

1944
NEW ZEALAND

UNITED NATIONS MONETARY AND
FINANCIAL CONFERENCE

BRETTON WOODS, NEW HAMPSHIRE, U.S.A., 1st JULY TO 22nd JULY, 1944

Presented to both Houses of the General Assembly by Leave

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REPORT BY NEW ZEALAND DELEGATION

THE following Delegation was appointed by the New Zealand Government to represent it at the Conference:—

- Delegates:—
 Walter Nash, Minister of Finance; Minister to the United States (Chairman).
 B. C. Ashwin, Secretary to the Treasury.
 E. C. Fussell, Deputy-Governor, Reserve Bank of New Zealand.
 A. G. B. Fisher, Counsellor, New Zealand Legation, Washington.

- Adviser and Secretary:—
 B. R. Turner, Second Secretary, New Zealand Legation, Washington.

(a) INTRODUCTORY

The immediate occasion for the holding of the United Nations Monetary and Financial Conference at Bretton Woods, New Hampshire, U.S.A., from the 1st July to the 22nd July, 1944, was an invitation extended by President Roosevelt. The text of the letter of invitation to the New Zealand Government appears in Appendix A to this report.

There had, however, been previous discussions of a preliminary nature between officials of most of the countries represented at the Conference. New Zealand officials, together with those of other Empire countries, participated in preliminary discussions in London, as well as in informal talks with United States officials.

Arising from these discussions, the experts of the United Kingdom, the U.S.A., Russia, China, and other countries prepared a joint statement on the establishment of an International Monetary Fund. This joint statement, which was published on the 21st April, 1944, embodied draft Articles of Agreement as a tentative basis for more formal discussion by representatives of all the countries concerned.

In addition, a tentative draft of proposals for an International Bank for Reconstruction and Development was prepared by experts of the U.S.A. This draft was published on the 24th November, 1943.

The purpose of the Conference at Bretton Woods was to provide an opportunity for joint examination and discussion of the above-mentioned drafts on behalf of the Governments of the participating nations, with a view to formulating proposals on a sufficiently considered and definite basis for submission to the Governments of the forty-four nations which sent delegations to the Conference.

It was made clear from the beginning that, whatever proposals might be crystallized, and whatever plans might be formulated at the Conference, there would be no obligation, actual or implied, on any Government to become a party to any such plans.

There is thus no impediment to the proposals being examined and dealt with purely on their merits.

(b) ORGANIZATION AND METHOD

To enable the number of delegates actively taking part in the discussion of any given topic to be kept down to workable proportions, and to ensure the necessary degree of speed in carrying out the programme laid down, the Conference, of which the Hon. Henry Morgenthau, Jr., Secretary of the United States Treasury, was elected President, established three Commissions to deal with the three broad categories into which the scope of the Conference was divided. These were—

- (1) *Commission I*, with Dr. Harry D. White (U.S.A.) as Chairman, to deal with the Monetary Fund proposal.
- (2) *Commission II*, with Lord Keynes (U.K.) as Chairman, to deal with the Bank proposal.
- (3) *Commission III*, with the Hon. Eduardo Suárez (Mexico) as Chairman, to deal with other measures for International Financial Co-operation.

Each delegation was represented on each Commission by one voting member, but it was open to other members of the delegations to attend also, and in practice this was done to the greatest extent possible.

A further subdivision of the work of each of the three Commissions was achieved by the setting-up of Committees which dealt with the various aspects of each proposal, and to assist these Committees smaller sub-committees were entrusted with specialized tasks, such as drafting, analysis of technical points, and the like.

According to the procedure laid down, the sub-committees and the Committees reported to the Commissions, and the Commissions reported to the Plenary Session of the Conference. No conclusion was valid unless and until adopted at the Plenary Session of the Conference.

(c) INTERNATIONAL MONETARY FUND

The Monetary Fund Agreement represents a proposal for an international financial organization, the functions of which would be to eliminate or exclude, so far as is humanly possible, such impediments to international trade as already exist or could arise in the financial field.

