in primarily by governments of members.

Alternative B

It is proposed that the last two lines be amended to read "and other public international organizations, at least one-half of the members of which are members of the Bank."
7/10/44 Art. III, Sec. 2, Alts. A& B

(p. 14)

ARTICLE III
Alternative A

SECTION 3. *Limitation on Loans and Guarantees.*

The total amount of guarantees, participations in loans, and loans and other investments made by the Bank shall not exceed at any one time _____ percent of the subscribed capital and surplus of the Bank.

Alternative B

At the time of an issue of securities guaranteed by the Bank or of an issue by the Bank of its own bonds, the amounts thereof, added to the amounts outstanding of previous issues shall never exceed 75% of the unpaid subscriptions to the shares of the Bank. The Bank shall always maintain for each loan it has guaranteed (and for each loan it has issued) either a deposit on call in the currency or currencies in which the service of such loan is to be fulfilled or an amount of gold, sufficient to cover at least the service of six months. These funds will be taken out of its paid up capital, [p. 375] its reserves, or, if necessary by calling for payments on the unpaid part of the capital.

7/10/44 Art. III, Sec. 3, Alts. A & B

(p. 15)

Article III
Alternative A

SECTION 4. *Conditions on which Bank may Guarantee or make loans.*

The Bank may guarantee, participate in, or make loans to the government of any member, political sub-divisions thereof, and business and industrial enterprises therein, subject to the following conditions:

(1) The government of the member in which the project is located, the central bank of such member, or some comparable agency fully guarantees the payment of interest on the loan and repayment of the principal.

(2) The borrower is unable to secure the funds from other sources under conditions which, in the opinion of the Bank, are reasonable.

(3) A competent committee, after a careful study of the merits of the project, has submitted a written report concluding that the project would serve to increase the productivity of the member country in which it is located.

(4) In the opinion of the Bank, the rate of interest is reasonable and such rate and the schedule for repayment of the principal are appropriate to the project and to the balance of payments prospects of the member country in which the project is located.

(5) In guaranteeing a loan made by other investors, the Bank receives compensation for its risk.

7/10/44 Art. III, Sec. 4, Alt. A

(p. 15a)

Article III (4)
Alternative B
PART (1)

It is proposed that:

(a) The preamble be amended as follows:

"The Bank may guarantee, participate in, or make loans to the government of any member, political sub-division thereof, public utilities, and semi-public bodies and organizations engaged in [p. 376] production, including agricultural co-operatives and credit institutions."

(b) The following be substituted for sub-division 2:

"The Bank is satisfied that in the prevailing market conditions the borrower would be unable otherwise to secure the funds under conditions which in the opinion of the Bank are reasonable for the borrower".

PART (2)

In general, loans made or guaranteed by the Bank, shall be for the purpose of specific projects of reconstruction and development, and except as otherwise provided in this plan, the proceeds of loans shall only be made available to meet specific purposes. In exceptional circumstances, however, the Bank, acting in agreement with the International Monetary Fund, may make or guarantee a loan which provides the borrowing country with gold or foreign exchange for the purpose of establishing its exchanges and allowing a breathing space for the recovery of its economy and the balancing of its international payments.

PART (3)

In making or guaranteeing a loan the Bank shall pay due regard to the prospects of the borrowing country being in a position to service the loan; and in determining the destination, the character and the volume of its loans it shall act prudently in the interests both of the borrowing member country and also of the guaranteeing members. At the same time it shall not seek to avoid the incurring of some measure of reasonable risk (taking account of the commission chargeable—see below) where the loan is in the general interests of reconstructing or developing the world's resources or expanding international trade along mutually advantageous lines; and shall seek to conduct its operations taken as a whole in such manner as to avoid, so far as possible, the calling up of the capital reserved for guarantees, rather than seek full security from risk in each transaction taken separately. These considerations shall govern the lending policy of the Bank especially in approving reconstruction loans to countries which have suffered from the war.

Alternative C

Substitute for Art. III—Section 4—Section 4—Alternative B—Part (2)

In general, loans made or guaranteed by the Bank shall be for [p. 377] the purpose of specific projects of reconstruction and development. *The Bank acting in agreement with the International Monetary Fund shall pay due regard to loans or guarantees with the specific purpose to foster exports in a member country whose balance of*

payments is disrupted by a reduction in its exports.
7/10/44 Art. III, Sec. 4, Alts. B & C

(p. 15c)

Article III (4)
Alternative D

It is proposed that sub-division (3) be amended as follows:

A competent committee, after a careful study of *the purpose of the loan* or the merits of the project, has submitted....

Alternative E

When making direct loans, participating in loans, or guaranteeing the loans for restoration and reconstruction of the economy of countries whose home areas suffered considerable damage from enemy occupation and hostilities, the Bank shall take into consideration the special position of these countries in establishing for them the most favorable rates of interest, terms and conditions of repayment of such loans.

Alternative F

It is proposed that Section 4 be amended: (1) to make it clear that the Bank may guarantee, participate in, or make loans to enterprises engaged in agriculture, forestry and fisheries, including co-operative and credit institutions; (2) to require that in the case of an application involving a loan, or the guaranteeing of a loan, in respect of an agriculture, forestry or fisheries project, the United Nations Food and Agriculture Organization, or pending its establishment, the United Nations Interim Commission on Food and Agriculture, shall be given an opportunity of examining the proposal and making recommendations, and that the Bank shall give due consideration to such recommendations before taking a final decision on the application.
7/10/44 Art. III, Sec. 4, Alts. D, E &F

(p. 15d)

Article III (4)
Alternative G

It is suggested that Section 4 be amended to include loans to [p. 378] "public international organizations, at least one-half of the members of which are members of the Bank."

7/10/44 Art. III, Sec. 4, Alt. G

(p. 15e)

Article III (4)
Alternative H

It is proposed that Alternative B, Part (2) sentence 2, should read:

In exceptional circumstances, however *and particularly during the early postwar period* the Bank, acting in agreement with the International Monetary Fund, may make or guarantee a loan which provides the borrowing country with gold or foreign exchange for the purpose of establishing its exchanges and allowing a breathing space for the recovery of its economy and the balancing of its international payments.

It is proposed that Alternative B, Part (3), last sentence, should read:

These considerations shall govern the lending policy of the Bank especially in approving reconstruction and *recovery* loans to countries which have suffered from the war.

Alternative I

It is proposed that there be added at the end of Alternative A, section 4, sub-division (1) :

except that the Bank may, out of the capital paid in pursuant to Article II, section 4 (a), and with the approval of the debtor's government, provide long-term investment capital to business and industrial enterprises in member countries without such guarantee.

7/10/44 Art. III, Sec. 4 ,Alts. H & I

(p. 16)

Article III
Additional Material

It is proposed that the following section be added between sections 4 and 5:

The Bank shall make no loans or investments that can be placed through the usual private investment channels on terms which can be considered as reasonable for the member Government of the project concerned. The bank shall by reputation [p. 379] prescribe procedure for its operations that will assure the application of this principle.

7/10/44 Art. III, Additional Section

(p. 17)

Article III
Alternative A

SECTION 5. *Provision of currencies for loans.*

When the Bank makes loans it shall:

(a) Furnish the borrower with the currencies of members other than that of the member in which the project is located which are needed by the

borrower in connection with the loan;

(b) Finance the expenditures of the borrower in the member in which the project is located only as follows, (1) under exceptional circumstances when the local currency required cannot be raised on reasonable terms in the country where the project is located, the Bank may provide an appropriate part of the loan in that currency, or (2) if the development program or project gives rise to an increased need for foreign exchange, the Bank may make available to the borrower an appropriate amount of gold or foreign exchange not to exceed the borrower's expenditure in the member in which the project is located;

(c) Make available at the request of a member in which a portion of a loan is spent an amount of gold or foreign exchange not to exceed the amount by which the expenditure of the loan in that member gives rise to an increased need for foreign exchange.

Alternative B

It is proposed that Section 5 commence as follows: *Except where the borrower is a member Government* the Bank in making loans shall:
7/10/44 Art. III, Sec. 5, Alts A & B

(p. 18)

Article III
Alternative A

SECTION 6. *Use of loans guaranteed, participated in or made by the bank.*

(a) The Bank shall impose no conditions as to the particular member in which the proceeds of a loan shall be spent.

(b) The Bank shall make arrangements to assure that the proceeds of any loan are used only for the purposes for which the [p. 380] loan was granted, with due attention to considerations of economy and efficiency regardless of political or other non-economic influences or considerations.

(c) In addition to any other action which the Bank may take to implement the provisions of subsection (b) above with respect to loans it makes, it shall credit the account of the borrower with the amount of the loan and shall make payment from the account only to meet expenses as they are actually incurred.

Alternative B

It is proposed that subdivision (c) commence as follows:

(a)*When a loan is made by the Bank to a borrower other than a member government,* it shall credit….
7/10/44 Art. III, Sec. 6, Alts. A & B

(p.19)

ARTICLE IV
Operations
Alternative A

SECTION 1. *Methods of facilitating provision of loans.*

The Bank may facilitate the provision of loans which satisfy the general conditions of Article III in any of the following ways:

(a) By direct loans out of the Bank's own capital subscribed under Article II, Section 4(a).

(b) By direct loans out of funds raised by the Bank in the market of a member.

(c) By guaranteeing in whole or in part loans made by private investors through the usual investment channels.

7/10/44 Art. IV, Sec. 1, Alt. A

(p. 20)

ARTICLE IV
Alternative A

SECTION 2. *Loans from subscribed capital.*

The Bank shall make loans from currency subscribed under Article II, Section 4(a), only with the approval in each case of the member whose currency is to be loaned. If the currency required by the borrowing country is not available in whole or in part out of capital so subscribed, the Bank may supply such currency from its holdings derived from other sources or may supply gold, subject to Article III, Section 5, and Section 8 of this Article. [p. 381]

Alternative B

In the case of loans under Section 1 (a) of this Article, the borrower shall notify the Bank in which members it desires to incur expenditure to be met out of the loan, and the Bank shall make the required currencies available out of its subscribed capital, provided that the country whose currency is to be supplied has agreed in each case. If local currency subscribed under II (4) (a) is not available in whole or in part, the Bank shall make it available out of its holdings of gold or other free resources, if it possesses an adequate amount of such resources and is satisfied that, without this provision, the country in which the borrowing country desires to place the order, would have difficulty in maintaining the equilibrium of its international balance of payments. Otherwise it shall request the borrowing country to transfer its proposed expenditure to another member country. Furthermore, at the request of the countries in which portions of the loan are spent, the Bank will repurchase for gold or needed foreign exchange a part of the sum expended in the currencies of those countries made by the borrower from the proceeds of the

loan.
7/10/44 Art. IV. Sec. 2, Alts. A & B

(p. 21)

ARTICLE IV
Alternative A

SECTION 3. *Loans from borrowed funds and guarantees.*

The Bank shall borrow funds under Section 1 (b) of this Article or guarantee loans under Section 1 (c) only with the approval of the member in the market of which the funds are raised and only if that member agrees that the proceeds may be expended in any member without restriction.

Alternative B

It is proposed that the following be added:

...The aggregate amount of outstanding borrowed capital shall not at any time exceed 12 billion dollars.
7/10/44 Art. IV, Sec. 3, Alts. A & B

(p.22)

ARTICLE IV
Alternative A

SECTION 4. *Payment Provisions for Direct Loans.*

Loans made directly by the Bank under Section 1 (a) or (b) of this Article shall contain the following payment provisions:— [p. 382]

The annual service of the loan shall be made up of three parts, namely:

(a) a standard rate of interest fixed by the Bank and the same to all borrowers but modifiable from time to time for new loans;

(b) an annual commission at a flat rate fixed at one percent in the first instance but alterable by the Bank from time to time at its discretion for new loans in the light of experience, the same to all borrowers, to cover the general expenses of the Bank, and as a provision against risk, but the particular expenses of investigation, etc., attaching to the individual loan, may be charged separately against the borrowers.

(c) an annual contribution to amortization either at a flat, or at a progressive, rate sufficient to repay the capital within a determined number of years, the length of which shall be fixed with regard not only to the character and purpose of the loan, but also, especially in the case of reconstruction loans, to the conditions in the country of the borrower which may delay the time within which the borrower can repay the loan.
7/10/44 Art. IV, Sec. 4, Alt. A

(p. 22a)

The time normally shall not exceed thirty years but may be extended to fifty years in particular cases.

(b) The loan and its annual service shall be fixed in whatever currency may be stipulated by the Bank when making the loan, and may be paid, at the option of the borrower, in gold, or at the discretion of the Bank, in any other currency of a member.

(c) In the event of the country of the borrower suffering from an acute exchange stringency, so that the service of-the loan cannot be provided in the stipulated manner, the country may appeal to the Bank for a relaxation of the conditions of payment. If the Bank is satisfied that some relaxation is in the interests of the country of the borrower and of the operations of the Bank and the other members as a whole it may take action under either, or both, of the following headings in respect of the whole, or part, of the annual service:—

(i) The Bank may in its judgment accept payments in respect of the service of the loan for periods not exceeding three years at a time in local currency. The Bank shall arrange with the borrowing country for the repurchase of such [p. 383] local currency over a period of years on appropriate terms that safeguard the Bank's holdings of such currency. The Bank may also require that the whole, or part of such currency, may be transferred to another member in whose hands it shall (p. 22b) be freely available to make payments or to purchase exports in the borrowing country,

The Bank may re-arrange the installments of amortization so as to increase the amount due in later years or to prolong the life-time of the loan.

(ii) Payments of interest, commissions, and principal, whether made in currency or in gold, must be equivalent to the gold value of the loan and of the contractual interest and commissions thereon.

7/10/44 Art. IV, Sec. 4, Alt. A

(p. 22c)

ARTICLE IV (4)
Alternative B

It is proposed that Alternative A be amended as follows:

(1) Substitute for subdivision (a) (i) :

A rate of interest varying with the conditions of the financial markets and the credit position of the borrower;

(2) Delete subdivision (a) (ii) ;

(3) Substitute for subdivision (b) :

The loan and its annual service shall be fixed in the currency agreed between the borrower and the Bank when making the loan, and may be paid, at the option of the borrower, in the same currency or in gold, or in any other member currency agreed between the Bank and the borrower.

(4) Delete subdivision (d).
7/10/44 Art. IV, Sec. 4, Alt. B

(p. 22d)

ARTICLE IV (4)
Alternative C

It is proposed that Alternative A, subdivision (c) (i), sentence 3, should read:

The Bank may also require that the whole, or part of such currency, may be transferred to another member in whose hands [p. 384] it shall be freely available to make payments *on existing obligations* or to purchase exports in the borrowing country.

Alternative D

It is proposed that Alternative A, subdivision (c) (i), sentence read as follows:

Payments of interest, commissions, and principal, whether made in currency or in gold, must, in the case of loans under Article IV, 1 (a), be equivalent to the gold value of the loan and of the contractual interest and commissions thereon.

In the case of loans under Article IV, 1(b) and (c), payments of commissions must be maintained at their initial gold value. Payments of interest and principal will be governed by the provisions of the loan contract.
7/10/44 Art. IV, Sec. 4, Alts. C & D

(p. 23)

ARTICLE IV
Alternative A

SECTION 5. *Participations.*

The Bank may participate in loans with any of its resources except those subscribed under Article II, Section 4(a). Loans participated in by the Bank shall be placed through the usual investment channels.
7/10/44 Art. IV, Sec. 5, Alt. A

(p. 24)

ARTICLE IV
Alternative A

SECTION 6. *Guarantees.*

In guaranteeing a loan placed through the usual investment channels, the Bank shall charge a commission on the entire original amount of the loan at a flat rate fixed at one percent per annum in the first instance but alterable by the Bank from time to time at its discretion for new guarantees in the light of

experience. Commissions shall be paid direct to the Bank by the borrower.

Alternative B

In guaranteeing a loan placed through the usual investment channels, the Bank shall charge a guarantee commission on the outstanding amount of the loan. The rate of the guarantee commission shall be fixed at a certain percent per annum varying [p. 385] with the conditions of the financial markets and the credit position of the borrower. It shall, however, not be higher than 1-1/2% per annum and not lower than 1/4% per annum. Guarantee commissions shall be paid direct to the Bank by the borrower.
7/10/44 Art. IV, Sec. 6, Alts. A & B

(p. 25)

ARTICLE IV
Alternative A

SECTION 7. *Order of Meeting Obligations.*

The obligation of the Bank on borrowings or guarantees under Section 1 (b) and (c) of this Article shall be met first from its receipts from commissions and other profits, then from a call on unpaid subscriptions, and finally from paid-in capital. When there is any interruption in the service of a loan guaranteed by the Bank, it shall assume the service. If losses of the Bank are recovered the funds received shall be returned pro rata to members responding to any calls by which the obligations of the Bank were met. With the approval of the Bank, a member subjected to a call, may, in lieu of paying the call, purchase from the Bank currency of the country the default of which or of a borrower in which has necessitated the call but in such case the amount returnable to the member if the loss is recovered shall be appropriately reduced.
7/10/44 Art. IV, Sec. 7, Alt. A

(p. 26)

ARTICLE IV
Alternative A

SECTION 8. *Miscellaneous Operations.*

In addition to the operations specified elsewhere in this Agreement, the Bank shall have the power:

(1) To issue, buy and sell (i) its own securities including securities collateralized by loans or investments it has made, (ii) securities it has guaranteed and, (iii) securities in which it has invested, but the Bank shall obtain the approval of the member in which securities are to be issued, bought or sold, and when the Bank buys securities it has issued it shall also obtain the approval of the member whose currency will be paid for such

securities. [p. 386]

(2) To guarantee securities in which it has invested for the purpose of facilitating the sale of such securities.

(3) To borrow the currency of any member with the approval of such country; and

(4) After consultation with the International Monetary Fund, to buy and sell gold and the currencies of members whenever such transactions are necessary in connection with the operations of the Bank but with respect to each transaction other than any undertaken to pay creditors, the Bank shall obtain the approval of the member in which the transaction takes place and the member currency of which is disposed of by the Bank.

In exercising the powers conferred by this Section, the Bank may deal with any person, partnership, association, corporation or other legal entity in any member country.

7/10/44 Art. IV, Sec. 8, Alt. A

(p. 27)

ARTICLE IV
Alternative A

SECTION 9. *Warning to be Placed on Securities.*

Every security guaranteed or issued by the Bank shall bear on its face a conspicuous statement that it is not an obligation of the government of any country other than any expressly stated to be obligated on the security.

7/10/44 Art. IV, See. 9, Alt. A

(p. 28)

ARTICLE IV
Alternative A

SECTION 10. *Political Activity Prohibited.*

The Bank and its officers shall scrupulously avoid interference in the political affairs of any member. This provision shall not limit the right of an officer of the Bank to participate in the political life of his own country.

The Bank shall not be influenced in its decisions with respect to applications for loans by the political character of the government of the member concerned with the loan. Only economic considerations shall be relevant to the Bank's decisions.

The Bank, acting with the strictest impartiality, shall pay particular [p. 387] regard, both in selecting the place of its borrowing and of its lending to maintaining the equilibrium of the international balance of payments of members.

7/10/44 Art. IV, Sec. 10, Alt. A

(p. 29)

ARTICLE V
Management
Alternative A

SECTION 1. *Board of Governors.*

(a) The administration of the Bank shall be vested in a Board of Governors consisting of one governor and one alternate appointed by each member country in such manner as it may determine. Governors and alternates shall serve for five years, subject to the pleasure of their respective governments, and may be reappointed. No alternate may vote except in the absence of his governor. The Board shall select a chairman from its members.

(b) The Board of Governors may delegate to the Executive Director Directors authority to exercise any powers of the Board, except:

(1) Determining what new members may be admitted and the conditions of their admission;

(2) Increasing the capital stock;

(3) Requiring a member to withdraw;

(4) Deciding appeals against interpretations of the Agreement by the Executive Directors given on application by a member;

(5) Making agreements to cooperate with other international organizations;

(6) Deciding to liquidate the Bank.

(c) The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or convened by the Executive Directors whenever requested by five members or by one-quarter of the aggregate votes.

(p. 29a) (d) The Board may by regulation establish a procedure whereby the Executive Directors, when they deem such action to be in the best interest of the Bank, may obtain votes of the governors on a specific question in lieu of calling a meeting of the Board. [p. 388]

(e) Governors and alternates shall serve as such without compensation from the Bank, but the Bank shall pay such reasonable expenses as are incurred by the Governors and alternates in attending any meetings.

7/10/44 Art. V, Sec. 1, Alt. A

(p. 30)

ARTICLE V
Alternative A

SECTION 2. *Voting.*

Each member shall have ---------- votes plus one additional vote for each share of stock held.

Except as otherwise specifically provided, all matters before the Bank shall be decided by a majority of the aggregate votes.

7/10/44 Art. V, Sec. 2, Alt. A

(p. 31)

ARTICLE V
Alternative A

SECTION 3. *The Executive Directors.*

(a) The Executive Directors shall be responsible for the conduct of the general operations of the Bank, and for this purpose, shall exercise all the powers delegated to them by the Board of Governors.

(b) There shall be ---------- Executive Directors, of whom ---------- shall be appointed by the ---------- members holding the largest number of shares and ---------- shall be elected biennially, in accordance with the provisions of Schedule B, by all the Governors other than those appointed by the members having the largest number of shares. Persons chosen as Executive Directors need not be Governors.

(c) Every Executive Director may appoint an alternate with full power to act for him when he is not present. When the Executive Directors appointing them are present, alternates may participate in meetings but shall not vote.

(d) The Executive Directors shall function in continuous session at the principal office of the Bank and shall meet as often as the business of the Bank may require.

(p. 31a) [p. 389]

(e) In order to constitute a quorum for any meeting of the Executive Directors, there must be present a majority of the Directors representing not less than one-half of the voting power of all the Executive Directors.

(f) Each Executive Director appointed by one of the members with the ---------- largest quotas shall be entitled to cast the number of votes allotted under Section 2 of this Article to the member appointing him. Each elected Executive Director shall be entitled to cast only the number of votes which actually count toward his election. Each Executive Director shall cast all of the votes to which he is entitled as a single unit.

(g) Except as otherwise specifically provided, all matters before the Executive Directors shall be decided by a majority of the votes cast.

(h) The Board of Governors shall make regulations containing provisions under which a member which is not entitled to appoint an Executive Director under (b) above shall be permitted to send a representative to attend any meeting of the Executive Directors when a request made by, or a matter particularly affecting, that member is under consideration.

(i) The Executive Directors shall select a President who shall not be a Governor or an (p. 31b) Executive Director. The President shall be Chairman of the Executive Directors, but shall have no vote except a casting vote in case of an equal division. He may participate in meetings of the Board

of Governors, but shall not vote at such meetings. He shall, however, be eligible for election as Chairman of the Board of Governors. The President shall hold office at the pleasure of the Executive Directors.

(j) The President shall be chief of the operating staff of the Bank and shall conduct under the direction of the Executive Directors, the ordinary business of the Bank's work. Subject to the general control of the Executive Directors, he shall be responsible for the internal organization of the Bank's staff and the appointment and dismissal of its staff.

(k) The President and the staff of the Bank, in the discharge of their offices owe their duty entirely to the Bank and to no other authority. [p. 390]

Each member of the Bank shall respect the international character of this duty and shall refrain from all attempts to influence any member of the staff in the discharge of his duty.

(l) In appointing the staff the President shall, subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to the importance of selecting personnel recruited on as wide a geographical basis as is possible.

(p. 31c)

(m) The Executive Directors may appoint such committees as they deem advisable. Members of such committees need not be limited to Governors or Executive Directors or their alternates.

(n) The Board of Governors shall determine the remuneration to be paid to the Executive Directors and the salary and terms of service of the President.

SCHEDULE B

(a) In balloting for the elective Executive Directors, each governor eligible to vote shall cast for one person all of the votes to which he is entitled under Section 2 of this article. The six persons receiving the greatest number of votes shall be Executive Directors, except that no person who receives less than sixteen percent of the aggregate eligible votes shall be considered elected.

(b) When six persons are not elected on the first ballot, a second ballot shall be held in which the person receiving the lowest number of votes shall be ineligible for election and in which there shall vote only those governors who voted on the first ballot for a person not elected and those governors all or part of whose votes for a person elected are deemed to have raised the votes cast for that person above seventeen percent of the aggregate eligible votes.

(p. 31d)

(c) In determining whether any part of the votes cast by a governor are to be deemed to have raised the total of any person above seventeen percent, there shall be considered as not forming part of the excess over seventeen

percent [p. 391] the votes of the governor casting the largest number of votes for such person, then the votes of the governor casting the next largest number, and so on until the total reaches seventeen percent.

(d) Any governor whose votes are partly not in excess and partly in excess shall be eligible to vote in the second balloting only to the extent of the votes in excess.

(e) If on the second ballot, six persons have not been elected, further ballots shall be taken on the same principles until six persons have been elected, provided that after five persons are elected, the sixth may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.

7/ 10/44 Art. V, Sec. 3, Alt. A

(p. 33)

ARTICLE V
Alternative A

SECTION 4. *Advisory Council.*

There shall be an Advisory Council of seven persons elected by the Bank from outstanding representatives of banking, business, labor and agricultural interests, who are citizens of members, but only one citizen of any member shall serve on the Council at any one time. The Council shall advise with the Bank on matters of general policy. The Council shall meet annually and on such other occasions as the Bank may request.

Councillors shall serve for two years, and may be reelected. They shall be paid their reasonable expenses incurred in behalf of the Bank.

Alternative B

It is suggested that Section 4 be amended to provide that one member of the Advisory Council shall be nominated by the United Nations Food and Agriculture Organization.

7/10/44 Art. V, Sec. 4, Alts. A & B

(p. 33)

ARTICLE V
Alternative A

SECTION 5. *Loan Committees.*

The committees required to report on loans under Article I, [p. 392] Section 5, shall be appointed by the Bank, except that such committee shall include an expert selected by the Governor representing the member in which the project is located, who may or may not be from the technical staff of the Bank. The majority of each committee shall be from the technical staff.

7/10/44 Art. V, Sec. 5, Alt. A

(p. 34)

ARTICLE V
Alternative A

SECTION 6. *Relationship to Other International Organizations.*

The Bank, within the terms of this Agreement, shall cooperate with any general international organization and with public international organizations having specialized responsibilities in related fields. Any arrangements for such cooperation which would involve a modification of any of the provisions of this Agreement may be effected only after amendment to this Agreement in conformity with the procedure set forth in Article IX.
7/10/44 Art. V, Sec. 6, Alt. A

(p. 35)

ARTICLE V
Alternative A

SECTION 7. *Location of Offices*

The principal office of the Bank shall be located in the member holding the greatest number of shares and agencies or branch offices may be established in any member or members.

Alternative B

The location of the principal office of the Bank shall be decided by the Fund at the first meeting of the Board of Governors, which will take place in the territory of the member having the largest quota.
7/10/44 Art. V, See. 7, Alts. A & B

(p. 36)

ARTICLE V
Alternative A

SECTION 8. *Depositories.*

(a) Each member shall designate its central bank as a depository for all the Bank's holdings of its currency or, if it has no [p. 393] central bank, it shall designate such other institution as may be acceptable to the Bank.

(b) The Bank may hold other assets, including gold, in designated depositories in the four members holding the greatest number of shares and in such other depositories as the Bank may select. At least one-half of the holdings of gold of the Bank shall be held in the designated depository in the member in which the Bank has its principal office. In an emergency, the Executive Directors may transfer all or any part of the Bank's holdings of gold to any place where it can be adequately protected.
7/10/44 Art. V, Sec. 8, Alt. A

(p. 37)

ARTICLE V
Alternative A

SECTION 9. *Form of Holdings of Currency.*

The Bank shall accept from any member in lieu of any part of the currency of that member not needed by the Bank in its operations, notes or similar obligations issued by the Government of the member or the depository designated by such member, which shall be non-negotiable, non-interest bearing and payable at their par value on demand by a credit to the currency account of the Fund in that member.

7/10/44 Art. V, Sec. 9, Alt. A

(p. 38)

ARTICLE V
Alternative A

SECTION 10. *Protection of the Assets of the Bank.*

No change in the foreign exchange value of the currency of any member shall alter the gold value of the assets of the Bank. Whenever (i) the par value of a currency of a member is reduced, or (ii) the foreign exchange value of the currency of any member has depreciated within the jurisdiction to a significant extent in the opinion of the Bank, the member shall compensate the Bank by paying to the Bank within a reasonable time an amount of its own currency equal to the reduction the gold value of the currency of such member held by the Bank. Whenever the par value of the currency of any member has been increased the Bank shall compensate such member by returning, within a reasonable time, an [p. 394] amount in the currency of such member equal to the increase in the gold value of the currency of such member held by the Bank.

7/10/44 Art. V, Sec. 10, Alt. A

(p. 39)

ARTICLE V
Alternative A

SECTION 11. *Publication of Reports.*

The Bank shall publish an annual report containing an audited statement of its accounts and shall issue at intervals of three months or less a summary statement of its financial position and a profit and loss statement showing the results of its operations.

The Bank may publish such other reports as it deems desirable for carrying out its purposes and policies.

7/10/44 Art. V, Sec. 11, Alt. A

(p. 40)

ARTICLE V
Alternative A

SECTION 12. *Allocation of Income.*

The Bank shall determine annually what part of its net income shall be placed to reserve and what part, if any, shall be distributed.

If any part is distributed, two per cent non-cumulative shall be paid, as a first charge against the distribution of any year, to each member on the basis of the amount by which at the end of the fiscal year the amount paid on the par value of its shares exceeds the amount of its currency held by the Bank; and the balance to the members in proportion to their shares. Payments to each member shall be made in its own currency.

7/10/44 Art. V, Sec. 12, Alt. A

(p. 41)

ARTICLE V
Alternative A

SECTION 13. *Miscellaneous Powers.*

In order to carry out its purposes, the Bank may:

(1) Make contracts;

(2) Acquire and dispose of real and personal property;

(3) Institute legal proceedings in any court of competent jurisdiction; [p. 395]

(4) Enter into such compromises or settlements of obligations due to or by the Bank as in the judgment of the Board are to the best interests of the Bank;

(5) Employ such staff as shall be necessary to conduct the business of the Bank; and

(6) Adopt such rules or regulations as may be necessary or appropriate to conduct the business of the Bank.

7/10/44 Art. V, Sec. 13, Alt. A

(p. 42)

ARTICLE VI
Withdrawal and Suspension of Membership and Liquidation
Alternative A

SECTION 1. *Right of Members to Withdraw.*

Any member may withdraw from the Bank at any time by serving written notice on the Bank at its principal office. Withdrawal shall become effective on the date such notice is received.

7/10/44 Art. VI, Sec. 1, Alt. A

(p.43)

ARTICLE VI
Alternative A

SECTION 2. *Suspension of Membership.*

A member country failing to meet any of its obligations to the Bank may be suspended from membership by decision of a majority of the member countries, each of which for this purpose shall have one vote, to be cast by its director or alternate. At the end of one year from the date of suspension, the country shall automatically cease to be a member of the Bank unless a majority of the member countries, voting in the same manner as for suspension, restores the country to good standing.

While under suspension, a country shall be denied all of the privileges of membership except the right of withdrawal, but shall be subject to all of its obligations.

7/10/44 Art. VI, Sec. 2 Alt. A

(p. 44)

ARTICLE VI
Alternative A

SECTION 3. *Financial Assistance to be Withheld.*

If any country is suspended from membership, the members [p. 396] agree that they and their agencies will not extend financial assistance to that country during the period of suspension without approval of the Bank.

7/10/44 Art. VI, Sec. 3, Alt. A

(p. 45)

ARTICLE VI
Alternative A

SECTION 4. *Cessation of Membership in International Monetary Fund.*

Any member which ceases to be a member of the International Monetary Fund shall immediately cease to be a member of the Bank.

Alternative B

Any member country that withdraws or is dropped from the International Monetary Fund, shall relinquish its membership in the Bank unless three-fourths of the member votes favor its remaining as a member.

Alternative C

It is proposed that this Section be omitted.

7/10/44 Art. VI, Sec. 4, Alts. A, B, C

(p.46)

ARTICLE VI
Alternative A

SECTION 5. *Settlement of Accounts with Countries Ceasing to be Members.*

(a) When a country ceases to be a member, the Bank shall arrange to repurchase its shares as a part of the settlement of accounts with such country. The repurchase price of the shares shall be the amount at which such shares are to be carried on the books of the Bank on the day the country ceases to be a member of the Bank plus a pro rata share of any surplus existing on that date.

(b) The payment for shares repurchased by the Bank under this section shall be governed by the following conditions:

(1) No amount shall be paid for shares prior to six months from the date upon which the country ceases to be a member nor thereafter so long as the country, its central bank or any of its agencies remain liable, [p. 397] directly, or contingently, to the Bank, except as to liability of the country resulting from its subscription for shares, and any amount so withheld may, at the option of the Bank, be applied on any matured obligation. Payments for shares shall be made from time to time to the extent by which the amount due as the repurchase price exceeds the aggregate of such liabilities until the former member has received the full repurchase price.

(p. 46a)

(2) Payments shall be made in the currency of the country receiving payment and any deficiency shall be paid in gold or gold-convertible exchange at the option of the Bank.

(c) In the event the Bank goes into liquidation within six months of the date upon which any country ceases to be a member of the Bank, all rights of such country shall be determined by the provisions governing liquidation.

7/10/44 Art. VI, Sec. 5, Alt. A

(p. 47)

ARTICLE VI
Alternative A

SECTION 6. *Assessments to Meet Losses*

(a) In the event any loss is sustained by the Bank on any guarantee, participation in a loan, or loan which was outstanding on the date the country ceased to be a member of the Bank, and the amount of such loss exceeds the amount of the reserve existing on the date the country ceased to be a member, such country shall be obligated to repay upon demand that amount by which the repurchase price of its shares would have been reduced if the loss had been taken into account when the repurchase price was determined. In addition, the former member country shall remain liable on any call for unpaid subscriptions to the extent that it would have been required to respond if the impairment of capital had occurred and the call had been

made at the time the repurchase price of its shares was determined. [p. 398]

(b) Repayment to the Bank under this section shall be in currency and gold or gold-convertible exchange in the same proportion as the payments by the Bank for the repurchase of the shares.

7/10/44 Art. VI, Sec. 6, Alt. A

(p. 48)

ARTICLE VI
Alternative A

SECTION 7. *Liquidation*

In an emergency, the Executive Committee by a majority vote, temporarily may suspend the operations of the Bank, pending an opportunity for further consideration and action by the Board.

The Bank may be voted into liquidation by a majority of the aggregate votes.

Upon being voted into liquidation, the Bank shall forthwith cease engaging in any activities except those incident to the orderly liquidation, conservation and preservation of its assets and the settlement of its obligations.

The liability of all member countries for uncalled subscriptions to the capital stock of the Bank and their guarantees with respect to the depreciations of their own currencies shall continue until all claims of creditors including all contingent claims shall have been discharged.

Upon liquidation, all creditors holding direct claims shall be paid immediately if the Bank has sufficient assets, and if the assets are not sufficient, the Executive Committee shall pay such creditors as soon as possible out of payments to the Bank or calls on subscriptions, but before making any payments to holders of direct claims, the Committee shall make such arrangements as are necessary, in its judgment, to insure a distribution to holders of contingent claims ratably with creditors holding direct claims.

(p. 48a)

No distribution shall be made to a member country on account of its capital subscription until all claims of creditors, including all contingent claims, have been discharged or have been provided for by the Executive Committee having made arrangements sufficient, in its judgment, to accomplish that purpose. [p. 399]

(Detailed provisions relating to method of distribution to shareholders will be supplied later on basis of principles provided for liquidating the International Monetary Fund.)

7/10/44 Art. VI, Sec. 7, Alt. A

(p. 49)

ARTICLE VII

Additional Undertakings on the part of Member Countries

Alternative A

SECTION 1. *Purposes and Scope of Undertakings.*

In order to support the activities of the Bank and to foster the accomplishment of its purposes and policies, each member country, in addition to commitments appearing elsewhere in this Agreement, undertakes the performance of and agrees to the stipulations set forth herein, all of which shall remain binding during suspension or after termination of membership.

7/10/44 Art. VII, Sec. 1, Alt. A

(p. 50)

ARTICLE VII

Alternative A

SECTION 2. *Immunities of the Bank.*

(a) The Bank and its assets of whatsoever nature shall, wheresoever located and by whomsoever held, be exempt and immune in the territory of any member from:

(i) search, seizure, attachment, execution, requisition, confiscation, moratorium and expropriation, except as provided in 3, below; and

(ii) any exchange, debt, or export controls, except such as are consented to by the Bank.

(b) All governors, executive directors, officers and employees of the Bank shall, with respect to their official acts, be exempt from suit except when the Bank consents.

(c) The archives of the Bank shall be inviolable.

NOTE. There are certain other minor privileges or immunities which will also be required such as courier facilities. Further material will be supplied completing this section in this respect.

7/10/44 Art. VII, Sec. 2, Alt. A

(p. 51) [p. 400]

ARTICLE VII

Alternative A

SECTION 3. *Suits against the Bank.*

Suits may be brought against the Bank only in a court of competent jurisdiction in a member in which the Bank has an office, and only by litigants other than members and those acting for or deriving claims from members. The Bank and its assets of whatsoever nature shall, wheresoever located and by whomsoever held, be exempt and immune from seizure, attachment and execution in advance of final judgment.

7/10/44 Art. VII, Sec. 3, Alt. A

(p. 52)

ARTICLE VII
Alternative A

SECTION 4. *Restrictions on Taxation of the Bank, its Employees and Obligations*

(a) The Bank, its assets, property, income and its operations and transactions authorized by these articles of Agreement shall be exempt and immune from all taxation and from all customs duties. The Bank shall also be exempt and immune from liability for the collection or payment of any tax or duty.

(b) No member, or any political subdivision or any taxing authority thereof, shall impose or collect any tax on or measured by salaries paid by the Bank to its executive directors, officials and employees who are not citizens of such member.

(c) No member, or any political subdivision or taxing authority thereof, shall impose or collect any taxation on any obligation or security issued by the Bank, or any dividend or any interest thereon, by whomsoever held or received:

(i) which discriminates against such obligation, dividend, or interest, because of its origin; or

(ii) which is applied solely on the basis of the place or currency in which it is issued, made payable or paid, or solely on the basis of the location of any office or place of business maintained by the Bank.

(d) Each member shall inform the Bank of the detailed action it has taken to grant the exemptions and immunities provided for in this section and in section 2 respectively. Differences which may [p. 401] arise between such member and the Bank as to the sufficiency or propriety of any action shall be resolved in accordance with the provisions of Article IX, Section 1.
7/10/44 Art. VII, Sec. 4. Alt. A

(p. 53)

ARTICLE VIII
Amendments
Alternative A

Any proposal to introduce modifications in the agreement, whether emanating from a member, a Governor or an Executive Director, shall be communicated to the Chairman of the Board of Governors who shall bring the proposal before the Board. If the proposed amendment is approved by the Board by a majority of the aggregate votes, the Bank shall, by circular letter, ask the governments of all the members whether they accept the proposed amendment. When three-fifths of the members, having four-fifths of the aggregate votes, have accepted the proposed amendment, the Bank shall certify the fact by means of a *procès verbal,* which it shall communicate to

the governments of all members.

However, the acceptance of the amendment by the governments of all members is required in the case of modifications of the right to withdraw from the Bank.

The amendment will enter into force for all members three months after the date of the *procès verbal* unless a shorter period is specified in the circular letter.

7/10/44 Art. VIII, Alt. A

(p. 54)

ARTICLE IX
Interpretation of the Agreement
Alternative A

SECTION 1. *Interpretation.*

(a) All questions of interpretation of the provisions of this agreement arising between any member and the Bank or between any members of the Bank shall be submitted to the Executive Directors of the Bank for their decision. If the question particularly involves any member and that member is not represented among the Executive Directors by a Director appointed by it, then the provisions of Article VI, section 3, apply.

(b) In any case where the Executive Directors have given a [p. 402] decision under paragraph (a) above, any member may require that the question be submitted to the Board of Governors, and the decision of the Board shall be final. Pending the result of the reference to the Board, the Bank may (so far as is necessary) act on the basis of the decision of the Executive Directors.

(c) Whenever a disagreement arises between the Bank and a country which has ceased to be a member, or between the Bank and any member country after liquidation of the Bank, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators, one appointed by the Bank, another by the country involved and an umpire who, unless the parties otherwise agree, shall be appointed by the President of the Permanent Court of International Justice. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

7/10/44 Art. IX, Sec. 1, Alt. A

(p. 55)

ARTICLE IX
Alternative A

SECTION 2. *Definitions.*

(To be supplied later)

7/10/44 Art. IX, Sec. 2, Alt. A

(p. 56)

ARTICLE IX
Alternative A

SECTION 3. *Approval Deemed Given.*

Whenever the approval of any member is required before any act may be done by the Bank, approval shall be deemed to have been given unless the member presents an objection within such reasonable period as the Bank may fix in notifying the member of the proposed Act.

7/10/44 Art. IX, Sec. 3, Alt. A

(p. 57)

ARTICLE X
(Final Provisions)
(To be supplied later)

7/10/44 Art. X

[p. 429]

Document 256
CIII/A/1
Additional page on CIII/A
Report submitted to Commission III by the Agenda Committee Appointed to Receive and Consider Proposals Submitted for Consideration in Commission III
(To be presented at meeting of Commission III, July 10)

11. Proposal for the use of a gold unit in keeping the books of the Fund and the Bank, submitted by the Norwegian Delegation:

The United Nations Monetary and Financial Conference recommends that the books of the International Monetary Fund and the Bank for Reconstruction and Development shall be kept in a special international bookkeeping monetary unit, called (say) Demos, being defined as the equivalent of a certain gold weight. The Conference has no objection to the earlier American proposal to make that monetary unit equal in value to 137-1/7 grains of fine gold, or the equivalent of 10 Dollars in the present gold value of United States currency.

The Agenda Committee recommends that this proposal be referred to Committee 3 on Recommendations on Economic and Financial Policy, the Exchange of Information, and Other Means of Financial Cooperation.

[p. 1169]

Document 258
UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE
Bretton Woods
For the Press July 10, 1944
No. 24

Statement by Lord Keynes on Behalf of the Delegation of the United Kingdom at Meeting of Commission I

Since the United Kingdom is the only country here represented which has incurred large-scale war debts to her Allies and Associates also here present, these alternative amendments must be assumed, as Mr. Shroff had indeed made clear, to relate primarily to her.

[p. 1170] The various members of this alliance have suffered in mind, body and estate from the effort and exhaustion of war in ways differing in kind and in degree. These sacrifices cannot be weighed one against the other. Those of us who were most directly threatened and were nevertheless able to remain in the fight, such as the U.S.S.R. and the United Kingdom, have fought this war on the principle of unlimited liability and with a more reckless disregard to economic consequences than others who were more fortunately placed. We do not plead guilty to imprudence; for in the larger field of human affairs nothing could have been less prudent than hesitation or a careful counting of the cost.

But as a result there has been inevitably no equality of financial sacrifice. In respect of overseas assets the end of the war will find the United Kingdom greatly impoverished and others of the United Nations considerably enriched at our expense. We make no complaint of this provided that the resulting situation is accepted for what it is. On the contrary, we are grateful to those Allies, particularly to our Indian friends, who put their resources at our disposal without stint and themselves suffered from privation as a result. Our effort would have been gravely, perhaps critically, embarrassed if they had held back from helping us so wholeheartedly and on so great a scale. We appreciate the moderate, friendly and realistic statement of the problem which Mr. Shroff has put before you today. Nevertheless the settlement of these debts must be, in our clear and settled judgment, a matter between those directly concerned. When the end is reached and we can see our way into the daylight we shall take it up without any delay, to settle honourably what was honourably and generously given.

But we do not intend to ask assistance in this matter from the International Monetary Fund—beyond the fact, as the American Delegation has pointed out, that the existence of the Fund and the general assistance it will give to the stability and expansion of trade may be expected to improve

indirectly our ability to meet other obligations. We concur entirely in the view which has just been expressed by the American Delegation that the Fund is not intended to deal directly with war indebtedness.

Since we do not intend either to ask for, or to avail ourselves of, any special treatment from the Fund, it appears to the United Kingdom Delegation that this amendment could be of no practical effect; and is therefore better discarded if misunderstanding is to be avoided about the role which the Fund can expect to play.

[p. 1170]

Document 259
UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE
Bretton Woods
For the Press July 10, 1944
No. 25

Statement by Mr. A. D. Shroff, Member of Indian Delegation, at Meeting of the Commission I

Mr. Chairman, at the outset I should like to have your ruling on one matter which would probably facilitate discussion and disposal of this item. In Committee I of Commission I, we discussed on two separate occasions Alternatives G and H. As the result of these discussions, the Indian Delegation has tabled Alternative K, which has not yet been discussed by Committee I. I suggest, Sir, for your consideration that Alternative G, Alternative H and Alternative K may all be discussed together.

I will now place before Commission I Alternative K tabled by our Delegation which reads as follows: To facilitate the multilateral settlement of a reasonable portion of the foreign credit balances accumulated amongst the member countries during the war so as to promote the purposes referred to in Sub-division 2, without placing undue strain on the resources of the Fund.

At the time we discussed Alternatives G and H in Committee I, two principal objections were raised. The delegate from the United States opposed both of these alternatives on the ground that the inclusion of this item will overload the Fund. From the very start when we placed our alternative for consideration before this Conference, we were absolutely clear in our minds and when I spoke at one of the meetings of Committee I, I endeavored to clear up that misunderstanding that we never intended the International Monetary Fund, when it was set up, to take over straight away in one lump sum the entire accumulated credit balances during the war. In explaining particularly the situation of India, I also made it clear that considering the very close commercial ties between the two countries, it is more than likely that a very large proportion of the sterling balances we have accumulated in London over a period of years will be used in buying goods of both categories—consumer and capital goods from the United Kingdom. At the same time, I pointed out that if we are going to be realists, we must consider the actual situation in the United Kingdom today and in the postwar period. I refer, for instance, to the unfortunate loss of valuable foreign investments by the United [p. 1172] Kingdom and, I may add, the necessity today rehabilitation of some of the industries of the United Kingdom and the necessity of reducing at least some of the tremendous privations which are being borne by the population of the United Kingdom during the last four

and a half years. All these factors will tend to reduce the capacity of the United Kingdom to give us the goods which we badly need. That being so, our position is this: Considering the primary objective of the International Monetary Fund, namely, the facilitation and expansion of international trade and, secondly, a high level of employment and real income—we attach very great importance to the definition of the primary objective—and taking into consideration the inability of the United Kingdom at least for a fairly long period from now onwards to meet the requirements of our capital (p. 2) goods, I submit to this Conference that if a country situated as we are is to be enthusiastic for international collaboration, then some means has to be devised by which multilateral convertibility would be given at least to a certain proportion of the large balances we have accumulated in London. I fail to understand the argument of the United States delegate that the International Monetary Fund would be overloaded if this item was included among the purposes of the Fund. We are here met at the instance of the sponsors of this Conference to tackle a very big problem. I ask, are we realistic enough in tackling this problem without adequate resources in the Fund? There are billions of accumulated balances abroad. As I said in Committee I, are we not simultaneously with the establishment of the Fund creating a sort of rival to the Fund? And I ask whether it would be advisable to ignore the existence of these balances. My answer to the delegation of the United States is that you will not unduly overload the fund if you create machinery for multilateral convertibility for a reasonable portion of these accumulated balances. The resources available to the Fund for tackling the problem are in my judgment inadequate and look rather like sending a jellyfish to tackle a whale. What I ask for is a multilateral settlement of a portion of our balances. If the Conference is prepared to accept the principle of our amendment, then I see no difficulty at all in evolving a concrete formula by which the two purposes set out in our amendment can be met. The purposes set out in our amendment are two: To secure multilateral convertibility for a reasonable portion of our balances and, secondly, to devise a formula so as not to place undue strain on the resources of the Fund. I think, Sir, talking among friends, it may be as well to speak frankly about this question.

[p. 1173] We have not disguised from the Conference the very strong feeling in our country on this question. I am sure that the sponsors of this Conference are seeking collaboration from all countries of the world known as the United and Associated Nations. It may be that unfortunately situated as we are politically perhaps the "big guns" in the Conference may not attach great importance to a country like India. But I am bound to point out this, if you are prepared to ignore a country of the size of India, with four hundred million population and with natural resources though not fully developed, yet not incomparable to the natural resources of some of the biggest powers on

this earth, we cannot be expected to make our full contribution to the strengthening of the resources of the Fund. Suppose you don't accept our position, you are placing us in a situation which I may compare to the position of a man with a million dollar balance in the bank but not sufficient cash to pay his taxi fare. That is the position you put us in. You want to facilitate the expansion and balanced growth of international trade. You incidentally want to build up a high level of employment and real income throughout the world as a whole. Mr. Morgenthau in his very fine opening address said, "Poverty is a menace wherever it is found." Do you expect to fulfill the main objectives of this Fund if you allow large countries to be festered with this sort of poverty. I would like this Commission to face this question in a very realistic spirit. I am sure everybody here needs the collaboration of everybody else but if that collaboration has to be obtained realistically, you will make it possible for all countries in the world to be associated with you. I beg of you, Commission, to deal very dispassionately and sympathetically with the problem I put before you. Thank you very much.

[p. 1173]

Document 260
UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE
Bretton Woods
For the Press July 10, 1944
No. 26

Statement by Mr. Istel, French Delegate, at Meeting of Commission I

While the French Delegation sympathizes with India's difficulties, it entirely supports the position taken by the United States and the United Kingdom. Although France and other occupied countries have accumulated huge war balances against Germany, they do not request that the Fund should be concerned with these because it is clear that the Fund should be concerned only with current account movements. The very argument given by India's Delegate as to the time which it will take for India to obtain goods against blocked currencies, shows that the transactions contemplated are not of a current account nature and, therefore, are not in conformity with the purposes of the Fund. We consider that the question raised by India should not be addressed to the Fund but to some other organization.

[p. 431]

Document 265
DP/16
Proposal of the Bolivian Delegation to Commission III of the United Nations Monetary and Financial Conference

WHEREAS the full and efficient development of all countries is the prerequisite of an expanding economy;

WHEREAS a vastly increased purchasing power in the economic areas over which the produce of the industrialized powers must find its outlet is one of the fundamental elements of future prosperity and well-being;

WHEREAS such an increased purchasing power can only be obtained if the raw materials of countries importing finished products can be sold abroad under conditions and at prices capable of maintaining a high level of domestic productivity;

WHEREAS the success and stability of such international mechanisms of economic cooperation, such as the Monetary Fund, will be further insured if supported by policies of international cooperation in other fields of economic activity;

BE IT RESOLVED that the United Nations Monetary and Financial Conference recommends the adoption by its members of the following principles in their international trade policies:—

1.—Whenever contracts have been entered into covering the purchase and delivery of certain materials supporting the economy of the supplying country, the expiration of said contracts should be a matter of mutual concern, and policies should be devised to arrange for the orderly and gradual termination of those contracts in a manner designed to avoid serious disruptions in the economy of the supplying country;

2.—The development and use of synthetic products and of substitute materials should not be encouraged by the granting of subsidies, or of any other protective fiscal policy such as high import duties, et cetera. However, if materials of this type have already been developed and are in use, all conditions being equal, the natural product should always be preferred;

3.—Cooperation in the organization and implementation of International Commodity Agreements designed to maintain fair and stable prices, and provision for the orderly distribution of raw materials throughout the world, whether or not a member country is a party to any such Agreement;

4.—Abstention from—except under abnormal political, social or [p. 432] economic circumstances—any form of trade barriers or discriminatory practices, such as import or export quotas, high tariffs, subsidies, et cetera.

[p. 432]

Document 267
CI/M/3
Minutes of Third Meeting of Commission I
INTERNATIONAL MONETARY FUND
(July 10, 1944, 11:30 a.m.)

The Chairman announced that the reports of the four Committees were now before the Commission (Documents Nos. 233, 234, 238, and 239) and that it would be necessary for the *ad hoc* committees and drafting committees of Commission I to finish their work by Wednesday night so that they could report to the next meeting to be held on Thursday. The Commission authorized the Chairman to appoint a drafting committee to deal with all items [p. 433] previously agreed upon in the Committees (listed in column 1 of Document #240, "Status of Committee Assignments"). The membership of the drafting committee is announced in the *Journal* for July 11. The items in columns 2 and 4 of Document #240 are to be reported to Commission I on Thursday.

The Commission then proceeded to discussion of the items in column 3 of Document #240 which had been referred by the Committees to the Commission for decision.

With regard to Alternatives G, H, and K to article I (pp. 1c, 1d, 1g), the Delegate from India urged the adoption of Alternative K. Members of the United States, United Kingdom, and French Delegations expressed the view that the proposal was not appropriate for the operations of the Fund. The Chairman found the consensus to be that Alternatives G, H, and K were not accepted by Commission I.

The Commission next considered article II, Alternatives B (p. 2a) and C and D (p. 4a). Since the *ad hoc* Committee on Special Problems of Liberated Countries was currently considering these items, they were left for later report.

Article IX, section 4 (p. 40), was referred to an *ad hoc* committee of Commission I to include representatives of Committees 1 and 2.

After a brief exposition by the Reporter of Committee 2, article IV, section 5, Uniform Changes in Par Values (pp. 18, 18a, and 18b), was referred to a special *ad hoc* committee to be appointed by the Chairman and to include representation of Committees 2 and 3.

Alternatives C and D to article III, section 11, on Furnishing Information (pp. 14c, 14d, 14e) were referred to an *ad hoc* subcommittee of Committee 3 for reconciliation. (Subsequently it was agreed that the *ad hoc* committee should report directly to the Commission.)

(p. 2) After discussion of article VII, as amended by Document #212, most of which had already been accepted by Committee 3, section 3 of

Document #212 (Amendment to Article VII) was accepted by the Commission in the sense that alternate directors are to be appointed by their principals.

The question of depositories, article VII, section 6(b) (pp. 29, 29a, 29b), was then discussed and referred to an *ad hoc* committee to report back to Commission I.

[p. 441]

Document 277
(p. 13a) SA/1/48
Combined Alternatives A and B

SECTION 10. *Charges and Commissions*

a. Any member buying the currency of any other member from the Fund in exchange for its own currency shall pay a service charge of ¾ of 1 per cent in addition to the parity price. The [p. 442] Fund in its discretion may increase this service charge to not more than 1 per cent or reduce it to not less than ½ of 1 per cent.

b. The Fund may levy a reasonable handling charge on any member buying gold from the Fund or selling gold to the Fund.

c. The Fund shall prescribe charges uniform among members which shall be payable by any member on the amount of its currency held by the Fund in excess of its quota and shall not be less than the following per cent per annum:

i. Amounts up to 25 per cent: no charge during the first 3 months; ½ per cent per annum during the next nine months; and thereafter an increase in the charge of ½ per cent for each subsequent year.

ii. Additional amounts: on each additional bracket of 25 per cent an additional ½ per cent charge; and for each subsequent year an increase of ½ per cent in the charge levied on that bracket.

d. Minimum charges as determined above shall not exceed 5 per cent; but the Fund may in its discretion levy higher charges uniform among members. Whenever the charge applicable to any particular average amount for any particular period has reached the rate of 4 per cent per annum the Fund and the member shall then consider means by which the Fund's holdings of (p. 13b) the currency can be reduced, and failing agreement the Fund may impose such charges as it deems appropriate.

e. All charges and commissions shall be paid in gold. If, however, the member's holdings of gold and gold-convertible exchange are less than one-half of its quota, it shall pay in gold that proportion which such holdings bear to one-half of its quota, and shall pay the balance in its own currency.

Alternative C
(Substitute for (d) in Combined Alternatives A&B

These charges may be uniformly varied if three-fourths of the member votes approve (and consequential amendments).

7/11/44 J.S. Art. III, Add. Sec.

[p. 442]

Document 278
(p. 50) SA/1/49

SECTION 5. *Fixing Initial Par Values.*

(a) Each member on whose behalf this Agreement is signed [p. 443] before January 1, 19____, shall communicate to the Fund not later than thirty days after the date on which this Agreement becomes binding on that member, the par value for its currency based on the *de facto* rates of exchange prevailing for its currency sixty days prior to the date on which this Agreement first comes into force. The par value so communicated shall be the par value of the member's currency for the purposes of the Fund, unless the member signifies within a period of ninety days from the date on which this Agreement became binding on that member that it regards such par value as unsatisfactory. In the case of a member whose territory has been occupied by the enemy, this period of ninety days may be extended by the Fund if the member so requests.

(b) If the Fund is of opinion that the par value thus indicated by the member cannot be sustained without recourse to the Fund on a scale damaging to the Fund and to other members, it shall so inform the member within [ ] after receipt of the communication from the member.

(c) When a member or the Fund signifies that the par value of a currency communicated under (a) above is unsatisfactory, the Fund and the member shall, during a period to be determined by the Fund in the light of all relevant circumstances, agree upon a suitable par value for that currency. If the Fund and the member (p. 50a) do not agree within the period so determined, the member shall be deemed to have withdrawn from the Fund as of the date of the termination of such period.

(d) A member communicating to the Fund a par value for the currency of its metropolitan territory shall at the same time communicate a value, in terms of that currency, for each separate currency, where such exists, in the territories in respect of which it accepted this Agreement under Section _____. From the values so communicated, the Fund shall compute the par value of each such separate currency. A member making a communication to the Fund under (c) above shall be deemed, unless it declares otherwise to be making a corresponding communication regarding the par values of such separate currencies. It shall, however, be open to any member to make a communication relating to the metropolitan or any of these separate currencies alone and if the member does so, the provisions of the preceding paragraphs shall apply to each of these currencies separately.

(e) The Fund shall begin exchange transactions at such date as it may determine after par values have been established for the currencies of

members having sixty percent of the aggregate [p. 444] quotas set forth in Schedule A but in no event until after August 1, 1945 or after the expiration of one hundred fifty days from the date on which this Agreement first comes into force, whichever is the later.

7/10/44 Art. XIII, Sec. 5

[p. 444]

Document 279
CIII/M/2
Minutes of Meeting of Commission III
OTHER MEASURES FOR INTERNATIONAL MONETARY AND FINANCIAL COOPERATION
(July 10, 1944, 5 p.m.)

The Chairman announced that Mahmoud Saleh El Falaky (Egypt) is to serve as Vice Chairman of Commission III instead of Sany Lackany Bey (Egypt).

The report of the Agenda Committee was presented to the Commission. The Agenda Committee recommended the appointment of three *ad hoc* committees to consider the proposals received and to make recommendations to the full Commission with respect to the following general fields:

1. The Use of Silver for International Monetary Purposes
2. Enemy Assets, Looted Property, and Related Matters
3. Recommendations on Economic and Financial Policy, the Exchange of Information, and Other Means of Financial Cooperation.

The proposals that had been received by the Agenda Committee were read by the Reporter of the Agenda Committee and discussed in the Commission. It was decided that the proposal concerning a political prerequisite for the admission of Germany and Japan to membership in the Fund or Bank (proposal No. 8 in the Report of the Agenda Committee, Document 235) should not be given further consideration by Commission III or its Committees.

In accordance with the recommendation of the Agenda Committee, the Chairman of the Commission was empowered to appoint three *ad hoc* committees. It was also agreed that four additional proposals, submitted by the Delegations of Bolivia, Chile, Cuba, [p. 445] and Brazil, respectively (each circulated as separate documents) should be referred to Committee 3.

The Chairman appointed the following *ad hoc* committees:

COMMITTEE 1. The Use of Silver for International Monetary Purposes
Peru, *Chairman*
China, *Reporter*
Bolivia
Canada
Ethiopia
India
Mexico
Norway

Union of Soviet Socialist Republics
United Kingdom
United States (p. 2)

COMMITTEE 2. Enemy Assets, Looted Property, and Related Matters
French Delegation, *Chairman*
Norway, *Reporter*
Belgium
China
Dominican Republic
Netherlands
Poland
Union of Soviet Socialist Republics
United Kingdom
United States
Uruguay
Yugoslavia

COMMITTEE 3. Recommendations on Economic and Financial Policy, the Exchange of Information, and Other Means of Financial Cooperation
Chile, *Chairman*
Iraq, *Reporter*
Australia
Bolivia
Brazil
Cuba
Czechoslovakia
Ecuador
Egypt
El Salvador
Greece
Iceland
New Zealand
Nicaragua
Peru
Union of South Africa
Union of Soviet Socialist Republics
United Kingdom
United States

It was suggested that the committees, in considering the various proposals, bear in mind the general scope and nature of the Conference.

[p. 445]

Document 280
CI/DC
Working Paper for Drafting Committee of Commission I
Text of Provisions Recommended by Committees
(July 10, 1944)

Article I. *Purposes and Policies of the Fund*

The purposes of the International Monetary Fund are:

1. To promote international monetary cooperation [p. 446] through a permanent institution which provides the machinery for consultation on international monetary problems.

2. To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and to the development of the sources of productive power in all member countries as primary objectives of economic policy. *(Subject to revision)* (Alt. I &J rejected by Committee 1)

3. To give confidence to member countries by making the Fund's resources available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.

4. *[Still in the Drafting Committee.]*

5. To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.

6. In accordance with the above objectives, to shorten the periods and lessen the degree of disequilibrium in the international balances of payments of member countries.

(p. 2) The Fund shall be guided in all its decisions by the purposes set forth above. (Alt. F; Add. Mat. not yet considered by Committee)

Article II. *Subscription to the Fund*

SECTION 1. *Countries Eligible for Membership*

At the outset the members of the Fund shall be those of the countries represented at the United Nations Monetary and Financial Conference whose governments accept membership in the Fund. Subsequently membership in the Fund shall be open to other countries at such times and in accordance with such terms as may be prescribed by the Fund. (Alt. C (p. 2b) not yet considered by Committee 1) [p. 447]

SECTION *2. Quotas*

[Not yet taken up by the Committee.]