The basis of this approach is that in order to achieve the ultimate aims of high levels of employment and rising standards of living in member countries, the way must be paved in the first instance by the establishment, in some form or another, of an international monetary mechanism capable of functioning smoothly and effectively in the environment of the post-war world.

To this end, the Monetary Fund proposal has been planned in such a way as—

- (i) To assist in maintaining a reasonable degree of stability in exchange rates;
- (ii) To encourage the removal of exchange restrictions of the type which stand in the way of meeting payments due in respect of current international transactions;
- (iii) To enable member countries to tide over temporary shortages in their working balances of foreign exchange.

A noteworthy feature of the Monetary Fund proposal is that, besides providing for certain requirements and limitations which are necessary to make the Fund workable, it provides also for a good measure of flexibility, thereby ensuring that the rules of the Fund are sufficiently adaptable to deal with special circumstances and vicissitudes affecting member countries.

QUOTAS

Each country which elects to join the Fund will be required to lodge with the Fund the amount of its quota (as specified in Appendix B of this report). The aggregate of these quotas for the forty-four countries represented at the Conference is \$8,800,000,000, which is equivalent to £(N.Z.)2,750,000,000. The quota assigned to New Zealand is \$50,000,000, or £(N.Z.)15,625,000.

Though at the outset the quotas representing the subscription to be deposited in the Fund are limited to a fixed figure for each member, there is a provision for review and adjustment where appropriate, but always subject to the consent of the member concerned.

The following table sets out the composition of the New Zealand quota subscription on present indications:—

	£(N.Z.)
(a) Subscription in gold—(i.e., 10 per cent. of official holdings of gold and U.S.A. dollars)	Approx. 750,000
(b) Subscription in New Zealand currency	14,875,000
	<hr/> 15,625,000 <hr/>

The method of making the subscription available to the Fund would be as follows:—

- (a) The portion payable in gold would be delivered to the Fund and held in a depository designated by the Fund in accordance with Article XIII Section 2 (b) of the Fund Agreement:
- (b) The balance of the subscription would be credited to the Fund's account, in New Zealand currency, in the books of the Reserve Bank of New Zealand.

TRANSACTIONS WITH THE FUND

The procedure according to which transactions between member countries and the Fund would take place may be illustrated by the following example:—

- (a) The New Zealand Government, through the medium of the Reserve Bank or otherwise, informs the Fund that sterling to the value of £(N.Z.)2 million is needed to meet payments to (say) the United Kingdom in respect of current trading transactions:
- (b) The Reserve Bank credits the Fund's account at the Reserve Bank with £(N.Z.)2 million—in return for which the Fund authorizes the Bank of England to debit the Fund's account at that Bank with the sterling equivalent of £(N.Z.)2 million, and pay the amount to the Reserve Bank's ordinary working account in London.

The results of this operation are as follows:—

- (1) (a) The Fund's holding of New Zealand currency has increased by £(N.Z.)2 million:
- (b) The Fund's holding of sterling has decreased by the equivalent of £(N.Z.)2 million.

These transactions balance each other in the books of the Fund.

- (2) (a) The Reserve Bank's deposit liabilities in New Zealand are increased by £(N.Z.)2 million:
- (b) The Reserve Bank's sterling assets (held outside the Fund) are increased by the equivalent of £(N.Z.)2 million.

These transactions balance each other in the books of the Reserve Bank.

Conversely, if, not having other resources available, another member desired to acquire from the Fund New Zealand currency to enable it to make payment for goods purchased from New Zealand, it could lodge its own currency with the Fund in exchange for New Zealand currency, and with the New Zealand currency so acquired it could make payment for New Zealand exports.

The effect of such a transaction would be to decrease the Fund's holding of New Zealand currency, and correspondingly increase the Fund's holding of the currency of the member which initiated the transaction.