SECTION 3. *Time and Place of Payment*

Each member shall provide the Fund at the appropriate depository with the full amount of its quota on or before the date fixed for exchange transactions in its currency to begin. Any member whose quota is increased shall provide the full amount of the increase within thirty days of the date on which the member approves the increase in its quota. (Alt. B (p.2a) and Alts. B & C (p.4a) pending before *ad hoc* committee)

SECTION 4. *Adjustment of Quotas*

The Fund shall at intervals of five years review and, if it deems it appropriate, propose an adjustment of the quotas of the members. It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned. A four-fifths majority vote shall be required for any change in quotas and no quota shall be changed without the consent of the member concerned. (p. 3)

SECTION 5. *Initial Payments*

Each member shall pay in gold as a minimum either (a) twenty-five percent of its quota, or (b) ten percent of its official holdings of gold and gold convertible exchange,[10] whichever is smaller, on _____. In the case of any member occupied by the enemy whose holdings are not ascertainable as of _____, the Fund shall fix an appropriate alternative date. The data necessary to determine official holdings of gold and gold convertible exchange shall be furnished by the members as provided in this Agreement. Each member shall pay the balance of its quota in its own currency. (Alt. C (p.2b) and Alt. D (p.4b) not reached by Committee 1)

SECTION 6. *Payments When Quotas are Changed.*

(a) Each member whose quota is increased shall pay twenty-five percent of the increase in gold. Each member shall pay the balance of any increase in its own currency. If, however, on the date the member approves an increase, its holdings of gold and gold-convertible exchange are less than its new quota, the Fund may reduce the portion of the increase to be paid in gold. [p. 448] (p. 4)

(b) Each member whose quota is reduced shall receive from the Fund within thirty days of the reduction an amount in its own currency or gold equal to the reduction. In making this payment, the Fund shall pay to such member only the amount of gold necessary to prevent reducing the holdings

[10] The phrase "gold and gold convertible exchange" is subject to definition and to such change in terminology as may be agreed upon. [Note in conference proceedings.]

of the Fund of that currency below seventy-five percent of such new quota of the member.

Article III. *Transactions with the Fund*

SECTION 1. *Agencies Dealing with the Fund*

Each member country shall deal with the Fund only through its Treasury, Central Bank, Stabilization Fund or other similar fiscal agency *and the Fund shall deal only with or through the same agencies.*

SECTION 2. *Conditions upon which any Member may Purchase Currencies of other Members.*

A member shall be entitled to buy the currency of another member from the Fund in exchange for its own currency subject to the following conditions:

(1) The member *initiating the purchase* represents that the currency *requested* is presently needed for making payments in that currency which are consistent with the *provisions of this Agreement;*

(2) The Fund has not given notice under Article VI that its holdings of the currency *requested* have become scarce; (Alt. A (p. 6a) Alt. B (p. 6b) Alt. D (p. 6c) Alt. F (p. 6e))

[(3) Still in ad hoc committee.] (p. 5)

(4) The Fund has not previously declared under Section 3 of this Article that the member initiating
the purchase is ineligible to use the resources of the Fund.

The Fund may, in its discretion, and on terms which safeguard its interests waive any of these conditions.

In special circumstances, where the Fund considers it necessary, it may require collateral security as a condition of such waiver.

SECTION 2a. *Conditions Governing Purchases for Capital Transfers.*

If the Fund's holdings of the currency of a member have remained below 75 percent of its quota for a period [p. 449] not less than six months such member shall be entitled, notwithstanding the provisions of Article V, Section 1, to buy the currency of another member from the Fund for its own currency for any purpose, including capital transfers, provided, however, that purchases for capital transfers may not have the effect of raising the Fund's holdings of the currency of such member above 75 percent of its quota, or reducing the Fund's holdings of the currency purchased below 75 percent of the quota of the member whose currency is purchased.

SECTION 3. *Declaring Members Ineligible to Use the Resources of the Fund.*

Whenever the Fund is of the opinion that any member is using the resources of the Fund in a manner contrary to the purposes and policies of

the Fund, it shall present to the member a report setting forth the views (p. 6) of the Fund and stating a suitable time for reply. After presenting such a report to a member the Fund may limit the use of its resources by the member. If no reply to the report is received from the member within the stated time, or the reply received is unsatisfactory, the Fund may continue to limit the member's use of the Fund's resources or, after giving reasonable notice to the member, declare it ineligible to use the resources of the Fund.

SECTION 4. *Limitation on the operations of the Fund.*

Except as otherwise provided in this Agreement, operations for the account of the Fund shall be limited to transactions for the purpose of supplying a member, on the initiative of such member, with the currency of another member in exchange for the currency of the member initiating the transactions or for gold.

SECTION 5. *Operations for the Purpose of Preventing Currencies from becoming scarce.*

The Fund may, if it deems such action appropriate to prevent the currency of any member from becoming scarce, take either or both of the following steps:

(1) Propose to the member that on terms and conditions agreed between them, it lend such currency to the Fund or, with the approval of the member, that the Fund borrow such currency from some (p. 7) [p. 450] other source either within or outside the territory of the member, but no member shall be under any obligation to make such loans to the Fund or to approve the Fund's borrowing its currency from any other source.

(2) Buy that currency from that member with gold.

[SECTION. 6. *Multilateral International Clearing.*

Action not completed by Committee.]

SECTION 7. *Acquisition by Members of the currencies of other Members for Gold.*

Any member desiring to obtain, directly or indirectly, the currency of another member for gold *shall,* provided that it can do so with equal advantage, acquire the currency by the sale of gold to the Fund. *Nothing in this Section shall be deemed* to preclude any member from selling in any market the new production of gold from mines located within territory subject to its jurisdiction.

[SECTION 8. *Other Acquisitions of Gold by the Fund.*

Action not completed by Committee.]

SECTION 9. *Transferability and Guarantee of the Assets of the Fund.*

(a) All assets of the Fund shall, to the extent necessary to carry out the

operations prescribed by this Agreement, be free from restrictions, regulations and controls of any nature imposed by members.

[(b) Still pending in committee.]

(c) All assets of the Fund shall be guaranteed by each member against loss resulting from failure or default on the part of the depository designated by such member. (p. 8)

[SECTION 10. *Changes and Commissions.*
Committee action not completed.]

[SECTION 11. *Furnishing Information.*
Alternatives C and D before *ad hoc* Committee.]

[SECTION 12. *Consideration of Representations of the Fund.*
Committee action not completed.] [p. 451]

Article IV. *Par Values of Member Currencies*

SECTION 1. *Par Values of the Currencies of Members.*

The par value of the currency of each member shall be expressed in terms of gold, *as a common denominator, or in terms of a gold convertible currency unit of the weight and fineness in effect on July 1, 1944. All computations relating to currencies of members for the purpose of applying the provisions of this Agreement shall be on the basis of their par values.*

[SECTION 2. Still before Committee.]

[SECTION 3. Still before Committee.]

[SECTION 4. Still before Committee.]

[SECTION 5. *Uniform Changes in Par Values.*
Referred to *ad hoc* committee.] (p. 9)

SECTION 6. *Protection of the Assets of the Fund.*

No change in the foreign exchange value of the currency of any member shall alter the gold value of the assets of the Fund. Whenever (i) the par value of a currency of a member is reduced, or (ii) the foreign exchange value of the currency of any member has depreciated within its jurisdiction to a significant extent in the opinion of the Fund, the member shall compensate the Fund by paying to the Fund within a reasonable time an amount of its own currency equal to the reduction in the gold value of the currency of such member held by the Fund. Whenever the par value of the currency of any member has been increased the Fund shall compensate such member by

returning, within a reasonable time, an amount in the currency of such member equal to the increase in the gold value of the currency of such member held by the Fund.

The provisions of this Section shall apply to the case in which a uniform proportionate change is made in the par values of the currencies of all members, unless at the time when such a change is proposed to be made the Fund shall declare them to be inapplicable.

SECTION 7. *Separate currencies within a Member's jurisdiction.*

A member proposing a change in the par value of its currency shall be deemed, unless it declares otherwise, to be proposing a corresponding change in the par value of the currencies of all territories under its jurisdiction. It shall, however, be open to a member to declare that its proposal relates either to the metropolitan currency alone, or to one or more specified subordinate currencies alone, or to the metropolitan currency and one or more specified subordinate [p. 452] currencies.

Article V. *Capital Transactions*

SECTION 1. *Use of the Resources of the Fund for Transfers of Capital.*

A member may not make net use of the resources of the Fund to meet a large or sustained outflow of capital, and the Fund may (p. 10) request a member to exercise controls to prevent such use of the resources of the Fund. If after receiving such requests, a member fails to exercise appropriate controls the Fund may declare such member ineligible to use the resources of the Fund.

This Section is not intended to prevent the use of the resources of the Fund for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking or other business. Capital movements which are met out of a member's own resources of gold and foreign exchange, are not affected by this section, but members undertake that such capital movements will be in accord with the purposes of the Fund.

SECTION 2. *Limitation on Controls of Capital Movements.*

Members may exercise such controls as are necessary to regulate international capital movements but no member may exercise such controls in a manner which will restrict payments for current transactions or which will unduly delay the transfer of funds in settlement of commitments, except as provided in VI, 2 and in X.

Article VI. *Apportionment of Scarce Currencies*

SECTION 1. *General Scarcity*

If the Fund finds that a general scarcity of a particular currency is

developing, the Fund may so inform members and may issue a report setting forth the causes of the scarcity and containing recommendations designed to bring it to an end. In the preparation of such report there shall participate a representative of the member the currency of which is involved.

SECTION 2. *Scarcity of the Fund's Holdings.*

If it becomes evident to the Fund that the demand for a member's currency seriously threatens the Fund's ability to supply that currency, the Fund whether or not it has acted under (p. 11) Section 1 above, shall formally declare such currency scarce and shall thenceforth apportion the existing and accruing supply of the scarce currency with due regard to the relative needs of members and the general international economic situation and any other pertinent considerations. The Fund shall also issue a report concerning its action. The formal declaration shall operate as an [p. 453] authorization to a member, after consultation between such member and the Fund, temporarily to limit the freedom of exchange operations in the affected currency. Subject to the provisions of Article IX, Section 2 (J.S.), the member shall have complete jurisdiction in determining the nature of such limitations, but they shall be no more restrictive than is necessary to limit the demand for the scarce currency to the supply of it held by, or accruing to, the member in question; and they shall be relaxed and removed as rapidly as conditions permit. This authorization shall cease to be in effect whenever the Fund formally declares the currency in question no longer scarce.

SECTION 3. *Administration of Restrictions an Scarce Currencies.*

Any member imposing restrictions in respect of the currency of any other member pursuant to the provisions of this Article shall give sympathetic consideration to any representations which may be made by such other member regarding the administration of such restrictions.

SECTION 4. *Effect an Other International Agreements on Restrictions on Scarce Currencies.*

Members agree not to invoke the obligations of any engagements entered into with other members prior to this Agreement in such a manner as will prevent the operation of the provisions of this Article.
(p. 12)

Article VII. *Management of the Fund*

SECTION 1. *Board of Governors.*

(a) All powers of the Fund shall be vested in a Board of Governors consisting of one governor and one alternate appointed by each member in such manner as it may determine. Governors and alternates shall serve for five years, subject to the pleasure of their respective governments, and may

be reappointed. No alternate may vote except in the absence of his governor. The Board shall select a chairman from its members. The Managing Director, however, may be eligible to this office as well.

(b) The Board of Governors may delegate to the Executive Directors authority to exercise any powers of the Board, except:

(1) Determining what new members may be admitted and the conditions of their admission;

(2) Approving a revision of quotas;

(3) Approving an agreed uniform change in the par value of the currencies of all member countries;

(4) Requiring a member to withdraw: [p. 454]

(5) Deciding appeals against interpretations of the Agreement by the Executive Directors given on application by a member country;

(6) Making agreements to cooperate with other international organizations;

(7) Deciding to liquidate the Fund.

(8) Decisions concerning the distribution of the net income of the Fund.

(c) The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or convened by the Executive Directors. Meetings of the Board shall be convened by the Executive Directors whenever requested by members having one quarter of the aggregate votes or by five member countries.

(d) The Board may by regulation establish a procedure whereby the Executive Directors, when they deem such action to be in (p. 13) the best interests of the Fund, may obtain a vote of the governors on a specific question in lieu of calling a meeting of the Board.

(e) Governors and alternates shall serve as such without compensation from the Fund, but the Fund shall pay such reasonable expenses as are incurred by the governors and alternates in attending any meetings.

SECTION 2. *Executive Directors*

Duties and Powers of the Executive Directors

1. The Executive Directors shall be responsible for the conduct of the general operations of the Fund, and for this purpose, shall exercise all the powers delegated to them by the Board of Governors.

[2. Formation of the Executive Directors—Pending before *ad hoc* Committee.]

Alternate Directors

3. Every Executive Director may appoint an alternate with full power to act for him when he is not present. When the Executive Directors appointing them are present, alternates may participate in meetings but shall not vote.

Meetings of Executive Directors

4. The Executive Directors shall function in continuous session at the

principal office of the Fund and shall meet as often as the business of the Fund may require.

5. In order to constitute a quorum for any meeting of the Executive Directors, there must be present a majority of the [p. 455] Directors representing not less than one-half of the voting power of all the Executive Directors.

(p. 14) 6. Each Executive Director appointed by one of the members with the _____ largest quotas shall be entitled to cast

the number of votes allotted under Section 3 of this Article (J.S. VII, 2) to the member appointing him. Each elected Executive Director shall be entitled to cast only the number of votes which actually counted toward his election. When the provisions of the second paragraph of Section 2 of this Article are applicable, the votes to which an Executive Director would otherwise be entitled shall be increased or decreased proportionately. Each Executive Director shall cast all of the votes to which he is entitled as a single unit.

6a. Except as otherwise specifically provided, all matters before the Executive Directors shall be decided by a majority of the aggregate votes cast.

7. The Board of Governors shall make regulations containing provisions under which a member which is not entitled to appoint an Executive Director under 2 above shall be permitted to send a representative to attend any meeting of the Executive Directors when a request made by, or a matter particularly affecting, that member is under consideration.

Managing Director

8. The Executive Directors shall select a Managing Director who shall not be a Governor or an Executive Director. The Managing Director shall be Chairman of the Executive Directors, but shall have no vote except a deciding vote in case of an equal division. He may participate in meetings of the Board of Governors, but shall not vote at such meetings. He shall, however, (p. 15) be eligible for election as Chairman of the Board of Governors. The Managing Director shall cease to hold office when the Executive Directors shall so decide.

9. The Managing Director shall be chief of the operating staff of the Fund and shall conduct under the direction of the Executive Directors, the ordinary business of the Fund's work. Subject to the general control of the Executive Directors, he shall be responsible for the internal organization of the Fund's staff and the appointment and dismissal of its staff.

10. The Managing Director and the staff of the Fund, in the discharge of their offices, owe their duty entirely to the Fund and to no other authority.

Each member of the Fund shall respect the international [p. 456] character of this duty and shall refrain from all attempts to influence any member of the staff in the discharge of his duty.

11. In appointing the staff the Managing Director shall, subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to the importance of selecting personnel recruited on as wide a geographical basis as is possible.

Appointment of Committees

12. The Executive Directors may appoint such committees as they deem advisable. Members of such committees need not be limited to Governors or Executive Directors or their alternates.

Remuneration

13. The Board of Governors shall determine the remuneration to be paid to the Executive Directors and the salary and terms of the contract of service of the Managing Director. (p. 16)

[SECTION 3. *Voting*

Before Committee or Commission—not completed.]

[SECTION 4. *The General Manager*

Now included in Section 2.]

SECTION 5. *Publication of Reports*

The Fund shall publish an annual report containing an audited statement of its accounts and shall issue at intervals of three months or less, a summary statement of its transactions and its holdings of gold and currencies of members.

The Fund may publish such other reports as it deems desirable for carrying out its purposes and policies.

SECTION 6. *Depositories.*

(a) Each member country shall designate its central bank as a depository for all the Fund's holdings of its currency or, if it has no central bank, it shall designate such other institution as may be acceptable to the Fund.

[(b) Alternatives A, B and D referred to *ad hoc* committee.]

SECTION 7. *Form of Holdings of Currency.*

The Fund shall accept from any member in lieu of any part of the currency of that country not needed by the Fund in its operations, notes or similar obligations issued by the Government of the country or the depository designated by such member, which shall be non-negotiable, non-interest bearing and payable at their par value on demand by a credit to the currency account of the Fund in that country. (p. 17) [p. 457]

SECTION 8. *Relationship to other International Organizations*

The Fund, within the terms of this Agreement, shall cooperate with any

general international organization and with public international organization having specialized responsibilities in related fields. Any arrangements for such cooperation which would involve a modification of any of the provisions of this Agreement may be effected only after amendment to this Agreement in conformity with the procedure set forth in Article _____.

[SECTION 9. *Location of Office*
Still before Committee.]

SECTION 10. *Distribution of Net Income of the Fund*

The Board of Governors shall determine annually what part of its net income shall be placed to reserve and what part, if any shall be distributed.

If any part is distributed, two per cent non-cumulative shall be paid, as a first charge against the distribution of any year, to each member on the average amount during the year by which 75 percent of its quota exceeds the holdings by the Fund of its currency; and the balance to the members in proportion to their quotas. Payments to each member shall be made in its own currency. (p. 18)

SECTION 11. *Miscellaneous Powers.*

In order to carry out its purposes, the Fund shall have full legal personality and, in particular, may:

(1) Make contracts;

(2) Acquire and dispose of movable and immovable property; and:

(3) Institute legal proceedings in any court of competent jurisdiction;

(4) Employ such staff as shall be necessary to conduct the business of the Fund; and

(5) Adopt such rules or regulations as may be necessary or appropriate to conduct the business of the Fund. (p. 19)

Article VIII. *Withdrawal from the Fund*

SECTION 1. *Right of Members to Withdraw*

Any member may withdraw from the Fund at any time by serving written notice on the Fund at its principal office. *Withdrawal shall become effective on the date such notice is received.* [p. 458]

[SECTION 2. *Suspension of Membership or Compulsory Withdrawal*
Still in committee.]

[SECTION 3. *Settlement of Accounts with Countries Ceasing to be Members.*
Still in committee.]

[SECTION 4. *Liquidation of the Fund.*
Still in committee.]

Article IX. *Obligations of Member Countries*

[SECTION 1. *Purpose and Scope of additional Undertakings.*
Consideration deferred.]

[SECTION 2. *Gold Purchases Based on Parity Prices*
In Drafting Committee.]

[SECTION 3. *Foreign Exchange Dealings Based on Par values.*
In Drafting Committee.]

[SECTION 4. *Exchange Controls on Current Payments* Referred to ad hoc Committee.]

SECTION 5. *Immunities of the Fund.*

(a) The Fund shall be immune from suit except when it consents to be sued.

(b) The Fund and its assets of whatsoever nature shall, wheresoever located and by whomsoever held, be exempt and immune from search, seizure, attachment, execution, requisition, confiscation, moratorium and (p. 20) expropriation, whether under judicial process or otherwise, in the territory of any member.

(c) All governors, executive directors, officers and employees of the Fund shall, with respect to their official acts, be exempt from suit except when the Fund consents.

(d) The archives of the Fund shall be inviolable.

NOTE: There are certain other minor privileges or immunities which will also be required such as courier facilities. A further document will be issued completing this section in this respect.

[SECTION 6. *Immunity from Suit.*
Now included in section 5 above.]

SECTION 7. *Restrictions on Taxation of the Fund, its Employees, and Obligations.*

(a) The Fund, its assets, property, income and its operations, and transactions authorized by these articles of Agreement shall be exempt and immune from all taxation and from all customs duties. The Fund shall also be exempt and immune from liability for the collection or payment of any tax or duty. [p. 459]

(b) No member, or any political subdivision or any taxing authority thereof, shall impose or collect any tax on or measured by salaries paid by the

Fund to its executive directors, officials and employees who are not citizens of such member.

(c) No member, or any political subdivision or taxing authority thereof, shall impose or collect any taxation on any obligation or security issued by the Fund, or any dividend or any interest thereon, by whomsoever held or received: (p.21)

(i) which discriminates against such obligation, dividend, or interest, because of its origin; or

(ii) which is applied solely on the basis of the place or currency in which it is issued, made payable or paid, or solely on the basis of the location of any office or place of business maintained by the Fund.

(d) Each member shall inform the Fund of the detailed action it has taken to grant the exemptions and immunities provided for in this section and in section 5 respectively. Differences which may arise between such member and the Fund as to the sufficiency or propriety of any action shall be resolved in accordance with the provisions of Article XII, Section 1.

Article X. *Transitional Arrangements*

[Not yet available.]

Article XI. *Amendments*

Any proposal to introduce modifications in the agreement, whether emanating from the government of a member, a Governor or an Executive Director, shall be communicated to the Chairman of the Board of Governors who shall bring the proposal before the Board. If the proposed amendment is approved by the Board by a majority of the aggregate votes, the Fund shall, by circular letter, ask the governments of all the members whether they accept the proposed amendment. *When three-fifths of the governments of the members, having four-fifths of the aggregate votes,* have accepted the (p. 22) proposed amendment, the Fund shall certify the fact by means of a *procès verbal,* which it shall communicate to the governments of all members.

However, the acceptance of the amendment by the governments of all members is required in the case of modifications of (1) the right to withdraw from the Fund; (2) the provision that no change in a member's quota shall be made without its consent; (3) the provision that no change may be made in the par value of a member's currency except on the initiative of that member. [p. 460]

The amendment will enter into force for all members three months after the date of the *procès verbal* unless a shorter period is specified in the circular letter.

Article XII. *Interpretation of the Agreement*

SECTION 1. *Interpretation*

(a) All questions of interpretation of the provisions of this agreement arising between any member and the Fund or between any members of the Fund shall be submitted to the Executive Directors of the Fund for their decision. If the question is one which involves a dispute affecting particularly one (or more) member (s) and that (or those) member (s) are not represented among the Executive Directors by a Director appointed by it (or them) then the provisions of Article VII, section 7, document 152, apply.

(b) In any case where the Executive Directors have given a decision under paragraph (a) above, any member may require that the question be submitted to the Board, and the decision of the Board shall be final, (p. 23) Pending the result of the reference to the Board of Governors, the Fund may (so far as is necessary) act on the basis of the decision of the Executive Directors.

(c) Whenever a disagreement arises between the Fund and a country which has ceased to be a member, or between the Fund and any member country after liquidation of the Fund, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators, one appointed by the Fund, another by the country involved and an umpire who, unless the parties otherwise agree, shall be appointed by the President of the Permanent Court of International Justice. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

[SECTION 2. *Definitions*

Not yet available.]

SECTION 3. *Effect on Other International Commitments.*

Where under this Agreement a member is authorized in the special or temporary circumstances specified in the Agreement to maintain or establish restrictions on exchange transactions, and there are other engagements between members entered into prior to this Agreement which conflict with the application of such restrictions, the parties to such engagements will consult with one another with a view to making such mutually acceptable adjustments [p. 461] as may be necessary. The provisions of this Article shall be without prejudice to the operation of Article VI, Section 4. (p. 24)

Article XIII. *Final Provisions*

[Not yet available.]

Article XIV. *Execution of the Agreement*

[Not yet available.]

[p. 461]

Document 281
CI/2/MC
Memorandum to Committee 2
USE OF CURRENCIES HELD BY THE FUND

1. The Fund will be provided with resources of gold and currencies subscribed by member countries. If the Fund is to be most effective in contributing to the attainment of its important purposes, all of the resources of the Fund must be made available for use by the Fund in maintaining a high level of trade and the beneficial flow of capital. The resources of the Fund should not be diverted to building up idle balances of foreign exchange.

When international trade is customarily carried on in a few currencies such as dollars and sterling, a considerable part of the world's trade not involving these countries will be carried on in terms of their currencies. If imports from countries other than the United States and the United Kingdom must be paid for in dollars and sterling, the Fund will find its holdings of other currencies of limited usefulness in settling international payments. Clearly, the Fund must be in a position to dispose of its franc balances in meeting payments due to France, its guilder balances in meeting payments due to the Netherlands, etc. At the same time the dollar and sterling balances should be available for use in maintaining trade and other current transactions with the United States and the United Kingdom.

2. There is no doubt that the provision can be made in the Fund proposal to facilitate the use of all of the currencies in the Fund in meeting balances of payments with the countries that have subscribed these resources. Whatever provision is made must be within the framework of (p. 2) the customary manner of carrying on international trade. Above all, it must not prove burdensome to the countries engaged in trade. [p. 462]

The problem can be more clearly indicated by a concrete illustration: If Country A customarily carries on its international trade in terms of dollars, then a favorable balance of payments for Country A will be settled in dollars. The Fund should not be required to finance this favorable balance of payments with its resources of dollars. Instead, it should be possible for the Fund to use directly or indirectly its holdings of currency A to finance this favorable balance of payments with Country A.

The views expressed before this Committee indicate general agreement with this principle. Some method must be found to assure the use of the Fund's holdings of currency. At the same time, nothing must be done to discourage the continued use of dollars, sterling and other currencies by foreign traders who find the exchange markets and the availability of credit in such currencies of great convenience in conducting their trade.

3. The provision proposed below will not be burdensome to a country that customarily conducts its foreign trade in dollars or other currencies. Consider the following cases in which Country A carries on a considerable part of its foreign trade in dollars.

i. Country A would be paid dollars for exports to the United States. It would be free to use such dollars for its own imports from the United States, to pay for its imports from other countries payable in (p. 3) dollars, or to build up its holdings of dollars. It is no burden to the Fund when a country decides to hold balances in the currency of the country with whom its payments are favorable. The holding of such balances does not directly deplete the foreign exchange resources of other countries and there is no reason why the Fund should discourage it.

ii. Country A might be paid dollars for its exports to countries other than the United States. If the dollars so acquired are used to make payments in the United States, the use of the dollars avoids a drain on the Fund's resources of dollars and is therefore unobjectionable. If the dollars so acquired are used to make payments in other countries, the use of the dollars avoids the use of other resources of the Fund. Setting aside the ultimate disposition of the dollars paid to other countries, the acquisition and use of dollars in this manner by Country A should not concern the Fund.

iii. Country A might acquire dollars from countries other than the United States and build up dollar balances. The favorable balance of payments of Country A would then have drained foreign exchange resources from other countries or from the Fund.

4. Some method should be found by which the Fund's holdings [p. 463] of currency A can be used to meet the favorable balance of payments of Country A. Under the Fund proposal (III-7, Joint Statement) Country A would be required to use half of the increment of dollars to repurchase its (p. 4) currency from the Fund. If this repurchase provision could be extended to cover the entire increment of dollars resulting from Country A's favorable balance of payments in dollars with countries other than the United States, the Fund would be able to make the fullest use of its holdings of currency A.

It is suggested, therefore, that the following provision be included in the Fund proposal:

"Where the international transactions of a country are carried on in the currencies of other countries, the Fund may require that the increments in its holdings of member currencies, to the extent that such increments are attributable to transactions with other countries, shall be offered to the Fund in the repurchase of its own currency."

[p. 463]

Document 284
(p. 18c) SA/1/50
ALTERNATIVE D
Changes in Par Values

(SECTIONS 2, 3, 4 as in Alternative A)

SECTION 5.

(a) The Fund shall concur in a proposed change under 4 (b) or (c) above if it is satisfied that the change is necessary to correct a fundamental disequilibrium. In particular, provided it is so satisfied, it shall not object to a proposed change on the ground of the domestic, social or political policies of the member proposing the change.

(b) The Fund shall also concur in a proposed change under 4(b) or (c) above if it is satisfied that such change will not affect the international transactions of the member proposing the change.

(c) If the Fund is not satisfied in accordance with (a) or (b) above, and deems the proposed change unjustified, having regard to the proper working of the Fund, it shall object to the proposed change; but in arriving at its decision it shall take into consideration the extreme uncertainties prevailing when the par values of the currencies of members were initially determined.

SECTION 6. (Section numbered 4c in Alternative A)

7/11/44 J.S. Art. IV, Sec. 5

[p. 482]

Document 287

DP/17

Proposal for a Conference to Promote Stability in the Prices of Primary International Commodities

Presented by Brazilian Delegation to United Nations Monetary and Financial Conference.

1. Fluctuations in the prices of primary products during the interwar period were as much of a curse as recurring large scale unemployment.

The *Economist* index of sensitive commodity prices (1935 = 100) fell from 369 in February 1920 to 163 in January 1922; it rose gradually to 232 in November 1925 and fell, almost without interruption, reaching its low point of 75 in August 1931. It recovered to 175 in March 1937, to sink again to 88 in May 1938.

It may be said that after 1920 the disparity between the prices of agricultural commodities and raw materials and those of manufactured goods was the main cause of disequilibrium in international trade.

2. The introduction to the United States proposal for an International Monetary Fund states that "it is recognized that an international stabilization fund IS ONLY ONE of the instrumentalities which may be needed in the field of international economic cooperation. Other agencies are also needed to provide capital for post-war reconstruction and development, to provide funds for rehabilitation and relief and to promote stability in the prices of primary international commodities."

This Conference is expected soon to achieve an agreement on the international monetary fund and on the bank for reconstruction and development. The problem of rehabilitation and relief has already been dealt with by the Food Conference. Out of the four main problems mentioned in the United States proposal, that of the promotion of stability in the prices of primary international commodities is, therefore, the only one which still remains to be considered.

The inter-relationship between these international agencies has been similarly emphasized by the United Kingdom Treasury plan, in which it is said that "if an international investment or development corporation is also set up together with a scheme of Commodity Controls for the control of stocks of the staple primary products, we might come to possess in these three Institutions a powerful means of combating the evils of the Trade Cycle" and "it is possible that TAKEN TOGETHER these institutions may [p. 483] help the world to control the ebb and flow of the tides of economic activity which have, in the past, destroyed security of livelihood and endangered international peace."

3. The heavy fall in prices of the products imported by the industrial

nations and the consequent improvement in these nations' terms of trade were of but illusory advantage to them, as the decline in purchasing power in the countries producing primary products brought about a corresponding reduction in the imports of these countries and thereby a depression in the export industries of manufacturing countries.

(p. 2) Manufacturing industries and raw materials production must stand or fall together.

It is often held that the maintenance of a high level of employment is, by itself, a guarantee of satisfactory prices for raw materials and agricultural products. It should not be overlooked, however, that even if a high level of employment is achieved everywhere, it may be seriously disturbed by price fluctuations in primary products resulting from climatic or other factors, with a resulting disequilibrium in relative prices capable of endangering the whole price structure.

4. Before the war, several international organizations had been formed to deal with the problem of raw material prices. These organizations could be made the starting point for more comprehensive ones in which both primary producer and manufacturing and consumer interests would be represented to prevent, as far as possible, violent fluctuations in the production stocks and prices of raw materials.

Experience has already taught that organizations of this kind can have a strong stabilizing effect on markets. They have, of course, to develop a technique of their own and the history of some of them has shown how their methods can gradually be improved and simplified. It has also shown that different raw materials need different methods.

The development and improvement of these organizations should not be made to contribute to restriction of production or to monopolistic practices, but rather to a continuous improvement in efficiency of methods of production and to the maintenance of ever-normal granaries, credit for which might be supplied both by the International Monetary Fund and by the producing countries.

5. Be IT RESOLVED that for the successful attainment of the objects pursued by the International Monetary Fund and the Bank for Reconstruction and Development, a Conference of United and Associated Nations to promote stability in prices of raw [p. 484] materials and agricultural products be called to make recommendations for the achievement of a better balanced growth of international trade.

[p. 484 upper]

Document 288

DP/18

Draft Resolution Submitted to Commission III by Cuban Representatives to United Nations Monetary and Financial Conference

(Submitted as Alternative A to the motion filed with Commission III by the Peruvian Delegation (No. 9—Page 7—Doc. #235))

RESOLVED, that to implement the aims and objects of the International Monetary Fund and the Bank for Reconstruction and Development a Conference of the United and Associated Nations be convened in order to consider the necessary measures to insure higher standards of living and full employment through greater freedom and expansion of trade and the orderly marketing of staple commodities.

[p. 484 lower]

Document 289
Draft Resolution Submitted to Commission III by Chilean Representatives to United Nations Monetary and Financial Conference

(Submitted as alternative to the motion filed with Commission III by the Peruvian Delegation (No. 9—Page 7—Doc. #235))

THE CONFERENCE DECLARES :

That the practical application of the International Monetary Fund, the technical organization of which has been approved, will be subordinated to the previous or simultaneous adoption of economic and financial measures which will facilitate the development of the production and insure the disposal of the staple products of economically weaker nations, so as to guarantee the safe operation of the new institution.

[p. 486]

Document 294
(p. 50b) SA/1/52
Alternative A
July 11th, 1944

SECTION 5. *Fixing initial par values of occupied countries* (Suggested modification of Article XIII, Section 5.).

Any member country that has been occupied by the enemy in whole or in part shall be entitled to postpone communicating to the Fund the initial par value of its currency during a period to be agreed upon with the Fund. Pending agreement with the Fund upon the initial par value of its currency, a member country shall be entitled to buy from the Fund with its currency the currency of other member countries after agreement with the Fund upon a provisional initial rate of exchange, which may be changed by action of such country within a period and range to be agreed with the Fund, subject to the provisions of Article IV, Section 6.

NOTE: This is a draft of the substance. The exact wording and possible revision of XIII, 5 is a matter for further consideration.

7/11/44 J.S. Article XIII, Section 5

[p. 495]

Document 300

CII/M/2

Minutes of Meeting of Commission II Bank for Reconstruction and Development

(July 11, 1944, 4 *p.m.)*

At the second meeting of the Commission, the Chairman, Lord Keynes (United Kingdom), reported that the Agenda Committee recommended that the Preliminary Draft of Proposals for the Establishment of a Bank for Reconstruction and Development (Document No. 245) be considered by the Commission.

He announced that the following Committee Chairmen and Reporting Delegates had been nominated by their respective delegations:

Committee 1:
Chairman: Netherlands, J. W. Beyen
Reporting Delegate: Costa Rica, J. Rafaël Oreamuno
Committee 2:
Chairman: Cuba, E. I. Montoulieu *Reporting Delegate:* Australia, James B. Brigden
Committee 3:
Chairman: Colombia, Miguel Lopez Pumarejo
Reporting Delegate: Union of South Africa, M. H. de Kock
Committee 4:
Chairman: India, Sir Chintaman D. Deshmukh
Reporting Delegate: Poland, Leon Baranski

The committee work of the Commission was assigned as follows:

Committee 1 (Purposes, Policies, and Capital), articles I, II, and VI (4)
Committee 2 (Operations), articles III and IV
Committee 3 (Organization and Management), articles V and VI, except (4)
Committee 4 (Form and Status), articles VII, VIII, IX, and X

The Chairman suggested that the present Agenda Committee or a subcommittee thereof constitute the drafting committee for the Commission. This was agreed to and there was further agreement that the drafting committee continue to accept suggestions from any delegation and refer such suggestions to the Commission if questions of substance were involved.

After discussion, the Commission arranged its program of work in the following way: [p. 496]

(a) The following parts of the document were referred to the drafting committee: (p. 2)

Art. I

Art. II, 7 and 8

Art. IV, 5, 8, 9, and 10

Art. V, 9, 11, and 13

Art. VI, 5

Art. VII, 1 and 2

Art. VIII

Art. IX, 1 and 3

(b) The following details of the document were considered at the meeting:

(1) Title of the "bank". Alternative C was dropped. After some discussion it was agreed that the words "reconstruction and development" were preferred to "investment and guarantee", but agreement was not reached on whether the organization should be called a "bank", a "corporation", or by some other name.

(2) Article III, section 1. It was agreed that the word "restricted" be deleted from the title of the section and that Alternatives A and B be combined and amended as follows and referred to the drafting committee: "The resources and the facilities of the Bank shall be used exclusively for the benefit of members with equitable consideration to projects for development and projects for reconstruction alike."

(3) Article III, section 5, Alternative B. It was agreed that this Alternative should be considered in conjunction with article III, section 4, Alternative B.

(4) Article IV, section 3, Alternative B. It was agreed that this Alternative be considered with article III, section 3.

(a) The sections of the document other than the title and those sections referred to the drafting committee are to be considered by the various committees. It was suggested by the Chairman that when a section is referred to a Committee the Chairman and Reporter of that Committee should have discretion either to discuss it in full committee or, in consultation with the Chairman, to appoint *ad hoc* committees forthwith. It was emphasized that where *ad hoc* committees were appointed, countries not represented on those committees should be wholly free and urged to make additional suggestions and to attend such committee meetings as they might wish. It was agreed that *ad hoc* committees should report directly to the Commission. [p. 497]

The Chairman announced that the next meeting of the Commission would be held on Thursday, July 13, at which time committee reports would be received. While it is not expected that committee work should necessarily be complete by that time, it was hoped that substantial sections of the document could be passed on to the drafting committee.

(At the close of the meeting the Chairman met with the Committee

Chairmen and Reporting Delegates and also with the Agenda Committee. *Ad hoc* committees were appointed and detailed assignments made as shown in Document No. 298. A subcommittee of the Agenda Committee was appointed to serve as drafting committee.)

[p. 497]

Document 302
CI/2/M7
Minutes of Meeting of Committee 2 of Commission I
OPERATIONS OF THE FUND
(July 11, 1944, 2:30 *p.m.)*

The seventh meeting of Committee 2 of Commission I was held on July 11 at 2:30 p.m.

The Chairman announced that article IV, section 5, Alternatives A, B, and C (pp. 18, 18a, and 18b of Document SA/1) were referred by Commission I to an *ad hoc* committee of Commission I, and that article III, section 6, Alternatives A and B (pp. 9 and 9a) and article IX, section 4, Alternatives A, B, C, and D (pp. 40, 40a, and 40b) were also referred by Commission I to an *ad hoc* committee of Commission I and that all of these items are therefore removed from the agenda of Committee 2.

The Committee then continued its discussion of article IV, Par Values of Member Currencies. The Committee agreed to approve article IV, sections 2, 3, and 4 of Alternative A (p. 17a) and article IV, sections 5 and 6 of Alternative D (p. 18c). The Committee, however, reserved the right to reopen discussion of section 5 (b) (p. 18c) after it has discussed article III, Alternative A, section 9 (b) (p. 12). The Australian Delegate asked that his reservation on Alternative C (p. 17c) be noted in the report to Commission I. The Delegates of New Zealand, Czechoslovakia, [p. 498] and the Netherlands withdrew the reservations they had sent to the Reporter after the discussion of Alternative A at the last meeting. The Chairman said that the observation of the Canadian Delegate was not withdrawn.

The Committee deferred action on article III, section 10, Charges and Commissions (p. 13), to allow the committee members more time to study the material. The Committee also deferred discussion of article XIII, section 5, Fixing Initial Par Values (p. 50).

The Committee began discussion of the report of the *ad hoc* subcommittee of Committee 2 appointed to consider article III, section 2 (3), Alternatives A, B, D, and F (pp. 6a, 6b, 6c, and 6e) and will continue discussing this report at its next meeting at 10 a.m. on July 12.

[p. 498]

Document 303
CI/3/M7
Minutes of Meeting of Committee 3 of Commission I
ORGANIZATION AND MANAGEMENT OF THE FUND
(July 11, 1944, 10 *a.m.)*

The Committee considered article VIII, section 2, Alternative A (Document 210), dealing with suspension and compulsory withdrawal from the Fund. A number of questions about the interpretation of this article were raised in the meeting. After the discussion, the Committee decided to approve the Alternative, section 2, 2 (a) and 2 (b), with a suggestion to the Drafting Committee of the Commission to state clearly under what conditions a country would be suspended from using the Fund's resources or be compelled to withdraw from membership and the fair procedure therefor. It was the consensus of the Committee that these sanctions should be applied only when the country's action directly affects the operation of the Fund.

The Committee received the report of its subcommittee on Liquidation and Withdrawal (Document 243).[11] The Committee agreed to eliminate from further consideration Alternative B, article VIII, section 4 (Document 241). It was unable to reach [p. 499] agreement on Alternatives A and C for this section and referred the matter to Commission I. Article VIII, section 3 (p. 36), Settlement of Accounts with Governments Ceasing to be Members, was also referred to the Commission for action. No action was taken on article VII, section 7.

[11] Document 243 should be corrected in the third paragraph, line 7, to read: "Alternative B" in place of "Alternative D". In the fourth paragraph, line 9, to read: "Alternative C" instead of "Alternative B". [Note in conference proceedings.]

[p. 1175]

Document 306
UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE
Bretton Woods
For the Press July 12, 1944
No. 29

Statement by Delegation of Mexico at Meeting of Commission II, July 11, 1944

Mr. Chairman, Fellow Delegates:

On behalf of the Mexican Delegation, may I be allowed to make [p. 1176] a brief explanatory statement on the alternative provision submitted by us which is now before you.

It may appear to some of you that our proposal would rather hamper the Bank's reconstruction operations during the first few years. But I wish to assure you, gentlemen, that it is very far from our purpose to place obstacles in the way of reconstruction. We are fully aware of the damage that the war has done to the productive capacity of our Allies in Europe and in Asia, and we realize also that, once liberated, the territories now occupied by our enemies will require a great deal of capital in order to be set afoot again. We are no less aware of the direct sacrifices undergone by all those nations. Therefore, it is not with a spirit of denying them a substantial measure of the Bank's resources that we have introduced this—to our mind—important amendment.

Our reasons for asking you to provide that "reconstruction" and "development" be put on the same footing are threefold:

First, we believe that the agreement we are to reach here is to be embodied in a permanent, and not in a provisional, international instrument. Therefore, it seems to us inappropriate that the document should not contain an equal emphasis on the two great purposes of the Bank, namely, to facilitate reconstruction and development. In the very short run, perhaps reconstruction will be more urgent for the world as a whole, but in the long run, Mr. Chairman—before we are all too dead, if I may say so—development must prevail if we are to sustain and increase real income everywhere. Without denying the initial importance of reconstruction, we ask you not to relegate or postpone development.

Secondly, we believe that we and other nations not actually in need of funds for reconstruction, can greatly assist in the reconstruction of those who do necessitate it, provided our economies be developed more fully at the same time as the rehabilitation of the war torn nations takes place. We have resources which are still untapped. A large part of our population has not yet attained an adequate standard of living. And yet we have not hesitated to

throw in our lot with our Allies, disregarding temporarily our own wide domestic problems. If we tackle these—and for that we require sums of capital we do not dispose of at home—we will undoubtedly benefit not only ourselves but the world as a whole, and particularly the industrial nations, in that we shall provide [p. 1177] better markets for them and better customers. We submit, therefore, that capital for development purposes in our countries is as important for the world as is capital for reconstruction purposes.

(p. 2) Third and last—and we again wish to emphasize that it is with no unfriendly spirit that we make this reference—we should like to call your attention to an important provision of the draft (Article II, Section 5-A), which states that payments in gold shall be graduated according to a schedule that shall take into account the adequacy of the gold and free foreign exchange holdings of each member country. We believe that, having in mind the position in which the war devastated countries are, this is only fair; and we have no intention whatever of grudging one ounce of our contribution in gold. But since we happen to have unprecedented holdings of gold and foreign exchange—we speak for the great majority of Latin American nations—and since we feel that we have before us an opportunity of devoting part of our holdings to the import of capital goods for our development, it is our considered opinion that in contributing part of them, ungrudgingly, to the Bank, for the benefit of all the nations constituting it, we should desire at least the assurance that our requests for capital for development purposes shall, in the words of our amendment, be given equal consideration as is given to reconstruction projects, and, further, the assurance that the resources and facilities of the Bank shall always be made available to the same extent for either kind of project.

We do wish to make it perfectly clear, however, Mr. Chairman, that we do not desire to impose on the Bank a rigid fifty-fifty rule. We believe some discretion on the Bank's part should be provided for. Furthermore, what we ask is only that the Bank's resources and facilities be made available. Thus, in the event that countries requesting loans for development purposes do not use up the resources and facilities made available to them, countries requiring loans for reconstruction projects could have a claim on the unused funds.

In conclusion, may we emphasize that we do not contemplate a rigid interpretation of the phrase "to the same extent", but that we do think it is a principle which should be embodied in the instrument we are endeavoring to draw up. We are perfectly willing to accept a better wording of our proposed amendment, so long as the same principle is preserved in it.

[p. 501]

Document 307
CI/1/DC4
Third Report of the Drafting Committee of Committee 1 of Commission I
(July 11, 1944)

In view of the action taken by Committee 2 in agreeing on those parts of Article IV which deal with changes in exchange rates, the Drafting Committee considered Article I, Section 4, which deals with the promotion of exchange stability as an objective of the Fund.

The Drafting Committee recommends that the language of Alternative A of Section 4, Article I, be approved by the full Committee. The language is as follows:

"To promote exchange stability, to maintain orderly exchange arrangements among member countries, and to avoid competitive exchange depreciation."

The Drafting Committee wishes to report that the representative of the Australian Delegation reserved the Australian position on this section in favor of Alternative D, page 1b of Document SA/1.

The Drafting Committee recommends the following language for Article IX, Section 2 (p. 38 of SA/1):

"The Fund shall prescribe for transactions in gold by member countries a permissible margin above and below the agreed parity. No member country shall buy gold at a price above the prescribed range, nor sell gold at a price below that range."

This language permits member countries to buy gold below the range and to sell gold above the range.

The Committee considered Alternative C relating to this section, page 39b, but does not recommend the inclusion in this agreement of special provisions for bonuses to the gold mining industry of member countries.

The Drafting Committee recommends the following language for Article IX, Section 3, paragraph (a), which deals with the (p. 2) range of exchange transactions over and under the agreed parities:

"(a) The Fund shall prescribe a uniform maximum margin not exceeding _____*%* by which rates for transactions in the [p. 502] Currencies of members may differ from parity. In exceptional circumstances the Fund may authorize a member country to establish a wider margin for transactions in its currency."

The Drafting Committee felt that the insertion of a figure in the above paragraph and the decision as to whether the prescribed margin should apply to spot transactions only or to both spot and future transactions were matters of substance to be decided by the full Committee. In the discussion of this

section some of the members of the Drafting Committee expressed a preference for leaving out the words "not exceeding _____%".

The Drafting Committee considered Alternatives A and B of Article IX, Section 3, Paragraph (c) (pages 39 and 39a), Document SA/1. The Committee as a whole was not in favor of the wording of Alternative B but the position of the representative of the United Kingdom on this Alternative was reserved.

There was some feeling in the Committee in favor of an undertaking on the part of member countries to cooperate in dealing with illegal exchange transactions milder than is provided either in Alternative A or B. The Committee therefore submits to the full Committee the following language for its consideration:

"Article IX, Section 3.

"(c) Exchange transactions in the territory of one member involving the currency of any other member which are outside the prescribed variation from parity set forth in (a) above shall not be enforceable in the territory of any member country.

"Each member agrees to cooperate with other members in their efforts to effectuate exchange regulations prescribed by such members in accordance with this Agreement."

The above language is not submitted as a definite recommendation by the Drafting Committee but merely as a possible third alternative for the consideration of the full Committee.

[p. 502]

Document 310
(p. 26j) SA/1/54
ALTERNATIVE J

Alternative J is submitted as a substitute for Paragraph 2 of the "Final Alternative submitted by the Special Committee . . . et cetera" (CI/3/SI, [p. 503] Doc. 212) and for Schedule B in the "Combined Alternative A and B . . ." (SA/1/17, Doc. 152, page 26).

2. There shall be twelve Executive Directors of whom

(a) five shall be appointed by the five members having the largest quotas,

(b) five shall be elected by the remaining members, other than the American Republics, and

(c) two shall be elected by the American Republics, exclusive of any entitled to appoint an Executive Director under (a), above.

Elections shall be conducted biennially in accordance with the provisions of Schedule B. Persons chosen as Executive Directors need not be Governors.

SCHEDULE B

(a) In balloting for the five Executive Directors to be elected under 2(b), above, each of the governors eligible to vote shall cast for one person all of the votes to which he is entitled under the first paragraph of Section 3 of this article (J.S. VII, 2). The five persons receiving the greatest number of votes shall be Executive Directors, except that no person who receives less than nineteen per cent of the aggregate eligible votes shall be considered elected.

(b) When five persons are not elected on the first ballot, a second ballot shall be held in which the person receiving the lowest number of votes shall be ineligible for (p. 26k) election and in which there shall vote only those governors who voted on the first ballot for a person not elected and those governors all or part of whose votes for a person elected are deemed to have raised the votes cast for that person above twenty per cent of the aggregate eligible votes.

(c) In determining whether any part of the votes cast by a governor are to be deemed to have raised the total of any person above twenty per cent, there shall be considered as not forming part of the excess over twenty per cent the votes of the governor casting the largest number of votes for such person, then the votes of the governor casting the next largest number, and so on until the total reaches twenty per cent.

(d) Any governor whose votes are partly not in excess and partly in excess shall be eligible to vote in the second balloting only to the extent of the votes in excess. [p. 504]

If on the second ballot, five persons have not been elected, further ballots shall be taken on the same principles until five persons have been elected, provided that after four persons are elected, the fifth may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.

(e) The balloting for the two Executive Directors to be elected by the American Republics under 2(e) above shall be conducted as follows:

(1) Each of the Directors shall be elected separately.

(2) In the election of the first Director, each governor representing an American Republic eligible to (p. 26 1) participate in the election shall cast for one person all the votes to which he is entitled under the first paragraph of Section 3 of this Article (J.S. VII-2).

The person receiving the largest number of votes shall be elected provided that he has received not less than 45 per cent of the aggregate eligible votes.

(3) If no person is elected on the first ballot, then further ballotings shall be held, at each one of which the person receiving the lowest number of votes shall be eliminated, until one person is elected in accordance with the provisions of paragraph (2) above.

(4) Governors whose votes contributed to the election of the first Director shall take no part in the election of the second Director.

(5) Persons who did not succeed in the first election shall, nevertheless, be eligible for election as the second Director.

(6) The second Director shall be elected in the same manner as the first except that only a majority of the votes participating shall be required for election. If at the first ballot no person receives a majority vote, then further ballotings shall be taken at each one of which the person receiving the lowest number of votes shall be eliminated, until only two persons are left, at which time the person receiving the largest number of votes shall be elected.

(7) The second Director shall be deemed to have been elected by all the votes eligible to participate in the second election.

7/12/44 Art. VII, Sec. 2 and Schedule B of Combined Alternatives A and B

[p. 505]

Document 311
CI/AH/RP2
July 11,1944
***Ad hoc* Committee of Commission I on Relations with Non-Member Countries**

The following text is submitted to Commission I by the *Ad hoc* Committee on Relations with Non-Member Countries.

The following material is suggested as a new section to be added to Article IX, Obligations of Member Countries:

Each Member Country agrees:

(a) Not to undertake any transactions with a non-member country, which would be contrary to the purposes and provisions of the Fund, and not to allow its agencies with the Fund to undertake such transactions,

(b) Not to cooperate with non-member countries in practices which are against the purposes and provisions of the Fund,

(c) To cooperate with the Fund in order to apply appropriate measures to prevent transactions with non-member countries which are contrary to the purposes and provisions of the Fund.

[p. 506]

Document 315

(p. 25h) SA/1/55

ALTERNATIVE E

(Substitute for Article VII, I of the Joint Statement—as a variant for Alternative C, p. 25d)

Formation of the Executive Committee:

The Executive Committee shall consist of fifteen executive directors, appointed as follows:

(1) Five directors representing each one of the member countries having the largest quotas.

(2) Three directors representing the member countries in the economic area of the British Empire.

(3) Three directors representing the member countries in the economic area of the American Republics.

(4*) One director representing the mid-east countries.*

(5) Three directors representing the member countries in all other economic areas.

Each director shall have an alternate appointed in the same manner. Executive directors and their alternates need not be governors and may be reappointed.

7/12/44 J.S. Art. VII, See. 1

[p. 515]

Document 320

GI/DC/1

Report of Drafting Committee of Commission I—Annex I

OUTLINE OF ARTICLES AND SECTIONS OF FUND AGREEMENT

(References are to pages of SA/1)

Introductory Article (New)
I. Purposes (I-p. 1)
II. Membership (II, in part)
    1. Original members (p. 2)
    2. Other members (p. 2)
III. Quotas and Subscriptions (II, remainder)
    1. Quotas (p. 2)
    2. Adjustment of quotas (p. 2)
    3. Subscriptions: time, place and form of payment (p. 2, p. 5)
    4. Payments when quotas are changed (p. 2, p. 5)
    5. Substitution of securities for currency (p. 29)
IV. Par Values of Currencies (IV)
    1. Expression of par value (p. 16)
    2. Gold purchases based on parity (p. 38)
    *3. Foreign exchange dealings based on par values (p. 39)
    4. Obligations regarding exchange stability (p. 17a)
    5. Changes in par values (p. 17a) [p. 516]
    6. Action by the Fund on proposed changes (p. 17aa)
    7. Effect of unauthorised changes (p. 17aa)
    *8. Uniform changes in par values (p. 18)
    9. Maintenance of gold value of the Fund's assets (p. 19)
    10. Separate currencies within a member's territories (p. 20)
    (p. 2)
V. Transactions with the Fund (III, in part)
    1. Agencies dealing with the Fund (p. 5)
    2. Limitation on the Fund's operations (p. 7)
    3. Conditions governing use of the Fund's resources, (p. 6a)
    4. Waiver of conditions (p. 6a)
    5. Ineligibility to use the Fund's resources (p. 6b)
    6. Purchases of currencies from the Fund with gold (p. 10)
    *7. Other acquisitions of gold by the Fund (p. 11)
    *8. Charges and commissions (p. 13)
VI. Capital Transfers (V; III)
    1. Use of the Fund's resources for capital transfers (P. 21)
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VII. Scarce Currencies (VI; III, in part)
1. General scarcity of currency (p. 23b)
2. Measures to maintain the Fund's holdings of scarce currencies (p. 6a) 3. Scarcity of the Fund's holdings (p. 23b)
4. Administration of restrictions (p. 23c)
5. Effect of other international agreements or restrictions (p. 23c)
VIII. General Obligations of Members (IX, in part; III, in part; VII, in part)
1. Introduction (p. 38)
*2. Exchange controls on current payments (p. 40)
*3. Multilateral clearing (p. 9)
*4. Acceptance of currency purchased from the Fund (P. 12)
*5. Furnishing of information (p. 14c)
6. Consultation between members regarding existing international agreements (p. 48) [p. 517]
IX. Status, Immunities and Privileges of the Fund (IX, in part; III, in part)
1. Purposes of Article (New)
2. Status of the Fund (p. 33)
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4. Immunity from other action (p. 41)
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6. Exemption of officers and employees from suit (p. 41)
7. Immunity of officers and employees from restrictions (New)
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X .Relation with Other International Organizations (VII-8, p. 30)
XI. Organization and Management (VII, in part)
1. Structure of the Fund (New)
2. Board of Governors (p. 24)
3. Executive Directors (p. 26)
4. Managing Director and staff (p. 26)
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6. Distribution of net income (p. 32)
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XII. Offices and Depositories (VII, in part; III, in part)
*1. Location of offices (p. 31)
2. Depositories of the Fund (p. 29)Guarantee of the Fund's deposits (p. 12)
*XIII. Transitional Period (X)
XIV. Withdrawal from Membership (VIII, in part)

1. Right of members to withdraw (p. 34)
2. Compulsory withdrawal (p. 35)
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*XV. Liquidation of the Fund (VIII, -4, p. 37)
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1. Signature (p. 51)
2. Entry into force (p. 51a)
3. Inauguration of the Fund (p. 51a)
*****4. Initial determination of par values (p. 51b)

*Text not yet available

[p. 518]

Document 321

CI/DC/2

Report of the Drafting Committee of Commission I—Annex II

ARTICLES OF AGREEMENT OF THE INTERNATIONAL MONETARY FUND

The Governments on whose behalf the present Agreement is signed agree as follows:—

Introductory Article

The International Monetary Fund is established and shall operate in accordance with the following provisions:

Article I. *Purposes*

The purposes of the International Monetary Fund are:

(a) To promote international monetary cooperation through a permanent institution which provides the machinery for consultation on international monetary problems.

(b) To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and to the development of the sources of productive power in the territories of all members as primary objectives of economic policy.

(c) To give confidence to members by making the Fund's resources available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.

(d) To promote exchange stability, to maintain orderly exchange arrangements among member countries, and to avoid competitive exchange depreciation.

(p. 2) (e) To assist in the establishment of a multilateral [p. 519] system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.

(f) In accordance with the above, to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.

The Fund shall be guided in all its decisions by the purposes set forth above.

Article II. *Membership*

SECTION 1. *Original Members.*

The original members of the Fund shall be those of the countries represented at the United Nations Monetary and Financial Conference whose

governments accept membership in accordance with Article XIX, Section 1.

SECTION 2. *Other Members.*

Membership shall be open to other countries at such times and in accordance with such terms as may be prescribed by the Fund.

Article III. *Quotas and Subscriptions*

SECTION 1. *Quotas.*

Each member shall be assigned a quota. The quotas of the members represented at the United Nations Monetary and Financial Conference which accept membership in accordance with Article XIX, Section 1, shall be those set forth in Schedule A annexed hereto subject to subsection (b) of that Section.

(a) Quotas of other members shall be determined by the Fund. (p. 3)

SECTION 2. *Adjustment of Quotas*

The Fund shall at intervals of five years review and, if it deems it appropriate, propose an adjustment of the quotas of the members. It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned. A four-fifths majority vote shall be required for any change in quotas and no quota shall be changed without the consent of the member concerned.

SECTION 3. *Subscriptions: Time, Place and Form of Payment*

(a)The subscription of each member shall be equal to its quota and shall be paid in full to the Fund at the appropriate depository on or before the date fixed under Article XIX, Section 4 for exchange transactions in the member's currency to begin.

(b) Each member shall pay in gold as a minimum either (i) [p. 520] twenty-five per cent of its quota or (ii) ten per cent of its official holdings of gold and gold convertible exchanged[12] as at ----------,

whichever is the smaller. If the holdings of any member as at such date are not ascertainable because its territories have been occupied by the enemy, the Fund shall fix an appropriate alternative date. Each member shall furnish to the Fund the data necessary to determine its official holdings of gold and gold convertible exchange.

(c) Each member shall pay the balance of its quota in its own currency. (p. 4)

[12] The phrase "gold and gold convertible exchange" is subject to definition and to such change in terminology as may be agreed on. [Note in conference proceedings.]

SECTION 4. *Payments when quotas are changed.*

(a) Each member shall pay within thirty days of the date on which it approves an increase in its quota twenty-five per cent of the increase in gold and the balance in its own currency. If, however, on the date when the member approves an increase, its holdings of gold and gold convertible exchange are less than its new quota, the Fund may reduce the proportion of the increases to be paid in gold.

(b) The Fund shall pay each member whose quota is reduced within thirty days of the date on which the member approves the reduction an amount equal to the reduction. The payment shall be made in the currency of that member and in such amount of gold as may be necessary to prevent reducing the Fund's holdings of that member's currency below seventy-five per cent of its new quota.

SECTION 5. *Substitution of Securities for Currency.*

The Fund shall accept from any member in place of any part of the member's currency not needed by the Fund in its operations, notes or similar obligations issued by the member or the depository designated by such member, which shall be nonnegotiable, non-interest bearing and payable at their par value on demand by a credit, to the account of the Fund in the territory of the member. This section shall apply not only to currency subscribed by members but also to any currency otherwise acquired by the Fund. (p. 5)

Article IV. *Par Values of Currencies*

SECTION 1. *Expression of Par Values.*

(a) The par value of the currency of each member shall be [p. 521] expressed in terms of gold, as a common denominator, or in terms of a gold-convertible currency unit of the weight and fineness in effect on July 1, 1944.

(b) All computations relating to currencies of members for the purpose of applying the provisions of this Agreement shall be on the basis of their par values.

SECTION 2. *Gold Purchases Based on Parity.*

The Fund shall prescribe for transactions in gold by members a permissible margin above and below parity. No member shall buy gold at a price above parity plus the prescribed margin, nor sell gold at a price below parity minus the prescribed margin.

SECTION 3. *Foreign Exchange Dealings Based on Par Values.*

(Text not yet available.)

SECTION 4. *Obligations Regarding Exchange Stability.*

(a) The members agree that they will collaborate with the Fund to promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange alterations.

(b) A member shall not propose a change in the par value of its currency except to correct a fundamental disequilibrium.

SECTION 5. *Changes in Par Values.*

A change in the par value of a member's currency may be made only on the proposal of the member and only after consultation with the Fund. When a change is proposed, (p. 6) the Fund shall first take into account the changes, if any, which have already taken place in the initial par value of the member's currency. If the proposed change, together with all previous changes, whether increases or decreases:

(a) does not exceed ten percent of the initial par value, the Fund shall raise no objection;

(b) does not exceed a further ten percent of the initial par value, the Fund may either concur or object, but shall declare its attitude within seventy-two hours if the member so requests;

(c) is not within (a) or (b) above, the Fund may either concur or object, but shall be entitled to a longer period than seventy-two hours in which to declare its attitude.

SECTION 6. *Action by Fund on Proposed Changes.*

(a) The Fund shall concur in a proposed change under Section 5(b) or (c) above if it is satisfied that the change is necessary to correct a fundamental disequilibrium. In particular, [p. 522] provided it is so satisfied, it shall not object to a proposed change on the ground of the domestic social or political policies of the member proposing the change.

(b) The Fund shall also concur in a proposed change under Section 5(b) or (c) if it is satisfied that such change will not affect the international transactions of the member proposing the change.

(p. 7) (c) If the Fund is not satisfied in accordance with (a) or (b) above, and deems the proposed change unjustified, having regard to the proper working of the Fund, it shall object to the proposed change; but in arriving at its decision it shall take into consideration the extreme uncertainties prevailing when the par values of the currencies of members were initially determined.

SECTION 7. *Effect of Unauthorized Changes.*

If a member changes the par value of its currency despite the objection of the Fund, in cases where the Fund is entitled to object, the member shall be ineligible to use the resources of the Fund unless the Fund otherwise determines; and if, after the expiration of a reasonable period, the difference

between the member and the Fund continues, the matter shall be subject to the provisions of Article XIV, Section 2.

SECTION 8. *Uniform Changes in Par Values.*

(Text not yet available.)

SECTION 9. *Maintenance of Gold Value of the Fund's Assets.*

(a) The gold value of the assets of the Fund shall be maintained notwithstanding changes in the par or foreign exchange value of the currency of any member.

(b) Whenever (i) the par value of a member's currency is reduced, or (ii) the par value of a member's currency has, in the opinion of the Fund, depreciated to a significant extent within that member's territories, the member, shall compensate the Fund by paying to the Fund within a reasonable time an amount of its own currency equal to the reduction in the gold value of its currency held by the Fund.

(p. 8) (c) Whenever the par value of a member's currency is increased the Fund shall compensate such member by returning, within a reasonable time, an amount in the member's currency equal to the increase in the gold value of its currency held by the Fund.

(d) The provisions of this Section shall apply to a uniform proportionate change in the par values of the currencies of all [p. 523] members, unless at the time when such a change is proposed the Fund decides otherwise.

SECTION 10. *Separate currencies within a Member's Territories.*

A member proposing a change in the par value of its currency shall be deemed, unless it declares otherwise, to be proposing a corresponding change in the par value of the separate currencies of all territories in respect of which it has accepted this agreement under Article XIX, Section 1. It shall, however, be open to a member to declare that its proposal relates either to the metropolitan currency alone, or to one or more specified separate currencies alone, or to the metropolitan currency and one or more specified separate currencies.

Article V. *Transactions with the Fund*

SECTION 1. *Agencies Dealing with the Fund*

Each member shall deal with the Fund only through its Treasury, Central Bank, Stabilization Fund or other similar fiscal agency and the Fund shall deal only with or through the same agencies.

SECTION 2. *Limitation on the Fund's Operations*

Except as otherwise provided in this Agreement, operations on the account of the Fund shall be limited (p. 9) to transactions for the purpose of

supplying a member, on the initiative of such member, with the currency of another member in exchange for the currency of the member initiating the transactions or for gold.

SECTION 3. *Conditions Governing Use of the Fund's Resources.*

A member shall be entitled to buy the currency of another member from the Fund in exchange for its own currency subject to the following conditions:

(i) The member desiring to purchase the currency represents that it is presently needed for making payments in that currency which are consistent with the provisions of this Agreement;

(ii) The Fund has not given notice under Article VII that its holdings of that currency have become scarce;

(iii) The purchase shall not cause the Fund's holdings of the member's currency to increase over the period of twelve months ending on the date of the purchase by more than twenty-five per cent of the member's quota (after having been restored to seventy-five per cent, if below that figure, of the quota) nor to exceed two hundred per cent of the member's quota. [p. 524]

The Fund has not previously declared under Section 5 below that the member initiating the purchase is ineligible to use the resources of the Fund. (p. 10)

SECTION 4. *Waiver of Conditions.*

The Fund may in its discretion, and on terms which safeguard its interests, waive any of the conditions prescribed in Section 3 above, especially in the case of members with a record of avoiding large or continuous use of the Fund's resources. In making such waiver it shall take into consideration periodic or exceptional requirements of members. The Fund shall also take into account a member's willingness to pledge as collateral security gold, silver, securities, or other acceptable assets having a value sufficient in the opinion of the Fund to protect its interests and may require as a condition of waiver the pledge of such collateral security.

SECTION 5. *Ineligibility to Use the Fund's Resources.*

Whenever the Fund is of the opinion that any member is using the resources of the Fund in a manner contrary to the purposes of the Fund, it shall present to the member a report setting forth the views of the Fund and prescribing a suitable time for reply. After presenting such a report to a member the Fund may limit the use of its resources by the member. If no reply to the report is received from the member within the prescribed time, or the reply received is unsatisfactory, the Fund may continue to limit the member's use of the Fund's resources or, after giving reasonable notice to the member, declare it ineligible to use the resources of the Fund. (p. 11)

SECTION 6. *Purchases of Currencies from the Fund for Gold.*

(a) Any member desiring to obtain, directly or indirectly, the currency of another member for gold shall, provided that it can do so with equal advantage, acquire the currency by the sale of gold to the Fund.

(b) Nothing in this Section shall be deemed to preclude any member from selling in any market gold newly produced from mines located within its territories.

SECTION 7. *Other Acquisitions of Gold by the Fund.*

(Text not yet available)

SECTION 8. *Charges and Commissions.* [p. 525]

Article VI. *Capital Transfers*

SECTION 1. *Use of the Fund's Resources for Capital Transfers.*

(a) A member may not make net use of the resources of the Fund to meet a large or sustained outflow of capital, and the Fund may request a member to exercise controls to prevent such use of the resources of the Fund. If after receiving such a request, a member fails to exercise appropriate controls, the Fund may declare the member ineligible to use the resources of the Fund.

(b) Nothing in this Section shall be deemed (i) to prevent the use of the resources of the Fund for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking or other business or (ii) to affect capital movements which are met out of a member's own resources of gold and foreign exchange, but members undertake that such capital movements will be in accord with the purposes of the Fund. (p. 12)

SECTION 2. *Special Provisions for Capital Transfers.*

If the Fund's holdings of the currency of a member have remained below 75 per cent of its quota for an immediately preceding period of not less than six months, such member shall be entitled, notwithstanding the provisions of Article V, Section 3, to buy the currency of another member from the Fund for its own currency for any purpose, including capital transfers. Purchases for capital transfers under this Section shall, however, not be permitted if they have the effect of raising the Fund's holdings of the currency of such member above 75 per cent of its quota, or of reducing the Fund's holdings of the currency purchased below 75 per cent of the quota of the member whose currency is purchased.

SECTION 3. *Controls of Capital Transfers.*

Members may exercise such controls as are necessary to regulate international capital movements but no member may exercise such controls in a manner which will restrict payments for current transactions or which will unduly delay the transfer of funds in settlement of commitments, except as provided in Article VII, Section 3, and in Article XIII, Section ----------.

Article VII. *Scarce Currencies.*

SECTION 1. *General Scarcity of Currency.*

If the Fund finds that a general scarcity of a particular currency is developing, the Fund may so inform members and may issue a report setting forth the causes of the scarcity and containing [p. 526] recommendations designed to bring it to an end. A representative of the member whose currency is involved shall participate in the preparation of the report. (p. 13)

SECTION 2. *Measures to Maintain Fund's Holdings of Scarce Currencies.*

The Fund may, if it deems such action appropriate to maintain necessary balances of any currency, take either or both of the following steps:

(i) Propose to the member that on terms and conditions agreed between the Fund and the member, the latter lend such currency to the Fund or, with the approval of the member, that the Fund borrow such currency from some other source either within or outside the territory of the member, but no member shall be under any obligation to make such loans to the Fund or to approve the borrowing of its currency by the Fund from any other source.

(ii) Buy that currency from that member with gold.

SECTION 3. *Scarcity of the Fund's Holdings.*

(a) If it becomes evident to the Fund that the demand for a member's currency seriously threatens the Fund's ability to supply that currency, the Fund, whether or not it has issued a report under Section 1 above, shall formally declare such currency scarce and shall thenceforth apportion its existing and accruing supply of the scarce currency with due regard to the relative needs of members, the general international economic situation and any other pertinent considerations. The Fund shall also issue a report concerning its action.

(b) Such a formal declaration shall operate as an authorization to any member, after consultation with the Fund, temporarily to impose limitations on the freedom of exchange operations in the scarce currency. Subject to the provisions of Article IV, Section 3, the member shall have complete jurisdiction in determining the nature of such limitations, but they shall be no more restrictive (p. 14) than is necessary to limit the demand for the scarce currency to the supply held by, or accruing to, the member in question; and they shall be relaxed and removed as rapidly as conditions permit.

(c) This authorization shall expire whenever the Fund formally declares

the currency in question no longer scarce.

SECTION 4. *Administration of Restrictions.*

Any member imposing restrictions in respect of the currency [p. 527] of any other member pursuant to the provisions of Section 3 above shall give sympathetic consideration to any representations by the other member regarding the administration of such restrictions.

SECTION 5. *Effect of Other International Agreements on Restrictions.*

Members agree not to invoke the obligations of any engagements entered into with other members prior to this Agreement in such a manner as will prevent the operation of the provisions of this Article.

Article VIII. *General Obligations of Members*.

SECTION 1. *Introduction.*

In addition to the obligations assumed under other articles of this Agreement, each member undertakes the further obligations set out in this Article.

SECTION 2. *Exchange Controls on Current Payments.*

(Text not yet available.)

SECTION 3. *Multilateral Clearing.*

(Text not yet available.)

SECTION 4. *Acceptance of Currency from the Fund.*

(Text not yet available.)

SECTION 5. *Furnishing of Information.*

(Text not yet available.) (p. 15)

SECTION 6. *Consultation between Members Regarding Existing International Agreements.*

Where under this Agreement a member is authorized in the special or temporary circumstances specified in the Agreement to maintain or establish restrictions on exchange transactions, and there are other engagements between members entered into prior to this Agreement which conflict with the application of such restrictions, the parties to such engagements will consult with one another with a view to making such mutually acceptable adjustments as may be necessary. The provisions of this Article shall be without prejudice to the operation of Article VII, Section 5.

Article IX. *Status, Immunities and Privileges of the Fund*

SECTION 1. *Purposes of Article.*

To enable the Fund to fulfill the functions with which it is entrusted, the attributions, immunities and privileges set forth in [p. 528] this Article shall be accorded to the Fund in the territories of each member.

SECTION 2. *Status of the Fund.*

The Fund shall possess full juridical personality, and, in particular, the power:

(a) To contract;

(b) To acquire and dispose of immovable and movable property;

(c) To institute legal proceedings.

SECTION 3. *Immunity from Judicial Process.*

The Fund, its property and assets, wherever located and by whomsoever held, shall enjoy immunity from every form of judicial process except to the extent that it waives its immunity for the purpose of any proceedings or by the terms of any contract. (p. 16)

SECTION 4. *Immunity from Other Action.*

Property and assets of the Fund, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of seizure by executive action whether under legislation or otherwise.

SECTION 5. *Freedom of Assets from Restrictions.*

To the extent necessary to carry out the operations provided for in this Agreement, all property and assets of the Fund shall be free from restrictions, regulations, controls and moratoria of any nature.

SECTION 6. *Exemption of Officers and Employees from Suit.*

All Governors, Executive Directors, Alternates, Officials and Employees of the Fund shall be exempt from legal process with respect to acts performed by them in their official capacity except when the Fund waives this immunity.

SECTION 7. *Immunity of Officers and Employees from Restrictions.*

The Governors, Executive Directors, Alternates, Officials and Employees of the Fund not being local nationals shall be granted the same immunities from immigration restrictions, alien registration requirements and national service obligations and the same facilities as regards exchange restrictions as are accorded to the representatives, officials, and employees of comparable rank of other members. [p. 529]

SECTION 8. *Privilege for Communications.*

The official communications of the Fund shall be accorded the same treatment as the official communications of other members. (p. 17)

SECTION 9. *Privileges of Officers and Employees in Respect of Travel.*

The same treatment in respect of travelling facilities shall be granted to the Governors, Executive Directors, Alternates, Officials and Employees of the Fund as is granted to representatives and officials and employees of comparable rank of other members.

SECTION 10. *Immunities from Taxation.*

The following immunities shall be granted in the matter of taxation:

(a) The Fund, its assets, property, income and its operations and transactions authorized by this Agreement shall be exempt and immune from all taxation and from all customs duties. The Fund shall also be exempt and immune from liability for the collection or payment of any tax or duty.

(b) No tax shall be levied on or in respect of salaries and emoluments paid by the Fund to Executive Directors, Alternates, Officials or Employees of the Fund who are not local citizens, local subjects, or other local nationals.

(c) No taxation of any kind shall be levied on any obligation or security issued by the Fund (including any dividend or interest thereon) by whomsoever held —

(i) which discriminates against such obligation or security solely because of its origin; or

(ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid or the location of any office or place of business maintained by the Fund. (p. 18)

SECTION 11. *Application of Article.*

Each member shall take such action as is necessary in its own territories for the purpose of making effective in terms of its own law the principles set forth in this Article. Each member shall inform the Fund of the detailed action which it has taken to grant the status, immunities, and privileges provided for in this Article.

Article X. *Relation with Other international Organizations.*

The Fund shall cooperate within the terms of this Agreement with any general international organization and with public [p. 530] international organizations having specialized responsibilities in related fields. Any arrangements for such cooperation which would involve a modification of any of the provisions of this Agreement may be effected only after amendment to this Agreement under Article XVI.

Article XI. *Organization and Management.*

SECTION 1. *Structure of the Fund.*

The Fund shall have a Board of Governors, Executive Directors, a Managing Director and Staff.

SECTION 2. *Board of Governors.*

(a) All powers of the Fund shall be vested in the Board of Governors, consisting of one Governor and one Alternate appointed by each member in such manner as it may determine. Governors and Alternates shall serve for five years, subject to the pleasure of the member appointing them, and may be reappointed. No Alternate may vote except in the absence of his principal. The Board shall select a Governor or the Managing Director as Chairman.

(p. 19) (b) The Board of Governors may delegate to the Executive Directors authority to exercise any powers of the Board, except the power to:

(1) Admit new members and determine the conditions of their admission.

(2) Approve a revision of quotas.

(3) Approve a uniform change in the par value of the currencies of all member countries.

(4) Make agreements to cooperate with other international organizations.

(5) Determine the distribution of the net income of the Fund.

(6) Require a member to withdraw.

(7) Decide to liquidate the Fund.

(8) Decide appeals from interpretations of this Agreement by the Executive Directors.

(c) The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or called by the Executive Directors. Meetings of the Board shall be called by the Executive Directors whenever requested by five members or by members having one quarter of the aggregate votes.

(d) In order to constitute a quorum for any meeting of the Board of Governors, there must be present a majority representing [p. 531] not less than one-half of the voting power of all the Governors.

(e) The Board of Governors may by regulation establish a procedure whereby the Executive Directors, when they deem such action to be in the best interests of the Fund, may obtain a vote of the Governors on a specific question without calling a meeting of the Board.

(f) The Board of Governors, and the Executive Directors to the extent authorized, may adopt such rules and regulations as may be necessary or appropriate to conduct the business of the Fund.

(p. 20) (g) Governors and Alternates shall serve as such without compensation from the Fund, but the Fund shall pay them reasonable

expenses incurred in attending any meetings.

(h) The Board of Governors shall determine the remuneration to be paid to the Executive Directors and the salary and terms of the contract of service of the Managing Director.\

SECTION 3. *Executive Directors.*

(a) The Executive Directors shall be responsible for the conduct of the general operations of the Fund, and for this purpose shall exercise all the powers delegated to them by the Board of Governors.

(b) [(i) Formation of the Executive Directors pending before ad hoc Committee, (ii) Provisions on vacancies to be added.]

(c) Every Executive Director shall appoint an Alternate with full power to act for him when he is not present. When the Executive Directors appointing them are present, Alternates may participate in meetings but may not vote.

(d) The Executive Directors shall function in continuous session at the principal office of the Fund and shall meet as often as the business of the Fund may require.

(e) In order to constitute a quorum for any meeting of the Executive Directors, there must be present a majority representing not less than one-half of the voting power of all the Executive Directors.

(f) Each Executive Director appointed by one of the members with the ---------- largest quotas shall be-entitled to cast the number of votes allotted under Section 5 of this Article to the member appointing him. (p. 21) Each elected Executive Director shall be entitled to cast only the number of votes which actually counted toward his election. When the provisions of the second paragraph of Section 5 are applicable, the votes to which an Executive Director would otherwise be entitled shall be increased or decreased [p. 532] proportionately. All the votes which each Executive Director is entitled to cast shall be cast as a unit.

[(g) Except as otherwise specifically provided, all matters before the Executive Directors shall be decided by a majority of the aggregate votes]—if required.

(h The Board of Governors shall adopt regulations under which a member not entitled to appoint an Executive Director under subsection (b) above may send a representative to attend any meeting of the Executive Directors when a request made by, or a matter particularly affecting, that member is under consideration.

(i) The Executive Directors may appoint such committees as they deem advisable. Membership in committees need not be limited to Governors or Executive Directors or their alternates.

SECTION 4. *Managing Director and Staff.*

(a) The Executive Directors shall select a Managing Director who shall not be a Governor or an Executive Director. The Managing Director shall be Chairman of the Executive Directors, but shall have no vote except a deciding vote in case of an equal division. He may participate in meetings of the Board of Governors, but shall not vote at such meetings. The Managing Director shall cease to hold office when the Executive Directors so decide.

(p. 22) (b) The Managing Director shall be chief of the operating staff of the Fund and shall conduct, under the direction of the Executive Directors, the ordinary business of the Fund. Subject to the general control of the Executive Directors, he shall be responsible for the organization, appointment and dismissal of the staff of the Fund.

(c) The Managing Director and the staff of the Fund, in the discharge of their functions, owe their duty entirely to the Fund and to no other authority. Each member of the Fund shall respect the international character of this duty and shall refrain from all attempts to influence any of the staff in the discharge of his duty.

(d) In appointing the staff the Managing Director shall, subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to the importance of recruiting personnel on as wide a geographical basis as possible.

SECTION 5. *Voting.*

(Text not yet available)

SECTION 6. *Distribution of Net Income.*

(a) The Board of Governors shall determine annually what [p. 533] part of the Fund's net income shall be placed to reserve and what part, if any, shall be distributed.

(b) If any part is distributed, two per cent non-cumulative shall be paid, as a first charge against the distribution for any year, to each member on the average amount by which 75 per cent of its quota exceeded the Fund's (p. 23) holdings of its currency during that year. The balance shall be paid to all members in proportion to their quotas. Payments to each member shall be made in its own currency.

SECTION 7. *Publication of Reports.*

The Fund shall publish an annual report containing an audited statement of its accounts and shall issue at intervals of three months or less, a summary statement of its transactions and its holdings of gold and currencies of members.

The Fund may publish such other reports as it deems desirable for carrying out its purposes and policies.

SECTION 8. *Communication of Views to Members.*

The Fund shall have at all times the right to communicate its views informally to any member on any matter arising under this Agreement. The Fund may, by a two-thirds majority, publish a report made to a member regarding its monetary or economic conditions and developments which directly tend to produce a serious disequilibrium in the international balance of payments of members. If the member is not represented by an appointed Executive Director, the provisions of Section 3 (h) above shall apply. The Fund shall not publish a report which would involve changes in the fundamental structure of the economic organization of members.

Article XII. *Offices and Depositories.*

SECTION 1. *Location of Offices* (Text not yet available) (p. 24)

SECTION 2. *Depositories.*

(a) Each member country shall designate its central bank as a depository for all the Fund's holdings of its currency, or if it has no central bank it shall designate such other institution as may be acceptable to the Fund.

(b) [Alternatives A, B and D referred to *ad hoc* committee.]

SECTION 3. *Guarantee of the Fund's Assets.*

Each member guarantees all assets of the Fund against loss resulting from failure or default on the part of the depository designated by it. [p. 534]

Article XIII. *Transition Period*

(Sections not yet available)

Article XIV. *Withdrawal from Membership*

SECTION 1. *Right of Members to Withdraw*

Any member may withdraw from the Fund at any time by serving written notice on the Fund at its principal office. Withdrawal shall become effective on the date such notice is received.

SECTION 2. *Compulsory Withdrawal*

(a) If a member fails to fulfill any of its obligations under this agreement in a manner which is contrary to the purposes of the Fund, the Fund may declare the member ineligible to use the resources of the Fund. Nothing in this Section shall be deemed to affect the provisions of Article IV, Section 7, or Article V, Section 5.

(b) If, after the expiration of a reasonable period the member persists in its failure to fulfill any of its obligations under this agreement, or a difference (p. 25) between a member and the Fund under Article IV, Section 7,

continues, that member may be required to withdraw from membership in the Fund by a decision of the Board of Governors carried by a majority of the governors representing a majority of the aggregate voting power.

(c) Regulations shall be adopted to insure that before action is taken against any member under (a) and (b) above the member shall be informed in reasonable time of the complaint against it and given an adequate opportunity for stating its case.

SECTION 3. *Settlement of Accounts After Withdrawal.*

(Text not yet available)

Article XV. *Liquidation of the Fund*

(Text not yet available)

Article XVI. *Amendments.*

(a) Any proposal to introduce modifications in this agreement, whether emanating from a member, a Governor or the Executive Directors, shall be communicated to the Chairman of the Board of Governors who shall bring the proposal before the Board. If the proposed amendment is approved by the Board by a majority of the aggregate votes, the Fund shall, by circular letter, ask all members whether they accept the proposed amendment. When three-fifths of the members, having four-fifths of the aggregate votes, have accepted the proposed amendment, the Fund shall [p. 535] certify the fact by a formal communication addressed to all members.

(b) Notwithstanding (a) above, acceptance by all members is required in the case of any amendment modifying (i) the right to withdraw from the Fund; (p. 26) (ii) the provision that no change in a member's quota shall be made without its consent; (iii) the provision that no change may be made in the par value of a member's currency except 011 the initiative of that member.

(c) Amendments will enter into force for all members three months after the date of the formal communication unless a shorter period is specified in the circular letter.

Article XVII. *Interpretation*

(a) Any question of interpretation of the provisions of this agreement arising between any member and the Fund or between any members of the Fund shall be submitted to the Executive Directors of the Fund for their decision. If the question particularly affects any member not represented by an appointed Executive Director, the provisions of Article XI, Section 2, shall apply.

(b) In any case where the Executive Directors have given a decision under paragraph (a) above, any member may require that the question be

submitted to the Board of Governors whose decision shall be final. Pending the result of the reference to the Board of Governors, the Fund may so far as it deems necessary, act on the basis of the decision of the Executive Directors.

(c) Whenever a disagreement arises between the Fund and a country which has ceased to be a member, or between the Fund and any member during liquidation of the Fund, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators, one appointed by the Fund, another by the country involved and an umpire who, (p. 27) unless the parties otherwise agree, shall be appointed by the President of the Permanent Court of International Justice. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

Article XVIII. *Definitions*

(Text, not yet available)

Article XIX. *Final Provisions*

SECTION 1. *Signature*

(a) This Agreement shall remain open for signature at [p. 536] Washington on behalf of the Governments of the countries whose names are set forth in Schedule A, until _____, 19_____.

(b) After _____, 19_____, it shall be open for signature on behalf of the Government of any country whose membership has been approved in accordance with Article II, Section 2.

(c) By their signature of this Agreement all Governments accept it both on their own behalf and in respect of all of their colonies, overseas territories, all territories under their protection, suzerainty or authority and all territories in respect of which they exercise a mandate.

(d) Each Government signing this Agreement shall deposit with the Government of the United States of America an instrument setting forth that it has accepted this Agreement in accordance with its law and has taken all steps necessary to enable it to carry out all of its obligations under this Agreement.

(p. 28) (e) The Government of the United States of America shall inform the Government of all countries whose names are set forth in Schedule A, and all Governments whose membership is approved in accordance with Article II, Section 2, of all signatures of this Agreement.

(f) At the time this Agreement is signed on its behalf, each Government shall transmit to the Government of the United States of America one-twentieth of one percent of its total subscription in gold or gold-convertible exchange for the purpose of meeting administrative expenses of the Fund. The Government of the United States of America shall hold such funds in a

special deposit account and shall transmit them to the Board of Governors of the Fund when the initial meeting has been called under Section of this Article. If the initial meeting has not been called by _____, 19_____, the Government of the United States of America shall return such funds to the Governments that transmitted them.

SECTION 2. *Entry into Force*

As soon as this Agreement has been signed on behalf of Governments having sixty-five percent of the aggregate of the quotas set forth in Schedule A, this Agreement shall come into force between those Governments, which thereupon shall become members of the Fund. Each Government on whose behalf this Agreement is signed after that time shall become a member of the Fund as from the date of its signature.

SECTION 3. *Inauguration of the Fund*

(a) As soon as this Agreement comes into force under [p. 537} Section 2 of this Article each member shall appoint a Governor and the member having the largest quota (p. 29) shall call the first meeting of the Board of Governors.

(b) The Board of Governors at its first meeting shall elect the Executive Directors and arrange for a meeting of the Executive Directors.

(c) As soon as possible after the first meeting of the Executive Directors has been held, the Managing Director shall be appointed and the Fund shall proceed to carry out the provisions of Section 4 of this article. Communications under that section addressed to the Fund and received before the Executive Directors have held their first meeting shall be entrusted to the Governor appointed by the member in whose territory the first meeting is held and shall be delivered by him to the Board of Governors or Executive Directors as the case may be.

SECTION 4. *Initial Determination of Par Values.*

(Distributed separately)

Done at Washington, in a single copy which shall remain deposited in the archives of the Government of the United States of America which shall transmit certified copies to all Governments whose names are set forth in Schedule A and to all Governments whose membership is approved in accordance with Article II, Section 2.

[p. 537]

Document 323
(p. 44a) SA/1/57
ALTERNATIVE A

SECTION 1. *Exchange Restrictions and Currency Arrangements and Practices Retained.*

The Fund is not intended to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of the war.

In the post-war transition period members may, notwithstanding the provisions of this Agreement, maintain and adapt to changing circumstances (and, in the case of countries which have been occupied by the enemy, introduce where necessary) restrictions on payments and transfers for current international transactions. [p. 538] In their foreign exchange policies, members shall pay continuous regard to the purposes of the Fund and, as soon as conditions permit, shall take all possible measures to develop commercial and financial arrangements with other members which will facilitate international payments and the maintenance of exchange stability. In particular, members shall withdraw such restrictions when they are satisfied that they could, in the absence of such restrictions, settle their balance of payments in a manner which will not unduly encumber their access to the resources of the Fund.

SECTION 2. After the effective date of this agreement but before it commences exchange transactions, members shall notify the Fund whether or not they intend to avail themselves of the transitional arrangements above, and whether they are prepared to accept the obligations of IX, 4, IX, 5 and IX, 6. At any subsequent date the member may notify the Fund of its acceptance of these obligations.

Not later than three years after the date on which the operations of the Fund commence and in each year thereafter the Fund shall report on the restrictions still in force under (1) (p. 44b) above. Five years after the effective date of this agreement, and each year thereafter, any member still retaining any restrictions inconsistent with IX, 4, IX, 5 or IX, 6 shall consult the Fund as to their further retention. The Fund may, if necessary in exceptional circumstances, make representations to any member that conditions are favorable for the withdrawal of particular restrictions, or for the general abandonment of such restrictions as are inconsistent with other provisions of this Agreement. A member shall be given a suitable time to reply to such representations. If the Fund finds that a member persists in retaining restrictions which are inconsistent with the purposes of the Fund, the member may be declared ineligible to make use of the Fund's resources.

SECTION 3. In its relations with member countries, the Fund shall recognize

that the post-war transition period will be one of change and adjustment and in making decisions on requests presented by any member it shall give the member the benefit of any reasonable doubt.

7/12/44 J.S. Art. X Sec. 1 -4

[p. 539]

Document 325
CI/2/M8
Minutes of Meeting of Committee 2 of Commission I
OPERATIONS OF THE FUND
(July 12, 1944, 10 *a.m. and* 2:30 *p.m.)*

The Committee continued its discussion of the report of the *ad hoc* subcommittee on article III, section 2, Conditions Under Which Any Member May Purchase Currencies of Other Members, paragraph (3), Alternative A (p. 6a), Alternative B (p. 6b), Alternative D (p. 6c), and Alternative F (p. 6e). The Committee approved the report of the subcommittee as amended by the Mexican Delegation. Section 2 (3) of Alternative A (p. 6a) is thereby accepted as it stands and the sentences following paragraph (4) are revised to read as follows:

"The Fund may in its discretion and on terms which safeguard its interests, waive any of these conditions, especially in the case of members with a record of avoiding large or continuous use of the Fund's resources. In making such waiver it shall take into consideration periodic or exceptional requirements of members. The Fund shall also take into account a member's willingness to pledge as collateral gold, silver, securities, or other acceptable assets having a value sufficient in the opinion of the Fund to protect its interests and may require as a condition of such waiver the pledge of such collateral."

The Committee then considered article III, section 10, Charges [p. 540] and Commissions, combined Alternatives A and B (pp. 13a and 13b), Alternatives C (p. 13b), and Document 285, containing two tables in explanation of the combined Alternatives. The Committee agreed to report substantial agreement on the principles involved but considerable divergence of views as to the nature and amount of the charges contemplated in the combined Alternatives. Alternative C (p. 13b) received substantial support.

The Committee then discussed article III, section 12, Consideration of Representations of the Fund, Alternatives A and B (p. 15). The language committee recommended that the Section read as follows:

"The Fund shall have at all times the right to communicate its views informally to any member on any matter arising under this Agreement. The Fund may, by a two-thirds majority, publish a report to that member with regard to its monetary or economic conditions and developments which directly tend to produce a serious disequilibrium in the international balance of payments of members. If the member has not among the Executive (p. 2) Directors a Director appointed by it, the provisions of Article VII, Section _____ apply. The Fund shall not publish a report which would involve changes in the fundamental structure of the economic organization of

members."

The Committee accepted the recommendation of the language committee after considerable discussion.

The Committee then discussed article III, section 9, Transferability and Guarantee of the Assets of the Fund, paragraph (b) (p. 12).

The Memorandum to Committee 2 on Use of Currencies Held by the Fund, Document 281, was explained and the wording proposed on page 4 was discussed at length. The Committee agreed that paragraph (b) of section 9 (p. 12) should be eliminated from the document and that a provision embodying the substance of the provision on page 4 of Document 281, as revised in the light of the Committee discussion, should be worked out by a subcommittee and presented to the Reporter for Commission I. The Committee agreed that this provision should be made part of article III, section 8, Other Acquisitions of Gold by the Fund (p. 11). The Delegate of the Union of Soviet Socialist Republics asked to reserve his position.

The Committee then turned to the discussion of article IV, section 5, Changes in Par Values, Alternative D, paragraph (b) (p. 18c), because consideration of this provision had been deferred [p. 541] pending discussion of article III, section 9, paragraph (b). The Committee approved section 5, paragraph (b) (p. 18c).

The Committee also discussed article XIII, section 5, Fixing Initial Par Values, Document 278 (p. 50), Alternative A (p. 50b), Alternative B (presented orally), and Alternative B (p. 16a), originally presented as an Alternative to article IV, section 1, Par Values of the Currencies of Members. The Committee decided to report general agreement on paragraphs (a), (b), (c), and (d) of Document 278 (pp. 50 and 50a), and also on the Alternative B, presented orally, which revises paragraph (e) of Document 278 and adds a new paragraph (f). The Committee also agreed that paragraph (b) be expanded to meet in part the proposals made in Alternative B (p. 16a) and Alternative A (p. 50b). A small subcommittee was appointed to work out the revisions on the basis of the Committee discussion and communicate directly to the Reporter for presentation to the Commission.

The Chairman then noted that the only other items on the agenda of Committee 2 were article III, section 8, Other Acquisitions of Gold by the Fund (pp. 11, 11a, 11b, 11c), and article X, Transitional Arrangements (p. 44). In both cases material was not available and it was agreed that those items would be taken up directly in Commission I.

The United States Delegation said that it would prepare an explanatory memorandum on article III, section 8, and on article III, section 6.

[p. 541]

Document 326
CI/1/M6
Minutes of Meeting of Committee 1 of Commission I Purposes, Policies, and Quotas of the Fund
(July* 12, 1944, 2:30 *p.m.)

At the request of the Drafting Committee of Commission I, the Chairman resubmitted to the Committee that portion of the language of article II, section 5, which reads as follows:

"Each member shall pay in gold as a minimum either (a) twenty-five percent of its quota or (b) ten percent of its official holdings of gold and gold convertible exchange[13] as at [p. 542] ----------, whichever is smaller. If the holdings of any member are not ascertainable as at such date because its territories have been occupied by the enemy the Fund shall fix an appropriate alternative date."

The Committee was requested to fill in the date in this provision. After some discussion the Committee agreed to refer this question directly to Commission I on the ground that the various delegations had not had time to consider the problems involved.

The Committee, after consideration, agreed to drop Alternative F of article I (p. 1c of SA/1), relating to the purposes of the Fund. It also considered Alternatives C (p. 2b) and D (p. 4b) under article II, which provide for a payment of a portion of a member's subscription in silver and referred them to Commission III. The Committee then considered article IX, section 8, Alternative A (p. 43b), which makes it an obligation of member countries to cooperate with other members in the control of international movements of capital. Since it appeared to the Committee that this objective was covered under new language to be proposed for article IX, section 3, paragraph (c) (p. 39), this Alternative was not pressed.

The Committee then received the third report of its drafting, or language, committee. It agreed to the recommendation to accept section 4, article I, which deals with the promotion of exchange stability, and section 2, article IX (p. 38 of SA/1), which reads as follows:

"The Fund shall prescribe for transactions in gold by member countries a permissible margin above and below the agreed parity. No member country shall buy gold at a price above the prescribed range, nor sell gold at a price below that range."

In accepting this language, the Committee felt that member countries

[13] The phrase "gold and gold convertible exchange" is subject to definition and to such change in terminology as may be agreed upon. [Note in conference proceedings.]

were not excluded thereby from giving special encouragement to their gold-mining industries for purely (p. 2) domestic reasons by means other than paying a higher price for gold.

The Committee received the recommendation of its drafting committee of the following language for article IX, section 3, paragraph (a) :

" (a) The Fund shall prescribe a uniform maximum margin not exceeding ----------% by which rates for transactions in the currencies of members may differ from parity. In exceptional circumstances the Fund may authorize a member country to establish a wider margin for transactions in its currency." [p. 543]

Since in the Committee's view this matter clearly relates to problems in Committee 2, it referred the suggestion to Commission I for consideration by the appropriate *ad hoc* committee. It was pointed out in the discussion that the proposed language does not clearly provide that the margin fixed could not be changed from time to time by the Fund but was to be a maximum determined at this Conference. The points of substance referred to Commission I were the determination of the figure to be inserted and the question of whether the margin should apply to spot transactions only or also to futures.

The Committee considered Alternatives A and B of article IX, section 3, paragraph (c) (pp. 39 and 39a, Document SA/1), and, in addition, new language proposed by the drafting committee reading as follows:

"(c) Exchange transactions in the territory of one member involving the currency of any other member which are outside the prescribed variation from parity set forth in (a) above shall not be enforceable in the territory of any member country.

"Each member agrees to cooperate with other members in their efforts to effectuate exchange regulations prescribed by such members in accordance with this Agreement."

The Delegation of the United Kingdom expressed willingness to recede from Alternative B, providing Alternative A were accepted ; and the United States Delegate, expressing a preference for the drafting committee language, requested more time for consideration. The Committee referred all three Alternatives to Commission I with the recommendation that they be worded in a manner similar to that proposed for paragraph (a).

This action completed the work of the Committee on all the matters assigned to it for which material had been provided.

[p. 544 upper]

Document 328
(p. 26m) SA/1/58
ALTERNATIVE K

2.

(a) The ---------- countries with the largest quotas shall be each entitled to appoint an Executive Director.

(b) If, at the second election of Executive Directors and thereafter, the members entitled to appoint Executive Directors do not include the two members whose quotas have been used, on the average over the preceding two years, in the largest absolute amounts in terms of gold as a common denominator, such member or members shall also be entitled to appoint Executive Directors.

(c) ---------- Executive Directors shall be elected bi-annually, in accordance with the provisions of Schedule B, by all the Governors other than those appointed by the members referred to in (a) and (b) above.

Persons chosen as Executive Directors need not be Governors.

7/12/44 Art. VII, Sec. 2 of Alternative J

[p. 544 lower]

Document 329

CI/AH/RP3

Report of Ad Hoc Committee of Commission I on Article IX, Section 4 (Exchange Controls on Current Payments)

The Committee met on Wednesday, July 12 at 6:00 p.m. with the following represented: China, Chairman; Canada, Uruguay, French Delegation, Iran, United Kingdom and United States. [p. 545]

The Committee considered the proposed language for provisions which bring together under one Article of the Agreement the obligations which member countries assume with regard to the convertibility of their currencies as members of the Fund. The material which is now proposed to include as Article IX, Sections 4, 5 and 6 is presented in Document SA/1 as Article III, Section 6 (p. 9) and Article IX, Section 4 (p. 40).

The Committee considered Alternative D on Article IX, Section 4, which appears on page 40b of Document SA/1 and after full discussion it takes the view that the objectives which Alternative D is intended to safeguard are fully protected under the proposed language. In particular, it was brought out in discussion that the proposed provisions do not contain any language which commits a member country to pursue any given commercial policy and is confined strictly to the question of exchange restrictions on transactions on current account and to discriminatory and multiple currency practices. No specific reservations were made by any of the delegations present on the language of the proposed provisions.

A question was raised as to whether the obligations of a member under the proposed Article IX, Section 4 to buy balances of its currency held by another member with the currency of that member or with gold would cease when the member was no longer entitled to buy foreign exchange from the Fund under any of the provisions of the Agreement or only when it had exhausted its quota. The view of the Committee was that the language clearly intends that the obligation should, cease when the member is no longer able to draw on the Fund under any of its provisions. One of the delegates felt that some clarification of the language would be desirable to make this perfectly clear.

A question was raised concerning the application of the provisions of the Agreement to discriminatory currency arrangements or multiple currency practices prevailing in member countries at the time the Agreement is signed and which are not wartime measures. The Committee agreed to add the sentence beginning "A member country in which such practices . . ." at the end of Article IX, Section 6.

CONVERTIBILITY

IX.4. Each member shall buy balances of its currency held by another member with currency of that member or, at the option of the member buying, with gold, if the member selling represents either that the balances in question have been currently acquired [p. 546] or that their conversion is needed for making current payments which are consistent with the provisions of the Fund. This obligation shall not relate to transactions involving:

(a) capital transfers; or

(b) holdings of currency which have accumulated as a result of transactions effected before the removal by a member of restrictions on multilateral clearing maintained or imposed under X.1. below; or

(c) the provisions of a currency which has been declared scarce under VI above; or

(d) holdings of currency acquired contrary to the exchange regulations of the member which is asked to buy such currency ;

nor shall it apply to a member which has ceased to be entitled to buy currencies of other members from the Fund in exchange for its own currency.

IX.5. Subject to the provisions of Article VI and Article X, no member shall impose restrictions on the making of payments and transfers for current international transactions without the approval of the Fund.

IX.6. No member shall engage in any discriminatory currency arrangements or multiple currency practices except as authorized under this Agreement, or approved by the Fund. A member country in which such practices and arrangements are in effect at the time this Agreement is signed shall consult with the Fund as to their progressive removal, unless such practices and arrangements are covered by Article X.

[p. 554]

Document 333

CI/2/RP/2

Report of Committee 2 to Commission I Concerning the Meetings of July 11th and July 12th.

(PROFESSOR ROBERT MOSSÉ)

(NOTE: All page references are made to Doc. 32)

Article III

SECTION 2.—*Conditions under which any Member may Purchase Currencies of Other Members* (p. 6a).

The Committee accepted the recommendation of the *ad hoc* subcommittee that Section 2 (3) of Alternative A (p. 6a) be approved. The Committee also agreed to accept the recommendation of the *ad hoc* committee to revise the sentences following paragraph (4) of Section 2 as follows:

"The Fund may in its discretion, and on terms which safeguard its interests, waive any of these conditions, especially in the case of members with a record of avoiding large or continuous use of the Fund's resources. In making such waiver it shall take into consideration periodical or exceptional requirements of members."

and the recommendation of the Mexican Delegation that the following sentence be added:

"The Fund shall also take into account a member's willingness to pledge as collateral gold, silver, securities, or other acceptable assets having a value sufficient in the opinion of the Fund to protect its interests and may require as a condition of such waiver the pledge of such collateral."

The Cuban Delegation suggested that the amendment of the Mexican Delegation should include after the word "securities"

"and warehouse receipts of staple commodities in international trade".

[p. 555]

The Chairman of the Committee stated that according to his interpretation warehouse receipts of staple commodities might be considered as being "other acceptable assets" if the Fund should so decide in its discretion and the Committee agreed that the inclusion of the words suggested by the Cuban Delegation were therefore necessary.

The Czechoslovakian Delegation suggested the following alternative :

"The Fund may in its discretion and on terms which safeguard its interests, waive any of these conditions. In making such waiver it shall take into consideration periodic or exceptional requirements of members and also their records of avoiding large or continuous use of the Fund's resources."

(p. 2) In view of the fact that the Czechoslovak alternative was not accepted the Czechoslovakian Delegation reserved its position.

The Australian Delegation wished to record its reservation that the revision of the waiver provision was not an adequate substitute for Alternative B (p. 6b).

SECTION 6. *Multilateral International Clearing,* (p. 9)

Section 6 has been referred to another Committee of Commission I and is, therefore, removed from the agenda of Committee 2.

SECTION 9 (b). *Transfer ability and Guarantee of the Assets of the Fund* (page 12* of Document 32)

The American Delegation offered a memorandum (CI/2/MC, Doc. 281) and suggested that Section 9(b) be withdrawn. As a substitute it proposed the following text:

"Where the international transactions of the country are carried on in the currencies of other countries, the Fund may require that the increments in its holdings of member currencies, to the extent that such increments are attributable to transactions with other countries, shall be offered to the Fund in the repurchase of its own currency."

The U.S.S.R. Delegation made reserved its position on the ground that it did not have time to study the proposed amendment.

The American suggestion was approved by Committee 2, with the understanding that a subcommittee would revise the American proposal in the light of the discussion in the Committee and would submit a report to the Reporter. [p. 556]

SECTION 10. *Charges and Commissions,* (page 13)

There was very lively discussion on these questions with considerable divergence of views as to the nature and amount of these charges. Some delegations questioned the proposed charges asserting that they were too high, or that their scale was unsatisfactory.

On the principle of charging a commission or interest on the Fund's holdings of national currencies the delegates of New Zealand, Iran, and India emphasized that such charges were a penalty directed against the country which is unable to export goods, although it would be willing to do so; these delegates went so far as to say that the accumulation of holdings comes largely from the fact that creditor countries do not accept imports. It was said that among the purposes of the Fund should be the expansion of foreign trade in general and not merely the rise of exports of one or several countries.

(p. 3) The delegate of Brazil said that a country, although it has a favorable balance of payments, might purchase foreign currency; therefore there should be a deterrent to avoid this. This remark led to the suggestion that a distinction be made between a country, obliged to draw because of unfavorable balance of payments and a country drawing simply in order to

build up balances in foreign currencies, despite an already existing favorable balance of payment.

To sum up, the question of charges and commissions is referred back to your Commission, with the report that there are many different shades of opinions in this Committee.

SECTION 12. *Consideration of Representations of the Fund.*

The Asterisk Committee reported to Committee 2 the following text for this Section which was approved by this Committee.

"The Fund shall have at all times the right to communicate its views informally to any member on any matter arising under this Agreement. The Fund may, by a two-thirds majority, publish a report to that member with regard to its monetary or economic conditions and developments which directly tend to produce a serious disequilibrium in the international balance of payments of members. If the member has not among the Executive Directors a Director appointed

by it, the provisions of Article VII, Sec. ---------- apply. The

Fund shall not publish a report which would involve changes in the fundamental structure of the economic organization of members." [p. 557]

Article IV

The Committee agreed to approve Article IV, Sections 2, 3, and 4 of Alternative A (p. 17a) and Article IV, Sections 5 and 6 of Alternative D (p. 18c). The Australian Delegate asked that his reservation on Alternative C (p. 17c) be noted in the report to Commission I. The Canadian Delegate wished to record his observation that these sections, as approved, allow a member country to change its rate without the approval of the Fund, and yet remain a member in good standing. He thought that the provisions of the Joint Statement regarding changes in exchange rates had provided a happy compromise between exchange rigidity and exchange flexibility. The clause evidently represents a compromise between international agreement and control on the one hand and national autonomy on the other. The Fund will have, if not the arm of justice to inspire some respect, at least an argumentum ad crumenam;[14] it is entitled to refuse the use of its resources to a member country which has altered the par values of its currency despite the objection of the Fund. (p. 4)

SECTION 5. *Uniform Changes in Par Value* (p. 18)

This question had been removed from the agenda of Committee 2 and referred to another Committee of Commission I.

[14] Latin for an "argument to the purse," that he who has the money is therefore right. [Editors' note.]

Article XII

SECTION 5. *Fixing initial par values* (Unnamed Alternative, pages 50 and 50a, Doc. 278, Alternative A, page 50b, Doc. 294, Alternative B, page 16a, Doc. 177 American amendment — (orally described as Alternative B)

Committee 2 has approved paragraphs (a), (b), (c), and (d) of the Unnamed Alternative (pages 50 and 50a) together with paragraphs (e) and (f) of the American Amendment but with the provision that this should not prejudice the question of liberated countries. The British Delegate explained that a "de facto" rate may be a rate of exchange which has been agreed upon among governments and further stated that it is up to each country to define what is meant by "de facto" rates.

The Indian Delegation pointed out that, as they were members of the Sterling Bloc, unless previous intimation was given by the United Kingdom of their decision regarding the fixing of the par value of sterling in terms of gold, India will not have sufficient time to notify the Fund of the par value of their currency. The Indian Delegation further pointed out that it should be appreciated by the Committee that a change in the *de facto* par value of [p. 558] sterling may necessitate a change in the par value of the rupee and therefore it was absolutely essential that India should have sufficient notice of the par value of sterling notified by the United Kingdom to the Fund.

The United Kingdom Delegate assured both India and all members of the Sterling Bloc that previous intimation of the par value of sterling will be given to members of the Sterling Bloc.

As to the question of liberated countries, there was substantial agreement that liberated countries might be allowed to establish provisional rates of exchange, and that after the establishment of such rates the Fund might allow them limited access to the resources of the Fund, provided it was clearly understood that such access was a privilege and not a right.

The Chair appointed a small committee to consider the possibility of some modification along these lines. This *ad hoc* committee will report to the Reporter who, in turn, will report to Commission I.

[p. 558]

Document 334
CI/AM/RP1
July 12, 1944

Report of the *Ad Hoc* Committee of Committee 3 on Executive Directors and Voting Arrangements to Commission I.

The Committee met at 9:00 p.m. in Room B. Dr. de Souza Costa presided; and representatives of Belgium, Brazil, Canada, China, Cuba, Czechoslovakia, Egypt, France, Netherlands, Poland, United Kingdom, U.S.S.R., and the United States were present.

The Committee approved Alternative G (SA/1/44; Doc. No. 237; page 26-G).

The Committee discussed at length the provisions and problems represented by Alternative J (SA/1/54; Doc. No. 310; page 26j) and Alternative E (SA/1/55; Doc. No. 315; page 25h). While several delegations expressed themselves as favorable to Alternative J in principle, though a few with minor reservations, and an almost equal number expressed complete reservation or reservation pending knowledge of quotas; and one additional delegation expressed the thought that after allocating membership on the executive directorate to *"ex officio* members, the remainder should be allotted equitably between economic and geographical areas." [p. 559]

A new proposal was introduced as a substitute for paragraph 2 of Alternative J cited above. This proposal is to be submitted as Alternative K, page 26M. It was discussed by the Committee with general sympathy; but the Committee took no action regarding it, and it was referred to Commission I for decision.

The Committee also discussed paragraphs (a) and (b) of Alternative A (SA/1; Doc. No. 32; page 26) relating to voting. No decision was reached, and the matter is before the Commission.

[p. 571]

Document 342
CI/DC/3
First Report of Drafting Committee of Commission I, July 13, 1944

Your Drafting Committee which consists of representatives of the following delegations: Canada (Chairman), China, French Committee of National Liberation, Mexico, Netherlands, Union of Soviet Socialist Republics, United Kingdom and United States of America, has met several times since it was appointed on July 10 and we are able to submit today a report covering all the Articles which had been cleared through the various committees of Commission I, including the special ad hoc committees, by yesterday noon and some which had been cleared through these committees later in the day.

Your Drafting Committee has been obliged to work under [p. 572] considerable pressure and we are aware that the documents submitted to you this morning require polishing and improvement. We therefore request the authority of the Commission to make such changes as appear to us desirable in matters of pure form, and to eliminate any internal inconsistencies or duplications which may become apparent on more leisurely examination, and to insert cross references where necessary.

We are placing two documents before you. The first, Document No. 320, is referred to as Annex I of our report and consists of an outline or Table of Contents of the Articles and Sections of the Fund Agreement. An examination of this document will enable members of the Commission to see the order in which we have seen fit to arrange the subject matter. At the end of each heading on this Table of Contents members will find references to various pages of Document SA/1, the so-called loose-leaf bible. The sections referred to are those which were approved by your committees, and by comparing these sections with the corresponding sections of our report, members of the Commission will be able to see what changes we have made in language.

Against certain sections of Annex 1 of our report, Document No. 320, members will find an asterisk. An asterisk indicates that the relevant section has either not yet been cleared through the appropriate committee, or that it was cleared too late for us to incorporate in this report. Your drafting committee takes the liberty of pointing out that it cannot make further progress in its work until the sections marked with an asterisk have been cleared.

The main body of our report has been distributed as Annex II, Document No. 321. It consists of our draft of the articles of agreement of the International Monetary Fund insofar as these have been agreed by your committees.

No further explanation would appear to be required in presenting these documents to the Commission, but the Drafting Committee, in submitting the text of Article IX, Section 10 (our numeration) dealing with immunities from taxation, desires to place on record certain assumptions regarding its interpretation of the intention underlying this Article. These assumptions are as follows: (a) The Fund is not entitled to import goods free of customs duty without any restrictions on their subsequent sale in the country to which they were imported, (b) The Fund enjoys no exemption from duties or taxes which form part of the price of goods sold, (c) The Fund enjoys no exemption from taxes or duties which are in fact no more than charges for services rendered. [p. 573]

(p. 2) The Drafting Committee desires further to place on record its understanding that the phrase "territory of members" or "territories of members", where it appears in Article IX on Status, Immunities and Privileges of the Fund (our numberation), is to be construed sufficiently widely to include the political sub-divisions of members and, where relevant, their taxing authorities.

The Drafting Committee wishes to add the following to Article XIX, Section 1 on page 28 of its report:

"(g) In the case of governments whose metropolitan territories have been under enemy occupation, the deposit of the

instrument referred to in (d) above may be delayed until ---------- months after the date on which these territories have been liberated. If, however, it is not deposited before the expiration of this period by any such government, the signatures affixed in its behalf shall become void and the portion of its subscription paid under (f) above shall be returned to it.

"(h) Paragraph (f) and (g) shall come into force with regard to each signatory government as from the date of its signature."

The Drafting Committee understands that, in the discussion of certain sections in the committees of the Commission, various delegations reserved their right, in cases where the consensus of the committee was contrary to the views they expressed, to make declarations to that effect before the Commission. Your Committee has not regarded it as part of its duty to make reference in its report to such reservations.

[p. 573]

Document 343
CI/1/DC5
Third Report of the Reporting Delegate of Committee 1 of Commission I on the Purposes, Policies, and Quotas of the Fund
July 13, 1944

MR. CHAIRMAN:

On July 9, 1944, I had the honor to report to your Commission on the progress of the work assigned to Committee 1 of Commission I on the Purposes, Policies, and Quotas of the Fund.

Since then, the Drafting Committee appointed by Committee 1 finished the examination of all sections referred to it and presented [p. 574] its final report on such matters as remained unsettled up to the time of the last meeting of your Commission.

Committee 1 met on July 12 and discussed the Report of the Drafting Committee and decided on all other matters still waiting for its decision.

In the first instance I wish to report to your Commission that Committee 1 has not been able to discuss two sections assigned to it:

(a) Article II, Alternative A, Section 2—Quotas (page 2 of Document SA/1); and

(b) Article IX, Alternative A, Section 1 — Purposes and Scope of Additional Undertakings (page 38 of Doc. SA/1).

As I have already reported in my previous reports, the documents relating to these sections are not yet available to the Committee.

The decisions taken by Committee 1 in the order of Articles and Sections assigned to it were the following:

Article I, Alternative A, Section 4 *(*page 1a of Document SA/1)

Promotion of exchange stability as one of the purposes of the Fund.

The Committee, in agreement with the Drafting Committee, decided to propose the acceptance of Section 4 of Article I in its original wording in Alternative A, and the rejection of Alternatives B, D, and E. The Australian Delegation reserved its position which was in favor of Alternative D on page 1b of SA/1. In connection with this Article, the Committee agreed to drop Alternative F of Article I (page 1c of SA/1) relating to the correlation of procedures of the Fund with policies of other international agencies.

Article II, Sections 1 *and* 3

The Committee decided to refer Alternatives C and D (page 2b and 4c of SA/1) to Commission III, because these (p. 2) Alternatives contained a new proposition, viz., payment of a portion of a member's subscription in silver, and the Committee was informed that, all matters dealing with silver were being discussed in Commission III.

Article II, Alternative A, Section 5, *Initial Payments* (p. 4 of SA/1)

On page 5 of my report of July 9th, I informed your Commission that Committee 1 had accepted Section 5 of Article II, with a slight alteration. The Committee has now been requested to fill the date on which the holdings of gold and gold-convertible [p. 575] exchange of member countries should be established as provided in this clause.

In view of the fact that various delegations did not have time to consider the matter, the Committee agreed to refer this question directly to your Commission.

The Committee then proceeded to the discussion of the sections of Article IX with regard to which no decision had yet been taken. The Committee had the advantage of the Report of July 11 of the Drafting Committee.

Article IX, Alternative A, Section 2 (page 38 of SA/1)

The Drafting Committee proposed and the Committee accepted the following wording of this section:

"The Fund shall prescribe for transactions in gold by member countries a permissible margin above and below the agreed parity. No member country shall buy gold at a price above the prescribed range, nor sell gold at a price below that range."

The Committee felt that this wording reconciled the different views and tendencies.

Under this clause, member countries are permitted to buy gold below this range and to sell gold above the range. On the other hand they were not prevented from following domestic policy of encouraging local gold-mining industry by means other than paying a higher price for gold.

Section 3, *Foreign Exchange Dealings based on par values,* (paragraph (a), (page 39 of SA/1)

The Drafting Committee recommended the acceptance of the following language for this paragraph:

"(a) The Fund shall prescribe a uniform maximum margin not exceeding ---------- percent, by which rates for transactions in the currencies of members may differ from parity. In exceptional circumstances the Fund may authorize a member' country to establish a wider margin for transactions in its currency."

The Committee, while accepting in principle this paragraph, thought that it relates closely to problems discussed by Committee 2, and decided therefore to refer the suggestion to Commission I. (p. 3)

Section 3, *Paragraph (c), Alternatives A and B* (pages 39 and 39a of Document SA/1)

The Drafting Committee proposed new language as a substitute for these alternatives, as follows: [p. 576]

" (c) Exchange transactions in the territory of one member involving the currency of any other member which are outside the prescribed variation from parity set forth in (a) above, shall not be enforceable in the territory of any member country.

"Each member agrees to cooperate with other members in their efforts to effectuate exchange regulations prescribed by such members in accordance with this agreement."

The difference between Alternatives A and B and the Drafting Committee's proposal is:

Alternative A declares "not enforceable any transaction involving the currency***", which evade or avoid exchange regulations, etc.

Alternative B makes such transactions an offense.

The wording proposed by the Drafting Committee declares not enforceable *only transactions outside the prescribed variation from parity*.

The Delegation of the United Kingdom, while expressing its preference for Alternative B, declared their willingness to recede from this position if the original Alternative A was accepted.

The United States' delegate expressed a preference for the language proposed by the Drafting Committee. The Committee decided thereupon to refer all three Alternatives to Commission I.

As a last item, the Committee considered Alternative H to Section 8 of Article IX (page 43b of SA/1) relating to cooperation between member countries.

The Committee considered that if the proposal of the Drafting Committee regarding Section 3, paragraph (c) of this Article, as stated above, were accepted, the purpose of this Alternative would be covered. The Alternative was, therefore, not pressed.

This completed the work assigned to the Committee with regard to all matters for which material had been provided.

K. VARVARESSOS

[p. 577]

Document 345
(p. 14f) SA/1/59

The following material has been suggested as an addition to the end of Alternative C (Art III. Sec. 11, p. 14c).

The Fund may arrange to obtain further information by agreement with members. It shall act as a central point for the collection and exchange of information on monetary and financial problems, thus facilitating the preparation of studies designed to assist members in developing policies which further the purposes of the Fund.

7/13/44 J.S. Art. III, Additional Section 11

[p. 578 upper]

Document 346

(p. 526n) SA/1/60

ALTERNATIVE L

(Substitute for Schedule B in Alternative J, SA/1/54, Doc. 310)

In balloting for the remaining Executive Director each governor of a country, not belonging to the five countries with largest quotas nor being representative of any South American Republic, shall cast for one governor all votes, corresponding to his quota (without the basic 250 votes), as foreseen in Article III, Section 3. The five persons receiving the greatest number of votes shall be Executive Directors, except that one person who receives less than twenty per cent of the aggregate eligible votes shall not be considered as elected. When five persons are not elected on the initial balloting, a second balloting shall be held, in which there shall vote only those governors who voted for a person not elected. In the second balloting those persons shall be considered as elected, who received at least such a percentage of votes of the total amount of votes cast in that balloting, which is obtained by dividing the number 100 by the number of seats to be additionally distributed. If enough additional persons are not elected on the second balloting, further ballots shall be taken on the same principles, provided that after four persons are elected the fifth may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.

If new countries should be admitted as members of the Fund, the number of five seats will be increased correspondingly, according to the increased proportion of quotas.

7/13/44 Art. VII, Sec. 2f, Alternative J

[p. 578 lower]

Document 347 (278)
(p. 50c) SA/1/61
ALTERNATIVE B
(Revision of pages 50 and 50a, SA/1/49)

SECTION 5. *Fixing Initial Par Values.*

(a) Each member on whose behalf this Agreement is signed before ----------, shall, within 30 days of receiving notice from the Fund, communicate to it the par value for the member's currency based on the rates of exchange prevailing for its currency sixty days prior to the date on which this Agreement first [p. 579] comes into force, provided that no member shall be required so to communicate while its metropolitan territory is involved in major hostilities. The par value so communicated shall be the par value of the member's currency for the purposes of the Fund, unless the member signifies within ninety days after receiving the notice above that it regards such par value as unsatisfactory. In the case of a member whose territory has been occupied by the enemy, the Fund may extend the period of ninety days, or, if the member so requests, it shall postpone during a period to be agreed between the member and the Fund the communication of the par value of the member's currency.

(b) If the Fund is of opinion that the par value thus indicated by the member cannot be sustained without recourse to the Fund on a scale damaging to the Fund and to other members, it shall so inform the member within the ninety-day period mentioned in (a) above.

(c) When a member or the Fund signifies that the par value of a currency communicated under (a) above is unsatisfactory, the Fund and the member shall, during a period to be determined by the Fund in the light of all relevant circumstances, agree upon a suitable par value for that currency. If the Fund and the member do not agree within the period so determined, the member shall be deemed to have withdrawn from the Fund as of the date of the termination of such period.

(p. 50d) (d) A member communicating to the Fund a par value for the currency of its metropolitan territory shall at the same time communicate a value, in terms of that currency, for each separate currency, where such exists, in the territories in respect of which it accepted this Agreement under Section ----------. From the values so communicated, the Fund shall compute the par value of each such separate currency. A member making a communication to the Fund under (c) above shall be deemed, unless it declares otherwise, to be making a corresponding communication regarding the par values of such separate currencies. It shall, however, be open to any member to make a communication relating to the metropolitan or any of these separate currencies alone and, if the member does so, the provisions of

the preceding paragraphs shall apply to each of these currencies separately.

(e) Notwithstanding the other provisions of this Agreement, a member that has been occupied by the enemy may agree with the Fund, either in respect of a metropolitan currency or of a separate currency mentioned above, upon a provisional initial rate [p. 580] of exchange, following which such member may buy from the Fund with its currency the currency of other members, but only under conditions and in amounts to be prescribed by the Fund. Such provisional rate may be changed by agreement with the Fund.

(p. 50e) (f) The Fund shall begin exchange transactions at such date as it may determine after par values have been established for the currencies of members having sixty percent of the aggregate quotas set forth in Schedule A but in no event until after the Fund shall have found that major hostilities in the present war in its European phase have ceased. In no case shall the Fund undertake exchange transactions in a member's currency for which a final par value has not been determined or a provisional rate has not been agreed with the Fund.

(g) The Fund may defer initial exchange transactions with any member whose circumstances in the opinion of the Fund would lead to use of the resources of the Fund in a manner contrary to the purposes of this Agreement or damaging to the Fund or other members.

7/13/44 Art. XIII, Sec. 5

[p. 1178]

Document 353
UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE
Bretton Woods
For the Press July 14, 1944
No. 30

Statement, by Antonio Espinosa de los Monteros, Mexican Delegate, before Commission I, July 14, on Changing the Gold Parities of Currencies

Mr. Chairman, Fellow Delegates:

On behalf of the Mexican Delegation, I wish to make a statement regarding the point now under consideration.

It should be evident to all the Delegates that in this case we are dealing with one of the fundamental sovereign rights of nations. We must, therefore, be extremely cautious in relinquishing rights which all our Governments have sworn to uphold.

It is obvious, of course, that international cooperation would be impossible unless we surrender some degree of our sovereign rights. But the question now before this Commission is not whether we shall ask our countries to surrender some measure of a sovereign right, in order to make our cooperation possible and fruitful. Rather, the question is how much of that right need our countries surrender.