From the nature of these transactions it will be seen that the Fund is intended, not as a clearing-house for international transactions, but as a means whereby the foreign exchange resources of members may be supplemented if and when the need arises.

In order to safeguard both the effectiveness of the Fund and the interests of its members as a whole, there are limitations on the extent to which a member can lodge its own currency with the Fund in exchange for the currencies of other members.

This applies both to the amount which can be availed of in any one year (namely, 25 per cent. of the amount of the member's quota) and to the maximum cumulative amount over a period of years (namely, 100 per cent. of the amount of the member's quota).

On the other hand, in addition to the possibility of quota adjustments mentioned above, there is also provision for flexibility in the rule governing the extent to which a member may draw upon the resources of the Fund either in any one year, or in sum total over a period.

After taking account of the circumstances affecting New Zealand's external trading conditions, and of the terms governing drawings on the Fund's resources, the conclusion to be drawn is that membership in the Fund is not intended to be treated as a substitute for maintaining adequate resources of foreign exchange.

Nevertheless, the right to draw on the resources of the Fund constitutes a valuable line of defence for use in case of need.

One of the main purposes of the provisions relating to drawing rights is to discourage members from over-importing, while at the same time safeguarding them from having to curtail their imports unduly.

There are other provisions, in the clauses relating to scarce currencies, which are designed to discourage a member from voluntarily neglecting to maintain an adequate flow of imports, while at the same time pursuing a vigorous export policy.

FIXATION AND VARIATION OF EXCHANGE RATES

It is provided in Article (IV), Section I, of the Monetary Fund Agreement that 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 the 1st July, 1944.

The purpose of this requirement is to provide a definite and recognizable basis in relation to which members will state the exchange values of their respective currencies.

For example, on the basis of the exchange rates now existing, the par value of New Zealand currency could for the purposes of this requirement be expressed on the following lines:—

1 oz. of fine gold = £(N.Z.)10 10s.

or, to express the same exchange value in the alternative method provided—

35 dollars of the weight and fineness in effect on the 1st July, 1944 = £(N.Z.)10 10s.

Likewise, the par value of sterling may be quoted as—

1 oz. of fine gold = £(sterling)8 8s.; or

35 dollars of the weight and fineness in effect on 1st July, 1944 = £(sterling)8 8s.

The above methods of defining par values in no way interfere with the existing methods of quoting exchange rates as between one currency and another. In fact, to say that £(N.Z.)10 10s. and £(sterling)8 8s. are both equivalent to the same amount of gold (or the same amount of dollars) is only another way of saying that £(N.Z.)125 is equivalent to £(sterling)100.

Subject to the procedure outlined in Article XX (4), each member is free to choose what the initial par value of its currency will be. Thereafter each member may, in its own right, make subsequent variations until such time as the cumulative amount of such variations reaches 10 per cent. of the initial par value; and though, once that facility has been used, the rules of the Fund would require the member concerned to show adequate justification for further changes, there are provisions covering such further changes as may prove to be necessary to correct a fundamental disequilibrium.

Without such safeguards, it would be open to any member so minded to initiate an era of competitive exchange depreciation; and international exchange prospects, instead of being reasonably secure, would be marred by perplexity and distrust.

However, in order to ensure that the provisions of the Fund could not be interpreted as giving the Fund a right to intervene in the domestic social or political policies of member countries, it is laid down that a member's proposal to alter its exchange rate shall not be objected to on the grounds of the above-mentioned policies of the member.

EXCHANGE RESTRICTIONS

(a) *Current Transactions.* Trade and commerce could not flourish among member countries if some or all of them placed hindrances in the way of meeting current commitments; as, for example, if a member, though willing that a given volume of imports should be maintained, yet placed blockages in the way of paying for its current purchases from other countries.

The rules of the Fund are therefore designed to obviate new hindrances to such payments, and in the course of time to remove hindrances already existing.

These provisions do not mean that a member would be acting in a manner contrary to the principles of the Fund by maintaining supervision and control of its exchange transactions to ensure that funds will be available to meet, promptly and fully, those commitments which actually do accrue in respect of trade and other transactions. This matter is dealt with more fully under the heading of "Transitional Arrangements."

(b) *Capital Movements.* It would not be permissible for a member to use the resources of the Fund to finance a large or sustained outflow of capital. Furthermore, the Fund would be empowered to require a member to institute such controls as may be necessary to prevent a flight of capital.

One reason for this is that the Fund, being designed to foster a good financial basis for current transactions arising out of trade and commerce day by day, could not at the same time, directly or indirectly, bear the brunt of heavy and dislocating migrations of capital.

These restraints would not, however, be used to prevent the use of 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.

Nor would capital movements financed out of a member's holdings of gold and foreign exchange be obstructed, so long as such capital movements are in accordance with the purposes of the Fund; this requirement is quite logical, because without it a member could finance out of its own resources an outflow of capital not consistent with the purposes of the Fund, and then turn to the Fund to make good the resultant depletion of its foreign exchange holdings.

GOLD

The question has been raised in the minds of some who have examined the Monetary Fund proposals as to whether or not they provide for a return to the gold standard.

Membership in the Fund does not involve a return to the gold standard.

A country may join the Fund, remain an active member of the Fund, and develop and strengthen both its domestic economy and its external trade, whether it has large holdings of gold or none at all.

These facts are not prejudiced by the provision for par values of member currencies to be expressed in terms of gold. The limitations on complete freedom to alter par values at will are, for very practical reasons, intended primarily to stabilize member currencies in relation to each other, and not to confer on gold a fixed and unchangeable price in terms of the currencies of member countries.

CHARGES

In order to discourage members from drifting into a chronic state of leaning on the Fund, a scale of charges in respect of drawings on the Fund is provided for.

This scale is so graduated as to increase by $\frac{1}{2}$ per cent. per annum for each successive 25 per cent. of its drawing rights exercised by a member, and by a further $\frac{1}{2}$ per cent. per annum for each year during which such drawings remain unredeemed.

On the first drawing of 25 per cent. no charge is made for the first three months.

When the charge reaches 4 per cent. the question as to ways and means of redeeming the drawings comes up automatically for discussion between the Fund and the member, and if no agreement on this matter has been reached when the rate reaches its scheduled maximum of 5 per cent., the Fund is empowered to impose such charges as it deems appropriate.

The periods which elapse before the maximum rate of 5 per cent. is reached are indicated in the following table:—

Drawings.	Initial Rate, Per Cent.	Year in which Maximum of 5 Per Cent. is reached.
First 25 per cent. of quota*	$\frac{1}{2}$	Tenth.
Second 25 per cent. of quota	1	Ninth.
Third 25 per cent. of quota	$1\frac{1}{2}$	Eighth.
Fourth 25 per cent. of quota	2	Seventh.

* No charge for first three months.

The principles governing these charges came under some criticism at the Conference. This arose from the fact that the charges would not only penalize members which leaned on the Fund too heavily and for too long, but would also (though in a lesser degree) penalize members which strictly carried out the intentions of the Fund by using the Fund's resources temporarily in order to maintain a reasonable flow of imports during a short period of exchange stringency.

The view was stressed by the New Zealand Delegation that it would be more equitable that any charge which could be regarded in the nature of a penalty or a deterrent should be prescribed only for members which failed to act in accordance with the purposes of the Fund—whether by importing too much or too little in relation to their exports.

The scale of charges was, however, adopted on the grounds that it was in accordance with normal practice to charge interest on international financial accommodation, and that the scale was fairly graduated to meet the conditions under which the various rates would be levied.

In addition to these interest charges there is a provision that any member buying the currency of another member from the Fund shall pay a service charge, uniform for all members, which will commence at $\frac{3}{4}$ per cent., but may be varied by the Fund between a minimum of $\frac{1}{2}$ per cent. and a maximum of 1 per cent.