Mexico is strongly opposed to the original formula (Alternative A), according to which a uniform change in the gold parities of all currencies can be effected by the decision of the three major powers alone.

We are opposed to it, firstly, because should it be approved, the smaller nations would thereby surrender a maximum of their monetary sovereignty to the three largest countries. This, in the opinion of the Mexican Delegation, is entirely uncalled-for and unjustifiable. What reasons are there to submit small countries to the absolute will of the larger ones? How can we help cooperation by the blind submission of small nations?

Secondly, we are opposed to that formula also because we do not believe it can ever be accepted by a community of self-respecting nations. For no one here can seriously believe that small countries would be willing to have the gold parities of their currencies changed at will by the largest nations. Certainly, not a single one of the major powers would be willing to relinquish to a foreign agency the right of fixing the value of its currency. This is, indeed, one of the attributes of sovereignty which they are prone [p. 1179] to guard most jealously. How, then, can we expect small countries to accept this formula when we submit it to them? What possible reason would they have for doing so?

Thirdly, the Mexican Delegation is against the formula because it is wholly unnecessary. We know, of course, that no country would be ready to submit once more to the rigidity of the gold standard. All of us want a great degree of flexibility. But why should we, in order to attain such flexibility, set aside the sovereignty of small countries while respecting that of the largest ones We hold this is entirely unnecessary. For in any case, the major powers will be able, (p. 2) under the proposed Agreement, to change the gold parities of their own currencies all at once, if they so decide, in as much as they have the majority of the aggregate votes. By so doing, they would naturally change the international price of gold. Almost all small countries would probably follow suit of their own free will, as they have always done in the past. Thus, are we not already sufficiently insured against rigidity? Why should we ask small countries to participate in decisions which probably will be made, as they have always been made in the past, without their consent? Why should they give up in vain such large measure of their sovereignty?

Lastly, the Mexican Delegation will vote against the original formula because it shows a great disregard for the problems of the smaller nations. Indeed, it assumes that these countries would have no problems at all when a uniform change is decreed by the largest ones. It presupposes that small countries will change their laws and perhaps even their Constitutions at a minute's notice, regardless of political, social or economic difficulties. It takes for granted that those countries can brush aside, if they so desire, the gold clause which they might have subscribed in international contracts. But are all these suppositions truly valid? Are we not taking too much for granted?

The Mexican Delegation wants to thank some Delegations for their efforts towards a reconciliation between our point of view and that of Alternative A. We regret to say, however, that in matters of principle a compromise is hardly possible.

The essential difference between Alternative B and Alternative C is that, whereas under the former a majority of countries is required to approve a uniform change, under the latter a vote of only one-third of member countries would be necessary.

I must not tire this Commission with the enumeration of the reasons on which we base our opposition to Alternative C. Basically, they are the same as those I have presented before. Suffice it [p. 1180] to say, nevertheless, that while Mexico would agree to submit to the decision taken in this important matter by a majority of countries, she does not consider it necessary to accept the dictum of a small minority, as proposed by South Africa.

Certainly, Mr. Chairman, the implications of this whole question are very serious. It is because Mexico believes sincerely in not doing unto others what she would not wish to have done unto her, that we insist that this Commission approve a formula whereby due respect be paid to the sovereign rights of small and large nations alike.

[p. 597]

Document 370
CI/M/4
Minutes of Meeting of Commission I
INTERNATIONAL MONETARY FUND
(July 13, 1944, 2:30 p.m.)

The Chairman stated that material on practically all sections of the draft Fund Agreement had been circulated, and that conclusions reached up to noon of July 12 had been incorporated in a draft circulated by the Drafting Committee.

The Chairman of the Drafting Committee, Mr. Rasminsky (Canada), presented its first report (Document 342), Annex I, Outline of Articles and Sections of Fund Agreement (Document 320), and Annex II, Articles of Agreement of the International Monetary Fund (Document 321). The Chairman called attention to the following changes to be made in Document 321:

Page 7, line 7 from the bottom, should be revised to read "or (ii) the foreign exchange value of a member's".

Page 24, lines 9 and 10 from the bottom, delete "in a manner which is contrary to the purposes of the Fund".

Page 27, line 3 from the top, insert after "Justice" the words "or such other authority as may have been prescribed by regulations adopted by the Board of Governors".

Page 28, section 2, lines 1 and 2, delete "this Agreement has been signed on behalf of" and insert after "Schedule A" (line 3) the words "have signed this Agreement and deposited the instrument referred to in Section 1 (d) above". [p. 598]

The Drafting Committee was given authority by the Commission to make changes in the interests of form and internal consistency.

Dr. Koo (China) presented the report of the *ad hoc* Committee on Exchange Controls on Current Payments (Document 329). A question was raised whether the wording of article IX, section 5 should be interpreted to prohibit exchange control if exchange was always made available for current account transactions. After discussion from the floor, the Chairman ruled that the wording would not exclude exchange controls but would be applicable if there were restrictions contrary to the provisions of the Fund. Another question was raised regarding the effect of this section on the convertibility of sterling acquired by a country whose international transactions are customarily carried out in sterling. It was indicated that the provision was applicable to such transactions and that sterling acquired as a

result of current transactions will be freely convertible after the transition period.

An inquiry was made as to whether the wording of article IX, section 4, would apply in all cases when a member (p. 2) is no longer entitled to buy currencies, as, for example, when it has exhausted its annual or total quota. After a discussion of this point and of the wording on the exclusion of capital transfers from the provisions of this section, the matter was referred to a Special Committee on Unsettled Problems for Commission I. The Commission then approved article IX, section 5, and article IX, section 6, of the report by a voice vote.

Dr. de Souza Costa (Brazil) presented the report of the *ad hoc* Committee of Committee 3 on Executive Director and Voting Arrangements (Document 334). During the discussion of Alternatives J, E, and K (pp. 26j, 25h, and 26m), there was indication of continuing difference of opinion. It was agreed that a decision regarding executive directors could not be reached until quotas had been determined, and that a committee on quotas would be established.

Dr. Keilhau (Norway) presented the report of the *ad hoc* Committee of Commission I on Relations with Non-Member Countries (Document 311), concerning prevention of transactions by members with non-members which would be dangerous to the Fund. The Committee's recommendation for an additional section to be added to article IX was approved. Dr. Keilhau also called the attention of the Commission to a letter received [p. 599] by the Committee from the Danish Minister with regard to membership in the Fund. He suggested that the letter be referred to the Steering Committee with a recommendation for special consideration of facilitating the membership of Denmark. The Chairman referred the matter to the Steering Committee.

The reports of the standing Committees of Commission I were then considered. Mr. Varvaressos (Greece) discussed the report of Committee 1 on Purposes, Policies, and Quotas of the Fund (Document 343) and pointed out three unsettled questions which the .Committee wished to put before the Commission. After a brief discussion the Chairman referred to the new Special Committee (1) the question of the date on which the holdings of gold should be established for the purpose of determining initial gold subscriptions, (2) the uniform maximum margin by which rates for transactions in currencies of members may differ from parity, and (3) the question with regard to the enforceability of exchange transactions outside the prescribed limits. The other recommendations of the report were taken as approved. The query with regard to the definition of gold-convertible exchange was also referred to the Special Committee with the suggestion that it might prove advisable to substitute the phrase "United States dollars". It was also proposed that the range by which rates may differ from parity be left

to the discretion of the Fund.

Mr. Mossé (French Delegation), reporting for Committee 2 on Operations of the Fund (Document 333), indicated that there had been agreement on a waiver provision which included the main points in several of the Alternatives under article III, section 2, and that there had been agreement in the Committee on a re-wording.

(p. 3) In connection with article XIII, section 5, a question was raised with regard to the special dangers which would result from declaring an exchange rate to be provisional. It was indicated also that the agreement of the Committee went further than the statement in the report. The Commission agreed that these considerations could better be taken into account when a new wording as prepared by the Drafting Committee is under discussion.

A discussion of article III, section 10, on charges and commissions, was begun and will be resumed at the next meeting of the Commission.

[p. 600]

Document 370 (Correction)
CI/M/4 (Correction)
Correction to Minutes of Meeting of Commission I
INTERNATIONAL MONETARY FUND
(July 13, 1944, 2:30 *p.m.)*

The last sentence of the fourth paragraph on page 1 of Document 370 should be changed to read: "It was indicated that the provision was applicable to such transactions and that currently acquired sterling will be freely convertible after the transition period."

[p. 604]

Document 374
CI/SC/1
Report of Special Committee of Commission I
(July 14, 1944)

The Special Committee of Commission I met on July 13-14, 1944 to consider items of the Fund Agreement on which recommendations had not been completed by other committees of the Commission. Present were: United States (Chairman), Belgium, Canada, China, Cuba, Czechoslovakia, French Delegation, Mexico, Netherlands, New Zealand, Union of Soviet Socialist Republics, and United Kingdom.

The recommendations of the Special Committee are:

1. *Foreign Exchange Dealings Based on Par Values.* (SA/1, Article IX, Section 3(a), p. 39; Drafting Committee Report: Article IX, Section 3)

(a) The Special Committee recommends that the substance of the following text be approved and referred to the Drafting Committee:

SECTION 3(a) The maximum and minimum rates for exchange transactions in member countries in the currencies of members shall not differ in the case of spot transactions by more than one percent, from the official par values, and [p. 605] in the case of other exchange transactions by more than a reasonable spread from the spot rates. The Fund shall be the judge of what constitutes a reasonable spread. No member shall use the resources of the Fund for the purpose of covering forward exchange transactions in the currency of any other member without the permission of the Fund.

(b) With regard to the language suggested in the Third Report of Committee 1 (Document 343, p. 3) on paragraph (c) of this section, the Committee recommends that the Drafting Committee be asked to reconcile the differences between this language and that of Alternative A to indicate that there is no intent of imposing criminal rather than civil penalties. The Drafting Committee is also requested to consider parallel stipulations for dealings with non-member countries.

2. *Uniform Changes in Par Value.* (SA/1, Article IV, Section 5, p. 18; Drafting Committee Report: Article IV, Section 8)

The Committee recommends the acceptance of Alternative A with an addition that any member not wishing to make a change in its par values may so notify the (p. 2) Fund within 72 hours and be relieved of an obligation to alter its par value. The Mexican Delegate has indicated, however, that he will present his views on this item to the Commission.

3. *Charges and Commissions.* (SA/1, Article III, Section 10, p. 13; Drafting Committee Report: Article V, Section 8)

The Committee recommends the adoption of Combined Alternatives A

and B as amended by Alternative C.

4. *Multilateral International Clearing.* (SA/1, Article III, Section 6, p. 9; Drafting Committee Report: Article VIII, Section 3)

The Committee recommends the adoption of the text of Article IX, Section 4, as reported to the Commission on July 13 by the *Ad Hoc* Committee on Exchange Controls in Current Payments (Document 329). The Committee interprets the last phrase of this Article as applying to all circumstances in which a member may be unable to use the facilities of the Fund. There was some discussion as to whether capital transfers of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking, or other business should be included in the convertible obligation. The majority of the Committee felt that the present text was proper.

5.*Other Acquisitions of Gold by the Fund.* (SA/1, Article III, Section 8, p. 11; Drafting Committee Report: Article V, Section 7) [p. 606]

Alternative A (page 10) was approved. Agreement in principle was reached on the substance of the following language and it was left to the drafting committee to prepare a text which would clearly set forth the principles governing the repurchase of currency from the Fund:

(a) If, at the end of the Fund's financial year, a member's monetary reserves exceed its quota, and the Fund's holdings of its currency have increased during the year, the Fund shall require that it use a part of these reserves to repurchase its currency with gold or with convertible currency as appropriate, up to the point when its reserves have fallen by an amount not more than the amount by which, after this adjustment, the Fund's holdings of its currency have increased. Furthermore, if, after this adjustment (if called for) has been made, a member's monetary reserves have increased during the year, the Fund shall require it, whether or not the Fund's holdings of its currency have increased during the year, (p. 3) to use half of this increase for a further re-purchase of its currency with gold or with convertible currency as appropriate; provided, always, that after these adjustments have been made its reserves do not stand below its quota nor the Fund's holdings of the currency below 75 percent of its quota.

(To replace part (b) of III, 9 and to be shifted to III-8)

(b) If a member country increases its holdings of another member's currency, or acquires gold from another member otherwise than as a result of transactions with that member, the Fund at the request of the latter member may require the gold or the increase of currency to be offered to the Fund.

The Fund shall not require a member to repurchase its currency with a convertible currency of which the Fund's holdings would be in excess of the Fund's holdings of the member's currency after the above adjustments.

The Delegate of the Union of Soviet Socialist Republics reserved his position on the principle involved in this section.

6. *Furnishing of Information.* (SA/1, Article III, Section 11, p. 14c; Drafting Committee Report: Article VIII, Section 5)

(a) The Committee recommends the approval of Alternative C (p. 14c) with the transposition of the portion beginning with the second sentence of the section and ending with the words "to avoid mere estimates so far as possible" to the end of the section. [p. 607]

(b) The Committee also recommends the adoption of the additional language recommended in Document 345, which reads as follows:

The Fund may arrange to obtain further information by agreement with members. It shall act as a central point for the collection and exchange of information on monetary and financial problems, thus facilitating the preparation of studies designed to assist members in developing policies which further the purposes of the Fund.

7. *Transitional Arrangements.* (SA/1, Article X; Drafting Committee Report: Article XIII)

The Committee recommends the adoption of Alternative A (pages 44a and 44b), with the addition of the following at the end of Section 2: "Nothing in this Agreement shall be deemed to prevent a member imposing any restrictions on payments or transfers to non-members unless the Fund finds that such restrictions have adversely affected the interests of members".

(p. 4) The Netherlands delegation wishes to record its understanding that the first paragraph of Section 1 does not prevent the use of the resources of the Fund for the financing of the imported commodities which might be considered as relief goods, but that the sole meaning of this clause is to prevent the use of the resources of the Fund in a quasi-permanent way for the financing of relief or of any other imports.

8. *Voting.* (SA/1, Article VII, Section 3, p. 26; Drafting Committee Report: Article XI, Section 5)

The first and last paragraphs of Alternative A (p. 26) have already been approved by other committees. The Special Committee recommends the adoption of the second paragraph of this Section with the change of the figure "200,000 United States dollars" to "400,000 United States dollars".

9. *Liquidation.* (SA/1, Article VIII, Section 4, p. 37; Drafting Committee Report, Article XV)

The Committee considered Alternatives A and C and approved a new formula relating to the distribution of the assets of the Fund. The principle of this formula was accepted and a new draft is to be prepared for submission.

10. *Settlement of Accounts.* (SA/1, Article VIII, Section 3, p. 36; Drafting Committee Report, Article XIV, Section 3)

The Committee recommends the adoption of Alternative A (pp. 36 and 36a) subject to minor drafting changes, which are referred to the Drafting Committee.

11. *Initial Determination of Par Values.* (SA/1, Article XIII, [p. 608] *Section*

5, p. 50; Drafting Committee Report: Article XIX, Section 4)

The Committee recommends the adoption of Alternative B (Document 347, pp. 50c to 50e), together with the amendment reported in Document 351, subject to revision to indicate that paragraph (b) applies to appreciation as well as depreciation of currencies and to paragraphs E and F to avoid the use of the term "provisional initial rate of exchange".

12. *Subscriptions: Time of Payment.* (SA/1, Article II, Section 5, p. 4; Drafting Committee Report: Article III, Section 3)

In Alternative A, Section 5, (p. 4) the date on which the holdings of gold and gold-convertible exchange of members should be established for the purposes of determination of initial payments was left blank. The Committee recommends that this date should be the date of entry into force of the Agreement.

13. *Definitions.* (SA/1, Article XII, Section 2, p. 47; Drafting Committee Report: Article XVIII)

The Committee received two drafts of proposed definition and referred them to a drafting subcommittee.

[p. 608]

Document 376
(p. 37d) SA/1/63
ALTERNATIVE D

(a) The Fund may not be liquidated except after a decision taken by a majority of the aggregate votes in the Board of Governors. In an emergency, if the Executive Directors decide that liquidation of the Fund may be necessary, they may by a majority vote temporarily suspend all transactions of the Fund, pending an opportunity for further consideration and action by the Board of Governors.

(b) If a decision to liquidate the Fund is carried, the Fund shall forthwith cease to engage in any activities except those incident to an orderly liquidation of its assets and the settlement of its liabilities.

(c) The liabilities of the Fund, other than the repayment of quotas, shall have priority in the distribution of the assets of the Fund. In meeting each such liability the Fund shall use its holdings of the currency in which the liability is due. If these holdings are insufficient, it shall use its gold. If this is insufficient to complete the payment, it shall draw on the currencies held [p. 609] by the Fund as far as possible in proportion to the quotas of the members.

(d) The net assets of the Fund available after the discharge of the above liabilities shall be distributed as follows:

(i) The Fund shall distribute its holdings of gold among the countries whose currencies the Fund holds in amounts less than their quotas in proportion to the amounts by which the quotas exceed the Fund's holdings of those currencies.

(ii) The Fund shall distribute to each member one-half of the Fund's holdings of the currency of that member but not to exceed 50 percent of the quota of the member.

(iii) The remainder of the Fund's holdings of the currency of each member shall be divided among all the members in proportion to the amounts still due to them.

(p. 37e) (e) Each member shall redeem its own currency held by other members as a result of the liquidation of the Fund. Each member shall agree with the Fund upon an orderly procedure for the redemption of its currency, and pending such agreement the Fund may withhold distribution of the member's share of the division of the Fund's holdings of currencies in accordance with (d) (iii) above, and it may apply such share to the redemption of the member's currency on an equitable basis. The Fund shall immediately apply the currencies apportioned to each member whose share is not withheld under the preceding sentence, in redeeming the currency of that member divided among other members.

(f) Currencies held by members as a result of this division after the redemption undertaken in accordance with (e) above, shall be redeemed in gold or in the currency of the country requesting redemption, or in such other manner as may be agreed by the members. If the members involved do not otherwise agree, redemption shall be made within five years but shall not be effected at a rate in any semi-annual period greater than one-tenth of the amount distributed to any other member. If the member fails to redeem its currency in this manner, the currency may be disposed of in any market at the same rate in an orderly manner. Each member who is under an obligation to redeem its currency under this paragraph, unconditionally guarantees at all times the unrestricted use of such currency for the purchase of goods or for the payment of other sums due to it or to its nationals. [p. 610] Further, each member agrees to make good any loss resulting from the exchange depreciation of its currency until it has been used or redeemed.

7/14/44 J.S. Art. VIII, Additional Section

[p. 1180]

Document 383
UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE
Bretton Woods
For the Press July 14, 1944
No. 31

Statement by Sir Shanmukham Chetty, Indian Delegate, before Commission I

At the meeting of Commission I of the Monetary Conference on July 14, the India Delegation moved an amendment to the effect that Subdivision 2 of Article I relating to the purposes and policies of the monetary fund must include specific reference to the needs of economically backward countries.

In moving the amendment, Sir Shanmukham Chetty said that the object of the amendment was to make more complete the statement of the primary objectives of economic policy so as to be applicable to the whole world and not merely to highly industrialized countries. He observed "We are in full accord with the general aim of the expansion and balanced growth of international trade. But the term 'balanced growth' is generally understood as an increase in the volume of trade which is about equal in respect of exports and imports so as to avoid disequilibrium in the international balance of payments. Though this is an important aspect of balanced growth relating to the volume of imports and exports, we attach great importance also to the balanced character and composition of international trade. A predominant flow of raw materials and food stuffs in one direction and highly manufactured goods in the other direction is not a really balanced international trade from this latter point of [p. 1181] view. It is only by greater attention to the industrial needs of countries like India that you can achieve a real and rational balance. It is for this reason that the India Delegation wants to mention specifically the needs of economically backward countries, in the description of objectives of economic policy, which the fund cannot directly assist but may indirectly facilitate."

"Our experience in the past," he continued, "has shown that international organizations have tended to approach all problems from the point of view of the advanced countries of the West. We want to insure that the new organization which we are trying to create will avoid this narrow outlook and give due consideration to the economic problems of countries like India."

[p. 627]

Document 393
CI/M/5
Minutes of Meeting of Commission I
INTERNATIONAL MONETARY FUND
(July 14, 1944, 10 *a.m.)*

At its fifth meeting, July 14, 10 a.m., the Commission proceeded to a consideration of the report of the Drafting Committee (Document 321) and the report of the Special ,Committee on Unsettled Problems (Document 374).

Paragraph (b) of article I (Document 321) was referred to the Special Committee on Unsettled Problems for redrafting. [p. 628]

The Commission accepted the remainder of article I as presented by the Drafting Committee.

Article II, Membership, was accepted as presented by the Drafting Committee.

In the discussion of article III, section 3b (p. 3), it was agreed that the word "net" would be inserted before "official" and "United States dollars" would be substituted for "gold convertible exchange" and that a definition of "net" would be included in the definitions. It was also agreed that the time of the establishment of holdings of gold and dollars should be the date of entry into force of the Agreement, as recommended by the Special Committee (item 12, p. 4, Document 374). In response to a query from the Delegate from Czechoslovakia, it was agreed that later suggestions from the *ad hoc* Committee on Liberated Countries would not be precluded by acceptance of this section. The substance of article III was then accepted, with the exception of section 1 on quotas.

In the discussion of article IV a question was raised concerning the application of section 3(c) (Document 343, p. 3), which was referred to the Drafting Committee for clarification. Opposition was voiced to the voting provisions on uniform changes in par values (section 8). Motions on referring this question to the Special Committee on Unsettled Problems and to the *ad hoc* Committee on Uniform Changes in Par Value were defeated. The article as presented by the Drafting Committee (Document 321) and the Special Committee (Document 374, items 1 and 2, pp. 1 and 2) was approved.

Article V was approved as presented by the Drafting Committee with the addition of items 3 and 5 of the report of the Special Committee (p. 3, Document 374). The Union of Soviet Socialist Republics and Greece noted reservations pending opportunity to examine the exact text of section 7, which is to be redrafted.

Article VI, Capital Transfers (p. 11, Document 321) and article VII, Scarce Currencies (p. 12, Document 321) were accepted as presented by the

Drafting Committee.

(p. 2) Article VIII, General Obligations of Members, was adopted as presented by the Drafting Committee, with the inclusion of section 2, Exchange Controls on Current Payments, and section 3, Multilateral Clearing, as reworded (see wording in Document 329 and recommendation in Document 374).

Article IX was accepted as presented by the Drafting Committee, [p. 629] with the addition of a new section providing that the archives of the Fund shall be inviolable.

Article X was accepted as presented by the Drafting Committee.

Article XI, except section 3, Executive Directors, was approved as presented by the Drafting Committee, with the addition of item 8 of the report of the Special Committee (p. 4, Document 374).

Consideration of article XII was deferred pending the submission of section 1, Location of Offices.

Article XIII was accepted as presented by the Special Committee (item 7, p. 3, Document 374).

Article XIV, sections 1 and 2, were accepted as presented by the Drafting Committee and section 3 as recommended by the Special Committee (item 10, p. 4, Document 374).

Consideration of article XV was deferred pending distribution of a new draft.

Consideration of article XVI was deferred.

Article XVII was accepted as presented by the Drafting Committee.

Consideration of article XVIII was postponed pending the distribution of its text.

Consideration of article XIX was deferred.

[p. 634]

Document 395
CI/QC/RP1
Report of Quota Committee of Commission I
July 15, 1944

The Quota Committee of Commission I met at 10 a.m. on July 15 and agreed to recommend to Commission I the following text for Schedule A:

Quotas
(In millions of dollars)

Australia - 200
Belgium - 225
Bolivia - 10
Brazil - 150
Canada - 300
Chile - 50
China - 550
Colombia - 50
Costa Rica - 5
Cuba - 50
Czechoslovakia - 125
Denmark - *
Dominican Republic - 5
Ecuador - 5
Egypt - 45
El Salvador - 2.5
Ethiopia - 6
France - 450
Greece - 40
Guatemala - 5
Haiti - 5
Honduras - 2.5
Iceland - 1
India - 400
Iran - 25
Iraq - 8
Liberia - .5
Luxembourg - 10
Mexico - 90
Netherlands - 275
New Zealand - 50

Nicaragua - 2
Norway - 50
Panama - .5
Paraguay - 2
Peru - 25
Philippine Commonwealth - 15
Poland - 125
Union of South Africa - 100
Union of Soviet Socialist Republics - 1200
United Kingdom - 1300
United States - 2750
Uruguay - 15
Venezuela - 15
Yugoslavia - 60

Total - 8800
*The quota of Denmark shall be determined by the Fund after Denmark accepts membership in accordance with Articles XIX, Section 1.

[p. 635] (p. 2) The Committee's recommendation was unanimous with the exception of reservations by China, Egypt, the French Delegation, India and New Zealand.

The Mexican Delegation agreed to relinquish $10 million of its quota in favor of $5 million each for Colombia and Chile. The above table includes these readjustments.

The Committee was composed as follows: Belgium, Brazil, Canada, China, Cuba, Czechoslovakia, Egypt, French Delegation, India, Mexico, New Zealand, Norway, United Kingdom, Union of Soviet Socialist Republics, United States, Chairman.

FRED M. VINSON, *Chairman*

[p. 642]

Document 403
(p. 29c) SA/1/65
ALTERNATIVE E
(Substitute for Section 6(b) of Alternative A)

(b) The Fund may hold other assets, including gold, in designated depositories in the five members having the largest quotas and in such other depositories as the Fund may select. Initially at least one-half of the holdings of the Fund shall be held in the designated depository in the member in which the Fund has its principal office and at least 40 percent of the holdings shall be held in the other principal four depositories. However, all transfers of gold by the Fund shall be made with due regard to the costs of transport and expected requirements of the Fund. In an emergency the Executive Directors may transfer all or any part of the Fund's holdings of gold to any place where it can be adequately protected.

7/15/44 J.S. Art. VII, Sec. 6(b)

[p. 643]

Document 405

(p. 50c) SA/1/66

ALTERNATIVE E

(Replacing Alternative B: revision of pages 50 and 60a, SA/1/49)

SECTION 5. *Fixing Initial Par Values.*

(a) Each member on whose behalf this Agreement is signed before ----------, shall, within 30 days of receiving notice from the Fund, communicate to it the par value for the member's currency based on the rates of exchange prevailing for its currency sixty days prior to the date on which this Agreement first comes into force, provided that no member shall be required so to communicate while its metropolitan territory is involved in major hostilities.

(b) In the case of a member whose territory has not been occupied by the enemy the par value so communicated shall be the par value of the member's currency for the purposes of the Fund unless within ninety days after the notice in (a) has been received (1) the member signifies that it regards such par value as unsatisfactory, or (2) the Fund informs the member that it is of opinion that such par value cannot be sustained without recourse to the Fund on a scale damaging to the Fund and to other members. When a member or the Fund so signifies that the par value of a currency is unsatisfactory, the Fund and the member shall, during a period to be determined by the Fund in the light of all relevant circumstances, agree upon a suitable par value for that currency. If the Fund and the member do not agree within the period so determined, the member shall be deemed to have withdrawn from the Fund as of the date of the termination of such period.

(c) When the par value of the currency of a member whose territory has not been occupied by the enemy has not been signified as unsatisfactory within ninety days, or, having been signified as unsatisfactory, has been agreed with the Fund, the member may buy from the Fund with its currency the currency of other members to the full extent permitted in Article ----------, (p. 50d) Section --------- provided that the Fund has begun exchange transactions in member currencies.

(d) In the case of a member whose territory has been occupied by the enemy its par value communicated in (a) above shall be the par value of the member's currency for the purposes of [p. 644] the Fund; but for a period to be determined by the Fund in consultation with the member such par value may be changed by agreement with the Fund, and the changes shall not affect the member's rights under Article ----------, Section ----------. After 90 days from the date on which the Fund notified the member under (a) to communicate its rate, and provided that the Fund has begun exchange transactions in member currencies, (1) the member may buy from the Fund

with its currency the currency of other members, but only under conditions and in amounts to be prescribed by the Fund; or (2) if the member elects to be governed by the provisions of Article ----------, Section ----------, and providing the Fund agrees to the par value then in effect for its currency, the member may buy from the Fund with its currency the currency of other members to the full extent permitted in Article ----------, Section ----------. If the Fund does not agree to the par values then in effect for the member's currency, the procedure shall be the same as in (b) above.

(e) A member which has not communicated the par value for its currency to the Fund because its metropolitan territory is involved in major hostilities may, for such period as the Fund determines, refrain from communicating its par value after such hostilities have ceased. Until, however, such member communicates the par value of its currency to the Fund, the Fund shall not operate in its currency. When such member communicates the par value of its currency to the Fund, it shall be subject to the procedure described in (d) above.

(p. 50e) (f) A country which undertakes to become a member of the Fund after the date mentioned in (a) shall agree with the Fund upon the par value of its currency before becoming a member.

(g) A member communicating to the Fund a par value for the currency of its metropolitan territory shall at the same time communicate a value, in terms of that currency, for each separate currency, where such exists, in the territories in respect of which it accepted this Agreement, under Section ----------. From

the values so communicated, the Fund shall compute the par value of each such separate currency. A member making a communication to the Fund regarding the par value of its currency, shall be deemed, unless it declares otherwise, to be making a corresponding communication regarding the par value of all the separate currencies circulating in the territory subject to its [p. 645] jurisdiction. It shall, however, be open to any member to make a communication relating to the metropolitan or any of these separate currencies alone and, if the member does so, the provisions of the preceding paragraphs shall apply to each of these currencies separately.

(h) The Fund shall begin exchange transactions at such date as it may determine after par values have been finally established for the currencies of members having sixty-five percent of the aggregate quotas set forth in Schedule A but in no event until after the Fund shall have found that major hostilities in the present war in its European phase have ceased.

(i) The Fund may defer initial exchange transactions with any member whose circumstances in the opinion of the Fund would lead to use of the resources of the Fund in a manner contrary to the purposes of this Agreement or damaging to the Fund or other members.

7/15/44 Art. XIII, Sec. 5

[p. 650]

Document 409
CI/M/6
Minutes of Meeting of Commission I
INTERNATIONAL MONETARY FUND
(July 15, 1944, 12:30 *p.m.)*

At the beginning of the meeting of Commission I, the Delegate from the United Kingdom stated on a point of order that the minutes of Commission I of July 13 did not record with full accuracy his views on the convertibility of currently acquired sterling. A note of the correction is being circulated separately as Document 370 (corrected). The Commission then proceeded to further consideration of the report of the Special Committee. Liquidation of the Fund (pp. 37d and 37e, SA/1/63, Document 376) was the first matter presented. The revised text recommended by the Committee was adopted.

The recommendations of the Special Committee on Initial Determination of Par Values were next presented orally. A motion made by the Delegate from the United Kingdom that the Committee's proposal (distributed as Document 405) be amended [p. 651] to include at the end of paragraph H the words "or before August 1, 1945, whichever is the later" was lost for want of a second. The Committee report was approved.

Article XIX, Final Provisions (Document 321, pp. 27-29), was then presented for approval. The suggestion by the Delegate from Australia was made that the provision for "65 percent of the aggregate quotas" in section 2 should be increased to 70 percent. The suggestion was not adopted. The Commission authorized the Special Committee to insert the dates in the blanks in section 1, including the additional paragraphs recommended for this section by the Drafting Committee (Document 342). Article XIX was then accepted as a whole.

The Commission then proceeded to a discussion of the Special Committee's recommendation with regard to article I, Purposes, Paragraph (b) that the words "and real income" be added after "employment" and that "whatever the stages of their economic development" be added after "of all members" (Document 321, p. 1). The Delegate from the United States then moved that the wording suggested by the Special Committee be not inserted and that the words "and to the development of the sources of productive power" be omitted. The motion was seconded by the Delegate from Belgium. After further discussion, the motion of the Delegate from the United Kingdom that in view of its importance the problem be recommitted to the Special Committee was carried.

The Chairman of the Special Committee then proposed that the language of article III, section 3 (Document 321), (p. 2) be referred to the Drafting Committee for consideration of questions of wording with respect

to liberated countries.

The Special Committee then presented the following language regarding the problem of newly mined gold as an addition to the section on Other Acquisitions of Gold by the Fund (item 5(b), Document 374).

"In the case of members whose metropolitan territories have been occupied by the enemy or severely damaged by enemy action, the obligation of this Section shall not apply for five years after this Agreement comes into force to gold newly produced from mines located within the territories of such members."

This proposal was adopted.

The Reporter of the Special Committee next presented the need felt by some delegations that the Fund be given authority to take emergency action but stated that the Committee had come [p. 652] to no general agreement and would like to have time to consider the exact nature of the provision desired.

The Special Committee recommended the following language to be inserted in article IV (Document 321) : "A member of the Fund may change the par value of its currency without the consent of the Fund, if the change does not affect international transaction of members of the Fund." This insertion was approved and referred to the Drafting Committee, with authority to insert it in the appropriate place in the final draft.

Article XII, section 2 (p. 24, Document 321), Depositories, and the amendments of the Special Committee (p. 29c, SA/1/65, Document 403) were presented and discussed.

The Commission adjourned, to resume in the afternoon.

[p. 652]

Document 410
CI/M/7
Minutes of Meeting of Commission I
INTERNATIONAL MONETARY FUND
(July* 15, 1944, 4 *p.m.)

The meeting resumed discussion of Depositories begun at the previous meeting. The text circulated as Alternative E (page 29c, SA/1/65, Document 403) was accepted by the Commission. The Delegate of the Union of Soviet Socialist Republics moved that the last sentence of the provision be struck out and, the amendment not being accepted, the reservation of the Soviet Delegation on this point was recorded.

The Chairman then called for the report of the Quota Committee (Document 395). The Delegate of the United States, in moving the adoption of the report, explained the difficulties arising in connection with determining quotas. He explained that the early hopes of finding an objective scale had not been realized and that the circumstances of different countries varied so widely that the consideration of many factors had been necessary. He stated that the original schedule based on an aggregate of $8 billion for the original membership had been increased to $8,800 million. Fifteen countries had participated in the work of the Committee on quotas and five had indicated their reservations. He concluded with the observation that the task had been difficult [p. 653] but that any errors which may have occurred in the determination were not of intention but the result of the complexity of the problem.

After extended discussion the Commission voted to approve the report. Reservations were made or reconsideration was asked by the delegates of Australia, China, Egypt, Ethiopia, the French Delegation, Greece, India, Iran, New Zealand, and Yugoslavia. The Delegate of the Netherlands indicated that he was under the necessity of submitting the quota to his Government but hoped to have a reply before the end of the Conference. He further recorded his understanding that acceptance of a quota did not imply acceptance of any formula on which it may have been based.

The Commission considered the election of Executive Directors. Article XI, section 3, Alternative J, was discussed and adopted by the Commission (p. 26j, SA/1/54, Document 310). Subsequently, Alternative K (p. 26m, Document 328) was discussed and approved as an addition to Alternative J. Alternative E (p. 25h, SA/1/55, Document 315) was proposed by the Delegate from Egypt but held by the Chairman to be in conflict with the provisions already adopted. A question of (p. 2) interpretation with regard to the word "biennial" in the second paragraph of Alternative J was raised and it was stated that the English meaning is "every two years".

The Delegate of the Union of Soviet Socialist Republics then proposed the adoption of Alternative C (p. 4a, SA/1) which related to the reduction of the gold contribution of countries devastated by the war and moved that the reduction be 25 percent. After some debate the proposal was rejected by the Commission.

[p. 696]

Document 414
CI/SP/2
Report of the Special Committee on Unsettled Problems of Commission I
July 15, 1944

The Committee met at 8:30 a.m., July 15.

The Committee considered and approved a text on the Initial Determination of Par Values which has been distributed as Document No. 405.

The Committee also considered Article I, paragraph (b) on the [p. 697] Purposes of the Fund and agreed to recommend that the words "and real income" be added after "employment" and that "whatever the stages of their economic development" be added after "of all members" (Document No. 321, page 1). The Committee then considered the question of the language of Article III, Section 3 (Document No. 321) in its application to liberated countries and agreed to recommend that the exact language on this Section should be referred to the Drafting Committee.

The Committee also agreed upon an amendment to Article V, Section 7 (item 5(b) on page 3 of Document No. 374) dealing with the acquisition of gold by the Fund from member countries and making certain temporary exceptions for newly-mined gold in occupied countries. It also discussed the question of giving the Fund authority to take emergency action, but did not reach final agreement on the exact revisions to be suggested.

The Committee agreed upon a change in the wording of Article IX (Document No. 321) relating to changes in the par value of currencies which do not affect the international transactions of members of the Fund. The Committee also agreed on proposed language for Article XII, Section 2, (page 24 of Document No. 321) dealing with Depositories, which has been circulated as Document No. 403.

All of these matters were reported orally to the Commission by the representative of the United States on the Special Committee, and the action taken thereon by the Commission is stated in the minutes of the meeting of the Commission which followed immediately upon adjournment of the Special Committee (Document No. 409).

[p. 699]

Document 417
SA/1/69
ALTERNATIVE A

Definitions

For the purpose of implementing the provisions of this Agreement, the following definitions shall be applied:

1. A member's "monetary reserves" consist of its net official holdings of gold, convertible currencies of other members, and such non-member currencies as the Fund may determine.

"Official holdings" include holdings by a member itself, and by its Central Bank and other official institutions, and also any holdings by other banks within its jurisdiction which, in the particular case, the Fund, after consultation with the member, regards as falling within the official category on the ground that they are substantially in excess of working balances.

2. A member's "official holdings of convertible currencies" consist of its official holdings of the currencies of other members who have accepted the obligation of convertibility under Article VIII, Section 2, together with its official holdings of such nonmember currencies as the Fund may from time to time determine. The term "currency" for this purpose includes without limitation coins, notes, bank balances, bank acceptances, and Government obligations issued with a maturity of twelve months.

3. A member's "net official holdings of gold and convertible currencies" (that is, its monetary reserves) shall be calculated by deducting its liabilities which are the counterpart of other countries' official holdings of convertible currency (whether such countries be members or non-members specified under (2) above), from the sum of its own official holdings of gold and its own official holdings of convertible currencies.

4. In reckoning the Fund's holdings of a member's currency there is included also securities of the special type provided for in Article III, Section 5.

(p. 47a) 5. Notwithstanding that a member has not accepted the obligation of convertibility under Article VIII, Section 2, the Fund may rule that certain holdings of its currency, carrying specified rights of conversion into another currency or into gold, are to be regarded as holdings of convertible currency for the purpose of the calculation of monetary reserves.

6. For the purpose of calculating initial gold subscriptions under [p. 700] Article III, Sections 3 and 4, a member's "net official holdings of gold and United States dollars" consist of its official holdings of gold and United States currency, after deduction of official holdings by other countries of its currency carrying specific rights of conversion into gold or United States currency.

7. The Committee decided that the definition of "current transactions" should include normal amortization and the repayment of short term credit arising out of the import of goods and services and that the extensive American proposal should be substituted for Professor Robertson's item 6. The Committee decided in particular that tourist expenditures and depreciation should be included.

8. International transactions on current account, unless the Fund determines otherwise, shall be deemed to include, but without limitation:

(i) payments due for goods currently imported or exported;

(ii) Payments due for shipping, insurance, banking and similar services, and payments for personal services;

(iii) payments arising from travel and tourist expenditures;

(iv) payments due for royalties on motion pictures, copyrights, patents and similar rights; (p. 47b)

(v) payments due as interest on loans, dividends on securities, and income from other property or business;

(vi) payments due as taxes, fees and similar obligations to a government, its political sub-divisions, or its agencies;

(vii) payments due on maturing obligations for the above where the obligations were incurred within one year; and

(viii) other payments, such as reasonable amortization and depreciation, which the Fund may from time to time regard as due on transactions on current account.

7/16/44 Art. VII, Sec. 2, Add. Section

[p. 713]

Document 425

CIII/1/RP1

Report Submitted to Commission III by Committee 1 on the Use of Silver for International Monetary Purposes

(To be presented at meeting of Commission III, July 17, 1944)

Bretton Woods, *July* 17, 1944

MR. CHAIRMAN:

At the second meeting of .Commission III held at five o'clock on July 10, 1944, Committee 1 was appointed to consider the proposal on silver submitted by the Mexican Delegation. The proposal is designated as #1 in the Report of the Agenda Committee (Document #235).

It is the recommendation of Committee 1 that Commission III report to the Plenary Session as follows:

"The problems confronting some nations as a result of the wide fluctuation in the value of silver were the subject of serious discussion in this Commission. Due to the shortage of time, the magnitude of the other problems on the agenda, and other limiting considerations, it was impossible to give sufficient attention to this problem at this time in order to make definite recommendations. However, it was the sense of the Commission that the subject should merit further study by the interested nations."

Signed _____ (Peru)
ANDRES F. DASSO, *Chairman*

Signed _____ (China)
KUO-CHING LI, *Reporter*

To the Honorable Eduardo Suárez
Chairman of Commission III

[p. 729]

Document 428
CIII/3/RP1
Report Submitted to Commission III by Committee 3 on Recommendations on Economic and Financial Policy, the Exchange of Information, and Other Means of Financial Cooperation
(To be presented at meeting of Commission III, July 17, 1944)

Bretton Woods, *July* 10, 1944

MR. CHAIRMAN:

At the second meeting of Commission III held at 5:00 p.m. on July 10th, 1944, Committee 3 was appointed to consider proposals for action which had been assigned to it in accordance with the Recommendations of the Agenda Committee and to make recommendations to the full Commission concerning action to be taken at this Conference with respect thereto.

Committee 3 wishes to report as follows concerning its decisions and recommendations with respect to the various proposals [p. 730] submitted to it: The full texts on the proposals are set forth in the report of the Agenda Committee (Document No. 235).

The proposal for an international agreement on maintenance of high levels of employment, submitted by the Australian Delegation and designated as No. 5 in the report of the Agenda Committee, was the subject of much discussion. In view, however, of a basic disagreement concerning this proposal, it was the consensus of the Committee that no recommendation should be made but that the Australian Delegation might raise the matter before the full Commission.

The proposal remanded to Commission III from Commission I concerning the settlement of abnormal indebtedness arising out of the war and designated No. 6 of the Report of the Agenda Committee was withdrawn after the following exchange of views took place between the Egyptian and United Kingdom Delegations. They are inserted verbatim in the record by specific request.

Mr. G. F. Bolton of United Kingdom Delegation, "In due time the British Government will invite the Egyptian Government to send their representative to London to arrive at a satisfactory solution of the problem".

Mr. Sany Lackany Bey, Chairman of the Egyptian Delegation, "It gives me great pleasure to hear the statement of the Delegation of the United Kingdom, who are our great friends and allies. We are aware of the difficulties involved, but we feel we are entitled to see some evidence of good will on the part of the United Kingdom. Now that a reassuring statement has come from the Delegation of the United Kingdom I would like to place the fact on record and acknowledge it with thanks".

(p. 2) The proposal concerning the use of a member's gold contribution

to the Fund as a coverage for note issue, submitted by the Norwegian Delegation and designated as No. 7 in the Report of the Agenda Committee, was discussed and it was the decision of the Committee that the subject is not a matter on which the Conference should make any recommendation.

The proposal concerning the status Of earmarked gold, submitted by the Mexican Delegation and designated as No. 10 in the Report of the Agenda Committee, was considered and it was the decision of the Committee that no action should be taken with respect to this matter.

After discussion the proposal concerning the use of a gold unit in keeping the books of the Fund and of the Bank, submitted by the Norwegian Delegation and designated as No. 11 in the Report of the Agenda Committee, the Committee decided that no [p. 731] action should be taken with respect to this proposal but that decision as to this matter could best be made by the Fund and the Bank at the time of their establishment.

The Committee further decided that the several proposals submitted by Peru, Brazil, Chile, Bolivia, and Cuba, containing recommendations for international consideration and action with respect to other specified international economic problems should be consolidated into one document which might be an appropriate resolution to be adopted by this Conference. Accordingly, the following resolution was drafted and adopted by the Committee. Representatives of the Delegations of Bolivia and Peru expressed a preference for certain alternative language and requested this fact to be noted in the record. However, it is the recommendation of this Committee that Commission III recommend the adoption by the full Conference of the following resolution:

WHEREAS in Article I of the Articles of Agreement of the International Monetary Fund it is stated that one of the principal purposes of the Fund is to facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income in the territories of all members as primary objectives of economic policy;

WHEREAS it is recognized that the complete attainment of this and other purposes and objectives stated in the Agreement cannot be achieved through the instrumentality of the Fund alone;

THEREFORE the United Nations Monetary and Financial Conference recommends to the participating Governments that, in addition to implementing the specific monetary and financial measures which were the subject of this Conference, they seek, with a view to creating in the field of international economic relations conditions necessary for the attainment of the purposes of the Fund and of (p. 3) the broader primary objectives of economic policy, to reach agreement as soon as possible on ways and means whereby they may best:

(1) reduce obstacles to international trade and in other ways promote mutually advantageous international commercial relations;

(2) bring about the orderly marketing of staple commodities at prices fair to the producer and consumer alike;

(3) deal with the special problems of international concern [p. 732] which will arise from the cessation of production for war purposes; and

(4) facilitate by cooperative effort the harmonization of national policies of Member states designed to promote and maintain high levels of employment and progressively rising standards of living.

It is the further recommendation of the Committee that the Chairman of the Commission be empowered to make appropriate modifications in the two "whereas" clauses to incorporate any changes made in the draft Articles of Agreement of the International Monetary Fund, as well as appropriate reference to the Bank for Reconstruction and Development, in the light of action taken by Commission II.

Respectfully yours,
Chairman: (Signed) FERNANDO MARDONES**,** (Chile)
[Chairman:] (Signed) G. E. RIESCO, (Chile)
Reporter: (Signed) Is IBRAHIM ALKEBIR, (Iraq)

[p. 733]

Document 431 (410)
CI/M/7A
Commission I: International Monetary Fund
Addendum to Minutes of Meeting of July 15,1944, 4 p.m.

The India Delegation has called attention to the omission from the fourth paragraph of the Minutes (Document No. 410) of its proposal of Alternative D (SA/1/23, p. 26(e), Document No. 179) which was considered lost as a result of the adoption of Alternative J.

7/17/44

[p. 1184]

Document 433
UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE
Bretton Woods
For the Press July 17, 1944
No. 33

The President of the Conference today reviewed the status of the work with the Steering Committee of the Conference. It was the unanimous opinion of the heads of the Delegations consulted that agreement on all matters of substance would be reached by Wednesday, the date originally set for adjournment, but that the technical and drafting work will require several more days. It was decided that a closing Plenary Session of the Conference will be held on Saturday, and that the Delegations will leave Bretton Woods on Sunday.

[p. 739]

Document 435
DP/27
Delegación del Peru
Statement of the Delegation from Peru on Definite Economic Action Required to Create Conditions Necessary to Make Possible Attainment of the Specific Purposes of the Fund and of the Bank

Peru heartily supports every move to bring about closer cooperation between the nations of the world both in the political [p. 740] field and in the economic field to promote general welfare and to raise the standards of living of the people everywhere. Records of international gatherings are enough evidence of this and more particularly so those of the Montevideo Conference of 1933 and of the meeting at Rio de Janeiro early in 1942 after Pearl Harbour.

In a way it may be said that this Conference represents the first attempt to create a world organization meant as a permanent institution to bring nations together. It is most important, therefore, that all factors be studied carefully so that failure will not attend any such attempt at closer world cooperation, for such failure might well set back its possibility for generations. After all, there is unfortunately so much scepticism among a large proportion of people in all countries about the possibility of world cooperation that the greatest care should be taken so that every forward step proves to be a success, for failure might bring the whole scheme into disrepute. The first steps are the most important because they will show to the unbelievers the feasibility of world cooperation. Once this comes to be generally accepted then it will be possible to be more daring and to risk more because any failures would not endanger the whole movement. There is so much to be gained from world cooperation that no pains should be spared to be sure to get firmly established the foundations on which the whole structure will come to be built.

At the start one should, therefore, set out to study the necessary pre-requisites to the establishment of some such scheme of international monetary cooperation as the one on which this Conference is working. To do this, let us be clear what the plan purports to achieve. It is meant to facilitate exchange transactions and to prevent unnecessary disruptions in the exchange relationships between the different currencies. It would tend to smooth out those temporary difficulties which can be overcome by appropriate help at the right time. It is not meant to provide permanent subsidies to an economy which, for some reason or other, is out of balance or is in need of long term help, to prevent the depreciation of its currency for instance. It is meant, rather, to smooth out differences of a tidal character which ebb for a time only to flow back later. Movements of this kind have

often caused unnecessary trouble which might have been avoided if the appropriate machinery had been available to make possible outside help.

It goes without saying that any such mutual help for this kind of emergencies can only be based on an honest realization by the [p. 741] different nations of the world that they all have the same interest at stake; that they stand or fall together; and that nothing that can be harmful to the rest (p. 2) can in the long run be beneficial to any one of them individually. This seems to be the first prerequisite of the whole scheme as it is of any other kind of world cooperation. To start with it assumes the abandonment of any attempts at prosperity within any one country by voluntary depreciation of its exchange below the level corresponding to the true economic value of its currency.

But there are other pre-requisites of an economic nature which will be necessary for the success of the plan. When it starts functioning, conditions should be such that it will not have to face disruptions of a permanent or acute nature that may prove beyond its scope or with which it may be unable to cope. Great care should be taken that it will only have to tackle such problems as it is meant to. To overlook this would be to take risks of such nature that unless extraordinarily fortunate and unforeseen events were to take place the whole plan might not escape failure.

In the years before the war the principal problem was a strong and persistent current which kept in the red the balance of payments of the debtor countries. There was nothing of a tidal nature in this movement. It was a continuous flow in one direction. It is true that this flow was greatly intensified by transfers of capital and "hot money". But apart from these, if account be only taken of the other items which enter into the balance of payment, there had been a definite trend for quite a number of years so that, even if transfers of capital had been controlled, a deficit would have been shown by the debtor countries. The Fund is not meant to cope with sustained movements of this type; and yet, can anyone feel confident that the war will have changed that trend? If conditions similar to those existing before were to obtain again, would the Fund be able to operate successfully for any length of time? In other words, could it stand the strain of a movement as strong as the one we witnessed in the pre-war years which might exhaust its resources of currency of the creditor countries?

A fundamental matter in exchange stability is the determination of the right parities between the different currencies. Unfortunately, five years of war have brought about such artificial conditions in most countries that it seems practically impossible to foretell what the rates of exchange will tend to be. Take, for instance, the question of the internal purchasing [p. 742] power of the currencies. Production and distribution controls, ceiling prices, subsidies, and innumerable other forms of government interference have brought about, in almost every country, such an artificial state of things that

perhaps not many people would venture to say what the relative value of the different currencies might be according to their actual economic value. Yet a mistake in starting with the proper exchange relationships might, to say the least, have the effect of seriously undermining from the very beginning confidence in the success of the whole scheme.

(p. 3) If the world is going to tend towards greater freedom and towards the elimination of as many artificial government controls as possible, as seems to be the general wish, matters like this will become of paramount importance. In the long run, whether official controls remain or disappear, such questions will always be fundamental. It does not seem possible to run the whole economy of countries with a democratic system of government on basically unsound lines. Sanctions of a very severe nature to make people comply with certain regulations cannot have the backing of public opinion for very long. The general outcry is almost bound to be for shortening of the transition period as much as possible so that these shackles be thrown away.

Then there is the question of the peculiar exchange position of the different countries due to the war with which, by its very nature, the plan is not meant to cope. For instance, the indebtedness which has accumulated in the shape of loans of various sorts, large amounts of blocked currencies, and so on. It is evident that these matters have to be tackled before by different means. Otherwise, they would almost be bound to develop such disruptive tendencies as might be capable of wrecking any plan, for they are not only of concern to both debtor and creditor but to other nations as well. We must not forget what a stumbling block to post war world reconstruction the Reparations Problem was last time.

Let us examine one specific case. England has been the world's leading market. Goods from everywhere could reach her ports with every certainty of finding a market where they could be sold and the proceeds transferred to other countries. Could that be the same again as long as the blocked sterling problem is not solved? For as long as it remains unsolved, untold restrictions will have to remain in force and they may well prove unsurmountable difficulties. Now for many new countries, of which Peru happens to be one, the existence of such a problem is a [p. 743] serious matter. England has been the only market on which they could rely in good or bad times, from the very beginning of their trading history, one might say. If this now ceases to be so, where else will they be able to sell freely? Other possible markets still remain closed. Nothing seems to point yet to their being open in the reasonably immediate future. At least a very large proportion of the new countries with a simple economy based on the export of raw materials would be in this same predicament. They would have to face very difficult times which would continue for as long as this problem had to await a solution. If this is not done in advance, nobody can tell for how long it may drag.

There is also the problem of the need of many countries for making

large purchases abroad merely to refit their productive equipment which has been deteriorating during the period when replacement of machinery has not been possible. To stand on their feet after the war, countries will have to regain their previous productive capacity and to do that many small nations, at least, will have to import large amounts of machinery and spare parts to refit their equipment and stocks. This may put too severe a strain on the exchange resources (p. 4) of even those countries which have been able to accumulate a certain amount of foreign balances. Where the figures are relatively small, the problem may not be of world importance from the point of view of the amount of help required, but sight should never be lost of the fact that the problem itself, for each of the countries involved, may be of paramount importance. This is particularly so in the case of those nations who in the immediate past have only managed to make small additions to their foreign exchange or gold holdings. As long as such re-equipment only serves the purpose of bringing back their productive capacity to where it was before the war, it cannot be said that any help received from abroad will automatically produce enough exchange for its repayment. Long term help will thus be required, and, unless very insignificant in amount, such long term help could not come within the scope of the International Monetary Fund.

Now it seems as if the World Bank for Reconstruction and Development were to be the type of organization to take care of problems of this character. But account should be taken of the fact that the help needed might have to be of a very long term nature. Otherwise, it might not have the desired effect. If the services of the funds advanced put a severe strain on the economy of the needy country, the help extended would not be really relieving it from its difficulties. The point is that the country [p. 744] receiving help to meet this kind of difficulty should only be called upon to meet obligations arising out of such help when it can afford to do so. After all, the idea is to prevent situations that have arisen from producing their ill effects, and such ill effects can as well be caused by letting the present situation run its course as by being too insistent on prompt repayment of the help granted.

But apart from possible difficulties such as those just mentioned it does not seem possible for a monetary scheme like the Fund to prove workable unless the world is made safe from severe depressions which in the past have acted as strong disruptive forces slowing down economic life in a general way everywhere but with different intensity in each country.

Much of the discussion of these problems that takes place today seems to assume that there will be no other such general depressions in the future. That is something everyone earnestly desires. But whether a scheme of this nature can be based on such an assumption is something which anyone can be forgiven for doubting. When we come to compare the various measures advocated to assure prosperity and full employment permanently in the

world we are baffled not only by the disparity of the suggestions but also by the criticism which each one of them seems to imply, in one way or another, of the others. No one can be blamed for being afraid that too much perhaps may be taken for granted; that wishful thinking may be having the better of cold reasoned analysis and that, if and when a depression sets in, it may prove almost as difficult to overcome as in the thirties. Even at present, when in countries at war full employment seems to be the case among the civilian population no one can overlook the fact that men and women will one day be released from the services and other war government agencies (p. 5) and that there will then be millions thrown into the labor market who may only be able to find a job for themselves by displacing those at present occupied.

If a depression were to come, the lot of the small, raw materials exporting countries might indeed be a very difficult one. It was so during the thirties and no one can blame them for being afraid that it may be so again. Supposing they struggle, as some did last time, to maintain stable their rate of exchange by a deflationary policy at home. This led to a general stagnation in economic life which caused unemployment, thus further depressing the standard of living of the people. The only thing left to them then was to go off the gold standard and let the rate of exchange take its [p. 745] course. Well, in such a case, if the Monetary Fund agreement had already been in force, would they have been just as free to make such decisions based on their intimate knowledge of their own problem? After all, it is only natural that countries with the biggest say in the administration of the Fund have their own difficulties and their own problems more in mind when determining its policy. Well now, their policy may not be exactly the one best suited to the small countries struggling with their own peculiar difficulties. Let us consider, for instance, the concrete case of abandoning the stabilization and letting exchange loose to find its own level in a free market, which ten years ago proved to be about the only way out of an extremely difficult situation. The international body in charge of the monetary arrangements might have frowned on such a course. Yet, at the same time, it might not have found fault with large and important countries which, by continuing to adhere to some mistaken policy, might have been the main cause of all the trouble. It may even happen that one or just a few such large countries might have solved the problem of many a small one by changing their fiscal policy, for example, and letting some imports enter their markets from abroad. In fact, by adhering to the wrong fiscal policy, they may not only have been hurting a few small countries but world economy at large. Yet the monetary governing body might have had nothing to say against that. Nobody can question the fact that it is not always the debtor countries that are to blame for disruptions in the relationship of the different economies that so often lead to world depressions. It seems to be rather the case that creditor nations, by not always living up to the obligations inherent in their

more fortunate position and by following shortsighted policies, may come to upset world trade, impoverish the lesser countries, and end by being the victims of their own deeds.

It is for these reasons that there seem to be so many misgivings about the possibility of achieving success in the monetary field unless some further progress is made in the matter of avoiding deep depressions which affect the welfare of all countries. These misgivings are particularly common in new raw material producing nations because their economies depend mostly on just a few commodities and yet nothing is being done to provide them with markets on which they can count, capable of absorbing sufficient amounts at (p. 6) reasonable prices. That is why people wonder whether it is possible for any scheme of world monetary cooperation to be successful over a certain period of time as long as such fundamental economic problems as greater freedom [p. 746] of trade and fair security for large groups of producers are not tackled. For if things are left as they were before the war it does not seem unreasonable to fear a repetition of what we witnessed then, when a strong current in the international balance of payments continued in the same direction for quite a number of years keeping in the red the balance of payments of the debtor countries. With this sort of disequilibrium the Fund could not cope.

Perhaps the basic difference between the economies of large industrial countries and of new raw material producing nations is not always given due attention. It is evident that both are seriously affected by world depressions such as the last one, but the effect seems to be deeper in the new country. It is also somewhat of a different character. And then there is always the lack of resources upon which to fall back.

It might be said that the solution lies in the diversification of the economies of new countries, so that they also become industrialized. There is no question that everything possible should be done in that respect and the Bank for Reconstruction and Development may do a great deal of good in this field, but the young industries will be in need of a certain amount of protection from the sort of unfair competition that large manufacturers in the great industrial centers can carry on to prevent them from developing from the very start. It cannot be questioned that we have seen much disloyal competition killing at birth what promised to be healthy enterprises in countries struggling to strengthen their infant industrial development.

We might sum up by saying that there is no question that more can be achieved at present in the way of bringing about closer cooperation between different nations of the world than was perhaps ever possible before. As such a favorable state of mind might not last, an honest attempt should be made now in this direction. But for the very reason that world cooperation is so important, practical steps should only be taken when it becomes pretty evident that enough of every problem has been considered to have

reasonable hope of success. Granted this to be so, we might say that perhaps we should not attempt this work piecemeal but rather in a comprehensive way. And yet it must be admitted that though nobody can differ from the "Purposes and Policies of the Fund" as outlined in the first section of the Joint Statement of the Experts, the machinery in view does not give the impression of being comprehensive enough to achieve such aims. The question seems to be whether the International Monetary Fund [p. 747] or the World Bank can stand on its feet unless adequate steps are taken at the same time to have freer trade in the world, to have proper markets for the staple products on which so many national economies depend, and to assure full production and employment and prevent the occurrence of severe depressions. In other words, whether it (p. 7) is possible to have successful monetary cooperation without setting up, at the same time, a comprehensive scheme that will cover the basic economic and financial ground on which monetary matters rest. And this is most important for we should not fail to take advantage of the present mood of public opinion, so much in favor of world cooperation, and at the same time we should not run the risk of bitter disappointment that may set back all attempts at achieving unity of action in the world for very many years to come.

Lord Keynes in his speech in the House of Lords on May 23rd, speaking on the subject of the Monetary Fund, is reported to have said the following:

"If the experts of the American and British Treasuries have pursued the monetary discussions with more ardor, with a clearer purpose and, I think, with more success so far than has yet proved possible with other associated matters need we restrain them? If, however, there is a general feeling, as I think that there is, that discussion on other matters be expedited, so that we may have a complete picture before us, I hope that your Lordships will enforce this conclusion in no uncertain terms. I myself have never supposed that in the final outcome the monetary proposals should stand by themselves."

And Secretary Morgenthau in his opening address after his election to the Chair of the United Nations Monetary and Financial Conference, spoke as follows:

"We are more likely to be successful in the work before us if we see it in perspective. Our agenda is concerned specifically with the monetary and investment field. It should be viewed, however, as part of a broader program of agreed action among nations to bring about the expansion of production, employment and trade contemplated in the Atlantic Charter and in Article VII of the mutual aid agreements concluded by the United States with many of the United Nations. Whatever we accomplish here must be supplemented and buttressed by other action having this end in view."

And further on, in the same address, he said the following:

"But provision for monetary stabilization alone will not meet [p. 748]the

need for rehabilitation of war-wrecked economies. It is not, in fact, designed toward that end. It is proposed, rather, as a permanent mechanism to promote exchange stability. Even to discharge this function effectively, it must be supplemented by many other measures to remove impediments to world trade."