This is a relatively high charge for such a service, and, taking it in conjunction with the interest charges referred to above, it throws into relief the general principle that members are expected to rely as much as possible on their own exchange resources, and deal through the Fund only if and when their own resources are inadequate for their needs.

ORGANIZATION AND MANAGEMENT

The Fund will be administered by a Board of Governors, Executive Directors, and a Managing Director.

Each member country will have the right to appoint one Governor. The Executive Directors will be not less than twelve in number, and will be responsible to the Board of Governors.

The Managing Director will be Chairman of the Executive Directors. Subject to the direction of the Executive Directors, he will be responsible for the conduct of the ordinary business of the Fund.

New Zealand's voting-power on the Board of Governors would be 250 votes plus one vote for each part of its quota equivalent to \$100,000—that is, 750 votes in all, out of a total of 102,000 votes.

Judged on the basis of voting strength there may not appear, for a number of smaller countries, to be much significance in the right to be represented by a Governor on the Board. But in practice this will be determined at least in part by the ability and energy of the representatives appointed, and not entirely by the economic and financial stature of the appointing country.

TRANSITIONAL ARRANGEMENTS

It is recognized that in the immediate post-war period the economic and financial conditions of a number of members will not have recovered sufficiently to enable them to comply at once with all the normal requirements of the Fund.

In particular it is provided, in Article XIV, that members may both maintain, and adapt to changing circumstances, restrictions on payments and transfers for current international transactions. Provisions relating to the removal of such restrictions as are inconsistent with the purposes of the Fund are also fully detailed in this Article.

The distinction between exchange restrictions and exchange control and supervision has already been briefly mentioned in this report; but the complexity of the whole question of supervision, regulation, control, and restriction of exchange transactions is such that there may be some misunderstanding as to what is the actual intention of the clauses relating to the removal of restrictions on payments and transfers for current international transactions.

In order to clarify the position beyond doubt the New Zealand Delegation, and others as well, raised the question at the Conference as to whether the provisions relating to the removal of such restrictions might be interpreted as requiring the removal of a system of exchange control; in response to this, it was made clear that there was nothing in the Fund Agreement inconsistent with the maintenance and operation of a complete system of exchange control, except and to the extent that such a control was in practice used to prevent the reasonably prompt payment and transfer of commitments which had actually arisen in connection with current transactions.

It would become a matter for intervention by the Fund if, for example, a member curtailed imports to such a degree in relation to exports as to cause a scarcity in the holdings of that member's currency. But it would not be a matter for intervention by the Fund if a member, while meeting all current commitments which actually arise, and while allowing an adequate volume of commitments to be incurred in respect of imports and other international transactions, at the same time specified the extent to which, and the purposes for which, such commitments could be entered into by its residents.

These points are mentioned here for the purpose of explaining the bearing of the Fund proposals on the subject, and are made independently of any question as to whether or not it may under changed international conditions or on other grounds prove practicable or desirable to modify the system of exchange control now in operation in New Zealand.

It was consistently stressed by the Chairman of the New Zealand Delegation that the New Zealand Government did not propose, and would not, under existing world conditions agree, to alter in any way its right to select imports, and whilst taking every step that would foster the general policy of expansion of world trade, it would on all occasions so order its total imports as to ensure that the necessary exchange for current transactions would at all times be available. This would entail control of the purposes for which, and the extent to which, overseas commitments as a whole could be entered into. These controls would not in any way free New Zealand from the responsibility at all times to provide the necessary exchange to enable all current transactions to be met promptly and fully.

INAUGURATION OF THE FUND

The provisions relating to the entry into force of the Monetary Fund Agreement and the inauguration of the Fund are contained in Article XX. Briefly, the Agreement will enter into force when it is signed on behalf of Governments having 65 per cent. of the total quotas, but in any event not before 1st May, 1945.

As soon as practicable after these requirements have been complied with each member shall appoint a Governor, and the member having the largest quota shall call the first meeting of the Board of Governors.