It seems sensible to cover the whole economic ground and not to leave some of the problems for later treatment. Measures should be taken in other fields that have a bearing on the whole economic situation as mentioned by Lord Keynes and Secretary Morgenthau in the quotations just given. Mr. Harry D. White implied as much in his opening address at (p. 8) the first meeting of Commission I of the Conference. At the present Conference both the Monetary Plan and the Project of the World Bank can be thoroughly studied and revised with the greatest possible care. That will be so much of the work accomplished. But at this meeting it should be resolved that an Economic Stabilization Commission or a Conference on Commercial Policy be organized at once to seek a solution to those other problems. This Conference has shown how much can be accomplished at these meetings and as some time will elapse before the different nations formally ratify the International Monetary Plan and the World Bank Project, a commission that started working now might be ready with actual proposals in time to allow of their being put into effect all at the same time. Many countries may delay ratification of the Fund and of the Bank on the plea that they do not think the two plans cover the whole ground and that unless a solution is also worked out for the other problems these two cannot be satisfactorily taken care of, and these countries would have no such excuse if they were confronted with a comprehensive scheme taking everything into account.

Juan Chávez
Delegate

[p. 765 upper]

Document 447

CI/SP/4

Report of the Special Committee of Commission I

July 18, 1944, 9:30 *a.m.*

The Committee met at 9:30 a.m., July 18, with the following members present: United States, Chairman; Belgium; Brazil; Canada; China; Czechoslovakia; French Delegation; Netherlands; New Zealand; Union of Soviet Socialist Republics; United Kingdom.

In as much as the Committee's report was presented orally at the meeting of Commission I, immediately following, and the recommendations of the Special Committee are incorporated in the minutes of the meeting of the Commission, no separate report is being circulated.

7/18/44

[p. 765 lower]

Document 448
CI/DC/6
Second Report of Drafting Committee of Commission I
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Articles of Agreement of the International Monetary Fund

The Governments on whose behalf the present Agreement is signed agree as follows:

Introductory Article

The International Monetary Fund is established and shall operate in accordance with the following provisions:

Article I

Purposes

The purposes of the International Monetary Fund are:

(i) To promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems.

(ii) To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high

levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.

(iii) To promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation.

(iv) To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade. (p. 2)

(v) To give confidence to members by making the Fund's resources available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.

(vi) In accordance with the above, to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.

The Fund shall be guided in all its decisions by the purposes set forth in this Article. [p. 769]

Article II
Membership

SECTION 1. *Original members.*

The original members of the Fund shall be those of the countries represented at the United Nations Monetary and Financial Conference whose governments accept membership before the date specified in Article XX, Section 2(e).

SECTION 2. *Other members.*

Membership shall be open to the governments of other countries at such times and in accordance with such terms as may be prescribed by the Fund.

Article III
Quotas and Subscriptions

SECTION 1. *Quotas.*

Each member shall be assigned a quota. The quotas of the members represented at the United Nations Monetary and Financial Conference which accept membership before the date specified in Article XX, Section 2(e) shall be those set forth in Schedule A. The quotas of other members shall be determined by the Fund. (p. 3)

SECTION 2. *Adjustment of quotas.*

The Fund shall at intervals of five years review, and if it deems it appropriate propose an adjustment of, the quotas of the members. It may

also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned. A four-fifths majority of the total voting power shall be required for any change in quotas and no quota shall be changed without the consent of the member concerned.

SECTION 3. *Subscriptions : time, place and form of payment.*

(a) The subscription of each member shall be equal to its quota and shall be paid in full to the Fund at the appropriate depository on or before the date when the member becomes eligible under Article XX, Section 4 (c) or (d) to buy currencies from the Fund.

(b) Each member shall pay in gold, as a minimum, the smaller of

(i) twenty-five percent of its quota; or

(ii) ten percent of its net official holdings of gold and United States dollars as at the date when the Fund notified members under Article XX, Section 4(a) that it will shortly be in a position to begin exchange transactions. [p. 770]

Each member shall furnish to the Fund the data necessary to determine its net official holdings of gold and United States dollars.

(c) Each member shall pay the balance of its quota in its own currency.

(d) If the net official holdings of gold and United States dollars of any member as at the date referred in (b) (ii) above are not ascertainable because its territories have been occupied by the enemy, the Fund shall fix an appropriate alternative (p. 4) date for determining such holdings. If such date is later than that on which the country becomes eligible under Article XX, Section 4(c) or (d), to buy currencies from the Fund, the Fund and the member shall agree on a provisional gold payment to be made under (b) above and the balance of the member's subscription shall be paid in the member's currency, subject to appropriate adjustment between the member and the Fund when the net official holdings have been ascertained.

SECTION 4. *Payments when quotas are changed.*

(a) Each member which consents to an increase in its quota shall, within thirty days after the date of its consent, pay to the Fund twenty-five percent of the increase in gold and the balance in its own currency. If, however, on the date when the member consents to an increase, its monetary reserves are less than its new quota, the Fund may reduce the proportion of the increase to be paid in gold.

(b) If a member consents to a reduction in its quota, the Fund shall, within thirty days after the date of the consent, pay to the member an amount equal to the reduction. The payment shall be made in the member's currency and in such amount of gold as may be necessary to prevent reducing the Fund's holdings of the currency below seventy-five percent of

the new quota.

SECTION 5. *Substitution of securities for currency.*

The Fund shall accept from any member in place of any part of the member's currency which in the judgment of the Fund is not needed for its operations, notes or similar obligations issued by the member or the depository designated by the member under Article XIII, Section 2, which shall be non-negotiable, non-interest bearing and payable at their par value on demand by crediting the account of the Fund in the designated depository. This Section shall apply not only to currency subscribed by members but also to any currency otherwise due to, or acquired by, the Fund. [p. 771] (p. 5)

Article IV
Par Values of Currencies

SECTION 1. *Expression of par values.*

(a) The par value of the currency of each member shall be expressed in terms of gold as a common denominator or in terms of the United States dollar of the weight and fineness in effect on July 1, 1944.

(b) All computations relating to currencies of members for the purpose of applying the provisions of this Agreement shall be on the basis of their par values.

SECTION *2. Gold purchases based on par values.*

The Fund shall prescribe a margin above and below par value for transactions in gold by members, and no member shall buy gold at a price above par value plus the prescribed margin, or sell gold at a price below par value minus the prescribed margin.

SECTION 3. *Foreign exchange dealings based on parity.*

The maximum and the minimum rates for exchange transactions between the currencies of members taking place within their territories shall not differ from parity

(i) in the case of spot exchange transactions, by more than one percent; and

(ii) in the case of other exchange transactions, by a margin which exceeds the margin for spot exchange transactions by more than the Fund considers reasonable.

SECTION 4. *Obligations regarding exchange stability.*

(a) Each member undertakes to collaborate with the Fund to promote exchange stability, to maintain orderly exchange arrangements with other members, and to avoid competitive exchange alterations.

(p. 6) (b) Each member undertakes, through appropriate measures

consistent with this Agreement, to permit within its territories exchange transactions between its currency and the currencies of other members only within the limits prescribed under Section 3 of this Article. A member whose monetary authorities, for the settlement of international transactions, in fact freely buy and sell gold within the limits prescribed by the Fund under Section 2 of this Article shall be deemed to be fulfilling this undertaking.

SECTION 5. *Changes in par values.*

(a) A member shall not propose a change in the par value [p. 772] of its currency except to correct a fundamental disequilibrium.

(b) A change in the par value of a member's currency may be made only on the proposal of the member and only after consultation with the Fund.

(c) When a change is proposed, the Fund shall first take into account the changes, if any, which have already taken place in the initial par value of the member's currency as determined under Article XX, Section 4. If the proposed change, together with all previous changes, whether increases or decreases,

(i) does not exceed ten percent of the initial par value, the Fund shall raise no objection,

(ii) does not exceed a further ten percent of the initial par value, the Fund may either concur or object, but shall declare its attitude within seventy-two hours if the member so requests,

(iii) is not within (i) or (ii) above, the Fund may either concur or object, but shall be entitled to a longer period in which to declare its attitude.

(p. 7) (d) Uniform changes in par values made under Section 7 of this Article shall not be taken into account in determining whether a proposed change falls within (i), (ii), or (iii) of (c) above.

(e) A member may change the par value of its currency without the concurrence of the Fund if the change does not affect the international transactions of members of the Fund.

(f) The Fund shall concur in a proposed change which is within the terms of (c) (ii) or (c) (iii) above if it is satisfied that the change is necessary to correct a fundamental disequilibrium. In particular, provided it is so satisfied, it shall not object to a proposed change because of the domestic social or political policies of the member proposing the change.

SECTION 6. *Effect of unauthorized changes.*

If a member changes the par value of its currency despite the objection of the Fund, in cases where the Fund is entitled to object, the member shall be ineligible to use the resources of the Fund unless the Fund otherwise determines; and if, after the expiration of a reasonable period, the difference between the member and the Fund continues, the matter shall be subject to the provisions of Article XV, Section 2(b).

SECTION 7. *Uniform changes in par values.*

Notwithstanding the provisions of Section 5(a) of this Article, the Fund by a majority of the total voting power may make [p. 773] uniform proportionate changes in the par values of the currencies of all members, provided each such change is approved by every member which has ten percent or more of the total of the quotas. The par value of a member's currency shall, however, not be changed under this provision if, within seventy-two hours of the Fund's action, the member informs the Fund that it does not wish the par value of its currency to be changed by such action. (p. 8)

SECTION 8. *Maintenance of gold value of the Fund's assets.*

(a) The gold value of the Fund's assets shall be maintained notwithstanding changes in the par or foreign exchange value of the currency of any member.

(b) Whenever (i) the par value of a member's currency is reduced, or (ii) the foreign exchange value of a member's currency has, in the opinion of the Fund, depreciated to a significant extent within that member's territories, the member shall pay to the Fund within a reasonable time an amount of its own currency equal to the reduction in the gold value of its currency held by the Fund.

(c) Whenever the par value of a member's currency is increased, the Fund shall return to such member within a reasonable time an amount in its currency equal to the increase in the gold value of its currency held by the Fund.

(d) The provisions of this Section shall apply to a uniform proportionate change in the par values of the currencies of all members, unless at the time when such a change is proposed the Fund decides otherwise.

SECTION 9. *Separate currencies within a member's territories.*

A member proposing a change in the par value of its currency shall be deemed, unless it declares otherwise, to be proposing a corresponding change in the par value of the separate currencies of all territories in respect of which it has accepted this agreement under Article XX, Section 2(g). It shall, however, be open to a member to declare that its proposal relates either to the metropolitan currency alone, or only to one or more specified separate currencies, or to the metropolitan currency and one or more specified separate currencies. (p. 9)

Article V
Transactions with the Fund

SECTION 1, *Agencies dealing with the Fund.*

Each member shall deal with the Fund only through its Treasury, [p. 774] central bank, stabilization fund or other similar fiscal agency and the Fund shall deal only with or through the same agencies.

SECTION 2. *Limitation on the Fund's operations.*

Except as otherwise provided in this Agreement, operations on the account of the Fund shall be limited to transactions for the purpose of supplying a member, on the initiative of such member, with the currency of another member in exchange for gold or for the currency of the member desiring to make the purchase.

SECTION 3. *Conditions governing use of the Fund's resources.*

(a) A member shall be entitled to buy the currency of another member from the Fund in exchange for its own currency subject to the following conditions:

(i) The member desiring to purchase the currency represents that it is presently needed for making in that currency payments which are consistent with the provisions of this Agreement;

(ii) The Fund has not given notice under Article VII, Section 3, that its holdings of the currency desired have become scarce;

(iii) The proposed purchase would not cause the Fund's holdings of the purchasing member's currency to increase by more than twenty-five percent of its quota during the period of twelve months ending on the date of the (p. 10) purchase nor to exceed two hundred percent of its quota, but the twenty-five percent limitation shall apply only to the extent that the Fund's holdings of the member's currency have been brought above seventy-five percent of its quota if they had been below that amount;

(iv) The Fund has not previously declared under Section 5 of this Article, Article IV, Section 6, Article VI, Section 1, or Article XV, Section 2(a), that the member desiring to purchase is ineligible to use the resources of the Fund.

(b) A member shall not be entitled without the permission of the Fund to use the Fund's resources to acquire currency to hold against forward exchange transactions.

SECTION 4. *Waiver of conditions.*

The Fund may in its discretion, and on terms which safeguard its interests, waive any of the conditions prescribed in Section 3(a) of this Article, especially in the case of members with a [p. 775] record of avoiding large or continuous use of the Fund's resources. In making a waiver it shall

take into consideration periodic or exceptional requirements of the member requesting the waiver. The Fund shall also take into consideration a member's willingness to pledge as collateral security gold, silver, securities, or other acceptable assets having a value sufficient in the opinion of the Fund to protect its interests and may require as a condition of waiver the pledge of such collateral security. (p. 11)

SECTION 5. *Ineligibility to use the Fund's resources.*

Whenever the Fund is of the opinion that any member is using the resources of the Fund in a manner contrary to the purposes of the Fund, it shall present to the member a report setting forth the views of the Fund and prescribing a suitable time for reply. After presenting such a report to a member, the Fund may limit the use of its resources by the member. If no reply to the report is received from the member within the prescribed time, or if the reply received is unsatisfactory, the Fund may continue to limit the member's use of the Fund's resources or may, after giving reasonable notice to the member, declare it ineligible to use the resources of the Fund.

SECTION 6. *Purchases of currencies from the Fund for gold.*

(a) Any member desiring to obtain, directly or indirectly, the currency of another member for gold shall, provided that it can do so with equal advantage, acquire it by the sale of gold to the Fund.

(b) Nothing in this Section shall be deemed to preclude any member from selling in any market gold newly produced from mines located within its territories.

SECTION 7. *Repurchase by a member of its currencies.*

(a) A member may repurchase from the Fund and the Fund shall sell for gold any part of the Fund's holdings of its currency in excess of its quota.

(b) At the end of each financial year of the Fund, a member shall repurchase from the Fund with gold or convertible currencies, as determined in accordance with Schedule B, part of the Fund's holdings of its currency under the following conditions: (p. 12)

(i) Each member shall use in repurchases of its own currency from the Fund an amount of its monetary reserves equal in value to one-half of any increase that has occurred during the year in the Fund's holdings of its [p. 776] currency plus one-half of any increase, or minus one-half of any decrease, that has occurred during the year in the member's monetary reserves. This rule shall not apply when a member's monetary reserves have decreased during the year by more than the Fund's holdings of its currency have increased.

(ii) If after the repurchase described in (i) above (if required) has been made, a member's holdings of another member's currency (or of gold

acquired from that member) are found to have increased by reason of transactions in terms of that currency with other members or persons in their territories, the member whose holdings of such currency (or gold) have thus increased shall use the increase to repurchase its own currency from the Fund.

(c) None of the adjustments described in (b) above shall be carried to a point at which

(i) the member's monetary reserves are below its quota, or

(ii) the Fund's holdings of its currency are below seventy-five percent of its quota, or

(iii) the Fund's holdings of any currency required to be used are above seventy-five percent of the quota of the member concerned. (p. 13)

SECTION 8. *Charges.*

(a) Any member buying the currency of another member from the Fund in exchange for its own currency shall pay a service charge uniform for all members of three-fourths percent in addition to the parity price. The Fund in its discretion may increase this service charge to not more than one percent or reduce it to not less than one-half percent.

(b) The Fund may levy a reasonable handling charge on any member buying gold from the Fund or selling gold to the Fund.

(c) The Fund shall levy charges uniform for all members which shall be payable by any member on the average daily balances of its currency held by the Fund in excess of its quota. These charges shall be at the following rates:

(i) *On amounts not more than twenty-five percent in excess of the quota:* no charge for the first three months; one-half percent per annum for the next nine months; and thereafter an increase in the charge of one-half percent for each subsequent year. [p. 777]

(ii) *On amounts more than twenty-five percent and not more than fifty percent in excess of the quota*: an additional one-half percent for the first year; and an additional one-half percent for each subsequent year.

(iii) *On each additional bracket of twenty-five percent in excess of the quota*: an additional one-half percent for the first year; and an additional one-half percent for each subsequent year.

(d) Whenever the Fund's holdings of a member's currency are such that the charge applicable to any bracket for any period has reached the rate of four percent per annum, the Fund and the member shall consider means by which the Fund's holdings of the currency can be reduced. Thereafter, the charges shall rise in accordance with the provisions of (c) above until they reach (p. 14) five percent and failing agreement, the Fund may then impose such charges as it deems appropriate.

(e) The rates referred to in (c) and (d) above may be changed by a three-fourths majority of the total voting power.

(f) All charges shall be paid in gold. If, however, the member's monetary reserves are less than one-half of its quota, it shall pay in gold only that proportion of the charges due which such reserves bear to one-half of its quota, and shall pay the balance in its own currency.

Article VI
Capital Transfers

SECTION 1. *Use of the Fund's resources for capital transfers.*

(a) A member may not make net use of the Fund's resources to meet a large or sustained outflow of capital, and the Fund may request a member to exercise controls to prevent such use of the resources of the Fund. If, after receiving such a request, a member fails to exercise appropriate controls, the Fund may declare the member ineligible to use the resources of the Fund.

(b) Nothing in this Section shall be deemed

(i) to prevent the use of the resources of the Fund for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking or other business, or

(ii) to affect capital movements which are met out of a member's own resources of gold and foreign exchange, but members undertake that such capital movements will be in accordance with the purposes of the Fund. [p. 778] (p. 15)

SECTION *2. Special provisions for capital transfers.*

If the Fund's holdings of the currency of a member have remained below seventy-five percent of its quota for an immediately preceding period of not less than six months, such member, if it has not been declared ineligible to use the resources of the Fund under Section 1 of this Article, Article IV, Section 6, Article V, Section 5, or Article XV, Section 2(a), shall be entitled, notwithstanding the provisions of Section 1(a) of this Article, to buy the currency of another member from the Fund with its own currency for any purpose, including capital transfers. Purchases for capital transfers under this Section shall not, however, be permitted if they have the effect of raising the Fund's holdings of the currency of the member desiring to purchase above seventy-five percent of its quota, or of reducing the Fund's holdings of the currency desired below seventy-five percent of the quota of the member whose currency is desired.

SECTION 3. *Controls of capital transfers.*

Members may exercise such controls as are necessary to regulate international capital movements, but no member may exercise these controls in a manner which will restrict payments for current transactions or which will unduly delay transfers of funds in settlement of commitments, except as provided in Article VII, Section 3(b), and in Article XIV, Section 2.

Article VII
Scarce Currencies

SECTION 1. *General scarcity of currency.*

If the Fund finds that a general scarcity of a particular currency is developing, the Fund may so inform members and may issue a report setting forth the causes of the scarcity and containing recommendations designed to bring it to an end. A representative of the member whose currency is involved shall participate in the preparation of the report. (p. 16)

SECTION 2. *Measures to replenish the Fund's holdings of scarce currencies.*

The Fund may, if it deems such action appropriate to replenish its holdings of any member's currency, take either or both of the following steps:

(a) Propose to the member that, on terms and conditions agreed between the Fund and the member, the latter lend [p. 779] its currency to the Fund or that, with the approval of the member, the Fund borrow such currency from some other source either within or outside the territories of the member, but no member shall be under any obligation to make such loans to the Fund or to approve the borrowing of its currency by the Fund from any other source.

(b) Require the member to sell its currency to the Fund for gold.

SECTION 3. *Scarcity of the Fund's holdings.*

(a) If it becomes evident to the Fund that the demand for a member's currency seriously threatens the Fund's ability to supply that currency, the Fund, whether or not it has issued a report under Section 1 of this Article, shall formally declare such currency scarce and shall thenceforth apportion its existing and accruing supply of the scarce currency with due regard to the relative needs of members, the general international economic situation and any other pertinent considerations. The Fund shall also issue a report concerning its action.

(b) A formal declaration under (a) above shall operate as an authorization to any member, after consultation with the Fund, temporarily to impose limitations on the freedom of exchange operations in the scarce currency. Subject to the provisions of Article IV, Sections 3 and 4, the member shall have complete jurisdiction in determining the nature of such limitations, but they shall be no more restrictive than is necessary to limit the demand (p. 17) for the scarce currency to the supply held by, or accruing to, the member in question; and they shall be relaxed and removed as rapidly as conditions permit.

(c) The authorization under (b) above shall expire whenever the Fund formally declares the currency in question to be no longer scarce.

SECTION 4. *Administration of restrictions.*

Any member imposing restrictions in respect of the currency of any other member pursuant to the provisions of Section 3 (b) of this Article shall give sympathetic consideration to any representations by the other member regarding the administration of such restrictions.

SECTION 5. *Effect of other international agreements on restrictions.*

Members agree not to invoke the obligations of any engagements entered into with other members prior to this Agreement [p. 780] in such a manner as will prevent the operation of the provisions of this Article.

Article VI
General Obligations of Members

SECTION 1. *Introduction.*

In addition to the obligations assumed under other articles of this Agreement, each member undertakes the obligations set out in this Article.

SECTION 2. *Avoidance of restrictions on current 'payments.*

(a) Subject to the provisions of Article VII, Section 3(b), and Article XIV, Section 2, no member shall, without the approval of the Fund, impose restrictions on the making of payments and transfers for current international transactions.

(b) Exchange contracts which involve the currency of any member and which are contrary to the exchange control regulations of that member maintained or imposed consistently with this Agreement shall be unenforceable in the territories of any member. In addition, members may, by mutual accord, co-operate in measures for the purpose of (p. 18) making the exchange control regulations of either member more effective, provided that such measures and regulations are consistent with this Agreement.

SECTION 3. *Avoidance of discriminatory currency practices.*

No member shall engage in, or permit any of its fiscal agencies referred to in Article V, Section 1, to engage in, any discriminatory currency arrangements or multiple currency practices except as authorized under this Agreement or approved by the Fund. If such arrangements and practices are engaged in at the date when this Agreement enters into force the member concerned shall consult with the Fund as to their progressive removal unless they are maintained or imposed under Article XIV, Section 2, in which case the provisions of Section 4 of that Article shall apply.

SECTION 4. *Convertibility of foreign held balances.*

(a) Each member shall buy balances of its currency held by another

member if the latter, in requesting the purchase, represents

(i) that the balances to be bought have been recently acquired as a result of current transactions; or

(ii) that their conversion is needed for making payments for current transactions. [p. 781]

The buying member shall have the option to pay either in the currency of the member making the request or in gold.

(b) This obligation in (a) above shall not apply

(i) when the convertibility of the balances has been restricted consistently with Article VI, Section 3 or Article VIII, Section 2; or

(ii) when the balances have accumulated as a result of transactions effected before the removal by a member of restrictions maintained or imposed under Article XIV, Section 2; (p. 19)

(iii) When the balances have been acquired contrary to the exchange regulations of the member which is asked to buy them; or

(iv) When the currency of the member requesting the purchase has been declared scarce under Article VII, Section 3(a) ; or

(v) When the member requested to make the purchase is for any reason not entitled to buy currencies of other members from the Fund for its own currency.

SECTION 5. *Furnishing of information.*

(a) The Fund may require members to furnish it with such information as it deems necessary for its operations, including, as the minimum necessary for the effective discharge of the Fund's duties, national data on the following matters:

(i) Official holdings at home and abroad, of (1) gold, (2) foreign exchange.

(ii) Holdings at home and abroad by banking and financial agencies, other than official agencies, of (1) gold, (2) foreign exchange.

(iii) Production of gold.

(iv) Gold exports and imports according to countries of destination and origin.

(v) Total exports and imports of merchandise, in terms of local currency values, according to countries of destination and origin.

(vi) International balance of payments, including (1) trade in goods and services, (2) gold transactions, (3) known capital transactions, and (4) other items.

(viii) International investment position, *i.e.,* [p. 782] (p. 20) investments within the territories of the member owned abroad and investments abroad owned by persons in its territories so far as it is possible to furnish this information.

(viii) National income.

(ix) Price indices, *i.e.,* indices of commodity prices in wholesale and retail markets and of export and import prices.

(x) Buying and selling rates for foreign currencies.

(xi) Exchange controls, *i.e.,* a comprehensive statement of exchange controls in effect at the time of assuming membership in the Fund and details of subsequent changes as they occur.

(xii) Where official clearing arrangements exist, details of amounts awaiting clearance in respect of commercial and financial transactions, and of the length of time during which such arrears have been outstanding.

(b) In requesting information the Fund shall take into consideration the varying ability of members to furnish the data requested. Members shall be under no obligation to furnish information in such detail that the affairs of individuals or corporations are disclosed. Members undertake, however, to furnish the desired information in as detailed and accurate a manner as is practicable, and, so far as possible, to avoid mere estimates.

(c) The Fund may arrange to obtain further information by agreement with members. It shall act as a centre for the collection and exchange of information on monetary and financial problems, thus facilitating the preparation of studies designed to assist members in developing policies which further the purposes of the Fund. **(p. 21)**

SECTION 6. *Consultation between members regarding existing international agreements.*

Where under this Agreement a member is authorized in the special or temporary circumstances specified in the Agreement to maintain or establish restrictions on exchange transactions, and there are other engagements between members entered into prior to this Agreement which conflict with the application of such restrictions, the parties to such engagements will consult with one another with a view to making such mutually acceptable adjustments [p. 783] as may be necessary. The provisions of this Article shall be without prejudice to the operation of Article VII, Section 5.

Article IX
Status, immunities and Privileges

SECTION 1. *Purposes of Article.*

To enable the Fund to fulfill the functions with which it is entrusted, the status, immunities and privileges set forth in this Article shall be accorded to the Fund in the territories of each member.

SECTION 2. *Status of the Fund.*

The Fund shall possess full juridical personality, and, in particular, the capacity:

(i) to contract;

(ii) to acquire and dispose of immovable and movable property;

(iii) to institute legal proceedings.

SECTION 3. *Immunity from judicial process.*

The Fund, its property and its assets, wherever located and by whomsoever held, shall enjoy immunity from every form of judicial process except to the extent that it expressly waives its immunity for the purpose of any proceedings or by the terms of any contract. (p. 22)

SECTION 4. *Immunity from other action.*

Property and assets of the Fund, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of seizure by executive or legislative action.

SECTION 5. *Immunity of archives.*

The archives of the Fund shall be inviolable.

SECTION 6. *Freedom of assets from restrictions.*

To the extent necessary to carry out the operations provided for in this Agreement, all property and assets of the Fund shall be free from restrictions, regulations, controls and moratoria of any nature.

SECTION 7. *Privilege for communications.*

The official communications of the Fund shall be accorded by members the same treatment as the official communications of other members. [p. 784]

SECTION 8. *Immunities and privileges of officers and employees.*

All governors, executive directors, alternates, officers and employees of the Fund

(i) shall be immune from legal process with respect to acts performed by them in their official capacity except when the Fund waives this immunity.

(ii) not being local nationals, shall be granted the same immunities from immigration restrictions, alien registration requirements and national service obligations and the same facilities as regards exchange restrictions as are accorded by members to the representatives, officials, and employees of comparable rank of other members. (p. 23)

(ii) shall be granted the same treatment in respect of travelling facilities as is accorded by members to representatives, officials and employees of comparable rank of other members.

SECTION 9. *Immunities from taxation.*

(a) The Fund, its assets, property, income and its operations and transactions authorized by this Agreement, shall be immune from all taxation

and from all customs duties. The Fund shall also be immune from liability for the collection or payment of any tax or duty.

(b) No tax shall be levied or on in respect of salaries and emoluments paid by the Fund to executive directors, alternates, officers or employees of the Fund who are not local citizens, local subjects, or other local nationals.

(c) No taxation of any kind shall be levied on any obligation or security issued by the Fund, including any dividend or interest thereon, by whomsoever held

(i) which discriminates against such obligation or security solely because of its origin; or

(ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Fund.

SECTION 10. *Application of Article.*

Each member shall take such action as is necessary in its own territories for the purpose of making effective in terms of its own [p. 785] law the principles set forth in this Article and shall inform the Fund of the detailed action which it has taken. (p. 24)

Article X

Relations with Other International Organizations

The Fund shall cooperate within the terms of this Agreement with any general international organization and with public international organizations having specialized responsibilities in related fields. Any arrangements for such cooperation which would involve a modification of any provision of this Agreement may be effected only after amendment to this Agreement under Article XVII.

Article XI

Relations with Non-Member Countries

SECTION 1. *Undertakings regarding relations with non-member countries.*

Each member undertakes:

(i) Not to engage in, nor to permit any of its fiscal agencies referred to in Article V, Section 1, to engage in, any transactions with a non-member or with persons in a nonmember's territories which would be contrary to the provisions of this Agreement or the purposes of the Fund;

(ii) Not to cooperate with a non-member or with persons in a non-member's territories in practices which would be contrary to the provisions of this Agreement or the purposes of the Fund; and

(iii) To cooperate with the Fund with a view to the application in its territories of appropriate measures to prevent transactions with non-members or with persons in their territories which would be contrary to the

provisions of this Agreement or the purposes of the Fund. (p. 25)

SECTION 2. *Restrictions on transactions with non-member countries.*

Nothing in this Agreement shall affect the right of any member to impose restrictions on exchange transactions with non-members or with persons in their territories unless the Fund finds that such restrictions prejudice the interests of members and are contrary to the purposes of the Fund. [p. 786]

Article XII

Organization and Management

SECTION 1. *Structure of the Fund.*

The Fund shall have a Board of Governors, Executive Directors, a Managing Director and a Staff.

SECTION 2. *Board of Governors.*

(a) All powers of the Fund shall be vested in the Board of Governors, consisting of one governor and one alternate appointed by each member in such manner as it may determine. Each governor and each alternate shall serve for five years, subject to the pleasure of the member appointing him, and may be reappointed. No alternate may vote except in the absence of his principal. The Board shall select one of the governors as chairman.

(b) The Board of Governors may delegate to the Executive Directors authority to exercise any powers of the Board, except the power to:

(i) Admit new members and determine the conditions of their admission.

(ii) Approve a revision of quotas.

(iii) Approve a uniform change in the par value of the currencies of all members.

(iv) Make arrangements to cooperate with other international organizations (other than informal arrangements of a temporary or administrative character).

(v) Determine the distribution of the net income of the Fund, (p. 26)

(vi) Require a member to withdraw.

(vii) Decide to liquidate the Fund.

(viii) Decide appeals from interpretations of this Agreement given by the Executive Directors.

(c) The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or called by the Executive Directors. Meetings of the Board shall be called by the Directors whenever requested by five members or by members having one quarter of the total voting power.

(d) A quorum for any meeting of the Board of Governors shall be a majority of the governors exercising not less than two-thirds of the total

voting power.

(e) Each governor shall be entitled to cast the number of votes allotted under Section 5 of this Article to the member appointing him. [p. 787]

(f) The Board of Governors may by regulation establish a procedure whereby the Executive Directors, when they deem such action to be in the best interests of the Fund, may obtain a vote of the governors on a specific question without calling a meeting of the Board.

(g) The Board of Governors, and the Executive Directors to the extent authorized, may adopt such rules and regulations as may be necessary or appropriate to conduct the business of the Fund.

(h) Governors and alternates shall serve as such without compensation from the Fund, but the Fund shall pay them reasonable expenses incurred in attending meetings.

(i) The Board of Governors shall determine the remuneration to be paid to the Executive Directors and the salary and terms of the contract of service to the Managing Director.

SECTION 3. *Executive Directors.*

(a) The Executive Directors shall be responsible for the conduct of the general operations of the Fund, and for this purpose shall exercise all the powers delegated to them by the Board of Governors.

(p. 27) (b) There shall be not less than twelve and not more than fourteen directors of whom

(i) five shall be appointed by the five members having the largest quotas;

(ii) not more than two shall be appointed when the provisions of (c) below apply;

(iii) five shall be elected by the members not entitled to appoint directors, other than the American Republics; and

(iv) two shall be elected by the American Republics not entitled to appoint directors.

Persons chosen as directors need not be governors.

(c) If, at the second regular election of directors and thereafter, the members entitled to appoint directors under (b) (i) above do not include the two members, the holdings of whose currencies by the Fund have been, on the average over the preceding two years, reduced below their quotas by the largest absolute amounts in terms of gold as a common denominator, either one or both of such members, as the case may be, shall be entitled to appoint a director.

(d) Subject to Article XX, Section 3(b) elections of elective directors shall be conducted at intervals of two years in accordance [p. 788] with the provisions of Schedule C, supplemented by such regulations as the Fund deems appropriate.

(e) Each director shall appoint an alternate with full power to act for him

when he is not present. When the directors appointing them are present, alternates may participate in meetings but may not vote.

(p. 28) (f) Directors shall continue in office until their successors are appointed or elected. If the office of an elected director becomes vacant more than ninety days before the end of his term, another director shall be elected for the remainder of the term by the members who elected the former director. A majority of the votes cast shall be required for election. While the office remains vacant, the alternate of the former director shall exercise his power, except that of appointing an alternate.

(g) The Executive Directors shall function in continuous session at the principal office of the Fund and shall meet as often as the business of the Fund may require.

(h) A quorum for any meeting of the Executive Directors shall be a majority of the directors representing not less than one-half of the voting power.

(i) Each appointed director shall be entitled to cast the number of votes allotted under Section 5 of this Article to the member appointing him. Each elected director shall be entitled to cast the number of votes which counted towards his election. When the provisions of Section 5(b) of this Article are applicable, the votes which a director would otherwise be entitled to cast shall be increased or decreased correspondingly. All the votes which a director is entitled to cast shall be cast as a unit.

(j) The Board of Governors shall adopt regulations under which a member not entitled to appoint a director under (b) above may send a representative to attend any meeting of the Executive Directors when a request made by, or a matter particularly affecting, that member is under consideration.

(p. 29) (k) The Executive Directors may appoint such committees, as they deem advisable. Membership of committees need not be limited to governors or directors or their alternates.

SECTION 4. *Managing Director and staff.*

(a) The Executive Directors shall select a Managing Director who shall not be a governor or an executive director. The Managing Director shall be chairman of the Executive Directors, but shall have no vote except a deciding vote in case of an equal division. He may participate in meetings of the Board of Governors, but shall not vote at such meetings. The Managing Director [p. 789] shall cease to hold office when the Executive Directors so decide.

(b) The Managing Director shall be chief of the operating staff of the Fund and shall conduct, under the direction of the Executive Directors, the ordinary business of the Fund. Subject to the general control of the Executive Directors, he shall be responsible for the organization,

appointment and dismissal of the staff of the Fund.

(c) The Managing Director and the staff of the Fund, in the discharge of their functions, shall owe their duty entirely to the Fund and to no other authority. Each member of the Fund shall respect the international character of this duty and shall refrain from all attempts to influence any of the staff in the discharge of his functions.

(d) In appointing the staff the Managing Director shall, subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to the importance of recruiting personnel on as wide a geographical basis as possible. (p. 30)

SECTION 5. *Voting.*

(a) Each member shall have two hundred fifty votes plus one additional vote for each part of its quota equivalent to one hundred thousand United States dollars of the weight and fineness in effect on July 1, 1944.

(b) Whenever voting is required under Article V, Section 4 or 5, each member shall have the number of votes to which it is entitled under (a) above, adjusted:

(i) by the addition of one vote for the equivalent of each 400,000 United States dollars of net sales of its currency up to the date when the vote is taken, or

(ii) by the subtraction of one vote for the equivalent of each 400,000 United States dollars of its net purchases of the currencies of other members up to the date when the vote is taken

provided, that neither net purchases nor net sales shall be deemed at any time to exceed an amount equal to the quota of the member involved.

(c) For the purpose of all computations under this Section, United States dollars shall be deemed to -be of the weight and fineness in effect on July 1, 1944, adjusted for any uniform change [p. 790] under Article IV, Section 7, if a waiver is made under Section 8(d) of that Article.

(d) Except as otherwise specifically provided, all decisions of the Fund shall be made by a majority of the votes cast. (p. 31)

SECTION 6. *Distribution of net income.*

(a) The Board of Governors shall determine annually what part of the Fund's net income shall be placed to reserve and what part, if any, shall be distributed.

(b) If any distribution is made, there shall first be distributed a two percent non-cumulative payment to each member on the amount by which seventy-five percent of its quota exceeded the Fund's average holdings of its currency during that year. The balance shall be paid to all members in proportion to their quotas. Payments to each member shall be made in its own currency.

SECTION 7. *Publication of reports.*

(a) The Fund shall publish an annual report containing an audited statement of its accounts, and shall issue, at intervals of three months or less, a summary statement of its transactions and its holdings of gold and currencies of members.

(b) The Fund may publish such other reports as it deems desirable for carrying out its purposes.

SECTION 8. *Communication of views to members.*

The Fund shall at all times have the right to communicate its views informally to any member on any matter arising under this Agreement. The Fund may, by a two-thirds majority of the total voting power, decide to publish a report made to a member regarding its monetary or economic conditions and developments which directly tend to produce a serious disequilibrium in the international balance of payments of members. If the member is not entitled to appoint an executive director, it shall be entitled to representation in accordance with Section 3 (j) of this Article. The Fund shall not publish a report involving changes in the fundamental structure of the economic organization of members. (p. 32)

Article XIII
Offices and Depositories

SECTION 1. *Location of offices.*

The principal office .of the Fund shall be located in the territory of the member having the largest quota, and agencies or [p. 791] branch offices may be established in the territories of other members.

SECTION 2. *Depositories.*

(a) Each member country shall designate its central bank as a depository for all the Fund's holdings of its currency, or if it has no central bank it shall designate such other institution as may be acceptable to the Fund.

(b) The Fund may hold other assets, including gold, in the depositories designated by the five members having the largest quotas and in such other designated depositories as the Fund may select. Initially, at least one-half of the holdings of the Fund shall be held in the depository designated by the member in whose territories the Fund has its principal office and at least forty percent shall be held in the depositories designated by the remaining four members referred to above. However, all transfers of gold by the Fund shall be made with due regard to the costs of transport and anticipated requirements of the Fund. In an emergency the Executive Directors may transfer all or any part of the Fund's gold holdings to any place where they can be adequately protected.

SECTION 3. *Guarantee of the Fund's assets.*

Each member guarantees all assets of the Fund against loss resulting from failure or default on the part of the depository designated by it.

Article XIV
Transitional Period

SECTION 1. *Introduction.*

The Fund is not intended to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of the war. (p. 33)

SECTION 2. *Exchange restrictions.*

In the post-war transitional period members may, notwithstanding the provisions of any other articles of this Agreement, maintain and adapt to changing circumstances (and, in the case of members whose territories have been occupied by the enemy, introduce where necessary) restrictions on payments and transfers for current international transactions. Members shall, however, have continuous regard in their foreign exchange policies to the purposes of the Fund; and, as soon as conditions permit, they shall take all possible measures to develop such commercial and financial arrangements with other members as will facilitate [p. 792] international payments and the maintenance of exchange stability. In particular, members shall withdraw restrictions maintained or imposed under this Section as soon as they are satisfied that they will be able, in the absence of such restrictions, to settle their balance of payments in a manner which will not unduly encumber their access to the resources of the Fund.

SECTION 3. *Notification to the Fund.*

Each member shall notify the Fund before it becomes eligible under Article XX, Section 4 (c) or (d) to buy currency from the Fund, whether it intends to avail itself of the transitional arrangements in Section 2 of this Article, or whether it is prepared to accept the obligations of Article VIII, Sections 2, 3, and 4. A member availing itself of the transitional arrangements shall notify the Fund as soon thereafter as it is prepared to accept the above-mentioned obligations.

SECTION 4. *Action of the Fund relating to restrictions.*

Not later than three years after the date on which the Fund begins operations and in each year thereafter, the Fund shall report on the restrictions still in force under Section 2 of this Article. Five years after the date on which the Fund begins operations, and in (p. 34) each year thereafter, any member still retaining any restrictions inconsistent with Article VIII, Sections 2, 3, or 4, shall consult the Fund as to their further intention. The Fund may, if it deems such action necessary in exceptional circumstances,

make representations to any member that conditions are favorable for the withdrawal of any particular restriction, or for the general abandonment of restrictions, inconsistent with the provisions of any other articles of this Agreement. The member shall be given a suitable time to reply to such representations. If the Fund finds that the member persists in maintaining restrictions which are inconsistent with the purposes of the Fund, the member shall be subject to Article XV, Section 2.

SECTION 5. *Nature of transitional period.*

In its relations with members, the Fund shall recognize that the post-war transitional period will be one of change and adjustment and in making decisions on requests occasioned thereby which are presented by any member it shall give the member the benefit of any reasonable doubt.

Article XV
Withdrawal from, Membership

SECTION 1. *Right of members to withdraw.*

Any member may withdraw from the Fund at any time by [p. 793] transmitting a notice in writing to the Fund at its principal office. Withdrawal shall become effective on the date such notice is received. (p. 35)

SECTION 2. *Compulsory withdrawal.*

If a member fails to fulfill any of its obligations under this Agreement, the Fund may declare the member ineligible to use the resources of the Fund. Nothing in this Section shall be deemed to limit the provisions of Article IV, Section 6, Article V, Section 5, or Article VI, Section 1.

(b) If, after the expiration of a reasonable period the member persists in its failure to fulfill any of its obligations under this Agreement, or a difference between a member and the Fund under Article IV, Section 6, continues, that member may be required to withdraw from membership in the Fund by a decision of the Board of Governors carried by a majority of the governors representing a majority of the total voting power.

(c) Regulations shall be adopted to ensure that before action is taken against any member under (a) or (b) above, the member shall be informed in reasonable time of the complaint against it and given an adequate opportunity for stating its case, both orally and in writing.

SECTION 3. *Settlement of accounts with members withdrawing.*

When a member withdraws from the Fund, normal transactions of the Fund in its currency shall cease and settlement of all accounts between it and the Fund shall be made with reasonable despatch by agreement between it and the Fund. If agreement is not reached promptly, the provisions of Schedule D shall apply to the settlement of accounts. (p. 36)

Article XVI
Emergency Provisions

SECTION 1. *Temporary Suspension.*

(a) In the event of an emergency or the development of unforeseen circumstances threatening the operations of the Fund, the Executive Directors by unanimous vote may suspend for a period of not more than one hundred twenty days the operation of any of the following provisions:

(i) Article IV, Sections 3 and 4(b)

(ii) Article V, Sections 2, 3, 7, 8(a) and (e)

(iii) Article VI, Section 2

(iv) Article XI, Section 1 [p. 794]

(b) Simultaneously with any decision to suspend the operation of any of the foregoing provisions, the Executive Directors shall call a meeting of the Board of Governors for the earliest practicable date.

(c) The Executive Directors may not extend any suspension beyond one hundred twenty days. Such suspension may be extended, however, for an additional period of not more than two hundred forty days, if the Board of Governors by a four-fifths majority of the total voting power so decides, but it may not be further extended except by amendment of this Agreement pursuant to Article XVII.

(d) The Executive Directors may, by a majority of the total voting power, terminate such suspension at any time. (p. 37)

SECTION 2. *Liquidation of the Fund.*

(a) The Fund may not be liquidated except by decision of the Board of Governors. In an emergency, if the Executive Directors decide that liquidation of the Fund may be necessary, they may temporarily suspend all transactions, pending decision by the Board.

(b) If the Board of Governors decides to liquidate the Fund, the Fund shall forthwith cease to engage in any activities except those incidental to the orderly collection and liquidation of its assets and the settlement of its liabilities, and all obligations of members under this Agreement shall cease except those set out in this Article, in Schedule E, paragraph 7, and in Article XVIII, paragraph (c).

(c) Liquidation shall be administered in accordance with the provisions of Schedule E.

Article XVII
Amendments

(a) Any proposal to introduce modifications in this Agreement, whether emanating from a member, a governor or the Executive Directors, shall be communicated to the chairman of the Board of Governors who shall bring

the proposal before the Board. If the proposed amendment is approved by the Board the Fund shall, by circular letter or telegram, ask all members whether they accept the proposed amendment. When three-fifths of the members, having four-fifths of the total voting power, have accepted the proposed amendment, the Fund shall certify the fact by a formal communication addressed to all members. [p. 795]

(b) Notwithstanding (a) above, acceptance by all members is required in the case of any amendment modifying

(i) the right to withdraw from the Fund (Article XV, Section 1) ; (p. 38)

(ii) the provision that no change in a member's quota shall be made without its consent (Article III, Section 2);

(iii) the provision that no change may be made in the par value of a member's currency except on the proposal of that member (Article IV, Section 5(b)).

(c) Amendments shall enter into force for all members three months after the date of the formal communication unless a shorter period is specified in the circular letter or telegram.

Article XVIII
Interpretation

(a) Any question of interpretation of the provisions of this Agreement arising between any member and the Fund or between any members of the Fund shall be submitted to the Executive Directors for their decision. If the question particularly affects any member not entitled to appoint an executive director it shall be entitled to representation in accordance with Article XII, Section 3(j).

(b) In any case where the Executive Directors have given a decision under paragraph (a) above, any member may require that the question be referred to the Board of Governors, whose decision shall be final. Pending the result of the reference to the Board the Fund may, so far as it deems necessary, act on the basis of the decision of the Executive Directors.

(c) Whenever a disagreement arises between the Fund and a member which has withdrawn, or between the Fund and any member during liquidation of the Fund, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators, one appointed by the Fund, another by the member or withdrawing member and an umpire who, unless the parties otherwise agree, shall be appointed by the President of the Permanent Court of International Justice or such other authority as may have been (p. 39) prescribed by regulation adopted by the Fund. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto. [p. 796]

Article XIX
Explanation of Terms

In interpreting the provisions of this Agreement the Fund and its members shall be guided by the following:

(a) A member's monetary reserves means its net official holdings of gold, of convertible currencies of other members, and of the currencies of such non-members as the Fund may specify.

(b) The official holdings of a member means central holdings (that is, the holdings of its Treasury, Central Bank, Stabilization Fund, or similar fiscal agency).

(c) The holdings of other official institutions or other banks within its territories may, in any particular case, be deemed by the Fund, after consultation with the member, to be official holdings to the extent that they are substantially in excess of working balances; provided that for the purpose of determining whether, in a particular case, holdings are in excess of working balances, there shall be deducted from such holdings amounts of currency due to other official institutions and other banks in the territories of other countries.

(d) A member's holdings of convertible currencies means its holdings of the currencies of other members which are not availing themselves of the transitional arrangements under Article XIV together with its holdings of the currencies of such nonmembers as the Fund may from time to time specify. The term currency for this purpose includes without limitation coins, paper money, bank balances, bank acceptances, and government obligations issued with a maturity not exceeding twelve months.

(p. 40) (e) A member's monetary reserves shall be calculated by deducting from such central holdings the currency liabilities to the Treasuries, Central Banks, Stabilization Funds, or other fiscal similar agencies of other members together with similar liabilities to other official institutions and other banks in the territories of members, or non-members specified under (d) above. To these net holdings shall be added the sums deemed to be official holdings of other official institutions and other banks under (c) above.

(f) The Fund's holdings of the currency of a member shall include any securities accepted by the Fund under Article III.

(g) The Fund, after consultation with a member which is availing itself of the transitional arrangements under Article XIV, may deem holdings of the currency of that member which carry specified rights of conversion into another currency or into [p. 797] gold to be holdings of convertible currency for the purpose of the calculation of monetary reserves.

(h) For the purpose of calculating initial gold subscriptions under Article III, Sections 3 and 4, a member's net official holdings of gold and United States dollars shall consist of its official holdings of gold and United States

currency after deducting central holdings of its currency by other countries and holdings of its currency by other official institutions and other banks if these holdings carry specified rights of conversion into gold or United States currency.

(i) Payments for current transactions means payments which are not for the purpose of transferring capital, and includes, without limitation: (p. 41)

(1) All payments due in connection with foreign trade, other current business, including services, and normal short-term banking and credit facilities;

(2) Payments due as interest on loans and as net income from other investments;

(3) Payments of moderate amount for amortization of loans or for depreciation of direct investments;

(4) Moderate immigrant remittances for family living expenses.

The Fund may, after consultation with the members concerned, determine whether certain specific transactions are to be considered current transactions or capital transactions.

Article XX
Final Provisions

SECTION 1. *Entry into force.*

This Agreement shall enter into force when it has been signed on behalf of governments having sixty-five percent of the total of the quotas set forth in Schedule A and when the investments referred to in Section 2(a) of this Article have been deposited on their behalf, but in no event shall this Agreement enter into force before May 1, 1945. (p. 42)

SECTION 2. *Signature.*

(a) Each government on whose behalf this Agreement is signed shall deposit with the Government of the United States of America an instrument setting forth that it has accepted this [p. 798] Agreement in accordance with its law and has taken all steps necessary to enable it to carry out all of its obligations under this Agreement.

(b) Each government shall become a member of the Fund as from the date of the deposit on its behalf of the instrument referred to in (a) above, except that no government shall become a member before this Agreement enters into force under Section 1 of this Article.

(c) The Government of the United States of America shall inform the governments of all countries whose names are set forth in Schedule A, and all governments whose membership is approved in accordance with Article II, Section 2, of all signatures of this agreement and of the deposit of all instruments referred to in (a) above.

(d) At the time this Agreement is signed on its behalf, each government

shall transmit to the Government of the United States of America one-twentieth of one percent of its total subscription in gold or United States dollars for the purpose of meeting administrative expenses of the Fund. The Government of the United States of America shall hold such funds in a special deposit account and shall transmit them to the Board of Governors of the Fund when the initial meeting has been called under Section 3 of this Article. If this Agreement has not come into force by December 31, 1945, the Government of the United States of America shall return such funds to the governments that transmitted them.

(p. 43) (e) This Agreement shall remain open for signature at Washington on behalf of the governments of the countries whose names are set forth in Schedule A until December 31, 1945.

(f) After December 31, 1945, this Agreement shall be open for signature on behalf of the government of any country whose membership has been approved in accordance with Article II, Section 2.

(g) By their signature of this Agreement, all governments accept it both on their own behalf and in respect of all their colonies, overseas territories, all territories under their protection, suzerainty, or authority and all territories in respect of which they exercise a mandate.

(h) In the case of governments whose metropolitan territories have been under enemy occupation, the deposit of the instrument referred to in (a) above may be delayed until one hundred eighty days after the date on which these territories have been liberated. [p. 799]

If, however, it is not deposited by any such government before the expiration of this period the signature affixed on behalf of that government shall become void and the portion of its subscription paid under (d) above shall be returned to it.

(i) Paragraphs (d) and (h) shall come into force with regard to each signatory government as from the date of its signature.

SECTION 3. *Inauguration of the Fund.*

(a) As soon as this Agreement enters into force under Section 1 of this Article, each member shall appoint a governor and the member having the largest quota shall call the first meeting of the Board of Governors.

(b) At the first meeting of the Board of Governors, arrangements shall be made for the selection of provisional (p. 44) executive directors. The governments of the five countries for which the largest quotas are set forth in Schedule A shall appoint provisional executive directors. If one or more of such governments have not become members, the executive directorships they would be entitled to fill shall remain vacant until they become members, or until January 1, 1946, whichever is the earlier. Seven provisional executive directors shall be elected in accordance with the provisions of Schedule B and shall remain in office until the date of the first regular election of

executive directors which shall be held as soon as practicable after January 1, 1946.

(c) The Board of Governors may delegate to the provisional executive directors any powers except those which may not be delegated to the Executive Directors.

SECTION 4. *Initial determination of par values.*

(a) When the Fund is of the opinion that it will shortly be in a position to begin exchange transactions, it shall so notify the members and shall request each member to communicate within thirty days the par value of its currency based on the rates of exchange prevailing on the sixtieth day before the entry into force of this Agreement. No member whose metropolitan territory has been occupied by the enemy shall be required to make such a communication while that territory is a theater of major hostilities or for such period thereafter as the Fund may determine. When such a member communicates the par value of its currency the provisions of (d) below shall apply.

(b) The par value communicated by a member whose metropolitan territory has not been occupied by the enemy shall be the par value of that member's currency for the purposes of this Agreement unless, within ninety days after the request (p. 45) referred to in (a) above has been received, (i) the member notifies the Fund that it regards the par value as unsatisfactory, or [p. 800] the Fund notifies the member that in its opinion the par value cannot be maintained without causing recourse to the Fund on the part of that member or others on a scale prejudicial to the Fund and to members. When notification is given under (i) or (ii) above, the Fund and the member shall, within a period determined by the Fund in the light of all relevant circumstances, agree upon a suitable par value for that currency. If the Fund and the member do not agree within the period so determined, the member shall be deemed to have withdrawn from the Fund on the date when the period expires.

(c) When the par value of a member's currency has been established under (b) above, either by the expiration of ninety days without notification, or by agreement after notification, the member shall be eligible to buy from the Fund the currencies of other members to the full extent permitted in this Agreement, provided that the Fund has begun exchange transactions.

(d) In the case of a member whose metropolitan territory has been occupied by the enemy, the provisions of (b) above shall apply, subject to the following modifications:

(i) The period of ninety days shall be extended so as to end on a date to be fixed by agreement between the Fund and the member.

(ii) Within the extended period the member may, if the Fund has begun exchange transactions, buy from the Fund with its currency the currencies of other members, but only under such conditions and in such amounts as may

be prescribed by the Fund.

(iii) At any time before the date fixed under (i) (p. 46) above, changes may be made by agreement with the Fund in the par value communicated under (a) above.

(e) If a member whose metropolitan territory has been occupied by the enemy adopts a new monetary unit before the date to be fixed under (d) (i) above, the par value fixed by that member for the new unit shall be communicated to the Fund the provisions of (d) above shall apply.

(f) Changes in par values agreed with the Fund under this Section shall not be taken into account in determining whether a proposed change falls within (i), (ii), or (iii) of Article IV, Section 5(c).

(g) A member communicating to the Fund a par value for [p. 801] the currency of its metropolitan territory shall simultaneously communicate a value, in terms of that currency, for each separate currency, where such exists, in the territories in respect of which it has accepted this Agreement under Section 2(h) of this Article, but no member shall be required to make a communication for the separate currency of a territory which has been occupied by the enemy while that territory is a theater of major hostilities or for such period thereafter as the Fund may determine. On the basis of the par value so communicated, the Fund shall compute the par value of each separate currency. A communication or notification to the Fund under (a), (b) or (d) above regarding the par value of a currency, shall also be deemed, unless the contrary is stated, to be a communication or notification regarding the par value of all the separate currencies referred to above. Any member may, however, make a communication or notification relating to the metropolitan or any of the separate currencies alone. If the member does so, the provisions of the preceding paragraphs (including (d) (p. 47) above, if a territory where a separate currency exists has been occupied by the enemy) shall apply to each of these currencies separately.

(h) The Fund shall begin exchange transactions at such date as it may determine after members having sixty-five percent of the total of the quotas set forth in Schedule A have become eligible, in accordance with the preceding paragraphs of this Section, to purchase the currencies of other members, but in no event until after major hostilities in Europe have ceased.

(i) The Fund may postpone exchange transactions with any member if its circumstances are such that, in the opinion of the Fund, they would lead to use of the resources of the Fund in a manner contrary to the purposes of this Agreement or prejudicial to the Fund or the members.

(j) The par values of the currencies of governments which indicate their desire to become members after December 31, 1945, shall be determined in accordance with the provisions of Article II, Section 2.

DONE at Washington, in a single copy which shall remain deposited in the archives of the Government of the United States of America which shall

transmit certified copies to all governments whose names are set forth in Schedule A and to all governments whose membership is approved in accordance with Article II, Section 2. [p. 802]

SCHEDULE A
Quotas

(In millions of United States dollars)
Australia - 200
Belgium - 225
Bolivia - 10
Brazil - 150
Canada - 300
Chile - 50
China - 550
Colombia - 50
Costa Rica - 5
Cuba - 50
Czechoslovakia - 125
Denmark - *
Dominican Republic - 5
Ecuador - 5
Egypt - 45
El Salvador - 2.5
Ethiopia - 6
France - 450
Greece - 40
Guatemala - 5
Haiti - 5
Honduras - 2.5
Iceland - 1
India - 400
Iran - 25
Iraq - 8
Liberia - .5
Luxembourg - 10
Mexico - 90
Netherlands - 275
New Zealand - 50
Nicaragua - 2
Norway - 50
Panama - .5
Paraguay - 2

Peru - 25
Philippine Commonwealth - 15
Poland - 125
Union of South Africa - 100
Union of Soviet Socialist Republics - 1200
United Kingdom - 1300
United States - 2750
Uruguay - 15
Venezuela - 15
Yugoslavia - 60

*The quota of the Kingdom of Denmark shall be determined by the Fund after the Danish Government has declared its readiness to sign this agreement but before the signature takes place. (p. 49)

SCHEDULE B
Provisions with Respect to Repurchase by a Member of its Currency

1. In determining the extent to which repurchase of a member's currency from the Fund under Article V, Section 7 (b) shall be made with each type of monetary reserve, that is, with gold and with each convertible currency, the following rule, subject to 2 below, shall apply:

(a) If the member's monetary reserves have not increased, during the year, the amount payable to the Fund shall be distributed among all types of reserves in proportion to the member's holdings thereof at the end of the year.

(b) If the member's monetary reserves have increased during the year, a part of the amount payable to the Fund equal to one-half of the increase shall be distributed among [p. 803] these types of reserves which have increased in proportion to the amount by which each of them has increased. The remainder of the sum payable to the Fund shall be distributed among all types of reserves in proportion to the member's remaining holdings thereof.

(c) If after all the repurchases required under Article V, Section 7(b), had been made, the result would exceed any of the limits specified in Article V, Section 7 (c)*, the Fund shall require such repurchases to be made by the members proportionately in such manner that the limits will not be exceeded.

2. The Fund shall not acquire the currency of any non-member under Article V, Section 7(b) and (c).

3. In calculating monetary reserves and the increase in monetary reserves during any year for the purpose of Article V, Section 7(b) and (c), no account shall be taken, unless deductions have otherwise been made by the member for such holdings, of any increase in those monetary reserves which is due to currency previously inconvertible having become convertible during the year;

or to holdings which are the proceeds of a long-term or medium-term loan contracted during the year; or to holdings which have been transferred or set aside for repayment of a loan during the subsequent year.

4. In the case of members whose metropolitan territories have been occupied by the enemy, gold newly produced during the five years after the entry into force of this Agreement from mines located within their metropolitan territories shall not be included in computations of their monetary reserves or of increases in their monetary reserves. (p. 50)

SCHEDULE C
Election of Executive Directors

1. The election of the elective executive directors shall be by ballot of the governors eligible to vote under Article XII, Section 3 (b) (iii) and (iv).

2. In balloting for the five directors to be elected under Article XII, Section 3 (b) (iii), each of the governors eligible to vote shall cast for one person all of the votes to which he is entitled under Article XII, Section 5 (a). The five persons receiving the greatest number of votes shall be directors, provided that no person who received less than nineteen percent of the total [p. 804] number of votes that can be cast (eligible votes) shall be considered elected.

3. When five persons are not elected in the first ballot, a second ballot shall be held in which the person who received the lowest number of votes shall be ineligible for election and in which there shall vote only (a) those governors who voted in the first ballot for a person not elected, and (b) those governors all or part of whose votes for a person elected are deemed under 4 below to have raised the votes cast for that person above twenty percent of the eligible votes.

4. In determining whether any portion of the votes cast by a governor are to be deemed to have raised the total of any person above twenty percent of the eligible votes the twenty percent shall be deemed to include, first, the votes of the governor casting the largest number of votes for such person, then the votes of the governor casting the next largest number, and so on until twenty percent is reached.

5. Any governor whose votes are partly not in excess and partly in excess of twenty percent shall be eligible to vote in the second ballot only to the extent of the votes in excess.

6. If, after the second ballot, five persons have not been elected, further ballots shall be held on the same principles until five persons have been elected, provided that after four persons are elected, the fifth may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.

7. The directors to be elected by the American Republics under Article XII, Section 3 (b) (iv) shall be elected as follows:

(a) Each of the directors shall be elected separately. (p. 51)

(b) In the election of the first director, each governor representing an American Republic eligible to participate in the election shall cast for one person all the votes to which he is entitled. The person receiving the largest number of votes shall be elected provided that he has received not less than forty-five percent of the total votes.

(c) If no person is elected on the first ballot, further ballots shall be held, in each of which the person receiving the lowest number of votes shall be eliminated, until one person receives a number of votes sufficient for election under (b) above.

(d) Governors whose votes contributed to the election of the [p. 805] first director shall take no part in the election of the second director.

(e) Persons who did not succeed in the first election shall not be ineligible for election as the second director.

(f) A majority of the votes which can be cast shall be required for election of the second director. If at the first ballot no person receives a majority, further ballots shall be held in each of which the person receiving the lowest number of votes shall be eliminated, until some person obtains a majority.

(g) The second director shall be deemed to have been elected by all the votes which could have been cast in the ballot securing his election.

SCHEDULE D

Settlement of Accounts with Members Withdrawing

1. The Fund shall be obligated to pay to a member withdrawing an amount equal to its quota, plus any other amounts due to it from the Fund, less any amounts in its currency due to the Fund, including charges accruing after the date of its withdrawal; but no payment shall be made until six months after the date of withdrawal. Payments shall be made in the currency of the withdrawing member.

2. If the Fund's holdings of the currency of the withdrawing member are not sufficient to pay the net amount due from the Fund, the balance shall be paid in gold, or in such (p. 52) other manner as may be agreed. If the Fund and the withdrawing member do not reach agreement within six months of the date of withdrawal, the currency in question held by the Fund shall be paid forthwith to the withdrawing member. Any balance due shall be paid in ten half-yearly installments during the ensuing five years. Each such installment shall be paid, at the option of the Fund, either in the currency of the withdrawing member acquired after its withdrawal or by the delivery of gold.

3. If the Fund fails to meet any installment which is due in accordance with the preceding paragraphs, the withdrawing member shall be entitled to require the Fund to pay the installment in any currency held by the Fund

with the exception of any currency which has been declared scarce under Article VII, Section 3.

4. If the Fund's holdings of the currency of a withdrawing member exceed the amount due to it, and if agreement on the method of settling accounts is not reached within six months [p. 806] of the date of withdrawal, the former member shall be obligated to redeem such excess currency in gold or, at its option, in the currencies of members which at the time of redemption are convertible under Article VIII, Section 4. Redemption shall be made at the parity existing at the time of withdrawal from the Fund. The withdrawing member shall complete redemption within five years of the date of withdrawal, or within such longer period as may be fixed by the Fund, but shall not be required to redeem in any half-yearly period more than one-tenth of the Fund's excess holdings of its currency at the date of withdrawal plus further acquisitions of the currency during such half-yearly period. If the withdrawing member does not fulfill this obligation, the Fund may in an orderly manner liquidate in any market the amount of currency which should have been redeemed.

5. Any member desiring to obtain the currency of a member which has withdrawn shall acquire it by purchase from the Fund, to the extent that such member has access to the resources of the Fund and that such currency is available under 4 above.

6. The withdrawing member guarantees the unrestricted use at all times of the currency disposed of under 4 and 5 above for the purchase of goods or for payment of sums due to it or to persons within its territories. It shall compensate the Fund for any loss resulting from the difference between the par value of its currency on the date of withdrawal and the value realized by the Fund on disposal under 4 and 5 above.

7. In the event of the Fund going into liquidation under Article XVI, Section 2, within six months of the date on which the member withdraws, the account between the Fund and that government shall be settled in accordance with Article XVI. (p. 53)

SCHEDULE E
Administration of Liquidation

1. In the event of liquidation the liabilities of the Fund other than the repayment of subscriptions shall have priority in the distribution of the assets of the Fund. In meeting each such liability the Fund shall use its assets in the following order:—

(a) the currency in which the liability is payable;

(b) gold;

(c) all other currencies in proportion, so far as may be practicable, to the quotas of the members. [p. 807]

2. After the discharge of the Fund's liabilities in accordance with 1

above, the balance of the Fund's assets shall be distributed and apportioned as follows:

(a) The Fund shall distribute its holdings of gold among the members whose currencies are held by the Fund in amounts less than their quotas. These members shall share the gold so distributed in the proportions of the amounts by which their quotas exceed the Fund's holdings of their currencies.

(b) The Fund shall distribute to each member one-half the Fund's holdings of its currency but such distribution shall not exceed fifty percent of its quota.

(c) The Fund shall apportion the remainder of its holdings of each currency among all the members in proportion to the amounts due to each member after the distributions under (a) and (b) above.

3. Each member shall redeem the holdings of its currency apportioned to other members under 2(c) above, and shall agree with the Fund within three months after a decision to liquidate upon an orderly procedure for such redemption.

4. If a member has not reached agreement with the Fund within the three-month period referred to in 3 above, the Fund shall use the currencies of other members apportioned to that member under 2 (c) above to redeem the currency of that member apportioned to other members. Each currency apportioned to a member which has not reached agreement shall be used, so far as possible, to redeem its currency apportioned to the members which have made agreements with the Fund under 3 above.

(p. 54) 5. If a member has reached agreement with the Fund in accordance with 3 above, the Fund shall use the currencies of other members apportioned to that member under 2(c) above to redeem the currency of that member apportioned to other members which have made agreements with the Fund under 3 above. Each amount so redeemed shall be redeemed in the currency of the member to which it was apportioned.

6. After carrying out the preceding paragraphs, the Fund shall pay to each member the remaining currencies held for its account.

7. Each member whose currency has been distributed to other members under 6 above shall redeem such currency in gold or, at its option, in the currency of the member requesting redemption, or in such other manner as may be agreed between them. If the members involved do not otherwise agree, the member [p. 808] obligated to redeem shall complete redemption within five years of the date of distribution, but shall not be required to redeem in any half-yearly period more than one-tenth of the amount distributed to each other member. If the member does not fulfill this obligation, the amount of currency which should have been redeemed may be liquidated in an orderly manner in any market.

8. Each member whose currency has been distributed to other members

under 6 above guarantees the unrestricted use of such currency at all times for the purchase of goods or for payment of sums due to it or to persons in its territories. Each member so obligated agrees to compensate other members for any loss resulting from the difference between the par value of its currency on the date of the decision to liquidate the Fund and the value realized by such members on disposal of its currency.

Second Report of Drafting Committee of Commission I

I have the honour to submit herewith the second and final report of your Drafting Committee. The report consists of the Articles of Agreement of the International Monetary Fund and has been circulated as Document No. 448.

All the material contained in this report has been approved in principle by the Commission at previous sessions. The present report contains, however, a new formulation of certain provisions to which I should specifically draw the attention of the Commission.

These are:

1. Section 7 of Article V on pages 11 and 12 of Document No. 448 on "Repurchase by a member of its currency from the Fund".

2. Paragraph (b) of Section 2 of Article VIII on pages 17 and 18 dealing with the enforceability of exchange contracts contrary to the exchange control regulations of members and measures of cooperation to enforce exchange control regulations.

3. Paragraphs (b) and (c) of Section 5 of Article XII on page 30 of Document No. 448 dealing with special voting provisions.

4. Section 1 of Article XVI on page 36 dealing with temporary suspension of certain provisions of the Agreement in the event of an emergency.

5. Article XIX on pages 39 to 41 dealing with explanation of terms, and

6. Article XX on pages 41 to 47 containing final provisions. [p. 809]

As a result of the dates which, under authority of the Commission, the Special Committee decided to have inserted in (p. 2) Article XX on final provisions, there has also been a consequential change in paragraph (b) (ii) of Section 3 of Article III on page 3 of the document.

I should also draw to the attention of the Commission the fact that certain material which previously appeared in the body of the document has been incorporated in schedules at the end of the document, namely, Schedule B, "Provisions with Respect to Repurchase by a Member of its Currency held by the Fund" (page 49), Schedule D, "Settlement of Accounts with Members Withdrawing" (pages 51-52), and Schedule E, "Administration of Liquidation" (pages 53-54).

I must also ask the members of the Commission to correct certain

typographical errors which have been found in Document No. 448.

On page (i) of the Table of Contents, Article V, Section 7, please add the words "from the Fund" to "Repurchase by a member of its currency". On the same page under Article VII, Section 2, please change "maintain" to "replenish".

On page 3, Section 3 (b) (ii), please change the word "notified" to "notifies".

On page 7, Section 7, first line, please change "Section 5(a)" to "Section 5(b)".

On page 11, Section 7, please change the heading, "Repurchase by a Member of its Currencies" to "Repurchase by a Member of its Currency held by the Fund".

On page 34, third line, please change "intention" to "retention". Again on page 34, at the end of Section 4, please change "Section 2" to "Section 2(a)".

On page 37, Section 2(b) of Article XVI, please change Schedule E to Schedule D in the last line but one.

(p. 3) On page 40, fourth line under paragraph (e), please change "other fiscal similar agencies" to "similar fiscal agencies", and on the same line, after the phrase "of other members", add the words "or non members specified under (d) above". On page 40, paragraph (h), first line, eliminate the word "initial".

On page 41, fourth line of Section 1 of Article XX, please change "investments" to "instruments".

There will no doubt be other typographical errors or mistaken [p. 810] cross-references discovered when Document No. 448 is re-examined at greater leisure. I would therefore request that the Commission give the Secretariat authority to correct any formal mistakes of this type which may be found after the Commission has finished its work.

[p. 1185]

Document 451
UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE
Bretton Woods
For the Press July 18, 1944
No. 35

Statement by Dr. Carlos Lleras Restrepo, Chairman of the Delegation of Colombia, Before Commission I

The formula proposed by the special committee for paragraph b, Article 1, of the Monetary Plan is in my opinion a wise solution to the problem that has arisen regarding the purposes of the International Stabilization Fund. The formula harmonizes the technical orientation of the Fund, the resources of which are to be used solely to provide foreign exchange for current transactions, with the desire of the Delegation from India to include among the ultimate purposes of the new facilities for the growth of international trade the development of the means of production of the member countries. An agreement having been reached [p. 1186] on this question, one of the few questions still pending with relation to the Fund has been settled, after a discussion which certainly has not been futile since it has brought to light the economic problems of the future, as a whole, and the functions that for their solution correspond to the various instrumentalities for international cooperation which the United and Associated Nations are creating or must create in the future. Moreover, it seems to me that the very wording of this formula implies the recognition of the characteristics that the future economic policy must have, if we take for granted that it must not be opposed to the right of new nations whose resources are not sufficiently developed to move forward on the road which they have already started to travel toward a more complex economy, toward a growing industrialization which may alter, and probably will alter, the volume of international trade in many commodities, but which at the same time will open markets with a greater purchasing power for the more advanced forms of the manufacturing industries. The balanced expansion and growth of international trade, which is set forth by this formula as one of the principal purposes of the Fund, to my mind implies also the fact that consideration must be given in future agreements on commercial policy to the need for enlarging the consuming markets for foodstuffs and raw materials, the prices of which, before the war, were notoriously far out of proportion to the prices of manufactured articles that countries such as mine are obliged to buy from the great industrial nations. With reference to those future agreements on commercial policy, mention must be made of the fact that they must not be conceived in such a way that they will become obstacles to the necessary protection which must

be given in the new countries to their infant industries, as was given at one time by today's industrial countries to their own industries during their first steps in industrial development. It is necessary that the Conference understand that our (p. 2) assent to a policy of greater trade and greater freedom of exchange for current transactions is given in a spirit of broad concept of international cooperation, which could never be based on the idea that this broadening process could be contrary to the development of our own domestic production and to the integration of our economy through a steady access to new industrial techniques.

In requesting that the Commission give its affirmative vote to the formula presented by the special committee, I also wish to state a few ideas connected with the spirit of our collaboration in the organization of the Fund, and in general with the whole [p. 1187] policy of regulating post-war economy within systems of international organization.

We do not believe that Colombia, and the Latin American countries in general, may have to appeal in the very near future to the Fund for Monetary Stabilization in order to meet their needs for foreign exchange. Nor does the expectation to appeal to the Fund constitute the reason for our action. In fact, we realize that no matter what the amount of the direct aid given by the Fund to a country may be, it is less than the general benefits that may revert to all from the introduction of this new and broad factor of cooperation into the international economic life, in the face of strong forces of competition. We understand further that out of the international economic solidarity there also arise certain duties, and that therefore cooperation becomes not only a solution imposed by general convenience, but also a higher principle of conduct which must be acknowledged before we can hope for a rise to higher and richer levels of universal progress. In addition, if this cooperative effort happens to be associated, as is the case now, with the solution of overwhelming economic problems in the countries that have suffered the most in the defense of justice, peace, and liberty in the world, our conviction on the desirability of the policy of international cooperation is of course strengthened by the cordial admiration that we feel for those countries and their heroic effort. In the degree that its resources permit, Colombia is taking a part in the common task of economic rehabilitation, doing so without any feeling of selfishness, but with the sincere conviction that she is doing her international duty within the principles of cooperation which have found in our continent the deepest and most widespread acceptance.

[p. 824]

Document 455
CI/M/8
Minutes of Meeting of Commission I
INTERNATIONAL MONETARY FUND
(July *18, 1944, 11:30* a.m.)

At its eighth meeting, on July 18 at 11:30 a.m., the Commission approved the recommendation of the Special Committee of Commission I that the words "and collaboration" be inserted after the word "consultation" in article I, paragraph (a) (Document 321, p. 1).

The Special Committee reported its unanimous recommendation that article I, paragraph (b) (Document 321, p. 1), be amended to read as follows:

"To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy." [p. 825]

With respect to article XII, section 1, Location of Offices (Document 321, p. 23), the Special Committee reported its decision to report both Alternatives A and B (SA/1, Document 32, p. 31) without recommendation. The Delegate of the United Kingdom announced that the United Kingdom was withdrawing Alternative B which it had proposed, with the reservation that the Government of the United Kingdom may later find it desirable to ask the governments to consider the general question of the location of various international bodies. The Commission thereupon adopted Alternative A. This action made the text of article XII (Document 321, pp. 23 and 24) complete and the Commission approved the article as a whole.

The Special Committee reported that it had considered a draft article on Definitions (Document 417) and had approved the definitions in principle, although some improvements in language were still being considered. The Delegate of the Union of Soviet Socialist Republics reserved final decision until the completed text should be available but expressed concurrence in the principles underlying the definitions in Document 417. In response to various questions, the Reporter of the Special Committee indicated that immigrant remittances were to be considered as current transactions if not of such character as to be in effect capital transfers and that normal amortization payments were to be regarded as current transactions. The French Delegate felt that the definition of current transactions should be sufficiently flexible as not to be unduly restrictive on the freedom of action of members in controlling such transactions. The Commission accepted the definitions in principle and instructed the Special Committee to reword them and send directly to the Drafting Committee a text embodying these principles.

(p. 2) The Special Committee reported the substance of a proposal for a provision which would, in emergency circumstances, permit the temporary suspension of certain designated operating provisions (new material, no document). The proposal was approved in principle and referred to the Drafting Committee to prepare a text, bearing in mind the relation of this provision to the article on Amendments.

Article XVI, Amendments (Document 321, pp. 25 and 26), was approved.

The Commission approved a proposal to amend the language of article VII, section 2 (ii) (Document 321, p. 13) to read "Require the member to sell its currency to the Fund for gold". The Drafting Committee was instructed to see that there was no [p. 826] inconsistency between this provision and the provision for optional repurchase by a member of its currency from the Fund for gold (J.S. III, 7(a), SA/1, Document 32, p. 11).

The Commission accepted the Special Committee's recommendation that the words "or the Managing Director" be deleted from article XI, section 2(a) (Document 321, p. 18, last line).

[p. 1187]

Document 459
UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE
Bretton Woods
For the Press July 19, 1944
No. 36

Address by the Honorable Eduardo Suárez, Mexican Minister of Finance, Before Commission III

MISTER CHAIRMAN, FELLOW DELEGATES:

The Mexican Delegation wishes to make this statement to put [p. 1188] on record its position regarding Mexico's approval of the report submitted by Committee I.

The Mexican Delegation realizes that it is difficult to find a definite solution to the silver problem in this Conference. But it considers that a great step has been taken in recognizing the importance that silver has for some countries as a monetary metal. The Mexican Delegation expresses the hope that in the near future countries interested in silver either as producers or consumers, shall find after unbiased and technical consideration of the problem, a way to stabilize the value of silver.

Upon creating an International Monetary Fund, the United Nations are tacitly invited to recognize that the fair and just price for gold is thirty-five dollars an ounce. Henceforth, each of them will accept an ounce of gold whenever they have a right to receive thirty-five dollars, or the equivalent, from another nation.

As for Mexico, her position is clear and definite. During the past few years of tribulations, Mexico has, of her own accord, accepted, in unlimited amounts, an ounce of gold for every thirty-five dollars due her. She has done so in spite of the hardships of inflation, and even realizing to the fullest extent the risk involved in these transactions, inasmuch as no nation has ever committed itself to buy that gold from Mexico at the same price she has paid for it. Throughout this most difficult period she has also issued Mexican currency at a fixed rate of 4.85 pesos to the U.S. Dollar, or about 169.75 pesos for each ounce of gold, although she has had no assurance or guarantee that other nations will give her in commodities and services a fair equivalent to her investment in gold. Mexico has done all this mainly because of her full unselfish devotion to a higher cause: helping her Allies to win this war.

Mexico and other silver-using countries are entitled to expect in return for their cooperation to maintain the present price of gold the assistance of other countries to stabilize the price of silver at a just and fair level.

The history of the past seventy years, according to those who oppose silver, should contradict Mexico's expectation. They claim that silver has no place in the monetary structure of the world.

(p. 2) As if to spite those that like to say the last word on an intricate subject such as silver, humanity insists not to behave according to pure theoretical reasoning. It takes an emergency or a catastrophe such as we are living today, to realize the [p. 1189] importance of silver as a monetary metal. Is it not true, for instance, that in this hour of anxiety the Mexican masses have found in silver what they believe to be the best, most secure value as against all the uncertainties that the future may hold Is it not also true that many other Latin American countries have tried to buy silver in order to allay the fears of their own populations Who can deny that the Allied armies have found more willing traders in the East and Near East, when the soldiers were provided with silver coins instead of an up-to-date, fully guaranteed, gold note Would it be absurd, besides, to anticipate that in the aftermath of this diabolic nightmare, the peoples of many invaded countries will find hoarding silver is better than many other forms of saving, as it has been proved in the past.

The answers are obvious to all but the prejudiced. Humanity— that is, the larger and poorer part of humanity—continues to believe in silver, even if only because it is not their lot to believe in gold or in any of the so-called higher forms of wealth.

If this plain truth be accepted, then it must be evident that any monetary scheme designed to meet the needs of all the peoples of the world is incomplete unless it takes into account silver as one of the component factors of the whole picture.

A nation whose monetary system will henceforth operate in accordance with the plan we will submit to our Government, will accept gold at the proposed world price of thirty-five dollars an ounce, only because she has the assurance that the other member countries of the system will likewise accept gold at the same price, when the former becomes a debtor to them. But that particular nation might well be a silver-minded country whose people want neither bills nor bank deposits backed with gold reserves, but prefer and demand plain silver coins from their monetary authorities. In the latter case, that country would naturally be forced to invest part or all of its gold reserve in silver, in order to meet the demand of its people. When that same nation becomes a debtor, because, for instance, of a serious depreciation of her exports in the world markets, how can she turn the silver coins into gold, in order to meet an unfavorable balance The only way, of course, will be to sell her silver stocks in a forced market, at whatever price the buyers want to pay for them.

We hold and we shall strive in the future to look upon, as a solution of this problem, a relative stabilization of the international price of silver. We

feel that this solution is feasible. Just [p. 1190] as the United States Government decided that gold was worth thirty-five dollars an ounce, and was thereafter able to establish that price in the world markets, so did that same Government decide to maintain silver at a fixed price in the outside world markets and has been able to do so for a long time. The pegging of both metals in terms of the dollar has brought about as far as it is possible to find out, none of the calamities with which the traditional enemies of silver like to scare credulous people. If a single nation has been able to do so much both for gold and silver without disrupting it's monetary equilibrium, internal or external, why should it not be possible through international cooperation to undertake the same task, without depending entirely on the willingness of one nation to carry forever the whole weight of the stabilization of both metals.

(p. 3) The Mexican Delegation is aware of another argument against recognizing silver as a component part of the monetary pattern of the world. Nobody who is anybody, it is said, should give a thought to the silver problem, since it only affects a few of the so-called backward peoples of the earth, whose international trade added together is but a minor, negligible fraction of the world trade. If this same or a similar attitude were to be applied to all the problems of the postwar world, it is difficult to see how that world could be happy. For how can we brush aside so lightly the economic habits of millions upon millions of humble people, just because they are poor and cannot thus "belong" amongst the economic "elite" of this earth.

In closing, it is most fitting that the Mexican Delegation should quote the wise words which His Excellency the President of the United States, said to Congress in a Special Message on January 15, 1934:

"The other principal precious metal — silver — has also been used from time immemorial as a metallic base for currencies as well as for actual currency itself. It is used as such by probably half of the population of the world. It constitutes a very important part of our own monetary structure. It is such a crucial factor in much of the world's international trade that it cannot be neglected."

Mexico feels certain that a monetary problem, small in economic dimensions but large in human implications, will receive due consideration in the future, as envisaged by the report we have just approved.

[p. 832]

Document 466

CI/SP/6

Report No. 6 of the Special Committee of Commission I

I.

It has been found that the admission to membership of countries not represented at the Conference may result in inequitable distribution of the executive directorships. In order that this problem should not necessitate amendment of the Articles of Agreement, it is suggested that the following changes be made in Article XII, Section 3: [p. 833]

(1)Amend paragraph (b) to read as follows:

"There shall be not less than twelve directors who need not be governors, and of whom

(i) Five shall be appointed by the five members having the largest quotas;

(ii) Not more than two shall be appointed when the provisions of (c) below apply;

(iii) Five shall be elected by the members not entitled to appoint directors, other than the American Republics; and

(iv) Two shall be elected by the American Republics not entitled to appoint directors.

For the purposes of this paragraph, members means governments of countries whose names are set forth in Schedule A, whether they become members in accordance with Article XX or in accordance with Article II, Section 2. When governments of other countries become members, the Board of Governors may, by a four-fifths majority of the total voting power, increase the number of directors to be elected under (iii) above by adding one director for each group of members having quotas equivalent to five hundred million United States dollars of the weight and fineness in effect on July 1, 1944; (p. 2)

provided that a director may be added when the members in any such group have more than one-half of the necessary quotas."

(2) In order that the quota strength necessary for increasing the number of the executive directors shall not be varied by certain uniform changes in par values, Article XII, Section 5 (c) should be amended so as to refer to computations under Article XII, Section 3 (b).

(3) Article XII, Section 3, paragraph (d) should be amended by adding the following sentence: "Whenever the Board of Governors increases the number of directors to be elected under (b) (iii) above, it shall issue regulations making appropriate changes in the proportion of votes required to elect directors under the provisions of Schedule C.

II

It has also been found that inequities may arise under the voting provisions contained in Schedule C. For example, if not all of the countries represented at the Conference should become members of the Fund, the members with the largest quotas who are not [p. 834] entitled to appoint directors might be in the position where their votes would elect one director with a balance left over to be applied to the election of a second director. In order to avoid this situation, it is suggested that Schedule C be amended as follows:

(1) Paragraph 3 should be changed by deleting the words "all or part of" in the 6th line.

(2) Paragraph 4 should be amended by deleting the words "any portion of" in the first line.

(3) Paragraph 5 should be amended to read as follows:

"Any governor part of whose votes must be counted in order to raise the total of any person above nineteen percent shall be considered as casting all of his votes for such person even if the total votes for such person thereby exceed twenty percent."

[p. 834]

Document 467

DP/28

Statement by the Australian Delegation on Report of Committee III to Commission III dated July 10, 1944 (document 428) and on Australian resolution on employment agreement (document 235).

(To be presented at meeting of Commission III, July 20, 1944**)**

The proposed Monetary Fund and the suggested plans for reducing trade barriers and for stabilising commodity prices all aim at action in the *international* field. We do not question their use in making trade flow more easily, but we believe they will be comparatively of little value unless a high level of effective demand can be ensured by *domestic* measures of an expansionist kind.

Apart from machinery for investment, international arrangements cannot of themselves create this demand. They can merely facilitate the full expression in international trade of whatever volume of demand there may be. Of this, much the most important determinants are the levels of employment and incomes in each country.

The experience of the inter-war period shows that the volume of international trade depends far more upon domestic policies of employment than upon any international arrangements. When [p. 835] employment and prosperity have been high, trade has flourished notwithstanding tariffs and subsidies and unstabilised currencies. When there has been unemployment trade has dwindled. Stabilised currencies and lower tariffs can re-shuffle trade and, in favourable circumstances, aid its increase, but without high levels of employment and spending power the real motive force behind international trade is lacking.

Domestic policies aiming at high levels of employment by expansionist measures are therefore of international concern because of their effect upon demand, the final source of trade. They are of international concern also because, unless employment is maintained, other international agreements cannot function successfully. Unless we can find some way of reducing the amplitude of the trade cycle the monetary fund and agreements to reduce barriers to trade will not, we believe, endure. When employment falls, a struggle inevitably ensues between countries to capture the greatest share of a dwindling trade. Moreover, the fall in demand is not evenly distributed. Credit and debit balances of payment emerge. The Fund with its limited quotas and limited annual drawings provides no solution for these problems if long protracted. Countries scourged by unemployment will seize the means of relief that seem to lie closest to hand, even if they prove in fact to be illusory. In a period of growing unemployment we believe that countries would not deny themselves the right to prevent the spread of unemployment

within their boundaries by restrictive measures. In these circumstances the monetary fund and any tariff arrangements would break down and competitive currency depreciation and tariff abnormalities would return to plague us. (p. 2)

Domestic policies of an expansionist kind are of international concern also because without them it will be difficult, perhaps impossible, to persuade ordinary people in many countries to accept international agreements. Several attempts were made in the inter-war period to secure cooperation on economic questions—at Geneva in 1927, by a tariff truce in 1930, at the World Economic Conference in 1933. All these attempts failed. They failed because they had little appeal to ordinary men and women.

We believe that in order to secure popular support for monetary and other similar proposals it is first necessary to convince the man in the street that these proposals are a means to an end in which he has a vital interest. Hence the Australian desire to see Governments specifically accept the obligation to maintain employment. Once such an obligation had been accepted particular [p. 836] proposals, more technical and more difficult, could be brought forward as part of a general plan, and, in this way, made attractive to ordinary men and women.

An *agreement* to maintain employment is of course only a first step. The fear of ordinary men and women, haunted by memories of unemployment, will be fully allayed and their confidence obtained only by evidence over a period that nations are willing and able to maintain employment. Nevertheless acceptance by nations of an obligation to maintain employment would do much to mobilise public opinion to see that the obligation was carried out, and it would give smaller nations, so dependent on the employment levels of others, sufficient confidence to accept obligations that would not otherwise be easy for them.

We realise that there are some undeveloped countries whose problem is one of increasing production rather than maintaining employment. They may find it difficult to accept an employment obligation. Provided however the obligation is accepted by all countries which are sufficiently advanced economically to be able to accept an obligation of this kind, our objective would be secured. It has been objected that domestic policies of employment are the sovereign concern of nations and should not be made the subject of international agreement. But the value of the currency of a country and its tariff policy are just as much matters of-sovereignty. If international agreements are not to interfere with the sovereignty of nations, no agreements whatever are possible.

We do not, however, suggest the creation of an international employment authority that would have the right to interfere with the domestic policy of a country. The ways and means of maintaining employment must be left to each country to determine. Any employment

authority we have in mind would limit itself to collecting and exchanging information on employment, and providing a meeting place for countries to discuss the causes of any threatened breakdown. (p. 3)

It has also been objected that delegates to this Conference have no authority to sign a resolution calling for an employment agreement at a specified time. That may be a valid reason for some textual alterations in our draft resolution. But we have accepted the proposition that the promotion and maintenance of high levels of employment are primary objectives of economic policy. If we accept this proposition we should surely be prepared to recommend [p. 837] that Governments accept an obligation to take whatever action may be necessary and practicable to achieve these results.

The Australian delegation is concerned because the present tendency to press on with international agreements on currency policy and with conferences on commercial policy seems to us to be putting secondary things first. We believe that, provided there was a will to do it, an employment agreement would be much simpler to draft and could be accepted much more expeditiously than complex monetary plans or programmes of commercial policy. We believe this simpler task should be done before we stake everything on presenting to parliaments and people complicated plans which are unintelligible to the ordinary man. It would also have the advantage of putting first things first.

7/19/44

[p. 861]

Document 470
CIII/2/RP1
Report Submitted to Commission III by Committee 2 on Enemy Assets, Looted Property, and Related Matters
(To be presented at the meeting of Commission III, July 20,1944)

Bretton Woods, *July 20,1944*

MR. CHAIRMAN :

At the second meeting of Commission III held at 5:00 p.m. on July 10,1944, Committee 2 was appointed to consider proposals for action which had been assigned to it in accordance with the recommendations of the Agenda Committee and to make recommendations to the full Commission concerning action to be taken at this Conference with respect thereto.

Committee 2 wishes to report as follows concerning its decisions and recommendations.

The first item to which Committee 2 gave its attention was the proposal recommending the liquidation of the Bank of International Settlements submitted by the Norwegian Delegation and designated as No. 4 in the Report of the Agenda Committee (Document No. 235).

After considering the proposal in various forms it was the decision of Committee 2 to place the following recommendation before Commission III and to recommend its adoption by the Commission:

"Commission III recommends to Commission I that an appropriate provision be included in the Articles of Agreement of the International Monetary Fund to the effect that the government of no country shall be eligible for membership in the International Monetary Fund as long as the Central Bank of that country has not taken the necessary steps to foster the liquidation of the Bank of International Settlements."

In presenting this matter to the Commission, I feel that I should point out that there was within the Committee some disagreement as to the form which the proposed statement should take. There was complete agreement that the Bank of International Settlements should be liquidated. However, two members of the Committee opposed the draft as presently worded because they felt that it contained an implied criticism of the Bank of International Settlements and the countries which are members. The large majority of the Committee did not agree with this position, but held that the resolution placed on record the unanimous recognition of the desirability of liquidating the Bank of International Settlements as soon as possible and gave some implementation to that recognition. [p. 862]

Committee 2 then turned its attention to the two proposals on enemy assets and looted property submitted by the Polish and French Delegations and designated as numbers 2 and 3 respectively in the Report of the Agenda

Committee. The United States Delegation submitted an alternative draft resolution relating to this subject and embodying the features of the two earlier proposals. Thereupon, both the French Delegation and the Polish Delegation (p. 2) withdrew their proposals in favor of that submitted by the United States Delegation.

The United Kingdom Delegate took the position that he was unable to associate himself with the proposed resolution. It was the view of the United Kingdom Delegation that the subject matter of the resolution has only a very indirect bearing, if it can be said to have any bearing at all, on the plans for establishing a Fund and Bank which this Conference was convened to discuss. Furthermore, it was the opinion of the United Kingdom Delegation that such action as can properly be taken in the sense suggested by the resolution has already been or is being taken in other places, notably by the Inter-Allied Committee on Acts of Dispossession. The United Kingdom Delegation therefore felt that it would be both unnecessary and of doubtful propriety for this Conference to pass the resolution as proposed.

No other member of the Committee shared the view expressed by the United Kingdom Delegation. It was pointed out in the discussion that the proposed resolution clearly dealt with financial matters of primary concern to all member countries and that it supplemented and strengthened the action taken to date. One delegation suggested that certain modifications in the language might be desirable.

The Committee recommends to Commission III that the following resolution be adopted in principle. The Committee further recommends that the present draft be referred by the Commission to a drafting committee which shall be authorized to place it in form for consideration by the Plenary Session. The text of the recommended resolution is as follows:

WHEREAS:

1. In anticipation of their impending defeat, enemy leaders, enemy nationals and their associates and collaborators are transferring assets through clandestine channels to and through neutral countries to be concealed and held at their future disposal. Success on the part of such persons in secreting and preserving [p. 863] under their control substantial amounts of assets in and through neutral countries will perpetuate their influence, power, and ability to plan anew future aggrandisement and world domination. The efforts of the United Nations to establish and permanently maintain peaceful international relations after the conclusion of the present war would thereby be jeopardized.

Throughout the past four years enemy countries and their nationals have taken the property of occupied countries and their nationals. Enemy methods have ranged from open loot and plunder of currency, gold, securities, and other movable property, to subtle and complex devices,

including the establishment of puppet governments in occupied territories, designed to give the cloak of legality to their robbery and to secure for themselves ownership and control of important financial and economic enterprises in the postwar period despite the impending defeat of their armed forces. To ensure their success and to frustrate the efforts of postliberation governments to undo their work, they have, through sales and other methods of transfer, run the chain of their ownership and control through foreign countries, both occupied and neutral, thus making the problem of disclosure and disentanglement one of international character. (p. 3)

2. Throughout the past four years as the enemy has occupied additional countries, the residents, under duress, have been forced to turn over to him their assets. The United Nations have declared their intention to do their utmost to defeat the methods of dispossession practiced by the enemy and have reserved their rights to declare invalid any transfers of property belonging to persons within occupied territory. They have adopted special controls and other measures not only to protect and safeguard property, within their respective jurisdictions, owned by occupied countries and their nationals, but also to prevent looted property from being disposed of in United Nations markets or acquired by persons subject to their jurisdiction.

THEREFORE :

It is resolved that, in recognition of these considerations, the United Nations Monetary and Financial Conference:

1. Calls upon the neutral countries to take immediate measures to prevent any disposition or transfer within territories subject to their jurisdiction of any

(a) assets belonging to the government or any individuals or [p. 864] institutions within those United Nations occupied by the enemy; and

(b) looted gold, currency, art objects, securities, other evidences of ownership in financial or business enterprises, and of other assets looted by the enemy;

as well as to uncover, segregate and hold at the disposition of the postliberation authorities in the appropriate country any such assets within territory subject to their jurisdiction.

2. Calls upon the neutral countries to take immediate measures to prevent the concealment by fraudulent means or otherwise within countries subject to their jurisdiction of any

(a) assets belonging to, or alleged to belong to, the government of and individuals or institutions within countries with which we are at war;

(b) assets belonging to, or alleged to belong to, enemy leaders, their associates and collaborators, and

to facilitate their ultimate delivery to the post-armistice authorities.

3. Recommends the establishment by the United Nations of appropriate machinery to assist the nations of the world in

(a) uncovering, segregating, controlling, and making appropriate disposition of assets to which this declaration is applicable;

(b) locating and tracing ownership and control of looted property and taking appropriate measures to make restoration to its lawful owners.

Respectfully yours,
Chairman: (Signed) ANDRÉ ISTEL, French Delegation
Reporter: (Signed) WILHELM KEILHAU, Norway
To the Honorable Eduardo Suarez
Chairman of Commission III

7/19/44

[p. 913]

Document 473
CI/M9
Minutes of Meeting of Commission I
INTERNATIONAL MONETARY FUND
(July 19, 1944, 9:15 *p.m.)*

The Chairman of the Drafting Committee presented the report of that Committee, laying before the Commission the text of the Articles of Agreement as edited by the Committee. (The report is being separately circulated as Document 448; the text of the Articles of Agreement has been circulated as Annex I to Document 448). The Commission delegated to the Secretariat authority to make purely formal changes in the draft. The Delegate of the Netherlands expressed the appreciation of the Commission for the arduous and painstaking work of the Drafting Committee.

The Chairman of the Special Committee then presented his report, indicating that the material included in the report had been approved, by the Commission in substance but had been modified in some degree by the Committee. He referred to article V, section 7 (c) (p. 12, Document 448). The Special Committee felt that repurchase should not go beyond the point where the Fund's holdings of a currency have fallen to 75 percent, and that it was desirable to drop the requirement of consent of the country whose currency was being sold to the Fund. The Commission approved.

A modification of article XII, section 8, on election of Executive Directors, to meet future contingencies, was unanimously recommended by the Special Committee (Document 466). The Delegate of Egypt rose to a point of order on the ruling of the Chairman at the seventh meeting of the Commission with respect to Alternative E (Document 410). The Commission sustained the previous ruling of the Chairman. The Delegate of Egypt then moved (seconded by Iraq) that there should be one regional director [p. 914] (by election) from the Middle East. The motion was lost. The Commission then adopted the report of the Special Committee (Document 466, part I). Later in the session the Delegate of Cuba moved to amend the foregoing action by striking out all of the balance of the paragraph after the words "be elected" in the fourth line from the bottom of page 1 and the first three lines on page 2 (Document 466). The motion was carried.

The Commission approved a proposal by the Delegate of the United States to substitute "1/100 of 1 percent" for "1/20 of 1 percent" in article XX, section 2 (d) (p. 42. Document 448).

The Delegate of the Union of Soviet Socialist Republics proposed the deletion of article XIX, paragraph (i) (4) (p. 41, Document 448), reading "Moderate immigrant remittances for family living expenses", on the ground that it would be difficult to distinguish immigrant remittances which were

capital transactions. (p. 2)

The Delegates of the French Delegation, Bolivia, and Cuba supported the Soviet proposal. The Delegates of China, Greece, India, Canada, Egypt, El Salvador, and the Netherlands spoke in opposition to the amendment. The Delegate of Cuba proposed that the word "immigrant" be deleted. The Commission accepted this proposal. A vote on the elimination of item (4) was lost. The Soviet Delegation asked that its position be recorded. The Delegate of Czechoslovakia moved that the word "abroad" be added to item (4) as amended. The Drafting Committee was authorized to insert this word in the proper place. (Subsequent to the session, the Delegate of Czechoslovakia withdrew his suggestion.)

The Delegate of the Union of Soviet Socialist Republics asked then for clarification with regard to the definition of "monetary reserves", article XIX, paragraph (e) (p. 40, Document 448). The Delegate of the United Kingdom explained that paragraph (c) had been worded so as to provide the possibility of including the holdings of private banks, substantially in excess of working balances, in official holdings and thus to assimilate the situation of private institutions to that of state trading institutions. The Delegate of the Union of Soviet Socialist Republics indicated that he found the explanation satisfactory but wished this interpretation to be recorded in the minutes.

The Delegate of the United States proposed a change in Schedule C (p. 50, Document 448; see section II, Document 466) designed to bring Schedule C into better conformity with the small number of directors to be elected. The proposal was accepted by the Commission. [p. 915]

The Delegate of the Union of Soviet Socialist Republics then moved that article V, section 8 (f) (p. 14, Document 448), be amended to provide for uniformity for all countries in the proportion of charges to be paid in gold. The motion was lost. He next suggested an amendment of article XII, section 8 (p. 31, Document 448), to delete the words "to publish a report" and substitute "to present a report". A vote of the Commission rejected the motion. He then suggested that the provision be modified so that "the Fund's reports to members, as well as unofficial communications, shall not be published without agreement with the respective member". This motion was defeated. He proposed further an addition at the end of the second sentence of article XIII, section 2 (b) (p. 32, Document 448), to read as follows: "in each of the four other countries with the largest quotas the Fund should hold gold in the amount not less than the amount of their contribution in gold". The motion was lost.

On motion of the United States, seconded by Czechoslovakia, the Commission unanimously adopted Document 448 as a whole, as amended by acts of the Commission earlier in the session. (p. 3)

The Reporting Delegate of Commission I then asked the assistance of the members of the Commission with regard to the accuracy of his record of

reservations which had been made by various delegations so that his report to the Executive Session of the Conference could be complete.

The Chairman thanked the Commission for its splendid work. The Commission in turn expressed its appreciation to the presiding officer for his conduct of the meetings and the success of the Commission.

The meeting adjourned at 11 p.m.

[p. 915]

Document 477
DP/29
Statement by the Netherlands Delegation to Commission III
July 20, 1944

MR. CHAIRMAN,

On behalf of the Netherlands Delegation I want to make a statement with regard to the proposal for the liquidation of the Bank of International Settlements on which the second committee of this [p. 916] commission has acted. Originally the Norwegian Delegation had placed before this commission a proposal that the United Nations Monetary and Financial Conference recommend the liquidation of the Bank at Basle. It was suggested that the liquidation would begin at the earliest possible date, and that the Governments of the United Nations now at war with Germany appoint a committee of investigation in order to examine the management and transactions of the Bank during the present war.

The Netherlands Delegation wants to state that it has always been willing to accept the resolution in its original form. It considers the liquidation of the Bank for International Settlements as inevitable. The Bank for International Settlements should not continue to function side by side with the International Monetary Fund. But quite apart from that its statutes and its financial structure are the outcome of a world situation that after the victory of the United Nations will no longer exist. An investigation into the management and transactions of the Bank during the present war can only be welcomed by all those who think that it would be in the interest of the future of cooperation in the monetary field if the truth about the Bank's gestion [management] should at last be made available to a public whose judgment can now only be based on current stories borne out of ignorance of the true facts. Whether or not this conference is the suitable body to pass the original motion is another matter, about which the Netherlands Delegation does not wish to express an opinion. But it never had objections against its contents and would not have objected to the motion on any formal grounds.

The resolution was presented in a different form when the second committee met for the first time. The Norwegian Delegation had in the meantime deleted that part of the resolution which deals with the investigation of the management and transactions of the Bank during the present war. The Netherlands Delegation expressed its regret at that meeting at the deletion of the sentence dealing with the investigation.

[p. 919]

Document 481 (470)
CIII/2/RP2
Report Submitted to Commission III by Committee 2 on Enemy Assets, Looted Property, and Related Matters
(To be presented at the meeting of Commission III, July 20, 1944)

Bretton Woods, *July 20, 1944*

MR. CHAIRMAN:

At the second meeting of Commission III held at 5:00 p.m. on July 10, 1944, Committee 2 was appointed to consider proposals for action which had been assigned to it in accordance with the recommendations of the Agenda Committee and to make recommendations to the full Commission concerning action to be taken at this Conference with respect thereto.

Committee 2 wishes to report as follows concerning its decisions and recommendations.

The first item to which Committee 2 gave its attention was the proposal recommending the liquidation of the Bank for International Settlements submitted by the Norwegian Delegation and designated as No. 4 in the Report of the Agenda Committee (Document No. 235). [p. 920]

After considering the proposal in various forms it was the unanimous decision of Committee 2 to place the following recommendation, submitted jointly by the Norwegian and Netherlands Delegations, before Commission III and to recommend its adoption by the Conference:

"The United Nations Monetary and Financial Conference recommends the liquidation of the Bank for International Settlements at the earliest possible moment."

Committee 2 then turned its attention to the two proposals on enemy assets and looted property submitted by the Polish and French Delegations and designated as numbers 2 and 3 respectively in the Report of the Agenda Committee. The United States Delegation submitted an alternative draft resolution relating to this subject and embodying the features of the two earlier proposals. Thereupon, both the French Delegation and the Polish Delegation withdrew their proposals in favor of that submitted by the United States Delegation.

The Committee unanimously recommends to Commission III that the following resolution be adopted in principle. The Committee further recommends that the present draft be referred by the Commission to a drafting committee which shall be authorized to place it in form for consideration by the Plenary Session. The text of the recommended resolution is as follows: (P. 2)

WHEREAS :

1. In anticipation of their impending defeat, enemy leaders, enemy nationals and their associates and collaborators are transferring assets through clandestine channels to and through neutral countries to be concealed and held at their future disposal. Success on the part of such persons in secreting and preserving under their control substantial amounts of assets in and through neutral countries will perpetuate their influence, power, and ability to plan anew future aggrandisement and world domination. The efforts of the United Nations to establish and permanently maintain peaceful international relations after the conclusion of the present war would thereby be jeopardized.

2. Throughout the past four years enemy countries and their nationals have taken the property of occupied countries and their nationals. Enemy methods have ranged from open loot and plunder of currency, gold, securities, and other movable property, to subtle and complex devices, including the establishment of puppet governments in occupied territories, designed to give the cloak of [p. 921] legality to their robbery and to secure for themselves ownership and control of important financial and economic enterprises in the postwar period despite the impending defeat of their armed forces. To ensure their success and to frustrate the efforts of postliberation governments to undo their work, they have, through sales and other methods of transfer, run the chain of their ownership and control through foreign countries, both occupied and neutral, thus making the problem of disclosure and disentanglement one of international character.

3. Throughout the past four years as the enemy has occupied additional countries, the residents, under duress, have been forced to turn over to him their assets. The United Nations have declared their intention to do their utmost to defeat the methods of dispossession practiced by the enemy and have reserved their rights to declare invalid any transfers of property belonging to persons within occupied territory. They have adopted special controls and other measures not only to protect and safeguard property, within their respective jurisdiction, owned by occupied countries and their nationals, but also to prevent looted property from being disposed of in United Nations markets or acquired by persons subject to their jurisdiction.

THEREFORE :

It is resolved that, in recognition of these considerations, the United Nations Monetary and Financial Conference: (p. 3)

I. Notes with satisfaction the establishment by the United Nations of machinery designed to assist the nations of the world in

(a) uncovering, segregating, controlling, and making appropriate disposition of enemy assets;

(b) locating and tracing ownership and control of looted property and taking appropriate measures to make restoration to its lawful owners.

II. Recommends that all Governments represented at this Conference,

and particularly those already participating in the operation of this machinery, call upon the Governments of neutral countries:

(a) to take immediate measures to prevent any disposition or transfer within territories subject to their jurisdiction of any

(1) assets belonging to the Government or any individuals of institutions within those United Nations occupied by the enemy; and [p. 922]

(a) looted gold, currency, art objects, securities, other evidences of ownership in financial or business enterprises, and of other assets looted by the enemy;

as well as to uncover, segregate and hold at the disposition of the post-liberation authorities in the appropriate country any such assets within territory subject to their jurisdiction.

(b) to take immediate measures to prevent the concealment by fraudulent means or otherwise within countries subject to their jurisdiction of any

(1) assets belonging to, or alleged to belong to, the Government of and individuals or institutions within enemy countries.

(2) assets belonging to, or alleged to belong to, enemy leaders, their associates and collaborators, and

to facilitate their ultimate delivery to the post-armistice authorities.

Respectfully yours,
Chairman: (Signed) ANDRÉ ISTEL, French Delegation
Reporter: (Signed) WILHELM KEILHAU, Norway
To the Honorable Eduardo Suárez
Chairman of Commission III

7/19/44

[p. 1194]

Document 485
UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE
Bretton Woods
For the Press July 20, 1944
No. 40

Statement by the Honorable L. S. St. Laurent on Behalf of the Canadian Delegation at Meeting of Commission III

The resolution, which is now before this Conference, brings together a number of resolutions put forward by different countries. The reduction of barriers to trade, the mitigation of fluctuations [p. 1195] in the prices of staple primary products and the promotion of high levels of employment are subjects which are highly relevant to the work of this Monetary and Financial Conference. Time forbids that we should here embark on the work of drafting plans through which our countries might cooperate in effective action to achieve these ends. Yet it is of the highest importance to the welfare of the world that such work should be pushed forward as early as possible. On behalf of the Canadian Delegation I welcome the resolution which is before us and the opportunity which it gives to stress the urgent need for action.

In the work of the past few weeks an important beginning has been made in the broad scheme for meeting the international economic problems which will confront the world at the end of the war. Nevertheless it is only a beginning. If plans of international monetary organization and international investment are to be fully successful, other problems—by no means less difficult or less important—will also have to be faced and solved by joint international action. It would indeed be unwise to attach too much importance to what has been planned here, if thereby we were led to neglect other problems or to rest on a misguided faith that with new forms of international monetary and investment organizations, the other problems would solve themselves. The problems of commercial policy, the instability of primary product prices, the coordination of national employment policies, must be attacked frontally and on the same wide international basis. No such monetary and investment organizations, however perfect in form, can be expected to long survive the economic distortions of high tariffs, restrictive trading arrangements or enormous fluctuations in food and raw material prices such as marked the years between the wars.

In presenting in the Canadian House of Commons the Joint Statement of Experts on the Establishment of an International Monetary Fund, and after expressing sympathy with the particular objects to which that statement was directed, the Prime Minister said that the Canadian Government "is

equally anxious that common views should be reached on other parts also of a general plan of international economic cooperation, particularly on the reduction in the barriers to trade expansion, a reduction vital to Canada's welfare and necessary if conditions favourable to stable monetary arrangements are to be achieved." (p. 2)

The other parts of such a general plan of international economic [p. 1196] organization are perhaps less intricate than those on which so much effective work has been done here, but they present problems even more stubborn than those which this Conference has been facing. Approached in the same spirit, with the same ingenuity, the same sense of urgency and the same willingness to work together, which have been witnessed here, these problems can be solved.

It is because we believe in the possibility of solving them through international collaboration and because we believe in the urgent need for action that the Canadian Delegation support this resolution.

Commission III recommended the adoption by the full Conference of the following resolution:

Whereas in Article I of the Articles of Agreement of the International Monetary Fund it is stated that one of the principal purposes of the Fund is to facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income in the territories of all members as primary objectives of economic policy;

Whereas it is recognized that the complete attainment of this and other purposes and objectives stated in the Agreement cannot be achieved through the instrumentality of the Fund alone;

Therefore the United Nations Monetary and Financial Conference recommends to the participating Governments that, in addition to implementing the specific monetary and financial measures which were the subject of this Conference, they seek, with a view to creating in the field of international economic relations conditions necessary for the attainment of the purposes of the Fund and of the broader primary objectives of economic policy, to reach agreement as soon as possible on ways and means whereby they may best:

(1) reduce obstacles to international trade and in other ways promote mutually advantageous international commercial relations;

(2) bring about the orderly marketing of staple commodities at prices fair to the producer and consumer alike;

(3) deal with the special problems of international concern which will arise from the cessation of production for war purposes; and

(4) facilitate by cooperative effort the harmonization of national policies of member states designed to promote and maintain high levels of employment and progressively rising standards of living.

[p. 927]

Document 492
(p. 2) GD/48
UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE
Bretton Woods, New Hampshire
July 1 to July 22, 1944

Final Act

[material before annexes omitted]

[p. 942] (p. A1)

ANNEX A
ARTICLES OF AGREEMENT OF THE INTERNATIONAL MONETARY FUND

The Governments on whose behalf the present Agreement is signed agree as follows:

Introductory Article

The International Monetary Fund is established and shall operate in accordance with the following provisions:

Article I
Purposes

The purposes of the International Monetary Fund are:

(i) To promote international monetary co-operation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems.

(ii) To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.

(iii) To promote exchange stability, to maintain orderly exchange [p. 943] arrangements among members, and to avoid competitive exchange depreciation.

(iv) To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.

(v) To give confidence to members by making the Fund's resources available to them under adequate safeguards, thus providing them with

opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.

(vi) In accordance with the above, to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.

The Fund shall be guided in all its decisions by the purposes set forth in this Article. (p. A2)

Article II
Membership

SECTION 1. *Original members*

The original members of the Fund shall be those of the countries represented at the United Nations Monetary and Financial Conference whose governments accept membership before the date specified in Article XX, Section 2(e).

SECTION 2. *Other members*

Membership shall be open to the governments of other countries at such times and in accordance with such terms as may be prescribed by the Fund.

Article III
Quotas and Subscriptions

SECTION 1. *Quotas*

Each member shall be assigned a quota. The quotas of the members represented at the United Nations Monetary and Financial Conference which accept membership before the date specified in Article XX, Section 2(e), shall be those set forth in Schedule A. The quotas of other members shall be determined by the Fund.

SECTION 2. *Adjustment of quotas*

The Fund shall at intervals of five years review, and if it deems it appropriate propose an adjustment of, the quotas of the members. It may also, if it thinks fit, consider at any other time the [p. 944] adjustment of any particular quota at the request of the member concerned. A four-fifths majority of the total voting power shall be required for any change in quotas and no quota shall be changed without the consent of the member concerned.

SECTION 3. *Subscriptions: time, place and form of payment*

(a) The subscription of each member shall be equal to its quota and shall be paid in full to the Fund at the appropriate depository on or before the date when the member becomes eligible under Article XX, Section 4(c) or (d), to buy currencies from the Fund.

(b) Each member shall pay in gold, as a minimum, the smaller of

(i) twenty-five percent of its quota; or

(ii) ten percent of its net official holdings of gold and United States dollars as at the date when the Fund notifies members under Article XX, Section 4(a) that it will shortly be in a position to begin exchange transactions. (p. A3)

Each member shall furnish to the Fund the data necessary to determine its net official holdings of gold and United States dollars.

(c) Each member shall pay the balance of its quota in its own currency

(d) If the net official holdings of gold and United States dollars of any member as at the date referred to in (b) (ii) above are not ascertainable because its territories have been occupied by the enemy, the Fund shall fix an appropriate alternative date for determining such holdings. If such date is later than that on which the country becomes eligible under Article XX, Section 4(c) or (d), to buy currencies from the Fund, the Fund and the member shall agree on a provisional gold payment to be made under (b) above, and the balance of the member's subscription shall be paid in the member's currency, subject to appropriate adjustment between the member and the Fund when the net official holdings have been ascertained.

SECTION 4. *Payments when quotas are changed*

(a) Each member which consents to an increase in its quota shall, within thirty days after the date of its consent, pay to the Fund twenty-five percent, of the increase in gold and the balance in its own currency. If, however, on the date when the member consents to an increase, its monetary reserves are less than its new quota, the Fund may reduce the proportion of the increase to be paid in gold.

(b) If a member consents to a reduction in its quota, the Fund shall, within thirty days after the date of the consent, pay to the [p. 945] member an amount equal to the reduction. The payment shall be made in the member's currency and in such amount of gold as may be necessary to prevent reducing the Fund's holdings of the currency below seventy-five percent of the new quota.

SECTION 5. *Substitution of securities for currency*

The Fund shall accept from any member in place of any part of the member's currency which in the judgment of the Fund is not needed for its operations, notes or similar obligations issued by the member or the depository designated by the member under Article XIII, Section 2, which shall be non-negotiable, non-interest bearing and payable at their par value on demand by crediting the account of the Fund m the designated depository. This Section shall apply not only to currency subscribed by

members but also to any currency otherwise due to, or acquired by, the Fund.

Article IV

Par Values of Currencies

SECTION 1. *Expression of par values*

(a) The par value of the currency of each member shall be expressed in terms of gold as a common denominator or in terms of the United States dollar of the weight and fineness in effect on July 1, 1944. (p. A4)

(b) All computations relating to currencies of members for the purpose of applying the provisions of this Agreement shall be on the basis of their par values.

SECTION 2. *Gold purchases based on par values*

The Fund shall prescribe a margin above and below par value for transactions in gold by members, and no member shall buy gold at a price above par value plus the prescribed margin, or sell gold at a price below par value minus the prescribed margin.

SECTION 3. *Foreign exchange dealings based on parity*

The maximum and the minimum rates for exchange transactions between the currencies of members taking place within their territories shall not differ from parity

(i) in the case of spot exchange transactions, by more than one percent; and

(ii) in the case of other exchange transactions, by a margin which exceeds the margin for spot exchange transactions by more than the Fund considers reasonable.

SECTION 4. *Obligations regarding exchange stability*

(a) Each member undertakes to collaborate with the Fund to [p. 946] promote exchange stability, to maintain orderly exchange arrangements with other members, and to avoid competitive exchange alterations.

(b) Each member undertakes, through appropriate measures consistent with this Agreement, to permit within its territories exchange transactions between its currency and the currencies of other members only within the limits prescribed under Section 3 of this Article. A member whose monetary authorities, for the settlement of international transactions, in fact freely buy and sell gold within the limits prescribed by the Fund under Section 2 of this Article shall be deemed to be fulfilling this undertaking.

SECTION 5. *Changes in par values.*

(a) A member shall not propose a change in the par value of its currency except to correct a fundamental disequilibrium.

(b) A change in the par value of a member's currency may be made only on the proposal of the member and only after consultation with the Fund.

(c) When a change is proposed, the Fund shall first take into account the changes, if any, which have already taken place in the initial par value of the member's currency as determined under Article XX, Section 4. If the proposed change, together with all previous changes, whether increases or decreases,

(i) does not exceed ten percent of the initial par value, the Fund shall raise no objection, (p. A5)

(ii) does not exceed a further ten percent of the initial par value, the Fund may either concur or object, but shall declare its attitude within seventy-two hours if the member so requests,

(iii) is not within (i) or (ii) above, the Fund may either concur or object, but shall be entitled to a longer period in which to declare its attitude.

(d) Uniform changes in par values made under Section 7 of this Article shall not be taken into account in determining whether a proposed change falls within (i), (ii), or (iii) of (c) above.

(e) A member may change the par value of its currency without the concurrence of the Fund if the change does not affect the international transactions of members of the Fund.

(f) The Fund shall concur in a proposed change which is within the terms of (c) (ii) or (c) (iii) above if it is satisfied that the change is necessary to correct a fundamental disequilibrium. In particular, provided it is so satisfied, it shall not object to a proposed [p. 947] change because of the domestic social or political policies of the member proposing the change.

SECTION 6. *Effect of unauthorized changes*

If a member changes the par value of its currency despite the objection of the Fund, in cases where the Fund is entitled to object, the member shall be ineligible to use the resources of the Fund unless the Fund otherwise determines; and if, after the expiration of a reasonable period, the difference between the member and the Fund continues, the matter shall be subject to the provisions of Article XV, Section 2(b).

SECTION 7. *Uniform changes in par values*

Notwithstanding the provisions of Section 5(b) of this Article, the Fund by a majority of the total voting power may make uniform proportionate changes in the par values of the currencies of all members, provided each such change is approved by every member which has 10 percent or more of the total of the quotas. The par value of a member's currency shall, however,

not be changed under this provision if, within seventy-two hours of the Fund's action, the member informs the Fund that it does not wish the par value of its currency to be changed by such action.

SECTION 8. *Maintenance of gold value of the Fund's assets*

(a) The gold value of the Fund's assets shall be maintained notwithstanding changes in the par or foreign exchange value of the currency of any member.

(b) Whenever (i) the par value of a member's currency is reduced, or (ii) the foreign exchange value of a member's currency has, in the opinion of the Fund, depreciated to a significant extent within that member's territories, the member shall pay to (p. A6) the Fund within a reasonable time an amount of its own currency equal to the reduction in the gold value of its currency held by the Fund.

(c) Whenever the par value of a member's currency is increased, the Fund shall return to such member within a reasonable time an amount in its currency equal to the increase in the gold value of its currency held by the Fund.

(d) The provisions of this Section shall apply to a uniform proportionate change in the par values of the currencies of all members, unless at the time when such a change is proposed the Fund decides otherwise.

SECTION 9. *Separate currencies within a member's territories*

A member proposing a change in the par value of its currency [p. 948] shall be deemed, unless it declares otherwise, to be proposing a corresponding change in the par value of the separate currencies of all territories in respect of which it has accepted this agreement under Article XX, Section 2(g). It shall, however, be open to a member to declare that its proposal relates either to the metropolitan currency alone, or only to one or more specified separate currencies, or to the metropolitan currency and one or more specified separate currencies.

Article V
Transactions with the Fund

SECTION 1. *Agencies dealing with the Fund*

Each member shall deal with the Fund only through its Treasury, central bank, stabilization fund or other similar fiscal agency and the Fund shall deal only with or through the same agencies.

SECTION 2. *Limitation on the Fund's operations*

Except as otherwise provided in this Agreement, operations on the account of the Fund shall be limited to transactions for the purpose of supplying a member, on the initiative of such member, with the currency of

another member in exchange for gold or for the currency of the member desiring to make the purchase.

SECTION 3. *Conditions governing use of the Fund's resources*

(a) A member shall be entitled to buy the currency of another member from the Fund in exchange for its own currency subject to the following conditions:

(i) The member desiring to purchase the currency represents that it is presently needed for making in that currency payments which are consistent with the provisions of this Agreement;

(ii) The Fund has not given notice under Article VII, Section 3, that its holdings of the currency desired have become scarce; (p. A7)

(iii) The proposed purchase would not cause the Fund's holdings of the purchasing member's currency to increase by more than twenty-five percent, of its quota during the period of twelve months ending on the date of the purchase nor to exceed two hundred percent of its quota, but the twenty-five percent limitation shall apply only to the extent that the Fund's holdings of the member's currency have been brought above seventy-five percent of its quota if they had been below that amount;

(iv) The Fund has not previously declared under Section 5 of [p. 949] this Article, Article IV, Section 6, Article VI, Section 1, or Article XV, Section 2(a), that the member desiring to purchase is ineligible to use the resources of the Fund.

(b) A member shall not be entitled without the permission of the Fund to use the Fund's resources to acquire currency to hold against forward exchange transactions.

SECTION 4. *Waiver of conditions*

The Fund may in its discretion, and on terms which safeguard its interests, waive any of the conditions prescribed in Section 3(a) of this Article, especially in the case of members with a record of avoiding large or continuous use of the Fund's resources. In making a waiver it shall take into consideration periodic or exceptional requirements of the member requesting the waiver. The Fund shall also take into consideration a member's willingness to pledge as collateral security gold, silver, securities, or other acceptable assets having a value sufficient in the opinion of the Fund to protect its interests and may require as a condition of waiver the pledge of such collateral security.

SECTION 5. *Ineligibility to use the Fund's resources*

Whenever the Fund is of the opinion that any member is using the resources of the Fund in a manner contrary to the purposes of the Fund, it shall present to the member a report setting forth the views of the Fund and

prescribing a suitable time for reply. After presenting such a report to a member, the Fund may limit the use of its resources by the member. If no reply to the report is received from the member within the prescribed time, or if the reply received is unsatisfactory, the Fund may continue to limit the member's use of the Fund's resources or may, after giving reasonable notice to the member, declare it ineligible to use the resources of the Fund.

SECTION 6. *Purchases of currencies from the Fund for gold*

(a) Any member desiring to obtain, directly or indirectly, the currency of another member for gold shall, provided that it can do so with equal advantage, acquire it by the sale of gold to the Fund.

(b) Nothing in this Section shall be deemed to preclude any member from selling in any market gold newly produced from mines located within its territories. (p. A8)

SECTION 7. *Repurchase by a member of its currency held by the Fund*

(a) A member may repurchase from the Fund and the Fund [p. 950] shall sell for gold any part of the Fund's holdings of its currency in excess of its quota.

(b) At the end of each financial year of the Fund, a member shall repurchase from the Fund with gold or convertible currencies, as determined in accordance with Schedule B, part of the Fund's holdings of its currency under the following conditions:

(i) Each member shall use in repurchases of its own currency from the Fund an amount of its monetary reserves equal in value to one-half of any increase that has occurred during the year in the Fund's holdings of its currency plus one-half of any increase, or minus one-half of any decrease, that has occurred during the year in the member's monetary reserves. This rule shall not apply when a member's monetary reserves have decreased during the year by more than the Fund's holdings of its currency have increased.

(ii) If after the repurchase described in (i) above (if required) has been made, a member's holdings of another member's currency (or of gold acquired from that member) are found to have increased by reason of transactions in terms of that currency with other members or persons in their territories, the member whose holdings of such currency (or gold) have thus increased shall use the increase to repurchase its own currency from the Fund.

(c) None of the adjustments described in (b) above shall be carried to a point at which

(i) the member's monetary reserves are below its quota, or

(ii) the Fund's holdings of its currency are below seventy-five percent. of its quota, or

(iii) the Fund's holdings of any currency required to be used are above seventy-five percent of the quota of the member concerned.

SECTION 8. *Charges*

(a) Any member buying the currency of another member from the Fund in exchange for its own currency shall pay a service charge uniform for all members of three-fourths percent in addition to the parity price. The Fund in its discretion may increase this service charge to not more than one percent, or reduce it to not less than one-half percent. (p. A9)

(b) The Fund may levy a reasonable handling charge on any member buying gold from the Fund or selling gold to the Fund. [p. 951]

(c) The Fund shall levy charges uniform for all members which shall be payable by any member on the average daily balances of its currency held by the Fund m excess of its quota. These charges shall be at the following rates:

(i) *On amounts not more than twenty-five percent in excess of the quota:* no charge for the first three months, one-half percent per annum for the next nine months; and thereafter an increase in the charge of one-half percent for each subsequent year.

(ii) *On amounts more than twenty-five percent and not more than fifty percent in excess of the quota:* an additional one-half percent, for the first year; and an additional one-half percent for each subsequent year.