(d) INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

The Bank proposal arose out of the realization that, after taking into account all the functions that could be expected of an organization such as the Monetary Fund, there would still remain an important post-war financial need not provided for.

That need, as the name of the proposed Bank implies, is to provide, or to encourage the provision of, capital for the reconstruction of economies destroyed or disrupted by the war, as well as for the fuller development of countries which have not within their own borders the wherewithal to undertake such development without external aid.

In carrying out these functions such an institution as the proposed Bank should be able to make a twofold contribution to post-war prosperity. It should be able to contribute not only to the promotion of a balanced growth, both of the domestic economies of members and of their international trade, but also to a smooth transition from a war-time to a peace-time economy.

To enable the Bank to perform these services, while at the same time preserving the soundness and liquidity of its own position, it would be needful for it, firstly, to have adequate reserves, both actual and potential, and, secondly, to take all reasonable precautions when granting or guaranteeing loans.

CAPITAL OF THE BANK, AND MEMBERS' SUBSCRIPTIONS FOR SHARES

It is proposed that the authorized capital of the Bank should be 10 billion dollars, though the aggregate of the minimum quotas allocated to the nations participating in the Conference is limited to 9·1 billion dollars. The difference of 900 million dollars represents a margin to cover—

(a) Any subscriptions which may be made in excess of the minimum quotas allocated.

(b) Subscriptions from countries, not represented at the Conference, which later on may wish to become members of the Bank.

New Zealand's quota for the Bank is the same as for the Fund—namely, £(N.Z.) 15,625,000. Some countries (notably the U.S.A.) agreed to higher quotas, while it was arranged on behalf of some other countries that their Bank quota should be less than their Fund quota.

In this connection it should be mentioned that, whereas in the case of the Fund the more common tendency was to desire that the quota should be larger than the amount allocated, in the case of the Bank the opposite tendency was evident.

The main reason for this was that the size of its Fund quota determines the amount of assistance that can be received by a member country, while the size of its Bank quota determines the amount of responsibility to be accepted by the member country.

An important distinction between the payment of the Fund quota and the payment of the Bank quota is that the former would, except in special circumstances, be paid up in full at the outset, while the latter—that is, the Bank quota—would not be paid up beyond 20 per cent. of each member's allocation unless further calls were required to cover default by borrowers in respect of interest, other charges, or amortisation of debt owing to the Bank.

Should New Zealand become a member of the Bank, the payment of the 20 per cent.—i.e., £(N.Z.) 3,125,000—of the New Zealand quota would be constituted as under:—

	£ (N.Z.)
Gold	the equivalent of 312,500
New Zealand currency	the equivalent of 2,812,500
Total	<u>£3,125,000</u>

Should any further calls prove necessary, member countries would have the following options as to the form in which they would meet such calls:—

(a) In gold; or

(b) In U.S.A. dollars; or

(c) In the currency required to discharge the obligations in respect of which the call was made.

LOANS AND GUARANTEES

The functions of the Bank under this heading fall into four categories:—

- (i) It may make loans directly out of its own funds:
- (ii) It may participate in loans made by other lenders, that is, it may supplement amounts put up by other lenders, thus demonstrating its confidence both in the borrower and in the purpose for which the loan is raised:
- (iii) It may borrow in a member's market, and then may lend the money so borrowed:
- (iv) It may guarantee loans made by other investors.

On the other hand, the Bank may not borrow in a member's market or guarantee loans made by investors in a member's market unless:—

- (a) It has the approval of the member in whose market the funds are raised, and of the member in whose currency the loan is denominated.
- (b) Those members agree that the proceeds may be exchanged for the currency of any other member without restriction.

One reason for this is to enable a member to prevent the lending of its currency if, for example, it has an unfavourable balance of payments.

An essential feature of loans granted or guaranteed by the Bank is that it must first satisfy itself that, without its intervention, the borrower would be unable to obtain the accommodation on reasonable terms.

Once this fact is established, the Bank would pursue the normal standard procedure by taking the safeguards ordinarily observed by lending institutions of good standing.