(iii) *On each additional bracket of twenty-five percent in excess of the quota*: an additional one-half percent for the first year; and an additional one-half percent for each subsequent year.

(d) Whenever the Fund's holdings of a member's currency are such that the charge applicable to any bracket for any period has readied the rate of four percent per annum, the Fund and the member shall consider means by which the Fund's holdings of the currency can be reduced Thereafter, the charges shall rise in accordance with the provisions of (c) above until they reach five percent and failing agreement, the Fund may then impose such charges as it deems appropriate.

(e) The rates referred to in (c) and (d) above may be changed by a three-fourths majority of the total voting power.

(f) All charges shall be paid in gold. If, however, the member's monetary reserves are less than one-half of its quota, it shall pay in gold only that proportion of the charges due which such reserves bear to one-half of its quota, and shall pay the balance in its own currency.

Article VI
Capital Transfers

SECTION 1. *Use of the Fund's resources for capital transfers.*

(a) A member may not make net use of the Fund's resources to meet a large or sustained outflow of capital, and the Fund may request a member to

exercise controls to prevent such use of the resources of the Fund. If, after receiving such a request, a member fails to exercise appropriate controls, the Fund may declare the member ineligible to use the resources of the Fund. [p. 952] (p. A10)

(b) Nothing in this Section shall be deemed

(i) to prevent the use of the resources of the Fund for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking or other business, or

(ii) to affect capital movements which are met out of a member's own resources of gold and foreign exchange, but members undertake that such capital movements will be in accordance with the purposes of the Fund.

SECTION 2. *Special provisions for capital transfers*

If the Fund's holdings of the currency of a member have remained below seventy-five percent of its quota for an immediately preceding period of not less than six months, such member, if it has not been declared ineligible to use the resources of the Fund under Section 1 of this Article, Article IV, Section 6, Article V, Section 5, or Article XV, Section 2(a), shall be entitled, notwithstanding the provisions of Section 1(a) of this Article, to buy the currency of another member from the Fund with its own currency for any purpose, including capital transfers. Purchases for capital transfers under this Section shall not, however, be permitted if they have the effect of raising the Fund's holdings of the currency of the member desiring to purchase above seventy-five percent of its quota, or of reducing the Fund's holdings of the currency desired below seventy-five percent of the quota of the member whose currency is desired.

SECTION 3. *Controls of capital transfers*

Members may exercise such controls as are necessary to regulate international capital movements, but no member may exercise these controls in a manner which will restrict payments for current transactions or which will unduly delay transfers of funds in settlement of commitments, except as provided in Article VII, Section 3(b), and in Article XIV, Section 2.

Article VII
Scarce Currencies

SECTION 1. *General scarcity of currency*

If the Fund finds that a general scarcity of a particular currency is developing, the Fund may so inform members and may issue a report setting forth the causes of the scarcity and containing recommendations designed to bring it to an end. A representative of the member whose currency is involved shall participate in the preparation of the report. [p. 953]

SECTION 2. *Measures to replenish the Fund's holdings of scarce currencies*

The Fund may, if it deems such action appropriate to replenish its holdings of any member's currency, take either or both of the following steps: (p. A11)

(i) Propose to the member that, on terms and conditions agreed between the Fund and the member, the latter lend its currency to the Fund or that, with the approval of the member, the Fund borrow such currency from some other source either within or outside the territories of the member, but no member shall be under any obligation to make such loans to the Fund or to approve the borrowing of its currency by the Fund from any other source.

(ii) Require the member to sell its currency to the Fund for gold.

SECTION 3. *Scarcity of the Fund's holdings*

(a) If it becomes evident to the Fund that the demand for a member's currency seriously threatens the Fund's ability to supply that currency, the Fund, whether or not it has issued a report under Section I of this Article, shall formally declare such currency scarce and shall thenceforth apportion its existing and accruing supply of the scarce currency with due regard to the relative needs of members, the general international economic situation and any other pertinent considerations. The Fund shall also issue a report concerning its action.

(b) A formal declaration under (a) above shall operate as in authorization to any member, after consultation with the Fund, temporarily to impose limitations on the freedom of exchange operations m the scarce currency. Subject to the provisions of Article IV, Sections 3 and 4, the member shall have complete jurisdiction in determining the nature of such limitations, but they shall be no more restrictive than is necessary to limit the demand for the scarce currency to the supply held by, or accruing to, the member in question; and they shall be relaxed and removed as rapidly as conditions permit.

(c) The authorization under (b) above shall expire whenever the Fund formally declares the currency in question to be no longer scarce.

SECTION 4. *Administration of restrictions*

Any member imposing restrictions in respect of the currency of any other member pursuant to the provisions of Section 3 (b) [p. 954] of this Article shall give sympathetic consideration to any representations by the other member regarding the administration of such restrictions.

SECTION 5. *Effect of other international agreements on restrictions*

Members agree not to invoke the obligations of any engagements entered into with other members prior to this Agreement in such a manner as will prevent the operation of the provisions of this Article. (p. A12)

Article VIII
General Obligations of Members

SECTION 1. *Introduction*

In addition to the obligations assumed under other articles of this Agreement, each member undertakes the obligations set out in this Article.

SECTION 2. *Avoidance of restrictions on current payments*

(a) Subject to the provisions of Article VII, Section 3 (b), and Article XIV, Section 2, no member shall, without the approval of the Fund, impose restrictions on the making of payments and transfers for current international transactions.

(b) Exchange contracts which involve the currency of any member and which are contrary to the exchange control regulations of that member maintained or imposed consistently with this Agreement shall be unenforceable in the territories of any member. In addition, members may, by mutual accord, co-operate in measures for the purpose of making the exchange control regulations of either member more effective, provided that such measures and regulations are consistent with this Agreement.

SECTION 3. *Avoidance of discriminatory currency practices*

No member shall engage in, or permit any of its fiscal agencies referred to in Article V, Section 1, to engage in, any discriminatory currency arrangements or multiple currency practices except as authorized under this Agreement or approved by the Fund. If such arrangements and practices are engaged in at the date when this Agreement enters into force the member concerned shall consult with the Fund as to their progressive removal unless they are maintained or imposed under Article XIV, Section 2, in which case the provisions of Section 4 of that Article shall apply.

SECTION 4. *Convertibility of foreign held balances*

(a) Each member shall buy balances of its currency held by [p. 955] another member if the latter, in requesting the purchase, represents

(i) that the balances to be bought have been recently acquired as a result of current transactions; or

(ii) that their conversion is needed for making payments for current transactions.

The buying member shall have the option to pay either in the currency of the member making the request or in gold.

(b) The obligation in (a) above shall not apply

(i) when the convertibility of the balances has been restricted consistently with Section 2 of this Article, or Article VI, Section 3; or

(ii) when the balances have accumulated as a result of transactions effected before the removal by a member of restrictions maintained or imposed under Article XIV, Section 2; or (p. A13)

(iii) When the balances have been acquired contrary to the exchange regulations of the member which is asked to buy them; or

(iv) When the currency of the member requesting the purchase has been declared scarce under Article VII, Section 3(a); or

(v) When the member requested to make the purchase is for any reason not entitled to buy currencies of other members from the Fund for its own currency.

SECTION 5. *Furnishing of information.*

(a) The Fund may require members to furnish it with such information as it deems necessary for its operations, including, as the minimum necessary for the effective discharge of the Fund's duties, national data on the following matters:

(i) Official holdings at home and abroad, of (1) gold, (2) foreign exchange.

(ii) Holdings at home and abroad by banking and financial agencies, other than official agencies, of (1) gold, (2) foreign exchange.

(iii) Production of gold.

(iv) Gold exports and imports according to countries of destination and origin.

(v) Total exports and imports of merchandise, in terms of local currency values, according to countries of destination and origin. [p. 956]

(vi) International balance of payments, including (1) trade in goods and services, (2) gold transactions, (3) known capital transactions, and (4) other items.

(vii) International investment position, i e., investments within the territories of the member owned abroad and investments abroad owned by persons in its territories so far as it is possible to furnish this information.

(viii) National income.

(ix) Price indices, i.e., indices of commodity prices in wholesale and retail markets and of export and import prices.

(x) Buying and selling rates for foreign currencies.

(xi) Exchange controls, i.e., a comprehensive statement of exchange controls in effect at the time of assuming membership in the Fund and details of subsequent changes as they occur.

(xii) Where official clearing arrangements exist, details of amounts awaiting clearance in respect of commercial (p. A14) and financial transactions and of the length of time during which such arrears have been outstanding.

(b) In requesting information the Fund shall take into consideration the varying ability of members to furnish the data requested. Members shall be under no obligation to furnish information in such detail that the affairs of individuals or corporations are disclosed. Members undertake, however, to furnish the desired information in as detailed and accurate a manner as is practicable, and, so far as possible, to avoid mere estimates.

(c) The Fund may arrange to obtain further information by agreement with members. It shall act as a centre for the collection and exchange of information on monetary and financial problems, thus facilitating the preparation of studies designed to assist members in developing policies which further the purposes of the Fund.

SECTION 6. *Consultation between members regarding existing international agreements*

Where under this Agreement a member is authorized in the special or temporary circumstances specified in the Agreement to maintain or establish restrictions on exchange transactions, and there are other engagements between members entered into prior to this Agreement which conflict with the application of such restrictions, the parties to such engagements will consult with one another with a view to making such mutually acceptable adjustments [p. 957] as may be necessary The provisions of this Article shall be without prejudice to the operation of Article VII, Section 5.

Article IX
Status, Immunities and Privileges

SECTION 1. *Purposes of Article*

To enable the Fund to fulfill the functions with which it is entrusted, the status, immunities and privileges set forth in this Article shall be accorded to the Fund in the territories of each member.

SECTION 2. *Status of the Fund*

The Fund shall possess full juridical personality, and, in particular, the capacity:

(i) to contract;

(ii) to acquire and dispose of immovable and movable property;

(iii) to institute legal proceedings.

SECTION 3. *Immunity from judicial process*

The Fund, its property and its assets, wherever located and by whomsoever held, shall enjoy immunity from every form of judicial process except to the extent that it expressly waives its immunity for the purpose of any proceedings or by the terms of any contract. (p. A15)

SECTION 4. *Immunity from other action.*

Property and assets of the Fund, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of seizure by executive or legislative action.

SECTION 5. *Immunity of archives*

The archives of the Fund shall be inviolable.

SECTION 6. *Freedom of assets from restrictions*

To the extent necessary to carry out the operations provided for in this Agreement, all property and assets of the Fund shall be free from restrictions, regulations, controls and moratoria of any nature.

SECTION 7. *Privilege for communications*

The official communications of the Fund shall be accorded by members the same treatment as the official communications of other members. [p. 958]

SECTION 8. *Immunities and privileges of officers and employees*

All governors, executive directors, alternates, officers and employees of the Fund

(i) shall be immune from legal process with respect to acts performed by them in their official capacity except when the Fund waives this immunity.

(ii) not being local nationals, shall be granted the same immunities from immigration restrictions, alien registration requirements and national service obligations and the same facilities as regards exchange restrictions as are accorded by members to the representatives, officials, and employees of comparable rank of other members.

(iii) shall be granted the same treatment in respect of travelling facilities as is accorded by members to representatives, officials and employees of comparable rank of other members.

SECTION 9. *Immunities from taxation.*

(a) The Fund, its assets, property, income and its operations and transactions authorized by this Agreement, shall be immune from all taxation and from all customs duties. The Fund shall also be immune from liability for the collection or payment of any tax or duty.

(b) No tax shall be levied on or in respect of salaries and emoluments paid by the Fund to executive directors, alternates, officers or employees of the Fund who are not local citizens, local subjects, or other local nationals.

(c) No taxation of any kind shall be levied on any obligation or security issued by the Fund, including any dividend or interest (p. A16) thereon, by whomsoever held.

(i) which discriminates against such obligation or security solely because of its origin; or

(ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Fund.

SECTION 10. *Application of Article*

Each member shall take such action as is necessary in its own territories for the purpose of making effective in terms of its own law the principles set forth in this Article and shall inform the Fund of the detailed action which it has taken. [p. 959]

Article X
Relations with Other International Organizations

The Fund shall co-operate within the terms of this Agreement with any general international organization and with public international organizations having specialized responsibilities in related fields. Any arrangements for such co-operation which would involve a modification of any provision of this Agreement may be effected only after amendment to this Agreement under Article XVII.

Article XI
Relations with Non-Member Countries

SECTION 1. *Undertakings regarding relations with non-member countries*

Each member undertakes :

(i) Not to engage in, nor to permit any of its fiscal agencies referred to in Article V, Section I, to engage in, any transactions with a non-member or with persons in a non-member's territories which would be contrary to the provisions of this Agreement or the purposes of the Fund;

(ii) Not to co-operate with a non-member or with persons in a non-member's territories in practices which would be contrary to the provisions of this Agreement or the purposes of the Fund; and

(iii) To co-operate with the Fund with a view to the application in its territories of appropriate measures to prevent transactions with non-members or with persons in their territories which would be contrary to the provisions of this Agreement or the purposes of the Fund.

SECTION 2. *Restrictions on transactions with non-member countries*

Nothing in this Agreement shall affect the right of any member to impose restrictions on exchange transactions with non-members or with persons in their territories unless the Fund finds that such restrictions prejudice the interests of members and are contrary to the purposes of the Fund. (p. A17)

Article XII
Organization and Management

SECTION 1. *Structure of the Fund*

The Fund shall have a Board of Governors, Executive Directors, a Managing Director and a staff. [p. 960]

SECTION 2. *Board of Governors*

(a) All powers of the Fund shall be vested in the Board of Governors, consisting of one governor and one alternate appointed by each member in such manner as it may determine. Each governor and each alternate shall serve for five years, subject to the pleasure of the member appointing him, and may be reappointed. No alternate may vote except in the absence of his principal. The Board shall select one of the governors as chairman.

(b) The Board of Governors may delegate to the Executive Directors authority to exercise any powers of the Board, except the power to:

(i) Admit new members and determine the conditions of their admission.

(ii) Approve a revision of quotas.

(iii) Approve a uniform change in the par value of the currencies of all members.

(iv) Make arrangements to co-operate with other international organizations (other than informal arrangements of a temporary or administrative character).

(v) Determine the distribution of the net income of the Fund.

(vi) Require a member to withdraw.

(vii) Decide to liquidate the Fund.

(viii) Decide appeals from interpretations of this Agreement given by the Executive Directors.

(c) The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or called by the Executive Directors. Meetings of the Board shall be called by the Directors whenever requested by five members or by members having one quarter of the total voting power.

(d) A quorum for any meeting of the Board of Governors shall be a majority of the governors exercising not less than two-thirds of the total voting power.

(e) Each governor shall be entitled to cast the number of votes allotted under Section 5 of this Article to the member appointing him. (p. A18)

(f) The Board of Governors may by regulation establish a procedure whereby the Executive Directors, when they deem such action to be in the best interests of the Fund, may obtain a vote of the governors on a specific question without calling a meeting of the Board.

(g) The Board of Governors, and the Executive Directors to the [p. 961] extent authorized, may adopt such rules and regulations as may be necessary or appropriate to conduct the business of the Fund.

(h) Governors and alternates shall serve as such without compensation from the Fund, but the Fund shall pay them reasonable expenses incurred in attending meetings.

(i) The Board of Governors shall determine the remuneration to be paid to the Executive Directors and the salary and terms of the contract of service of the Managing Director.

SECTION 3. *Executive Directors*

(a) The Executive Directors shall be responsible for the conduct of the general operations of the Fund, and for this purpose shall exercise all the powers delegated to them by the Board of Governors.

(b) There shall be not less than twelve directors who need not be governors, and of whom

(i) Five shall be appointed by the five members having the largest quotas;

(ii) Not more than two shall be appointed when the provisions of (c) below apply;

(iii) Five shall be elected by the members not entitled to appoint directors, other than the American Republics; and

(iv) Two shall be elected by the American Republics not entitled to appoint directors.

For the purposes of this paragraph, members means governments of countries whose names are set forth in Schedule A, whether they become members in accordance with Article XX or in accordance with Article II, Section 2. When governments of other countries become members, the Board of Governors may, by a four-fifths majority of the total voting power, increase the number of directors to be elected.

(c) If, at the second regular election of Directors and thereafter, the members entitled to appoint directors under (b)(i) above do not include the two members, the holdings of whose currencies by the Fund have been, on the average over the preceding two years, reduced below their quotas by the largest absolute amounts in terms of gold as a common denominator, either one or both of such members, as the case may be, shall be entitled to appoint a director.

(d) Subject to Article XX, Section 3(b), elections of elective directors shall be conducted at intervals of two years in accordance with the provisions of Schedule C, supplemented by such regulations as the Fund deems appropriate. Whenever the Board [p. 962] (p. A19) of Governors increases the number of directors to be elected under (b) above, it shall issue regulations making appropriate changes in the proportion of votes required to elect directors under the provisions of Schedule C.

(e) Each director shall appoint an alternate with full power to act for him when he is not present. When the directors appointing them are present, alternates may participate in meetings but may not vote.

(f) Directors shall continue in office until their successors are appointed or elected. If the office of an elected director becomes vacant more than ninety days before the end of his term, another director shall be elected for the remainder of the term by the members who elected the former director. A majority of the votes cast shall be required for election. While the office remains vacant, the alternate of the former director shall exercise his powers, except that of appointing an alternate.

(g) The Executive Directors shall function in continuous session at the principal office of the Fund and shall meet as often as the business of the Fund may require.

(h) A quorum for any meeting of the Executive Directors shall be a majority of the directors representing not less than one-half of the voting power.

(i) Each appointed director shall be entitled to cast the number of votes allotted under Section 5 of this Article to the member appointing him. Each elected director shall be entitled to cast the number of votes which counted towards his election. When the provisions of Section 5 (b) of this Article are applicable, the votes which a director would otherwise be entitled to cast shall be increased or decreased correspondingly. All the votes which a director is entitled to cast shall be cast as a unit.

(j) The Board of Governors shall adopt regulations under which a member not entitled to appoint a director under (b) above may send a representative to attend any meeting of the Executive Directors when a request made by, or a matter particularly affecting, that member is under consideration.

(k) The Executive Directors may appoint such committees as they deem advisable. Membership of committees need not be limited to governors or directors or their alternates.

SECTION 4. *Managing Director and staff*

(a) The Executive Directors shall select a Managing Director who shall not be a governor or an executive director. The Managing Director shall be chairman of the Executive Directors, but shall have no vote except a deciding vote in case of an equal division. He may participate in meetings of the Board of Governors, but [p. 963] shall not vote at such meetings. The Managing Director shall cease to hold office when the Executive Directors so decide.

(b) The Managing Director shall be chief of the operating staff of the Fund and shall conduct, under the direction of the Executive Directors, the ordinary business of the Fund. Subject to the (p. A20) general control of the

Executive Directors, he shall be responsible for the organization, appointment and dismissal of the staff of the Fund.

(c) The Managing Director and the staff of the Fund, in the discharge of their functions, shall owe their duty entirely to the Fund and to no other authority. Each member of the Fund shall respect the international character of this duty and shall refrain from all attempts to influence any of the staff in the discharge of his functions.

(d) In appointing the staff the Managing Director shall, subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to the importance of recruiting personnel on as wide a geographical basis as possible.

SECTION 5. *Voting.*

(a) Each member shall have two hundred and fifty votes plus one additional vote for each part of its quota equivalent to one hundred thousand United States dollars.

(b) Whenever voting is required under Article V, Section 4 or 5, each member shall have the number of votes to which it is entitled under (a) above, adjusted:

(i) by the addition of one vote for the equivalent of each 400,000 United States dollars of net sales of its currency up to the date when the vote is taken, or

(ii) by the subtraction of one vote for the equivalent of each 400,000 United States dollars of its net purchases of the currencies of other members up to the date when the vote is taken.

provided, that neither net purchases nor net sales shall be deemed at any time to exceed an amount equal to the quota of the member involved.

(c) For the purpose of all computations under this Section, United States dollars shall be deemed to be of the weight and fineness [p. 964] in effect on July 1, 1944, adjusted for any uniform change under Article IV, Section 7, if a waiver is made under Section 8(d) of that Article.

(d) Except as otherwise specifically provided, all decisions of the Fund shall be made by a majority of the votes cast. (p. A21)

SECTION 6. *Distribution of net income*

(a) The Board of Governors shall determine annually what part of the Fund's net income shall be placed to reserve and what part, if any, shall be distributed.

(b) If any distribution is made, there shall first be distributed a two percent, non-cumulative payment to each member on the amount by which seventy-five percent of its quota exceeded the Fund's average holdings of its currency during that year. The balance shall be paid to all members in

proportion to their quotas. Payments to each member shall be made in its own currency.

SECTION 7. *Publication of reports*

(a) The Fund shall publish an annual report containing an audited statement of its accounts, and shall issue, at intervals of three months or less, a summary statement of its transactions and its holdings of gold and currencies of members.

(b) The Fund may publish such other reports as it deems desirable for carrying out its purposes.

SECTION 8. *Communication of views to members*

The Fund shall at all times have the right to communicate its views informally to any member on any matter arising under this Agreement. The Fund may, by a two-thirds majority of the total voting power, decide to publish a report made to a member regarding its monetary or economic conditions and developments which directly tend to produce a serious disequilibrium in the international balance of payments of members. If the member is not entitled to appoint an executive director, it shall be entitled to representation in accordance with Section 3 (j) of this Article. The Fund shall not publish a report involving changes in the fundamental structure of the economic organization of members. (p. A22)

Article XIII

Offices and Depositories

SECTION 1. *Location of offices*

The principal office of the Fund shall be located in the territory of the member having the largest quota, and agencies or branch offices may be established in the territories of other members. [p. 965]

SECTION 2. *Depositories.*

(a) Each member country shall designate its central bank as a depository for all the Fund's holdings of its currency, or if it has no central bank it shall designate such other institution as may be acceptable to the Fund.

(b) The Fund may hold other assets, including gold, in the depositories designated by the five members having the largest quotas and in such other designated depositories as the Fund may select. Initially, at least one-half of the holdings of the Fund shall be held in the depository designated by the member in whose territories the Fund has its principal office and at least forty percent shall be held in the depositories designated by the remaining four members referred to above. However, all transfers of gold by the Fund shall be made with due regard to the casts of transport and anticipated requirements of the Fund. In an emergency the Executive Directors may

transfer all or any part of the Fund's gold holdings to any place where they can be adequately protected.

SECTION 3. *Guarantee of the Fund's assets*

Each member guarantees all assets of the Fund against loss resulting from failure or default on the part of the depository designated by it.

Article XIV
Transitional Period

SECTION 1. *Introduction*

The Fund is not intended to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of the war.

SECTION 2. *Exchange restrictions*

In the post-war transitional period members may, notwithstanding the provisions of any other articles of this Agreement, maintain and adapt to changing circumstances (and, in the case of members whose territories have been occupied by the enemy, introduce where necessary) restrictions on payments and transfers for current international transactions. Members shall, however, have continuous regard in their foreign exchange policies to the purposes of the Fund; and, as soon as conditions permit, they shall take all possible measures to develop such commercial and (p. A23) financial arrangements with other members as will facilitate international payments and the maintenance of exchange stability. In particular, members shall withdraw restrictions maintained [p. 966] or imposed under this Section as soon as they are satisfied that they will be able, in the absence of such restrictions, to settle their balance of payments in a manner which will not unduly encumber their access to the resources of the Fund.

SECTION 3. *Notification to the Fund*

Each member shall notify the Fund before it becomes eligible under Article XX, Section 4 (c) or (d), to buy currency from the Fund, whether it intends to avail itself of the transitional arrangements m Section 2 of this Article, or whether it is prepared to accept the obligations of Article VIII, Sections 2, 3 and 4. A member availing itself of the transitional arrangements shall notify the Fund as soon thereafter as it is prepared to accept the above-mentioned obligations.

SECTION 4. *Action of the Fund relating to restrictions*

Not later than three years after the date on which the Fund begins operations and in each year thereafter, the Fund shall report on the restrictions still in force under Section 2 of this Article. Five years after the date on which the Fund begins operations, and in each year thereafter, any

member still retaining any restrictions inconsistent with Article VIII, Sections 2, 3, or 4, shall consult the Fund as to their further retention. The Fund may, if it deems such action necessary in exceptional circumstances, make representations to any member that conditions are favorable for the withdrawal of any particular restriction, or for the general abandonment of restrictions, inconsistent with the provisions of any other article of this Agreement. The member shall be given a suitable time to reply to such representations. If the Fund finds that the member persists in maintaining restrictions which are inconsistent with the purposes of the Fund, the member shall be subject to Article XV, Section 2(a).

SECTION 5. *Nature of transitional period*

In its relations with members, the Fund shall recognize that the post-war transitional period will be one of change and adjustment and in making decisions on requests occasioned thereby which are presented by any member it shall give the member the benefit of any reasonable doubt.

Article XV
Withdrawal from Membership

SECTION 1. *Right of members to withdraw*

Any member may withdraw from the Fund at any time by [p. 967] transmitting a notice in writing to the Fund at its principal office. Withdrawal shall become effective on the date such notice is received. (p. A24)

SECTION 2. *Compulsory withdrawal*

(a) If a member fails to fulfill any of its obligations under this Agreement, the Fund may declare the member ineligible to use the resources of the Fund. Nothing in this Section shall be deemed to limit the provisions of Article IV, Section 6, Article V, Section 5, or Article VI, Section 1.

(b) If, after the expiration of a reasonable period the member persists in its failure to fulfill any of its obligations under this Agreement, or a difference between a member and the Fund under Article IV, Section 6, continues, that member may be required to withdraw from membership in the Fund by a decision of the Board of Governors earned by a majority of the governors representing a majority of the total voting power.

(c) Regulations shall be adopted to ensure that before action is taken against any member under (a) or (b) above, the member shall be informed in reasonable time of the complaint against it and given an adequate opportunity for stating its case, both orally and in writing.

SECTION 3. *Settlement of accounts with members withdrawing*

When a member withdraws from the Fund, normal transactions of the Fund in its currency shall cease and settlement of all accounts between it and

the Fund shall be made with reasonable despatch by agreement between it and the Fund. If agreement is not reached promptly, the provisions of Schedule D shall apply to the settlement of accounts.

Article XVI
Emergency Provisions

SECTION 1. *Temporary Suspension.*

(a) In the event of an emergency or the development of unforeseen circumstances threatening the operations of the Fund, the Executive Directors by unanimous vote may suspend for a period of not more than one hundred and twenty days the operation of any of the following provisions:

(i) Article IV, Sections 3 and 4(b).

(ii) Article V, Sections 2, 3, 7, 8(a) and (f).

(iii) Article VI, Section 2.

(iv) Article XI, Section 1 [p. 968]

(b) Simultaneously with any decision to suspend the operation of any of the foregoing provisions, the Executive Directors shall call a meeting of the Board of Governors for the earliest practicable date. (p. A25)

(c) The Executive Directors may not extend any suspension beyond one hundred and twenty days. Such suspension may be extended, however, for an additional period of not more than two hundred and forty days, if the Board of Governors by a four-fifths majority of the total voting power so decides, but it may not be further extended except by amendment of this Agreement pursuant to Article XVII.

(d) The Executive Directors may, by a majority of the total voting power, terminate such suspension at any time.

SECTION 2. *Liquidation of the Fund*

(a) The Fund may not be liquidated except by decision of the Board of Governors. In an emergency, if the Executive Directors decide that liquidation of the Fund may be necessary, they may temporarily suspend all transactions, pending decision by the Board.

(b) If the Board of Governors decides to liquidate the Fund, the Fund shall forthwith cease to engage in any activities except those incidental to the orderly collection and liquidation of its assets and the settlement of it liabilities, and all obligations of members under this Agreement shall cease except those set out in this Article, in Article XVIII, paragraph (c), in Schedule D, paragraph 7, and in Schedule E.

(c) Liquidation shall be administered in accordance with the provisions of Schedule E.

Article XVII
Amendments

(a) Any proposal to introduce modifications in this Agreement, whether emanating from a member, a governor or the Executive Directors, shall be communicated to the chairman of the Board of Governors who shall bring the proposal before the Board. If the proposed amendment is approved by the Board the Fund shall, by circular letter or telegram, ask all members whether they accept the proposed amendment. When three-fifths of the members, having four-fifths of the total voting power, have accepted the proposed amendment, the Fund shall certify the fact by a formal communication addressed to all members. [p. 969]

(b) Notwithstanding (a) above, acceptance by all members is required in the case of any amendment modifying

(i) the right to withdraw from the Fund (Article XV, Section 1);

(ii) the provision that no change in a member's quota shall be made without its consent (Article III, Section 2);

(iii) the provision that no change may be made in the par value of a member's currency except on the proposal of that member (Article IV, Section 5 (b). (p. A26)

(c) Amendments shall enter into force for all members three months after the date of the formal communication unless a shorter period is specified in the circular letter or telegram.

Article XVIII
Interpretation

(a) Any question of interpretation of the provisions of this Agreement arising between any member and the Fund or between any members of the Fund shall be submitted to the Executive Directors for their decision. If the question particularly affects any member not entitled to appoint an executive director it shall be entitled to representation in accordance with Article XII, Section 3(j).

(b) In any case where the Executive Directors have given a decision under (a) above, any member may require that the question be referred to the Board of Governors, whose decision shall be final. Pending the result of the reference to the Board the Fund may, so far as it deems necessary, act on the basis of the decision of the Executive Directors.

(c) Whenever a disagreement arises between the Fund and a member which has withdrawn, or between the Fund and any member during the liquidation of the Fund, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators, one appointed by the Fund, another by the member or withdrawing member and an umpire who, unless the parties otherwise agree, shall be appointed by the President of the Permanent Court of International Justice or such other authority as may have been prescribed

by regulation adopted by the Fund. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto. [p. 970]

Article XIX
Explanation of Terms

In interpreting the provisions of this Agreement the Fund and its members shall be guided by the following:

(a) A member's monetary reserves means its net official holdings of gold, of convertible currencies of other members, and of the currencies of such non-members as the Fund may specify.

(b) The official holdings of a member means central holdings (that is, the holdings of its Treasury, central bank, stabilization fund, or similar fiscal agency).

(c) The holdings of other official institutions or other banks within its territories may, in any particular case, be deemed by the Fund, after consultation with the member, to be official holdings to the extent that they are substantially in excess of working balances; provided that for the purpose of determining whether, in a particular case, holdings are in excess of working balances, (p. A27) there shall be deducted from such holdings amounts of currency due to official institutions and banks in the territories of members or non-members specified under (d) below.

(d) A member's holdings of convertible currencies means its holdings of the currencies of other members which are not availing themselves of the transitional arrangements under Article XIV, Section 2, together with its holdings of the currencies of such non-members as the Fund may from time to time specify. The term currency for this purpose includes without limitation coins, paper money, bank balances, bank acceptances, and government obligations issued with a maturity not exceeding twelve months.

(e) A member's monetary reserves shall be calculated by deducting from its central holdings the currency liabilities to the Treasuries, central banks, stabilization funds, or similar fiscal agencies of other members or non-members specified under (d) above, together with similar liabilities to other official institutions and other banks in the territories of members, or non-members specified under (d) above. To these net holdings shall be added the sums deemed to be official holdings of other official institutions and other banks under (c) above.

(f) The Fund's holdings of the currency of a member shall include any securities accepted by the Fund under Article III, Section 5.

(g) The Fund, after consultation with a member which is availing [p. 971] itself of the transitional arrangements under Article XIV, Section 2, may deem holdings of the currency of that member which carry specified rights of

conversion into another currency or into gold to be holdings of convertible currency for the purpose of the calculation of monetary reserves.

(h) For the purpose of calculating gold subscriptions under Article III, Section 3, a member's net official holdings of gold and United States dollars shall consist of its official holdings of gold and United States currency after deducting central holdings of its currency by other countries and holdings of its currency by other official institutions and other banks if these holdings carry specified rights of conversion into gold or United States currency.

(i) Payments for current transactions means payments which are not for the purpose of transferring capital, and includes, without limitation:

(1) All payments due in connection with foreign trade, other current business, including services, and normal short-term banking and credit facilities;

(2) Payments due as interest on loans and as net income from other investments; (p. A28)

(3) Payments of moderate amount for amortization of loans or for depreciation of direct investments;

(4) Moderate remittances for family living expenses.

The Fund may, after consultation with the members concerned, determine whether certain specific transactions are to be considered current transactions or capital transactions.

Article XX
Final Provisions

SECTION 1. *Entry into force*

This Agreement shall enter into force when it has been signed on behalf of governments having sixty-five percent of the total of the quotas set forth in Schedule A and when the instruments referred to in Section 2(a) of this Article have been deposited on their behalf, but in no event shall this Agreement enter into force before May 1, 1945.

SECTION 2. *Signature*

(a) Each government on whose behalf this Agreement is signed shall deposit with the Government of the United States of America an instrument setting forth that it has accepted this [p. 972] Agreement in accordance with its law and has taken all steps necessary to enable it to carry out all of its obligations under this Agreement.

(b) Each government shall become a member of the Fund as from the date of the deposit on its behalf of the instrument referred to in (a) above, except that no government shall become a member before this Agreement enters into force under Section 1 of this Article.

(c) The Government of the United States of America shall inform the governments of all countries whose names are set forth in Schedule A, and

all governments whose membership is approved in accordance with Article II, Section 2, of all signatures of this Agreement and of the deposit of all instruments referred to in (a) above.

(d) At the time this Agreement is signed on its behalf, each government shall transmit to the Government of the United States of America one one-hundredth of one percent of its total subscription in gold or United States dollars for the purpose of meeting administrative expenses of the Fund. The Government of the United States of America shall hold such funds in a special deposit account and shall transmit them to the Board of Governors of the Fund when the initial meeting has been called under Section 3 of this Article. If this Agreement has not come into force by December 31, 1945, the Government of the United States of America shall return such funds to the governments that transmitted them. (p. A29)

(e) This Agreement shall remain open for signature at Washington on behalf of the governments of the countries whose names are set forth in Schedule A until December 31, 1945.

(f) After December 31, 1945, this Agreement shall be open for signature on behalf of the government of any country whose membership has been approved in accordance with Article II, Section 2.

(g) By their signature of this Agreement, all governments accept it both on their own behalf and in respect of all their colonies, overseas territories, all territories under their protection, suzerainty, or authority and all territories in respect of which they exercise a mandate.

(h) In the case of governments whose metropolitan territories have been under enemy occupation, the deposit of the instrument referred to in (a) above may be delayed until one hundred and eighty days after the date on which these territories have been liberated. [p. 973] If, however, it is not deposited by any such government before the expiration of this period the signature affixed on behalf of that government shall become void and the portion of its subscription paid under (d) above shall be returned to it.

(i) Paragraphs (d) and (h) shall come into force with regard to each signatory government as from the date of its signature.

SECTION 3. *Inauguration of the Fund*

(a) As soon as this Agreement enters into force under Section 1 of this Article, each member shall appoint a governor and the member having the largest quota shall call the first meeting of the Board of Governors.

(b) At the first meeting of the Board of Governors, arrangements shall be made for the selection of provisional executive directors. The governments of the five countries for which the largest quotas are set forth in Schedule A shall appoint provisional executive directors. If one or more of such governments have not become members, the executive directorships they would be entitled to fill shall remain vacant until they become members,

or until January 1, 1946, whichever is the earlier. Seven provisional executive directors shall be elected in accordance with the provisions of Schedule C and shall remain in office until the date of the first regular election of executive directors which shall be held as soon as practicable after January 1, 1946.

(c) The Board of Governors may delegate to the provisional executive directors any powers except those which may not be delegated to the Executive Directors. (p. A30)

SECTION 4. *Initial determination of par values*

(a) When the Fund is of the opinion that it will shortly be in a position to begin exchange transactions, it shall so notify the members and shall request each member to communicate within thirty days the par value of its currency based on the rates of exchange prevailing on the sixtieth day before the entry into force of this Agreement. No member whose metropolitan territory has been occupied by the enemy shall be required to make such a communication while that territory is a theatre of major hostilities or for such period thereafter as the Fund may determine. When such a member communicates the par value of its currency the provisions of (d) below shall apply.

(b) The par value communicated by a member whose metropolitan territory has not been occupied by the enemy shall be the par value of that member's currency for the purposes of this [p. 974] Agreement unless, within ninety days after the request referred to in (a) above has been received, (i) the member notifies the Fund that it regards the par value as unsatisfactory, or (ii) the Fund notifies the member that in its opinion the par value cannot be maintained without causing recourse to the Fund on the part of that member or others on a scale prejudicial to the Fund and to members. When notification is given under (i) or (ii) above, the Fund and the member shall, within a period determined by the Fund in the light of all relevant circumstances, agree upon a suitable par value for that currency. If the Fund and the member do not agree within the period so determined, the member shall be deemed to have withdrawn from the Fund on the date when the period expires.

(c) When the par value of a member's currency has been established under (b) above, either by the expiration of ninety days without notification, or by agreement after notification, the member shall be eligible to buy from the Fund the currencies of other members to the full extent permitted in this Agreement, provided that the Fund has begun exchange transactions.

(d) In the case of a member whose metropolitan territory has been occupied by the enemy, the provisions of (b) above shall apply, subject to the following modifications:

(i) The period of ninety days shall be extended so as to end on a date to be fixed by agreement between the Fund and the member.

(ii) Within the extended period the member may, it the Fund has begun exchange transactions, buy from the Fund with its currency the currencies of other members, but only under such conditions and in such amounts as may be prescribed by the Fund.

(iii) At any time before the date fixed under (i) above, changes may be made by agreement with the Fund in the par value communicated under (a) above. (p. A31)

(e) If a member whose metropolitan territory has been occupied by the enemy adopts a new monetary unit before the date to be fixed under (d) (i) above, the par value fixed by that member for the new unit shall be communicated to the Fund and the provisions of (d) above shall apply.

(f) Changes in par values agreed with the Fund under this Section shall not be taken into account in determining whether a proposed change falls within (i), (ii) or (iii) of Article IV, Section 5 (c). [p. 975]

(g) A member communicating to the Fund a par value for the currency of its metropolitan territory shall simultaneously communicate a value, in terms of that currency, for each separate currency, where such exists, in the territories in respect of which it has accepted this Agreement under Section 2 (g) of this Article, but no member shall be required to make a communication for the separate currency of a territory which has been occupied by the enemy while that territory is a theatre of major hostilities or for such period thereafter as the Fund may determine. On the basis of the par value so communicated, the Fund shall compute the par value of each separate currency. A communication or notification to the Fund under (a), (b) or (d) above regarding the par value of a currency, shall also be deemed, unless the contrary is stated, to be a communication or notification regarding the par value of all the separate currencies referred to above. Any member may, however, make a communication or notification relating to the metropolitan or any of the separate currencies alone. If the member does so, the provisions of the preceding paragraphs (including (d) above, if a territory where a separate currency exists has been occupied by the enemy) shall apply to each of these currencies separately.

(h) The Fund shall begin exchange transactions at such date as it may determine after members having sixty-five percent of the total of the quotas set forth in Schedule A have become eligible, in accordance with the preceding paragraphs of this Section, to purchase the currencies of other members, but in no event until after major hostilities in Europe have ceased.

(i) The Fund may postpone exchange transactions with any member if its circumstance are such that, in the opinion of the Fund, they would lead to use of the resources of the Fund in a manner contrary to the purposes of this Agreement or prejudicial to the Fund or the members.

(j) The par values of the currencies of governments which indicate their desire to become members after December 31, 1945, shall be determined in accordance with the provisions of Article II, Section 2.

DONE at Washington, in a single copy which shall remain deposited in the archives of the Government of the United States of America which shall transmit certified copies to all governments whose names are set forth in Schedule A and to all governments whose membership is approved in accordance with Article II, Section 2. [p. 976] (p. A32)

SCHEDULE A

Quotas

(In millions of United States dollars)
Australia - 200
Belgium - 225
Bolivia - 10
Brazil - 150
Canada - 300
Chile - 50
China - 550
Colombia - 50
Costa Rica - 5
Cuba - 50
Czechoslovakia - 125
Denmark - *
Dominican Republic - 5
Ecuador - 5
Egypt - 45
El Salvador - 2.5
Ethiopia - 6
France - 450
Greece - 40
Guatemala - 5
Haiti - 5
Honduras - 2.5
Iceland - 1
India - 400
Iran - 25
Iraq - 8
Liberia - .5
Luxembourg - 10
Mexico - 90
Netherlands - 275

New Zealand - 50
Nicaragua - 2
Norway - 50
Panama - .5
Paraguay - 2
Peru - 25
Philippine Commonwealth - 15
Poland - 125
Union of South Africa - 100
Union of Soviet Socialist Republics - 1200
United Kingdom - 1300
United States - 2750
Uruguay - 15
Venezuela - 15
Yugoslavia - 60

*The quota of Denmark shall be determined by the Fund after the Danish Government has declared its readiness to sign this Agreement but before signature takes place. (p. A33)

SCHEDULE B
Provisions with Respect to Repurchase by a Member of Its Currency Held by the Fund

1. In determining the extent to which repurchase of a member's currency from the Fund under Article V, Section 7(b) shall be made with each type of monetary reserve, that is, with gold and with each convertible currency, the following rule, subject to 2 below, shall apply:

(a) If the member's monetary reserves have not increased during the year, the amount payable to the Fund shall be distributed among all types of reserves in proportion to the member's holdings thereof at the end of the year.

(b) If the member's monetary reserves have increased during the year, a part of the amount payable to the Fund equal to one-half of the increase shall be distributed among those types of reserves which have increased in proportion to the [p. 977] amount by which each of them has increased. The remainder of the sum payable to the Fund shall be distributed among all types of reserves in proportion to the member's remaining holdings thereof.

(c) If after all the repurchases required under Article V, Section 7 (b), had been made, the result would exceed any of the limits specified in Article V, Section 7 (c), the Fund shall require such repurchases to be made by the members proportionately in such manner that the limits will not be exceeded.

2. The Fund shall not acquire the currency of any non- member under Article V, Section 7(b) and (c).

3. In calculating monetary reserves and the increase in monetary reserves during any year for the purpose of Article V, Section 7(b) and (c), no account shall be taken, unless deductions have otherwise been made by the member for such holdings, of any increase in those monetary reserves which is due to currency previously inconvertible having become convertible during the year, or to holdings which are the proceeds of a long-term or medium-term loan contracted during the year, or to holdings which have been transferred or set aside for repayment of a loan during the subsequent year.

4. In the case of members whose metropolitan territories have been occupied by the enemy, gold newly produced during the live years after the entry into force of this Agreement from mines located within their metropolitan territories shall not be included m computations of their monetary reserves or of increases in then monetary reserves. (p. A34)

SCHEDULE C
Election of Executive Directors

1. The election of the elective executive directors shall be by ballot of the governors eligible to vote under Article XII, Section 3(b)(iii) and (iv).

2. In balloting for the five directors to be elected under Article XII, Section 3(b)(iii), each of the governors eligible to vote shall cast for one person all of the votes to which he is entitled under Article XII, Section 5(a) The five persons receiving the greatest number of votes shall be directors, provided that no person who received less than nineteen percent of the total number of votes that can be cast (eligible votes) shall be considered elected.

3. When five persons are not elected in the first ballot, a second [p. 978] ballot shall be held in which the person who received the lowest number of votes shall be ineligible for election and in which there shall vote only (a) those governors who voted in the first ballot for a person not elected, and (b) those governors whose votes for a person elected are deemed under 4 below to have raised the votes cast for that person above twenty percent of the eligible votes.

4. In determining whether the votes cast by a governor are to be deemed to have raised the total of any person above twenty percent of the eligible votes the twenty percent shall be deemed to include, first, the votes of the governor casting the largest number of votes for such person, then the votes of the governor casting the next largest number, and so on until twenty percent is reached

5. Any governor part of whose votes must be counted in order to raise the total of any person above nineteen percent shall be considered as casting all of his votes for such person even if the total votes for such person thereby exceed twenty percent.

6. If, after the second ballot, five persons have not been elected, further ballots shall be held on the same principles until five persons have been

elected, provided that after four persons are elected, the fifth may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.

7. The directors to be elected by the American Republics under Article XII, Section 3 (b) (iv) shall be elected as follows:

(a) Each of the directors shall be elected separately.

(b) In the election of the first director, each governor representing an American Republic eligible to participate m the election shall cast for one person all the votes to which he is entitled The person receiving the largest number of (p. A35) votes shall be elected provided that he has received not less than forty-five percent of the total votes.

(c) If no person is elected on the first ballot further ballots shall be held, in each of which the person receiving the lowest number of votes shall be eliminated, until one person receives a number of votes sufficient for election under (b) above.

(d) Governors whose votes contributed to the election of the first director shall take no part in the election of the second director.

(e) Persons who did not succeed in the first election shall not be ineligible for election as the second director.

(f) A majority of the votes which can be cast shall be required [p. 979] for election of the second director. If at the first ballot no person receives a majority, further ballots shall be held in each of which the person receiving the lowest number of votes shall be eliminated, until some person obtains a majority

(g) The second director shall be deemed to have been elected by all the votes which could have been cast in the ballot securing his election.

SCHEDULE D

Settlement of Accounts with Members Withdrawing

1. The Fund shall be obligated to pay to a member withdrawing an amount equal to its quota, plus any other amounts due to it from the Fund, less any amounts due to the Fund, including charges accruing after the date of its withdrawal, but no payment shall be made until six months after the date of withdrawal. Payments shall be made in the currency of the withdrawing member.

2. If the Fund's holdings of the currency of the withdrawing member are not sufficient to pay the net amount due from the Fund, the balance shall be paid in gold, or in such other manner as may be agreed if the Fund and the withdrawing member do not reach agreement within six months of the date of withdrawal, the currency in question held by the Fund shall be paid forthwith to the withdrawing member Any balance due shall be paid in ten half-yearly installments during the ensuing five years. Each such installment shall be paid, at the option of the Fund, either in the currency of the

withdrawing member acquired after its withdrawal or by the delivery of gold. (p. A36)

3. If the Fund fails to meet any installment which is due in accordance with the preceding paragraphs, the withdrawing member shall be entitled to require the Fund to pay the installment in any currency held by the Fund with the exception of any currency which has been declared scarce under Article VII, Section 3.

4. If the Fund's holdings of the currency of a withdrawing member exceed the amount due to it, and if agreement on the method of settling accounts is not reached within six months of the date of withdrawal, the former member shall be obligated to redeem such excess currency in gold or, at its option, in the currencies of members which at the time of redemption are convertible. Redemption shall be made at the parity existing at the time of withdrawal from the Fund. The withdrawing member shall complete redemption within five years of the date of withdrawal, or within such longer period as may be fixed by the Fund, but shall not be [p. 980] required to redeem in any half-yearly period more than one-tenth of the Fund's excess holdings of its currency at the date of withdrawal plus further acquisitions of the currency during such half-yearly period. If the withdrawing member does not fulfill this obligation, the Fund may in an orderly manner liquidate in any market the amount of currency which should have been redeemed.

5. Any member desiring to obtain the currency of a member which has withdrawn shall acquire it by purchase from the Fund, to the extent that such member has access to the resources of the Fund and that such currency is available under 4 above.

6. The withdrawing member guarantees the unrestricted use at all times of the currency disposed of under 4 and 5 above for the purchase of goods or for payment of sums due to it or to persons within its territories. It shall compensate the Fund for any loss resulting from the difference between the par value of its currency on the date of withdrawal and the value realized by the Fund on disposal under 4 and 5 above.

7. In the event of the Fund going into liquidation under Article XVI, Section 2, within six months of the date on which the member withdraws, the account between the Fund and that government shall be settled in accordance with Article XVI, Section 2, and Schedule E.

SCHEDULE E
Administration of Liquidation

1. In the event of liquidation the liabilities of the Fund other than the repayment of subscriptions shall have priority in the distribution of the assets of the Fund In meeting each such liability the Fund shall use its assets in the following order: —

(a) the currency in which the liability is payable;

(b) gold; (p. A37)

(c) all other currencies in proportion, so far as may be practicable, to the quotas of the members.

2. After the discharge of the Fund's liabilities in accordance with 1 above, the balance of the Fund's assets shall be distributed and apportioned as follows:

(a) The Fund shall distribute its holdings of gold among the members whose currencies are held by the Fund in amounts less than their quotas. These members shall share the gold so distributed in the proportions of the amounts by which their quotas exceed the Fund's holdings of their currencies.

(b) The Fund shall distribute to each member one-half the [p. 981] Fund's holdings of its currency but such distribution shall not exceed fifty percent of its quota.

(c) The Fund shall apportion the remainder of its holdings of each currency among all the members m proportion to the amounts due to each member after the distributions under (a) and (b) above.

3. Each member shall redeem the holdings of its currency apportioned to other members under 2(c) above, and shall agree with the Fund within three months after a decision to liquidate upon an orderly procedure for such redemption.

4. If a member has not reached agreement with the Fund within the three month period referred to in 3 above, the Fund shall use the currencies of other members apportioned to that member under 2(c) above to redeem the currency of that member apportioned to other members Each currency apportioned to a member which has not reached agreement shall be used, so far as possible, to redeem its currency apportioned to the members which have made agreements with the Fund under 3 above.

5. If a member has reached agreement with the Fund in accordance with 3 above, the Fund shall use the currencies of other members apportioned to that member under 2(c) above to redeem the currency of that member apportioned to other members which have made agreements with the Fund under 3 above. Each amount so redeemed shall be redeemed in the currency of the member to which it was apportioned.

6. After carrying out the preceding paragraphs, the Fund shall pay to each member the remaining currencies held for its account.

7. Each member whose currency has been distributed to other members under 6 above shall redeem such currency in gold or, at its option, in the currency of the member requesting redemption, or in such other manner as may be agreed between them. If the members involved do not otherwise agree, the member obligated (p. A38) to redeem shall complete redemption within five years of the date of distribution, but shall not be required to redeem in any half-yearly period more than one-tenth of the amount

distributed to each other member. If the member does not fulfill this obligation, the amount of currency which should have been redeemed may be liquidated in an orderly manner in any market.

8. Each member whose currency has been distributed to other members under 6 above guarantees the unrestricted use of such currency at all times for the purchase of goods or for payment of sums due to it or to persons in its territories. Each member so obligated [p. 982] agrees to compensate other members for any loss resulting from the difference between the par value of its currency on the date of the decision to liquidate the Fund and the value realized by such members on disposal of its currency. (p. 39)

[list of articles and sections in Annex A omitted]

[p. 984]

ANNEX B
ARTICLES OF AGREEMENT OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

The Governments on whose behalf the present Agreement is signed agree as follows:

Introductory Article

The International Bank for Reconstruction and Development is established and shall operate in accordance with the following provisions:

Article I
Purposes

The purposes of the Bank are:

(i) To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries.

(ii) To promote private foreign investment by means of guarantees or participations in loans and other investments made by private investors; and when private capital is not available on reasonable terms, to supplement private investment by providing, on suitable conditions, finance for productive purposes out of its own capital, funds raised by it and its other resources.

(iii) To promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for [p. 985] the development of the productive resources of members, thereby assisting in raising productivity, the standard

of living and conditions of labor in their territories.

(iv) To arrange the loans made or guaranteed by it in relation to international loans through other channels so that the more useful and urgent projects, large and small alike, will be dealt with first.

(v) To conduct its operations with due regard to the effect of international investment on business conditions in the territories of members and, in the immediate post-war years, to assist in bringing about a smooth transition from a wartime to a peacetime economy.

The Bank shall be guided in all its decisions by the purposes set forth above. **(**p**.** B2)

Article II
Membership in and Capital of the Bank

SECTION 1. *Membership*

(a) The original members of the Bank shall be those members of the International Monetary Fund which accept membership in the Bank before the date specified in Article XI, Section 2 (e).

(b) Membership shall be open to other members of the Fund, at such times and in accordance with such terms as may be prescribed by the Bank.

SECTION 2. *Authorized capital*

(a) The authorized capital stock of the Bank shall be $10,000,000,000 in terms of United States dollars of the weight and fineness in effect on July 1, 1944. The capital stock shall be divided into 100,000 shares having a par value of $100,000 each, which shall be available for subscription only by members.

(b) The capital stock may be increased when the Bank deems it advisable by a three-fourths majority of the total voting power.

SECTION 3. *Subscription of shares*

(a) Each member shall subscribe shares of the capital stock of the Bank. The minimum number of shares to be subscribed by the original members shall be those set forth in Schedule A. The minimum number of shares to be subscribed by other members shall be determined by the Bank, which shall reserve a sufficient portion of its capital stock for subscription by such members.

(b) The Bank shall prescribe rules laying down the conditions under which members may subscribe shares of the authorized capital stock of the Bank in addition to their minimum subscriptions.

(c) If the authorized [p. 986] capital stock of the Bank is increased, each member shall have a reasonable opportunity to subscribe, under such conditions as the Bank shall decide, a proportion of the increase of stock equivalent to the proportion which its stock theretofore subscribed bears to

the total capital stock of the Bank, but no member shall be obligated to subscribe any part of the increased capital.

SECTION 4. *Issue price of shares*

Shares included in the minimum subscriptions of original members shall be issued at par. Other shares shall be issued at par unless the Bank by a majority of the total voting power decides in special circumstances to issue them on other terms.

SECTION 5. *Division and calls of subscribed capital*

The subscription of each member shall be divided into two parts as follows: (p. B3)

(i) twenty percent shall be paid or subject to call under Section7 (i) of this Article as needed by the Bank for its operations ;

(ii) the remaining eighty percent shall be subject to call by the Bank only when required to meet obligations of the Bank created under Article IV, Sections 1(a) (ii) and (iii).

Calls on unpaid subscriptions shall be uniform on all shares.

SECTION 6. *Limitation on liability*

Liability on shares shall be limited to the unpaid portion of the issue price of the shares.

SECTION 7. *Method of payment of subscriptions for shares*

Payment of subscriptions for shares shall be made in gold or United States dollars and in the currencies of the members as follows:

(i) under Section 5 (i) of this Article, two percent of the price of each share shall be payable in gold or United States dollars, and, when calls are made, the remaining eighteen percent shall be paid in the currency of the member;

(ii) when a call is made under Section 5 (ii) of this Article, payment may be made at the option of the member either in gold, in United States dollars or in the currency required [p. 987] to discharge the obligations of the Bank for the purpose for which the call is made;

(iii) when a member makes payments in any currency under (i) and (ii) above, such payments shall be made in amounts equal in value to the member's liability under the call. This liability shall be a proportionate part of the subscribed capital stock of the Bank as authorized and defined in Section 2 of this Article.

SECTION 8. *Time of payment of subscriptions*

(a) The two percent payable on each share in gold or United States dollars under Section 7(i) of this Article, shall be paid within sixty days of the

date on which the Bank begins operations, provided that

(i) any original member of the Bank whose metropolitan territory has suffered from enemy occupation or hostilities during the present war shall be granted the right to postpone payment of one-half percent until five years after that date; (p. B4)

(ii) an original member who cannot make such a payment because it has not recovered possession of its gold reserves which are still seized or unmobilized as a result of the war may postpone all payment until such date as the Bank shall decide.

(b) The remainder of the price of each share payable under Section 7 (i) of this Article shall be paid as and when called by the Bank, provided that

(i) the Bank shall, within one year of its beginning operations, call not less than eight percent of the price of the share in addition to the payment of two percent referred to in (a) above;

(ii) not more than five percent of the price of the share shall be called in any period of three months.

SECTION 9. *Maintenance of value of certain currency holdings of the Bank*

(a) Whenever (i) the par value of a member's currency is reduced, or (ii) the foreign exchange value of a member's currency has, in the opinion of the Bank, depreciated to a significant extent within that member's territories, the member shall pay to the Bank within a reasonable time an additional amount of its own currency sufficient to maintain the value, as of the time of initial subscription, of the amount of the currency of such member, which is held by the Bank and derived from currency originally paid in [p. 988] to the Bank by the member under Article II, Section 7 (i), from currency referred to in Article IV, Section 2 (b), or from any additional currency furnished under the provisions of the present paragraph, and which has not been repurchased by the member for gold or for the currency of any member which is acceptable to the Bank.

(b) Whenever the par value of a member's currency is increased, the Bank shall return to such member within a reasonable time an amount of that member's currency equal to the increase in the value of the amount of such currency described in (a) above.

(c) The provisions of the preceding paragraphs may be waived by the Bank when a uniform proportionate change in the par values of the currencies of all its members is made by the International Monetary Fund.

SECTION 10. *Restriction on disposal of shares*

Shares shall not be pledged or encumbered in any manner what-ever and they shall be transferable only to the Bank.

Article III
General Provisions Relating to Loans and Guarantees

SECTION 1. *Use of resources*

(a) The resources and the facilities of the Bank shall be used (p. B5)

exclusively for the benefit of members with equitable consideration to projects for development and projects for reconstruction alike.

(b) For the purpose of facilitating the restoration and reconstruction of the economy of members whose metropolitan territories have suffered great devastation from enemy occupation or hostilities, the Bank, in determining the conditions and terms of loans made to such members, shall pay special regard to lightening the financial burden and expediting the completion of such restoration and reconstruction.

SECTION 2. *Dealings between members and the Bank*

Each member shall deal with the Bank only through its Treasury, central bank, stabilization fund or other similar fiscal agency, and the Bank shall deal with members only by or through the same

agencies.

SECTION 3. *Limitations on guarantees and borrowings of the Bank*

The total amount outstanding of guarantees, participations in loans and direct loans made by the Bank shall not be increased at any time, if by such increase the total would exceed one hundred percent of the unimpaired subscribed capital, reserves and surplus of the Bank. [p. 989]

SECTION 4. *Conditions on which the Bank may guarantee or make loans*

The Bank may guarantee, participate in, or make loans to any member or any political sub-division thereof and any business, industrial, and agricultural enterprise in the territories of a member, subject to the following conditions:

(i) When the member in whose territories the project is located is not itself the borrower, the member or the central bank or some comparable agency of the member which is acceptable to the Bank, fully guarantees the repayment of the principal and the payment of interest and other charges on the loan.

(ii) The Bank is satisfied that in the prevailing market conditions the borrower would be unable otherwise to obtain the loan under conditions which in the opinion of the Bank are reasonable for the borrower.

(iii) A competent committee, as provided for in Article V, Section 7, has submitted a written report recommending the project after a careful study of the merits of the proposal.

(iv) In the opinion of the Bank the rate of interest and other charges are reasonable and such rate, charges and the schedule for repayment of principal are appropriate to the project. (p. B6)

(v) In making or guaranteeing a loan, the Bank shall pay due regard to the prospects that the borrower, and, if the borrower is not a member, that the guarantor, will be in position to meet its obligations under the loan; and the Bank shall act prudently in the interests both of the particular member in whose territories the project is located and of the members as a whole.

(vi) In guaranteeing a loan made by other investors, the Bank receives suitable compensation for its risk.

(vii) Loans made or guaranteed by the Bank shall, except in special circumstances, be for the purpose of specific projects of reconstruction or development.

SECTION 5. *Use of loans guaranteed, participated, in or made by the Bank*

(a) The Bank shall impose no conditions that the proceeds of a loan shall be spent in the territories of any particular member or members.

(b) The Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan [p. 990] was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations.

(c) In the case of loans made by the Bank, it shall open an account in the name of the borrower and the amount of the loan shall be credited to this account in the currency or currencies in which the loan is made. The borrower shall be permitted by the Bank to draw on this account only to meet expenses in connection with the project as they are actually incurred.

Article IV
Operations

SECTION 1. *Methods of making or facilitating loans*

(a) The Bank may make or facilitate loans which satisfy the general conditions of Article III in any of the following ways:

(i) By making or participating in direct loans out of its own funds corresponding to its unimpaired paid-up capital and surplus and, subject to Section 6 of this Article, to its reserve.

(ii) By making or participating in direct loans out of funds raised in the market of a member, or otherwise borrowed by the Bank.

(iii) By guaranteeing in whole or in part loans made by private investors through the usual investment channels. (p. B7)

(b) The Bank may borrow funds under (a) (ii) above or guarantee loans under (a) (iii) above only with the approval of the member in whose markets the funds are raised and the member in whose currency the loan is denominated, and only if those members agree that the proceeds may be exchanged for the currency of any other member without restriction.

SECTION 2. *Availability and transferability of currencies*

(a) Currencies paid into the Bank under Article II, Section7(i), shall be loaned only with the approval in each case of the member whose currency is involved; provided, however, that if necessary, after the Bank's subscribed capital has been entirely called, such currencies shall, without restriction by the members whose currencies are offered, be used or exchanged for the currencies required to meet contractual payments of interest, other charges or amortization on the Bank's own borrowings, or to meet the Bank's liabilities with respect to such contractual payments on loans guaranteed by the Bank. [p. 991]

(b) Currencies received by the Bank from borrowers or guarantors in payment on account of principal of direct loans made with currencies referred to in (a) above shall be exchanged for the currencies of other members or reloaned only with the approval in each case of the members whose currencies are involved; provided, however, that if necessary, after the Bank's subscribed capital has been entirely called, such currencies shall, without restrictions by the members whose currencies are offered, be used or exchanged for the currencies required to meet contractual payments of interest, other charges or amortization on the Bank's own borrowings, or to meet the Bank's liabilities with respect to such contractual payments on loans guaranteed by the Bank.

(c) Currencies received by the Bank from borrowers or guarantors in payment on account of principal of direct loans made by the Bank under Section 1 (a) (ii) of this Article, shall be held and used, without restriction by the members, to make amortization payments, or to anticipate payment of or repurchase part or all of the Bank's own obligations.

(d) All other currencies available to the Bank, including those raised in the market or otherwise borrowed under Section 1 (a) (ii) of this Article, those obtained by the sale of gold, those received as payments of interest and other charges for direct loans made under Sections 1(a) (i) and (ii), and those received as payments of commissions and other charges under Section 1(a) (iii), shall be used or exchanged for other currencies or gold required in the operations of the Bank without restriction by the members whose currencies are offered.

(e) Currencies raised in the markets of members by borrowers on loans guaranteed by the Bank under Section 1(a) (iii) of this Article, shall also be used or exchanged for other currencies without restriction by such members.

SECTION 3. *Provision of currencies for direct loans*

The following provisions shall apply to direct loans under Sections 1(a) (i) and (ii) of this Article: (p. B8)

(a) The Bank shall furnish the borrower with such currencies of members, other than the member in whose territories the project is located,

as are needed by the borrower for expenditures to be made in the territories of such other members to carry out the purposes of the loan.

(b) The Bank may, in exceptional circumstances when local currency required for the purposes of the loan cannot be raised by the borrower on reasonable terms, provide the borrower as part of [p. 992] the loan with an appropriate amount of that currency.

(c) The Bank, if the project gives rise indirectly to an increased need for foreign exchange by the member in whose territories the project is located, may in exceptional circumstances provide the borrower as part of the loan with an appropriate amount of gold or foreign exchange not in excess of the borrower's local expenditure in connection with the purposes of the loan.

(d) The Bank may, in exceptional circumstances, at the request of a member in whose territories a portion of the loan is spent, repurchase with gold or foreign exchange a part of that member's currency thus spent but in no case shall the part so repurchased exceed the amount by which the expenditure of the loan in those territories gives rise to an increased need for foreign exchange.

SECTION 4. *Payment provisions for direct loans*

Loan contracts under Section 1(a) (i) or (ii) of this Article shall be made in accordance with the following payment provisions:

(a) The terms and conditions of interest and amortization payments, maturity and dates of payment of each loan shall be determined by the Bank. The Bank shall also determine the rate and any other terms and conditions of commission to be charged in connection with such loan.

In the case of loans made under Section (a) (ii) of this Article during the first ten years of the Bank's operations, this rate of commission shall be not less than one percent per annum and not greater than one and one-half percent per annum, and shall be charged on the outstanding portion of any such loan. At the end of this period of ten years, the rate of commission may be reduced by the Bank with respect both to the outstanding portions of loans already made and to future loans, if the reserve accumulated by the Bank under Section 6 of this Article and out of other earnings are considered by it sufficient to justify a reduction. In the case of future loans the Bank shall also have discretion to increase the rate of commission beyond the above limit, if experience indicates that an increase is advisable.

(b) All loan contracts shall stipulate the currency or currencies in which payments under the contract shall be made to the Bank. At the option of the borrower, however, such payments may be made in gold, or subject to the agreement of the Bank, in the currency of a member other than that prescribed in the contract. (p. B9)

(i) In the case of loans made under Section 1(a) (i) of this Article, the loan contracts shall provide that payments to [p. 993] the Bank of interest,

other charges and amortization shall be made in the currency loaned, unless the member whose currency is loaned agrees that such payments shall be made in some other specified currency or currencies. These payments, subject to the provisions of Article II, Section 9(c), shall be equivalent to the value of such contractual payments at the time the loans were made, in terms of a currency specified for the purpose by the Bank by a three-fourths majority of the total voting power.

(ii) In the case of loans made under Section 1(a) (ii) of this Article, the total amount of outstanding and payable to the Bank in any one currency shall at no time exceed the total amount of the outstanding borrowings made by the Bank under Section 1(a) (ii) and payable in the same currency.

(c) If a member suffers from an acute exchange stringency, so that the service of any loan contracted by that member or guaranteed by it or by one of its agencies cannot be provided in the stipulated manner, the member concerned may apply to the Bank for a relaxation of the conditions of payment. If the Bank is satisfied that some relaxation is in the interests of the particular member and of the operations of the Bank and of its members as a whole, it may take action under either, or both, of the following paragraphs with respect to the whole, or part, of the annual service:

(i) The Bank may, in its discretion, make arrangements with the member concerned to accept service payments on the loan in the member's currency for periods not to exceed three years upon appropriate terms regarding the use of such currency and the maintenance of its foreign exchange value; and for the repurchase of such currency on appropriate terms.

(ii) The Bank may modify the terms of amortization or extend the life of the loan, or both.

SECTION 5. *Guarantees*

(a) In guaranteeing a loan placed through the usual investment channels, the Bank shall charge a guarantee commission payable periodically on the amount of the loan outstanding at a rate determined by the Bank. During the first ten years of the Bank's operations, this rate shall be not less than one percent per annum and not greater than one and one-half percent per annum. At the end of this period of ten years, the rate of commission may be reduced [p. 994] by the Bank with respect both to the outstanding portions of loans already guaranteed and to future loans if the reserves accumulated by the Bank under Section 6 of this Article and out of other earnings are considered by it sufficient to justify a reduction. In the case of future loans the Bank shall also have discretion to increase the rate of commission beyond the above limit, if experience indicates that an increase is advisable. (p. B10)

(a) Guarantee commissions shall be paid directly to the Bank by the borrower.

(b) Guarantees by the Bank shall provide that the Bank may terminate its liability with respect to interest if, upon default by the borrower and by the guarantor, if any, the Bank offers to purchase, at par and interest accrued to a date designated in the offer, the bonds or other obligations guaranteed.

(c) The Bank shall have power to determine any other terms and conditions of the guarantee.

SECTION 6. *Special reserve*

The amount of commissions received by the Bank under Sections 4 and 5 of this Article shall be set aside as a special reserve, which shall be kept available for meeting liabilities of the Bank in accordance with Section 7 of this Article. The special reserve shall be held in such liquid form, permitted under this Agreement, as the Executive Directors may decide.

SECTION 7. *Methods of meeting liabilities of the Bank in case of defaults*

In cases of default on loans made, participated in, or guaranteed by the Bank:

(a) The Bank shall make such arrangements as may be feasible to adjust the obligations under the loans, including arrangements under or analogous to those provided in Section 4 (c) of this Article.

(b) The payments in discharge of the Bank's liabilities on borrowings or guarantees under Sections 1(a) (ii) and (iii) of this Article shall be charged:

(i) first, against the special reserve provided in Section 6 of this Article.

(ii) then, to the extent necessary and at the discretion of the Bank, against the other reserves, surplus and capital available to the Bank.

(c) Whenever necessary to meet contractual payments of interest, other charges or amortization on the Bank's own borrowings, [p. 995] or to meet the Bank's liabilities with respect to similar payments on loans guaranteed by it, the Bank may call an appropriate amount of the unpaid subscriptions of members in accordance with Article II, Sections 5 and 7. Moreover, if it believes that a default may be of long duration, the Bank may call an additional amount of such unpaid subscriptions not to exceed in any one year one percent of the total subscriptions of the members for the following purposes:

(i) To redeem prior to maturity, or otherwise discharge its liability on, all or part of the outstanding principal of any (p. B11) loan guaranteed by it in respect of which the debtor is in default.

(ii) To repurchase, or otherwise discharge its liability on, all or part of its own outstanding borrowings.

SECTION 8. *Miscellaneous operations*

In addition to the operations specified elsewhere in this Agreement, the Bank shall have the power:

(i) To buy and sell securities it has issued and to buy and sell securities which it has guaranteed or in which it has invested, provided that the Bank shall obtain the approval of the member in whose territories the securities are to be bought or sold.

(ii) To guarantee securities in which it has invested for the purpose of facilitating their sale.

(iii) To borrow the currency of any member with the approval of that member.

(iv) To buy and sell such other securities as the Directors by a three-fourths majority of the total voting power may deem proper for the investment of all or part of the special reserve under Section 6 of this Article.

In exercising the powers conferred by this Section, the Bank may deal with any person, partnership, association, corporation or other legal entity in the territories of any member.

SECTION 9. *Warning to be placed on securities*

Every security guaranteed or issued by the Bank shall bear on its face a conspicuous statement to the effect that it is not an obligation of any government unless expressly stated on the security.

SECTION 10. *Political activity prohibited*

The Bank and its officers shall not interfere in the political [p. 996] affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in Article I. (p. B12)

Article V
Organization and Management

SECTION 1. *Structure of the Bank*

The Bank shall have a Board of Governors, Executive Directors, a President and such other officers and staff to perform such duties as the Bank may determine.

SECTION 2. *Board of Governors*

(a) All the powers of the Bank shall be vested in the Board of Governors consisting of one governor and one alternate appointed by each member in such manner as it may determine. Each governor and each alternate shall serve for five years, subject to the pleasure of the member appointing him, and may be reappointed. No alternate may vote except in the absence of his principal. The Board shall select one of the governors as Chairman.

(b) The Board of Governors may delegate to the Executive Directors

authority to exercise any powers of the Board, except the power to:

(i) Admit new members and determine the conditions of their admission;

(ii) Increase or decrease the capital stock;

(iii) Suspend a member;

(iv) Decide appeals from interpretations of this Agreement given by the Executive Directors;

(v) Make arrangements to cooperate with other international organizations (other than informal arrangements of a temporary and administrative character) ;

(vi) Decide to suspend permanently the operations of the Bank and to distribute its assets;

(vii) Determine the distribution of the net income of the Bank.

(c) The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or called by the Executive Directors. Meetings of the Board shall be called by the Directors whenever requested by five members or by members having one-quarter of the total voting power. (p. B13)

(d) A quorum for any meeting of the Board of Governors shall [p. 997] be a majority of the Governors, exercising not less than two-thirds of the total voting power.

(e) The Board of Governors may by regulation establish a procedure whereby the Executive Directors, when they deem such action to be in the best interests of the Bank, may obtain a vote of the Governors on a specific question without calling a meeting of the Board.

(f) The Board of Governors, and the Executive Directors to the extent authorized, may adopt such rules and regulations as may be necessary or appropriate to conduct the business of the Bank.

(g) Governors and alternates shall serve as such without compensation from the Bank, but the Bank shall pay them reasonable expenses incurred in attending meetings.

(h) The Board of Governors shall determine the remuneration to be paid to the Executive Directors and the salary and terms of the contract of service of the President.

SECTION 3. *Voting*

(a) Each member shall have two hundred fifty votes plus one additional vote for each share of stock held.

(b) Except as otherwise specifically provided, all matters before the Bank shall be decided by a majority of the votes cast.

SECTION 4. *Executive Directors*

(a) The Executive Directors shall be responsible for the conduct of the

general operations of the Bank, and for this purpose, shall exercise all the powers delegated to them by the Board of Governors.

(b) There shall be twelve Executive Directors, who need not be governors, and of whom:

(i) five shall be appointed, one by each of the five members having the largest number of shares;

(ii) seven shall be elected according to Schedule B by all the Governors other than those appointed by the five members referred to in (i) above.

For the purpose of this paragraph, "members" means governments of countries whose names are set forth in Schedule A, whether they are original members or become members in accordance with Article IT, Section 1 (b). When governments of other countries become members, the Board of Governors may, by a four-fifths majority of the total voting power, increase the total number of directors by increasing the number of directors to be elected. [p. 998] (p. B14)

Executive directors shall be appointed or elected every two years.

(c) Each executive director shall appoint an alternate with full power to act for him when he is not present. When the executive directors appointing them are present, alternates may participate in meetings but shall not vote.

(d) Directors shall continue in office until their successors are appointed or elected. If the office of an elected director becomes vacant more than ninety days before the end of his term, another director shall be elected for the remainder of the term by the governors who elected the former director. A majority of the votes cast shall be required for election. While the office remains vacant, the alternate of the former director shall exercise his powers, except that of appointing an alternate.

(e) The Executive Directors shall function in continuous session at the principal office of the Bank and shall meet as often as the business of the Bank may require.

(f) A quorum for any meeting of the Executive Directors shall be a majority of the Directors, exercising not less than one-half of the total voting power.

(g) Each appointed director shall be entitled to cast the number of votes allotted under Section 3 of this Article to the member appointing him. Each elected director shall be entitled to cast the number of votes which counted toward his election. All the votes which a director is entitled to cast shall be cast as a unit.

(h) The Board of Governors shall adopt regulations under which a member not entitled to appoint a director under (b)above may send a representative to attend any meeting of the Executive Directors when a request made by, or a matter particularly affecting, that member is under consideration.

(i) The Executive Directors may appoint such committees as they deem

advisable. Membership of such committees need not be limited to governors or directors or their alternates.

SECTION 5. *President and staff*

(a) The Executive Directors shall select a President who shall not be a governor or an executive director or an alternate for either. The President shall be Chairman of the Executive Directors, but shall have no vote except a deciding vote in case of an equal division. He may participate in meetings of the Board of Governors, but shall not vote at such meetings. The President shall cease to hold office when the Executive Directors so decide.

(b) The President shall be chief of the operating staff of the [p. 999] Bank and shall conduct, under the direction of the Executive Directors, the ordinary business of the Bank. Subject to the general control of the Executive Directors, he shall be responsible for the organization, appointment and dismissal of the officers and staff. (p. B15)

(c) The President, officers and staff of the Bank, in the discharge of their offices, owe their duty entirely to the Bank and to no other authority. Each member of the Bank shall respect the international character of this duty and shall refrain from all attempts to influence any of them in the discharge of their duties.

(d) In appointing the officers and staff the President shall, subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to the importance of recruiting personnel on as wide a geographical basis as possible.

SECTION 6. *Advisory Council*

(a) There shall be an Advisory Council of not less than seven persons selected by the Board of Governors including representatives of banking, commercial, industrial, labor, and agricultural interests, and with as wide a national representation as possible. In those fields where specialized international organizations exist, the members of the Council representative of those fields shall be selected in agreement with such organizations. The Council shall advise the Bank on matters of general policy. The Council shall meet annually and on such other occasions as the Bank may request.

(b) Councillors shall serve for two years and may be reappointed. They shall be paid their reasonable expenses incurred on behalf of the Bank.

SECTION 7. *Loan committees*

The committees required to report on loans under Article III, Section 4, shall be appointed by the Bank. Each such committee shall include an expert selected by the governor representing the member in whose territories the project is located and one or more members of the technical staff of the Bank.

SECTION 8. *Relationship to other international organizations*

(a) The Bank, within the terms of this Agreement, shall co-operate with any general international organization and with public international organizations having specialized responsibilities in related fields. Any arrangements for such cooperation which would involve a modification of any provision of this Agreement [p. 1000] may be effected only after amendment to this Agreement under Article VIII.

(b) In making decisions on applications for loans or guarantees relating to matters directly within the competence of any international organization of the types specified in the preceding paragraph and participated in primarily by members of the Bank, the Bank shall give consideration to the views and recommendations of such organization. (p. B16)

SECTION 9. *Location of offices*

(a) The principal office of the Bank shall be located in the territory of the member holding the greatest number of shares.

(b) The Bank may establish agencies or branch offices in the territories of any member of the Bank.

SECTION 10. *Regional offices and councils*

(a) The Bank may establish regional offices and determine the location of, and the areas to be covered by, each regional office.

(b) Each regional office shall be advised by a regional council representative of the entire area and selected in such manner as the Bank may decide.

SECTION 11. *Depositories*

(a) Each member shall designate its central bank as a depository for all the Bank's holdings of its currency or, if it has no central bank, it shall designate such other institution as maybe acceptable to the Bank.

(b) The Bank may hold other assets, including gold, in depositories designated by the five members having the largest number of shares and in such other designated depositories as the Bank may select. Initially, at least one-half of the gold holdings of the Bank shall be held in the depository designated by the member in whose territory the Bank has its principal office, and at least forty percent shall be held in the depositories designated by the remaining four members referred to above, each of such depositories to hold, initially, not less than the amount of gold paid on the shares of the member designating it. However, all transfers of gold by the Bank shall be made with due regard to the costs of transport and anticipated requirements of the Bank. In an emergency the Executive Directors may transfer all or any part of the Bank's gold holdings to any place where they can be adequately

protected.

SECTION 12. *Form of holdings of currency*

The Bank shall accept from any member, in place of any part [p. 1001] of the member's currency, paid in to the Bank under Article II, Section 7 (i), or to meet amortization payments on loans made with such currency, and not needed by the Bank in its operations, notes or similar obligations issued by the Government of the member or the depository designated by such member, which shall be non-negotiable, non-interest-bearing and payable at their par value on demand by credit to the account of the Bank in the designated depository. (p. B17)

SECTION 13. *Publication of reports and provision of information*

(a) The Bank shall publish an annual report containing an audited statement of its accounts and shall circulate to members at intervals of three months or less a summary statement of its financial position and a profit and loss statement showing the results of its operations.

(b) The Bank may publish such other reports as it deems desirable to carry out its purposes.

(c) Copies of all reports, statements and publications made under this section shall be distributed to members.

SECTION 14. *Allocation of net income*

(a) The Board of Governors shall determine annually what part of the Bank's net income, after making provision for reserves, shall be allocated to surplus and what part, if any, shall be distributed.

(b) If any part is distributed, up to two percent non-cumulative shall be paid, as a first charge against the distribution for any year, to each member on the basis of the average amount of the loans outstanding during the year made under Article IV, Section 1 (a) (i), out of currency corresponding to its subscription. If two percent is paid as a first charge, any balance remaining to be distributed shall be paid to all members in proportion to their shares. Payments to each member shall be made in its own currency, or if that currency is not available in other currency acceptable to the member. If such payments are made in currencies other than the member's own currency, the transfer of the currency and its use by the receiving member after payment shall be without restriction by the members.

Article VI
Withdrawal and Suspension of Membership: Suspension of Operations

SECTION 1. *Right of members to withdraw*

Any member may withdraw from the Bank at any time by [p. 1002]

transmitting a notice in writing to the Bank at its principal office. Withdrawal shall become effective on the date such notice is received.

SECTION 2. *Suspension of membership*

If a member fails to fulfill any of its obligations to the Bank, the Bank may suspend its membership by decision of a majority of the Governors, exercising a majority of the total voting power. The member so suspended shall automatically cease to be a member one year from the date of its suspension unless a decision is taken by the same majority to restore the member to good standing. (p. B18)

While under suspension, a member shall not be entitled to exercise any rights under this Agreement, except the right of withdrawal, but shall remain subject to all obligations.

SECTION 3. *Cessation of membership in International Monetary Fund*

Any member which ceases to be a member of the International Monetary Fund shall automatically cease after three months to be a member of the Bank unless the Bank by three-fourths of the total voting power has agreed to allow it to remain a member.

SECTION 4. *Settlement of accounts with governments ceasing to be members*

(a) When a government ceases to be a member, it shall remain liable for its direct obligations to the Bank and for its contingent liabilities to the Bank so long as any part of the loans or guarantees contracted before it ceased to be a member are outstanding; but it shall cease to incur liabilities with respect to loans and guarantees entered into thereafter by the Bank and to share either in the income or the expenses of the Bank.

(b) At the time a government ceases to be a member, the Bank shall arrange for the repurchase of its shares as a part of the settlement of accounts with such government in accordance with the provisions of (c) and (d) below. For this purpose the repurchase price of the shares shall be the value shown by the books of the Bank on the day the government ceases to be a member.

(c) The payment for shares repurchased by the Bank under this section shall be governed by the following conditions:

(i) Any amount due to the government for its shares shall be withheld so long as the government, its central bank or any of its agencies remains liable, as borrower or guarantor, to the Bank and such amount may, at the option of the Bank, be applied on any such liability as it [p. 1003] matures. No amount shall be withheld on account of the liability of the government resulting from its subscription for shares under Article II, Section 5 (ii). In any event, no amount due to a member for its shares shall be paid until six months after the date upon which the government ceases to be a member.

(ii) Payments for shares may be made from time to time, upon their surrender by the government, to the extent by which the amount due as the repurchase price in (b) above exceeds the aggregate of liabilities on loans and guarantees in (c) (i) above until the former member has received the full repurchase price. (p. B19)

(iii) Payments shall be made in the currency of the country receiving payment or at the option of the Bank in gold.

(iv) If losses are sustained by the Bank on any guarantees, participations in loans, or loans which were outstanding on the date when the government ceased to be a member, and the amount of such losses exceeds the amount of the reserve provided against losses on the date when the government ceased to be a member, such government shall be obligated to repay upon demand the amount by which the repurchase price of its shares would have been reduced, if the losses had been taken into account when the repurchase price was determined. In addition, the former member government shall remain liable on any call for unpaid subscriptions under Article II, Section 5 (ii), to the extent that it would have been required to respond if the impairment of capital had occurred and the call had been made at the time the repurchase price of its shares was determined.

(d) If the Bank suspends permanently its operations under Section 5 (b) of this Article, within six months of the date upon which any government ceases to be a member, all rights of such government shall be determined by the provisions of Section 5of this Article.

SECTION 5. *Suspension of operations and settlement of obligations*

(a) In an emergency the Executive Directors may suspend temporarily operations in respect of new loans and guarantee spending an opportunity for further consideration and action by the Board of Governors.

(b) The Bank may suspend permanently its operations in respect of new loans and guarantees by vote of a majority of the [p. 1004] Governors, exercising a majority of the total voting power. After such suspension of operations the Bank shall forthwith cease all activities, except those incident to the orderly realization, conservation, and preservation of its assets and settlement of its obligations.

(c) The liability of all members for uncalled subscriptions to the capital stock of the Bank and in respect of the depreciation of their own currencies shall continue until all claims of creditors, including all contingent claims, shall have been discharged.

(d) All creditors holding direct claims shall be paid out of the assets of the Bank, and then out of payments to the Bank on calls on unpaid subscriptions. Before making any payments to creditors holding direct claims, the Executive Directors shall make such arrangements as are necessary, in their judgment, to insure a distribution to holders of contingent

claims ratably with creditors holding direct claims. (p. B20)

(e) No distribution shall be made to members on account of their subscriptions to the capital stock of the Bank until

(i) all liabilities to creditors have been discharged or provided for, and

(ii) a majority of the Governors, exercising a majority of the total voting power, have decided to make a distribution.

(f) After a decision to make a distribution has been taken under (e) above, the Executive Directors may by a two-thirds majority vote make successive distributions of the assets of the Bank to members until all of the assets have been distributed. This distribution shall be subject to the prior settlement of all outstanding claims of the Bank against each member.

(g) Before any distribution of assets is made, the Executive Directors shall fix the proportionate share of each member according to the ratio of its shareholding to the total outstanding shares of the Bank.

(h) The Executive Directors shall value the assets to be distributed as at the date of distribution and then proceed to distribute in the following manner:

(i) There shall be paid to each member in its own obligations or those of its official agencies or legal entities within its territories, insofar as they are available for distribution, an amount equivalent in value to its proportionate share of the total amount to be distributed. [p. 1005]

(ii) Any balance due to a member after payment has been made under (i) above shall be paid, in its own currency, insofar as it is held by the Bank, up to an amount equivalent in value to such balance.

(iii) Any balance due to a member after payment has been made under (i) and (ii) above shall be paid in gold or currency acceptable to the member, insofar as they are held by the Bank, up to an amount equivalent in value to such balance.

(iv) Any remaining assets held by the Bank after payments have been made to members under (i), (ii), and (iii) above shall be distributed *pro rata* among the members.

(i) Any member receiving assets distributed by the Bank in accordance with (h) above, shall enjoy the same rights with respect to such assets as the Bank enjoyed prior to their distribution. (p. B21)

Article VII
Status, Immunities and Privileges

SECTION 1. *Purposes of Article*

To enable the Bank to fulfill the functions with which it is entrusted, the status, immunities and privileges set forth in this Article shall be accorded to the Bank in the territories of each member.

SECTION 2. *Status of the Bank*

The Bank shall possess full juridical personality, and, in particular, the capacity:

(i) to contract;

(ii) to acquire and dispose of immovable and movable property;

(iii) to institute legal proceedings.

SECTION 3. *Position of the Bank with regard to judicial process*

Actions may be brought against the Bank only in a court of competent jurisdiction in the territories of a member in which the Bank has an office, has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities. No actions shall, however, be brought by members or persons acting for or deriving claims from members. The property and assets of the Bank shall, wheresoever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Bank. [p. 1006]

SECTION 4. *Immunity of assets from seizure*

Property and assets of the Bank, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of seizure by executive or legislative action.

SECTION 5. *Immunity of archives*

The archives of the Bank shall be inviolable.

SECTION 6. *Freedom of assets from restrictions*

To the extent necessary to carry out the operations provided for in this Agreement and subject to the provisions of this Agreement, all property and assets of the Bank shall be free from restrictions, regulations, controls and moratoria of any nature.

SECTION 7. *Privilege for communications*

The official communications of the Bank shall be accorded by each member the same treatment that it accords to the official communications of other members. (p. B22)

SECTION 8. *Immunities and privileges of officers and employees*

All governors, executive directors, alternates, officers and employees of the Bank

(i) shall be immune from legal process with respect to acts performed by them in their official capacity except when the Bank waives this immunity;

(ii) not being local nationals, shall be accorded the same immunities from immigration restrictions, alien registration requirements and national

service obligations and the same facilities as regards exchange restrictions as are accorded by members to the representatives, officials, and employees of comparable rank of other members;

(iii) shall be granted the same treatment in respect of travelling facilities as is accorded by members to representatives, officials and employees of comparable rank of other members.

SECTION 9. *Immunities from taxation*

(a) The Bank, its assets, property, income and its operations and transactions authorized by this Agreement, shall be immune from all taxation and from all customs duties. The Bank shall also be immune from liability for the collection or payment of any tax or duty.

(b) No tax shall be levied on or in respect of salaries and emoluments paid by the Bank to executive directors, alternates, officials [p. 1007] or employees of the Bank who are not local citizens, local subjects, or other local nationals.

(c) No taxation of any kind shall be levied on any obligation or security issued by the Bank (including any dividend or interest thereon) by whomsoever held—

(i) which discriminates against such obligation or security solely because it is issued by the Bank; or

(ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Bank.

(d) No taxation of any kind shall be levied on any obligation or security guaranteed by the Bank (including any dividend or interest thereon) by whomsoever held—

(i) which discriminates against such obligation or security solely because it is guaranteed by the Bank; or

(ii) if the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the Bank. (p. B23)

SECTION 10. *Application of Article*

Each member shall take such action as is necessary in its own territories for the purpose of making effective in terms of its own law the principles set forth in this Article and shall inform the Bank of the detailed action which it has taken.

Article VIII
Amendments

(a) Any proposal to introduce modifications in this Agreement, whether emanating from a member, a governor or the Executive Directors, shall be communicated to the Chairman of the Board of Governors who shall bring

the proposal before the Board. If the proposed amendment is approved by the Board the Bank shall, by circular letter or telegram, ask all members whether they accept the proposed amendment. When three-fifths of the members, having four-fifths of the total voting power, have accepted the proposed amendment, the Bank shall certify the fact by a formal communication addressed to all members.

(b) Notwithstanding (a) above, acceptance by all members is required in the case of any amendment modifying

(i) the right to withdraw from the Bank provided in Article VI, Section 1; [p. 1008]

(ii) the right secured by Article II, Section 3 (c) ;

(iii) the limitation on liability provided in Article II, Section 6.

(b) Amendments shall enter into force for all members three months after the date of the formal communication unless a shorter period is specified in the circular letter or telegram.

Article IX

Interpretation

(a) Any question of interpretation of the provisions of this Agreement arising between any member and the Bank or between any members of the Bank shall be submitted to the Executive Directors for their decision. If the question particularly affects any member not entitled to appoint an executive director, it shall be entitled to representation in accordance with Article V, Section 4 (h).

(b) In any case where the Executive Directors have given a decision under (a) above, any member may require that the question be referred to the Board of Governors, whose decision shall be final. Pending the result of the reference to the Board, the Bank may, so far as it deems necessary, act on the basis of the decision of the Executive Directors. (p. B24)

(c) Whenever a disagreement arises between the Bank and a country which has ceased to be a member, or between the Bank and any member during the permanent suspension of the Bank, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators, one appointed by the Bank, another by the country involved and an umpire who, unless the parties otherwise agree, shall be appointed by the President of the Permanent Court of International Justice or such other authority as may have been prescribed by regulation adopted by the Bank. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

Article X

Approval Deemed Given

Whenever the approval of any member is required before any act may be

done by the Bank, except in Article VIII, approval shall be deemed to have been given unless the member presents an objection within such reasonable period as the Bank may fix in notifying the member of the proposed act. [p. 1009]

Article XI
Final Provisions

SECTION 1. *Entry into force*

This Agreement shall enter into force when it has been signed on behalf of governments whose minimum subscriptions comprise not less than sixty-five percent of the total subscriptions set forth in Schedule A and when the instruments referred to in Section 2 (a) of this Article have been deposited on their behalf, but in no event shall this Agreement enter into force before May 1, 1945.

SECTION 2**.** *Signature*

(a) Each government on whose behalf this Agreement is signed shall deposit with the Government of the United States of America an instrument setting forth that it has accepted this Agreement in accordance with its law and has taken all steps necessary to enable it to carry out all of its obligations under this Agreement.

(b) Each government shall become a member of the Bank as from the date of the deposit on its behalf of the instrument referred to in (a) above, except that no government shall become a member before this Agreement enters into force under Section 1of this Article.

(c) The Government of the United States of America shall inform the governments of all countries whose names are set (p. B25) forth in Schedule A, and all governments whose membership is approved in accordance with Article II, Section 1 (b), of all signatures of this Agreement and of the deposit of all instruments referred to in (a) above.

(d) At the time this Agreement is signed on its behalf, each government shall transmit to the Government of the United States of America one-one-hundredth of one percent of the price of each share in gold or United States dollars for the purpose of meeting administrative expenses of the Bank. This payment shall be credited on account of the payment to be made in accordance with Article II, Section 8 (a). The Government of the United States of America shall hold such funds in a special deposit account and shall transmit them to the Board of Governors of the Bank when the initial meeting has been called under Section 3 of this Article. If this Agreement has not come into force by December 31, 1945,the Government of the United States of America shall return such funds to the governments that transmitted them.

(e) This Agreement shall remain open for signature at Washington on

behalf of the governments of the countries whose names are set forth in Schedule A until December 31, 1945. [p. 1010]

(f) After December 31, 1945, this Agreement shall be open for signature on behalf of the government of any country whose membership has been approved in accordance with Article II, Section 1 (b).

(g) By their signature of this Agreement, all governments accept it both on their own behalf and in respect of all their colonies, overseas territories, all territories under their protection, suzerainty, or authority and all territories in respect of which they exercise a mandate.

(h) In the case of governments whose metropolitan territories have been under enemy occupation, the deposit of the instrument referred to in (a) above may be delayed until one hundred and eighty days after the date on which these territories have been liberated. If, however, it is not deposited by any such government before the expiration of this period, the signature affixed on behalf of that government shall become void and the portion of its subscription paid under (d) above shall be returned to it.

(i) Paragraphs (d) and (h) shall come into force with regard to each signatory government as from the date of its signature.

SECTION 3. *Inauguration of the Bank*

(a) As soon as this Agreement enters into force under Section 1of this Article, each member shall appoint a governor and the member to whom the largest number of shares is allocated in Schedule A shall call the first meeting of the Board of Governors,(p. B26)

(b) At the first meeting of the Board of Governors, arrangements shall be made for the selection of provisional executive directors. The governments of the five countries, to which the largest number of shares are allocated in Schedule A, shall appoint provisional executive directors. If one or more of such governments have not become members, the executive directorships which they would be entitled to fill shall remain vacant until they become members, or until January 1, 1946, whichever is the earlier. Seven provisional executive directors shall be elected in accordance with the provisions of Schedule B and shall remain in office until the date of the first regular election of executive directors which shall be held as soon as practicable after January 1, 1946.

(c) The Board of Governors may delegate to the provisional executive directors any powers except those which may not be delegated to the Executive Directors.

(d) The Bank shall notify members when it is ready to commence operations. [p. 1011]

DONE at Washington, in a single copy which shall remain deposited in the archives of the Government of the United States of America, which shall

transmit certified copies to all governments whose names are set forth in Schedule A and to all governments whose membership is approved in accordance with Article II, Section 1 (b). (p. B27)

SCHEDULE A
Subscriptions

(millions of dollars)
Australia - 200
Belgium - 225
Bolivia - 7
Brazil - 105
Canada - 325
Chile - 35
China - 600
Colombia - 35
Costa Rica - 2
Cuba - 35
Czechoslovakia - 125
Denmark - *
Dominican Republic - 2
Ecuador - 3.2
Egypt - 40
El Salvador - 1
Ethiopia - 3
France - 450
Greece - 25
Guatemala - 2
Haiti - 2
Honduras - 1
Iceland - 1
India - 400
Iran - 24
Iraq - 6
Liberia - .5
Luxembourg - 10
Mexico - 65
Netherlands - 275
New Zealand - 50
Nicaragua - .8
Norway - 50
Panama - .2
Paraguay - .8
Peru – 17.5

Philippine Commonwealth - 15
Poland - 125
Union of South Africa - 100
Union of Soviet Socialist Republics - 1200
United Kingdom - 1300
United States - 3175
Uruguay - 10.5
Venezuela - 10.5
Yugoslavia - 40

Total - 9100

*The quota of Denmark shall be determined by the Bank after the Danish Government accepts membership in accordance with these Articles of Agreement. (p. B28)

SCHEDULE B
Election of Executive Directors

1. The election of the elective executive directors shall be by ballot of the Governors eligible to vote under Article V, Section 4 (b).

2. In balloting for the elective executive directors, each governor eligible to vote shall cast for one person all of the votes to which the member appointing him is entitled under Section 3of Article V. The seven persons receiving the greatest number [p. 1012] of votes shall be executive directors, except that no person who receives less than fourteen percent of the total of the votes which can be cast (eligible votes) shall be considered elected.

3. When seven persons are not elected on the first ballot, a second ballot shall be held in which the person who received the lowest number of votes shall be ineligible for election and in which there shall vote only (a) those governors who voted in the first ballot for a person not elected and (b) those governors whose votes for a person elected are deemed under 4 below to have raised the votes cast for that person above fifteen percent of the eligible votes.

4. In determining whether the votes cast by a governor are to be deemed to have raised the total of any person above fifteen percent of the eligible votes, the fifteen percent shall be deemed to include, first, the votes of the governor casting the largest number of votes for such person, then the votes of the governor casting the next largest number, and so on until fifteen percent is reached.

5. Any governor, part of whose votes must be counted in order to raise the total of any person above fourteen percent, shall be considered as casting all of his votes for such person even if the total votes for such person thereby exceed fifteen percent.

6. If, after the second ballot, seven persons have not been elected, further ballots shall be held on the same principles until seven persons have been elected, provided that after six persons are elected, the seventh may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.

[list of articles and sections in Annex B omitted; Annex C, summary of Bretton Woods agreements, omitted]

[p. 1043]

Document 496
CIII/M/3
Minutes of Meeting of Commission III
OTHER MEASURES FOR INTERNATIONAL MONETARY AND FINANCIAL COOPERATION
(July 20,1944, 2 *p.m.)*

The meeting was called to receive the reports of the three committees which had been appointed at the second meeting of Commission III on July 10, 1944.

The Commission adopted the report of Committee 1 on "The Use of Silver for International Monetary Purposes" and the recommendation of the Committee as to the report to be made by Commission III to the Plenary Session concerning this subject. After relinquishing the Chair to the Vice Chairman, the Chairman, The Honorable Eduardo Suárez, Minister of Finance of Mexico, addressed [p. 1044] the Commission in support of the Committee recommendation, stressing the necessity that some action be taken in this field (statement distributed as document No. 459).

Committee 2 on "Enemy Assets, Looted Property, and Related Matters" placed before the Commission two measures which had received unanimous approval in the Committee. The first was a proposed recommendation by the Conference that the Bank for International Settlements be liquidated as soon as possible. The second, a resolution relating to enemy assets and looted property, was presented for adoption in principle with a recommendation that a drafting committee be appointed to make certain language changes suggested by the Delegation of the Soviet Union. A drafting committee, consisting of the Soviet Union, the United Kingdom, the United States, and the Chairman and Reporting Delegate of Committee 2, was appointed for this purpose and empowered to prepare the resolution for presentation to the Plenary Session of the Conference.

The report made by Committee 3 on "Economic and Financial Policies, Exchange of Information, and Other Means of Financial Cooperation" and the recommendations made therein were accepted by the Commission. Of the matters considered in the Committee, two were subject to specific discussion and vote by the full Commission. The first was the resolution combining the proposals submitted by Bolivia, Brazil, Chile, Cuba, and Peru. The statements made by the Delegates of Canada and Peru with respect to this resolution have been circulated as documents Nos. 485 and 435. After considerable discussion, the resolution was adopted by the Commission with the recommendation that the Chairman of the Commission be empowered to make appropriate modifications in the two "whereas" clauses to incorporate any changes made in the draft Articles of Agreement of the

International Monetary (p. 2) Fund, as well as appropriate reference to the Bank for Reconstruction and Development in the light of action taken by Commission

The second matter which was the subject of separate discussion and vote was a resolution introduced by the Australian Delegation recommending that the governments invited to accept the International Monetary Agreement be invited to accept concurrently a pledge to maintain high levels of employment in their respective countries. The remarks made by the Australian Delegation in support of their proposal have been circulated as document No. 467. A motion for adoption of the Australian resolution was defeated.

[p. 1205]

Document 501
UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE
Bretton Woods
For the Press July 21, 1944
No. 48

Remarks by Mr. Manuel B. Llosa, Delegate from Peru, Before Commission III on the Creation, in the Field of International Economic Relations, of Conditions Necessary for the Attainment of the Purposes of the Fund and the Bank, and Other Broader Primary Objectives of Economic Policy.

As it has been stated, the Delegation from Peru recognizes that the draft resolution which has been read covers and reproduces the issues of the original Peruvian proposal with regard to the enumeration of purposes that must be pursued to assure the attainment of the objectives sought by the International Monetary Fund and the Bank for Reconstruction and Development, and the broader primary objectives of economic policy. However, said draft resolution fails to mention a practical means to achieve those purposes, whereas the Peruvian proposal does not.

We continue in our belief that a conference of the united and associated nations on commercial policy may be one of such practical means. If it could not be held soon, a start might be made with one or more regional conferences on related subjects. For instance, a Pan American conference which might deal with the special problems which will arise for many American countries from the cessation of production for war purposes, endeavoring to adopt resolutions for an orderly return to peace conditions, as a necessary counteract of the economic mobilization of America for the defense of the Continent, which was enacted in the Third Meeting of the Ministers of Foreign Affairs, held in Rio de Janeiro, after Pearl Harbor.

We are not going to specify the Agenda that might be assigned to such an International Commercial Conference already outlined in the Peruvian proposal, but we would like to mention now, as an example of the subjects to be tackled by it, the items which should aim at the elimination of discriminatory practices in the field of international trade.

A great many practices of the kind, which particularly arise in the relations of small countries with powerful international "cartels" or other world-wide organizations, will not be taken into [p. 1206] consideration outside a conference, because they belong to the jurisdiction of moral rather than positive law; namely, the dumping and underselling to destroy legitimate activities of similar industries, the discriminatory rates in transportation and

communications, and other disloyal practices which impede the normal development of commerce and the economic progress of countries.

The Conference on Commercial Policy seems to be the most able institution to take care of these practices, by drafting a code of fair commercial relations, which would be submitted for the approval of the nations represented and in which code the universal principles of sound commercial behaviour that should be adopted, and the unfair practices that should be condemned, should be clearly defined. (p. 2)

It may be taken for granted that the existence of such a code, if it happens to be approved, will not eradicate those undesirable practices, but it is hoped that it will constitute a curb for the commercial enterprises inclined to employ that sort of means, and a yardstick to estimate the high moral standing of those who do not employ them, helping the new countries in that way to attain higher levels of employment and better standards of living.

That is why we place our confidence in the fact that, although not specifically mentioned in the draft resolution, among the means with which the resolution will be implemented, there will figure one or more international conferences, as has been suggested by the Peruvian Delegation.

Mr. Chairman, I would like my words to be on the record of the proceedings.

[p. 1085]

Document 519 (473)
CI/M/10
Corrected Minutes of Meeting of Commission I
INTERNATIONAL MONETARY FUND
(July 19, 1944, 9:15 *p.m.)*

The Chairman of the Drafting Committee presented the report of [p. 1086] that Committee, laying before the Commission the text of the Articles of Agreement as edited by the Committee. (The report is being separately circulated as Document 448; the text of the Articles of Agreement has been circulated as Annex I to Document 448). The Commission delegated to the Secretariat authority to make purely formal changes in the draft. The Delegate of the Netherlands expressed the appreciation of the Commission for the arduous and painstaking work of the Drafting Committee.

The Chairman of the Special Committee then presented his report, indicating that the material included in the report had been approved by the Commission in substance but had been modified in some degree by the Committee. He referred to article V, section 7(c) (p. 12, Document 448). The Special Committee felt that repurchase should not go beyond the point where the Fund's holdings of a currency have fallen to 75 percent, and that it was desirable to drop the requirement of consent of the country whose currency was being sold to the Fund. The Commission approved.

A modification of article XII, section 3, on election of Executive Directors, to meet future contingencies, was unanimously recommended by the Special Committee (Document 466). The Delegate of Egypt rose to a point of order on the ruling of the Chairman at the seventh meeting of the Commission with respect to Alternative E (Document 410). The Commission sustained the previous ruling of the Chairman. The Delegate of Egypt then moved (seconded by Iraq) that there should be one regional director (by election) from the Middle East. The motion was lost. The Commission then adopted the report of the Special Committee (Document 466, part I). Later in the session the Delegate of Cuba moved to amend the foregoing action by striking out all of the balance of the paragraph after the words "be elected" in the fourth line from the bottom of page 1 and the first three lines on page 2 (Document 466). The motion was carried.

The Commission approved a proposal by the Delegate of the United States to substitute "1/100 of 1 percent" for "1/20 of 1 percent" in article XX, section 2(d) (p. 42, Document 448).

The Delegate of the Union of Soviet Socialist Republics proposed the deletion of article XIX, paragraph (i) (4) (p. 41, Document 448), reading "Moderate immigrant remittances for family living expenses", on the ground that it would be difficult to distinguish immigrant remittances which were

capital transactions. The Delegates (p. 2) of the French Delegation, Bolivia, and Cuba supported the [p. 1087] Soviet proposal. The Delegates of China, Greece, India, Canada, Egypt, El Salvador, and the Netherlands spoke in opposition to the amendment. The Delegate of Cuba proposed that the word "immigrant" be deleted. The Commission accepted this proposal. A vote on the elimination of item (4) was lost. The Soviet Delegation asked that its position be recorded. The Delegate of Czechoslovakia moved that the word "abroad" be added to item (4) as amended. The Drafting Committee was authorized to insert this word in the proper place. (Subsequent to the session, the Delegate of Czechoslovakia withdrew his suggestion.)

The Delegate of the Union of Soviet Socialist Republics said that he wished to place on record his view that in interpreting the meaning of "monetary reserves" (article XIX, paragraph (e), page 40, Document 448), the Fund should take into account the special condition of the Soviet Union, where all banking business was in the hands of the State. The Delegate of the United Kingdom said that in framing the definitions an attempt had been made to meet the special position of the Soviet Union, by putting state trading institutions on the same footing as private banks in respect of the conditions under which their holdings may be regarded as part of monetary reserves.

(The Delegate of the Union of Soviet Socialist Republics has further clarified his statement in the sense that "the Fund should take into consideration the special conditions in the Union of Soviet Socialist Republics, namely, the centralization of these reserves and of banking activities practically in one single bank, the State Bank of the Union of Soviet Socialist Republics. This Bank should be authorized in computing its foreign exchange holdings to take account of its working balances for financing foreign trade.")

The Delegate of the United States proposed a change in Schedule C (page 50, Document 448; see section II, Document 466) designed to bring Schedule C into better conformity with the small number of directors to be elected. The proposal was accepted by the Commission.

The Delegate of the Union of Soviet Socialist Republics then moved that article V, section 8(f) (p. 14, Document 448), be amended to provide for uniformity for all countries in the proportion of charges to be paid in gold. The motion was lost. He suggested that the provision be modified so that "the Fund's reports to members, as well as unofficial communications, shall not be published without agreement with the respective member". This motion [p. 1088] was defeated. He proposed further an addition at the end of the second sentence of article XIII, section 2 (b) (p. 32, Document 448), to read as follows: "in each of the four other countries with the largest quotas, the Fund should hold gold in the amount not less than the amount of their contribution in gold". The motion was lost. (p. 3)

On motion of the United States, seconded by Czechoslovakia, the Commission unanimously adopted Document 448 as a whole, as amended by acts of the Commission earlier in the session.

The Reporting Delegate of Commission I then asked the assistance of the members of the Commission with regard to the accuracy of his record of reservations which had been made by various delegations so that his report to the Executive Session of the Conference could be complete.

The Chairman thanked the Commission for its splendid work. The Commission in turn expressed its appreciation to the presiding officer for his conduct of the meetings and the success of the Commission.

The meeting adjourned at 11 p.m.

ADDENDUM TO FINAL MINUTES OF COMMISSION I

In conformity with the motion adopted by the Executive Plenary Session of the Conference held on July 20, 4 p.m., that reservations to the draft Articles of Agreement should be confined to the minutes of the Commission and omitted from the records of the Conference and Final Act, the following reservations and statement which have been received are recorded and made a part of the minutes of the final meeting of Commission I:

By the Delegation of Australia:

Article I.

In the opinion of the Australian Delegation the purposes of the Fund, which provide criteria for its management, place too little emphasis on the promotion and maintenance of high levels of employment, and too much emphasis on the promotion of exchange stability and on shortening the duration and lessening the degree of disequilibrium in international balances of payments.

Article III, SECTION 1.

In view of the fact that Australia has little gold and few dollars, the quota fixed for Australia will compel her to build up liquid reserves outside the Fund to meet the wide fluctuations in [p. 1089] her balance of payments. In doing so she is likely to have to take action in conflict with the purposes of the Fund.

Article IV, SECTION 5 (f).

The Australian Delegation considered that the Fund should be required to concur in a requested change in a par value when a country has a serious and persistent deficit in its balance of (p. 4)

payments accompanied by a seriously adverse change in its terms of trade.

Article V, SECTION 3 (a) (iii).

The Australian Delegation considered that in view of the wide fluctuations in the balance of payments of many agricultural countries, the

annual drawing rights should be greater than twenty-five percent of the quota.

Article V, SECTION 8.

The Australian Delegation considered the charges provided for in this Section are too high and questioned the principle of charging countries interest which have an adverse balance of payments while provision is made for the payment of two percent interest to countries with a favourable balance of payments. (See Article XII, Section 6(b).)

Article XV, SECTION 1.

The Australian Delegation considered that the right of withdrawal should be protected from being made meaningless by membership of the Fund being made a condition of membership of other international bodies.

By the French Delegation:

Article III, SECTION 1.

Reservation as to the French quota and European quotas in general.

Article III, SECTION 3.

Reservation as to the deletion of a clause in favor of enemy occupied countries and relative to gold payments.

Article IV, SECTION 7.

Reservation as to the power of changing the price of gold retained by three countries and to the veto power accorded to each of them.

Article V, SECTION 3 (a), (iii).

Reservation as to lack of flexibility. [p. 1090]

Article V, SECTION 7(b).

Reservation as to the non-inclusion of a clause in favor of enemy-occupied countries. (p. 5)

Article XIX, (b) and (c).

Reservation as to the definition of "official holdings".

Article XIX, (i).

Reservation as to the definition of "current transactions".

Article XX, SECTION 3 (b).

Reservation as to the date mentioned which may not take sufficiently into account the situation of enemy-occupied countries.

By the Delegation of India:

Reservation as to the size of the quota for India.

By the Delegation of Iran:

Reservation as to the size of the quota for Iran.

By the Delegation of the Union of Soviet Socialist Republics:

In the opinion of the Soviet Delegation the following additions to, or

alterations of language should have been made in the Articles of Agreement:

Article III, SECTION 3.

"Any country represented at the United Nations Monetary and Financial Conference whose home areas have suffered substantial damage from enemy occupation or hostilities during the present war, may reduce its initial gold payment to 75 percent of the amount it would otherwise have to pay."

Article V, SECTION 8 (f).

To reword this paragraph as follows:

"Charges and commissions shall be paid partly in gold and partly in local currency of the member, or fully in gold,—uniformly by all members—independent of the amount of the monetary reserves of each member."

Article V, SECTION 7.

The principle, that so long as a member's holdings of gold and gold convertible exchange exceed its quota, the Fund in selling foreign exchange to that country shall require that one-half of the net sales of such exchange during the Fund's financial year be [p. 1091] (p. 6) paid for with gold, should be maintained in conformity with Article III, Section 7 (b) of the Joint Statement by Experts on the Establishment of an International Monetary Fund of the United and Associated Nations.

Article XIII, SECTION (b).

After the words "in the depositories designated by the remaining four members" to add the words: "in each of the four remaining countries having the largest quotas, gold shall be held in the amount not less than the amount of their respective gold contributions".

Article XIX, (i) (4).

Not to include in the term "current transactions" the "remittances for family living expenses", having in view that the Fund may upon the agreement with the members concerned, determine whether certain specific transactions of such kind are to be regarded as current transactions or capital transactions.

Article XIX, (a) and (e).

Because of the centralization in the Union of Soviet Socialist Republics of banking operations concerned with international transactions, as a rule, in the Central Bank—the State Bank of the Union of Soviet Socialist Republics, which is performing the functions of financing foreign trade, the Fund in calculating the net foreign exchange holdings of the Union of Soviet Socialist Republics shall take into account the necessity for the State Bank to maintain working exchange balances abroad.

Statement by the Peruvian Delegation:

Peruvian Law No. 7526 of 18th May 1982, which suspended the free conversion of the currency into gold, provided that the gold reserves existing at that time, viz. 16,338.71115 kilos of gold, valued by law at 38,784,832.53

Peruvian Soles, were to be earmarked and kept in custody by the Central Reserve Bank, and were not to be used in any way or manner, nor were ever to become liable to seizure or disposal in any contingency whatsoever. ("Oro intangible" in the original Spanish wording of that Law.) Consequently, the gold thus set aside by Law No. 7526 cannot be taken into account, either for the purpose of estimating Peru's quota and its proportion to be paid in gold, or for use in any of the operations of the Fund, or to cover any contingent or eventual liability of Peru if it ceases to be a member or if the Fund is liquidated.

[p. 1573]

[Appendix 4, part 3]
3. Letter From Secretary Morgenthau to the Ministers of Finance of Thirty-Seven Countries

MY DEAR MR. MINISTER:

I am sending for your examination a preliminary draft of a Proposal for an International Stabilization Fund of the United and Associated Nations. This draft was prepared by the technical staff of the United States Treasury in consultation with the technical experts of other departments of this Government. [p. 1574]

The document is sent to you not as an expression of the official views of this Government but rather as an indication of the views widely held by the technical experts of this Government. I hope you will examine the draft and submit it for critical study by the technical experts of your Ministry and your Government. After you and your experts have had opportunity to study it, you may wish to send one or more of your technical experts to Washington to give me your preliminary reaction to the draft proposal, and to discuss with our technical experts the feasibility of international monetary cooperation along the lines suggested therein, or along any other lines you may wish to suggest. We are informed that the technical experts of the British Government have also been studying the question and will doubtless make their views available.

It seems to me that the enclosed draft proposal points the way to an effective means of facilitating through cooperative action the (p. 2) maintenance of international monetary stability and the restoration and balanced growth of international trade. It is my hope that as a result of unofficial discussions involving no commitments, we may find a sufficient area of agreement to warrant proceeding on a more formal basis.

Very truly yours,

HENRY MORGENTHAU, JR.
Secretary of the Treasury

The countries to whose Finance Ministers the letters were addressed are the following:

Australia, Belgium, Brazil, Canada, China, Costa Rica, Cuba, Czechoslovakia, Dominican Republic, El Salvador, Ethiopia, Great Britain, Greece, Guatemala, Haiti, Honduras, India, Iraq, Luxembourg, Mexico, Netherlands, New Zealand, Nicaragua, Norway, Panama, Poland, South Africa, Union of Union of Soviet Socialist Republics, Yugoslavia, Bolivia, Colombia, Chile, Ecuador, Paraguay, Peru,
Uruguay, Venezuela

[p. 1629]

[Appendix IV, Part 7]
7. Joint Statement by Experts on the Establishment of an International Monetary Fund

[foreword omitted]

[p. 1630]

Sufficient discussion of the problems of international monetary cooperation has taken place at the technical level to justify a statement of principles. It is the consensus of opinion of the experts of the United and Associated Nations who have participated in these discussions that the most practical method of assuring international monetary cooperation is through the establishment of an International Monetary Fund. The principles set forth below are designed to constitute the basis for this Fund. Governments are not asked to give final approval to these principles until they have been embodied in the form of definite proposals by the delegates of the United and Associated Nations meeting in a formal conference.

I. Purposes and Policies of the Fund

The Fund will be guided in all its decisions by the purposes and policies set forth below:

1. To promote international monetary cooperation through a permanent institution which provides the machinery for consultation on international monetary problems.

2. To facilitate the expansion and balanced growth of international [p. 1631] trade and to contribute in this way to the maintenance of a high level of employment and real income, which must be a primary objective of economic policy.

3. To give confidence to member countries by making the Fund's resources available to them under adequate safeguards, thus giving members time to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.

4. To promote exchange stability, to maintain orderly exchange arrangements among member countries, and to avoid competitive exchange depreciation.

5. To assist in the establishment of multilateral payments facilities on current transactions among member countries and in the elimination of foreign exchange restrictions which hamper the growth of world trade.

6. To shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries.

II. Subscription to the Fund

1. Member countries shall subscribe in gold and in their local funds amounts (quotas) to be agreed, which will amount altogether to about $8 billion if all the United and Associated Nations subscribe to the Fund (corresponding to about $10 billion for the world as a whole).

2. The quotas may be revised from time to time but changes shall require a four-fifths vote and no member's quota may be changed without its assent.

3. The obligatory gold subscription of a member country shall be fixed at 25 percent of its subscription (quota) or 10 percent of its holdings of gold and gold-convertible exchange, whichever is the smaller.

III. Transactions With the Fund

1. Member countries shall deal with the Fund only through their Treasury, Central Bank, Stabilization Fund, or other fiscal agencies. The Fund's account in a member currency shall be kept at the Central Bank of the member country.

2. A member shall be entitled to buy another member's currency from the Fund in exchange for its own currency on the following conditions:

(a) The member represents that the currency demanded is presently needed for making payments in that currency which are consistent with the purposes of the Fund. [p. 1632]

(b) The Fund has not given notice that its holding of the currency demanded have become scare in which case the provisions of VI, below, come into force.

(c) The Fund's total holdings of the currency offered (after having been restored, if below that figure, to 75 percent of the member's quota) have not been increased by more than 25 percent of the member's quota during the previous 12 months and do not exceed 200 percent of the quota.

(d) The Fund has not previously given appropriate notice that the member is suspended from making further use of the Fund's resources on the ground that it is using them in a manner contrary to the purposes and policies of the Fund; but the Fund shall not give such notice until it has presented to the member concerned a report setting forth its views and has allowed a suitable time for reply.

The Fund may in its discretion and on terms which safeguard its interests waive any of the conditions above.

3. The operations on the Fund's account will be limited to transactions for the purpose of supplying a member country on the member's initiative with another member's currency in exchange for its own currency or for gold. Transactions provided for under 4 and 7, below, are not subject to this limitation

4. The Fund will be entitled at its option, with a view to preventing a particular member's currency from becoming scarce:

(a) To borrow its currency from a member country.

(b) To offer gold to a member country in exchange for its currency.

5. So long as a member country is entitled to buy another member's currency from the Fund in exchange for its own currency, it shall be prepared to buy its own currency from that member with that member's currency or with gold. This shall not apply to currency subject to restrictions in conformity with IX, 3 below, or to holdings of currency which have accumulated as a result of transactions of a current account nature effected before the removal by the member country of restrictions on multilateral clearing maintained or imposed under X, 2 below.

6. A member country desiring to obtain, directly or indirectly, the currency of another member country for gold is expected, provided that it can do so with equal advantage, to acquire the currency [p. 1633] by the sale of gold to the Fund. This shall not preclude the sale of newly-mined gold by a gold-producing country on any market.

7. The Fund may also acquire gold from member countries in accordance with the following provisions:

(a) A member country may repurchase from the Fund for gold any part of the latter's holdings of its currency.

(b) So long as a member's holdings of gold and gold-convertible exchange exceed its quota, the Fund in selling foreign exchange to that country shall require that one-half of the net sales of such exchange during the Fund's financial year be paid for with gold.

(c) If at the end of the Fund's financial year a member's holdings of gold and gold-convertible exchange have increased, the Fund may require up to one-half of the increase to be used to repurchase part of the Fund's holdings of its currency so long as this does not reduce the Fund's holdings of a country's currency below 75 percent of its quota or the member's holdings of gold and gold-convertible exchange below its quota.

IV. Par Values of Member Currencies

1. The par value of a member's currency shall be agreed with the Fund when it is admitted to membership, and shall be expressed in terms of gold. All transactions between the Fund and members shall be at par, subject to a fixed charge payable by the member making application to the Fund, and all transactions in member currencies shall be at rates within an agreed percentage of parity

2. Subject to 5, below, no change in the par value of a member's currency shall be made by the Fund without the country's approval. Member countries agree not to propose a change in the parity of their currency unless they consider it appropriate to the correction of a fundamental disequilibrium. Changes shall be made only with the approval of the Fund, subject to the provisions below.

3. The Fund shall approve a requested change in the par value of a member's currency, if it essential to the correction of a fundamental disequilibrium. In particular, the Fund shall not reject a requested change, necessary to restore equilibrium, because of the domestic social or political policies of the country applying for a change. In considering a requested change, the Fund shall take into consideration the extreme uncertainties prevailing at the time the parities of the currencies of the member countries were initially agreed upon.

4. After consulting the Fund, a member country may change the [p. 1634] established parity of its currency, provided the proposed change, inclusive of any previous change since the establishment of the Fund, does not exceed 10 percent. In the case of application for a further change, not covered by the above and not exceeding 10 percent, the Fund shall give its decision within 2 days of receiving the application, if the applicant so requests.

5. An agreed uniform change may be made in the gold value of member currencies, provided every member country having 10 percent or more of the aggregate quotas approves.

V. Capital Transactions

1. A member country may not use the Fund's resources to meet a large or sustained outflow of capital, and the Fund may require a member country to exercise controls to prevent such use of the resources of the Fund. This provision is not intended to prevent the use of the Fund's resources for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking, or other business. Nor is it intended to prevent capital movements which are met out of a member country's own resources of gold and foreign exchange, provided such capital movements are in accordance with the purposes of the Fund.

2. Subject to VI below, a member country may not use its control of capital movements to restrict payments for current transactions or to delay unduly the transfer of funds in settlement of commitments.

VI. Apportionment of Scarce Currencies

1. When it becomes evident to the Fund that the demand for a member country's currency may soon exhaust the Fund's holdings of that currency, the Fund shall so inform member countries and propose an equitable method of apportioning the scarce currency. When a currency is thus declared scarce, the Fund shall issue a report embodying the causes of the scarcity and containing recommendations designed to bring it to an end.

2. A decision by the Fund to apportion a scarce currency shall operate as an authorization to a member country, after consultation with the Fund, temporarily to restrict the freedom of exchange operations in the affected

currency, and in determining the manner of restricting the demand and rationing the limited supply among its nationals, the member country shall have complete jurisdiction.

VII. Management of the Fund

1. The Fund shall be governed by a board on which each member [p. 1635] will be represented and by an executive committee. The executive committee shall consist of at least nine members including the representatives of the five countries with the largest quotas.

2. The distribution of voting power on the board and the executive committee shall be closely related to the quotas.

3. Subject to II, 2 and IV, 5, all matters shall be settled by a majority of the votes.

4. The Fund shall publish at short intervals a statement of its position showing the extent of its holdings of member currencies and of gold and its transactions in gold.

VIII. Withdrawal from the Fund

1. A member country may withdraw from the Fund by giving notice in writing.

2. The reciprocal obligations of the Fund and the country are to be liquidated within a reasonable time.

3. After a member country has given notice in writing of its withdrawal from the Fund, the Fund may not dispose of its holdings of the country's currency except in accordance with the arrangements made under 2, above. After a country has given notice of withdrawal, its use of the resources of the Fund is subject to the approval of the Fund.

IX. Obligations of Member Countries

1. Not to buy gold at a price which exceeds the agreed parity of its currency by more than a prescribed margin and not to sell gold at a price which falls below the agreed parity by more than a prescribed margin.

2. Not to allow exchange transactions in its market in currencies of other members at rates outside a prescribed range based on the agreed parities.

3. Not to impose restrictions on payments for current international transactions with other member countries (other than those involving capital transfers or in accordance with VI, above) or to engage in any discriminatory currency arrangements or multiple currency practices without the approval of the Fund.

X. Transitional Arrangements

1. Since the Fund is not intended to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of the

war, the agreement of a member country to provisions III, 5 and IX, 3 above, shall not become operative until it is satisfied as to the arrangements at its disposal to facilitate the settlement [p. 1636] of the balance of payments differences during the early post-war transition period by means which will not unduly encumber its facilities with the Fund.

2. During this transition period member countries may maintain and adapt to changing circumstances exchange regulations of the character which have been in operation during the war, but they shall undertake to withdraw as soon as possible by progressive stages any restrictions which impede multilateral clearing on current account. In their exchange policy they shall pay continuous regard to the principles and objectives of the Fund; and they shall take all possible measures to develop commercial and financial relations with other member countries which will facilitate international payments and the maintenance of exchange stability.

3. The Fund may make representations to any member that conditions are favorable to withdrawal of particular restrictions or for the general abandonment of the restrictions inconsistent with IX, 3 above. Not later than three years after coming into force of the Fund any member still retaining any restrictions inconsistent with IX, 3 shall consult with the Fund as to their further retention.

4. In its relation with member countries, the Fund shall recognize that the transition period is one of change and adjustment, and in deciding on its attitude to any proposals presented by members it shall give the member country the benefit of any reasonable doubt.