But if losses should in fact be sustained through the default of borrowers from the Bank or borrowers under the Bank's guarantee, and if the Bank's own reserves are not adequate to meet these losses, the responsibility in the last resort to make good such losses falls on the member countries.

The procedure by which they would shoulder this responsibility is to pay further calls in respect of that part of their quotas which is in excess of 20 per cent. of the total amount of such quotas.

Calls would be *pro rata*, according to the size of each member's quota, and each member's contingent liability is limited to the amount of its quota.

On the existing basis of the quotas, New Zealand's commitment would not exceed £1 million, unless defaults by borrowers exceeded £180 million.

New Zealand's contingent liability in respect of the uncalled 80 per cent. of its quota may therefore be regarded as a reasonably fair risk.

INAUGURATION OF THE BANK

The provisions covering the entry into force of the Bank agreement and the inauguration of the Bank are similar to those affecting the Fund, both as regards the minimum percentage of 65 per cent. of the total subscriptions to be represented by the initial signatories, and as regards the requirement that in any event the Bank agreement shall not enter into force before 1st May, 1945.

(c) OTHER MEASURES FOR INTERNATIONAL FINANCIAL CO-OPERATION

The work of Commission III, unlike that of Commissions I and II, did not represent the culmination of an organized body of preparatory work during a long period before the Conference was convened. Its task was to examine and report to the Conference on any proposals within its order of reference which might be submitted to it after the opening of the Conference. Every Delegation was, of course, entitled to submit proposals.

In all, fifteen proposals were made to Commission III, and on analysis it was found that these could be classified under four headings—

- (1) The use of silver for International Monetary Purposes.
- (2) Liquidation of the Bank for International Settlements.
- (3) Enemy Assets, Looted Property, and Related Matters.
- (4) Recommendations on Economic and Financial Policy, and other means of Financial Co-operation.

Taking these in order:—

(1) *Use of Silver*.—Consideration of this topic arose out of the Mexican Delegation's proposal that the Monetary Fund should embody provisions giving silver a recognized monetary status, along with gold and the currencies of member countries, for the purposes of international transactions through the medium of the Fund. Although it was not found possible to reach agreement on this subject, it was felt that a matter of such importance for some nations should not be allowed to drop. A clause was therefore included in the Final Act, placing on record the recommendation of Commission III that the subject should merit further study by the interested nations.

(2) *Bank for International Settlements*.—The Conference concurred in the recommendation of Commission III that the Bank for International Settlements should be liquidated at the earliest possible moment.

(3) *Enemy Assets and Looted Property*.—The proposal under this heading was to the effect that the United Nations should co-operate in certain measures—

- (a) To frustrate any attempts of enemy countries to use such assets and property to their own advantage;
- (b) To facilitate the delivery of such assets and property to the post-armistice authorities,

(4) *Economic and Financial Policy, and other Means of Financial Co-operation.*—The Conference adopted the recommendation of Commission III to the effect that it would be desirable for the nations who join the Monetary Fund to reach an agreement as soon as possible on ways and means whereby they could best—

- (a) Reduce obstacles to international trade and in other ways promote mutually advantageous international commercial relations;
- (b) Bring about the orderly marketing of staple commodities at prices fair to the producer and consumer alike;
- (c) Deal with problems arising from the change over from war production to civil production;
- (d) Facilitate by co-operative effort the harmonization of national policies of member States designed to promote and maintain high levels of employment and progressively rising standards of living.

In this connection the Australian Delegation introduced a resolution recommending that the Governments invited to accept the Monetary Fund Agreement be also invited to enter, at the same time, into an undertaking to maintain high levels of employment in their respective countries.

A motion for the adoption of the Australian resolution, which was supported by the New Zealand Delegation, was not carried, though there were some expressions of sympathy with its underlying motive. One important factor which operated against the adoption of the Australian resolution was seemingly the viewpoint that the question of employment as a whole should be the subject of consideration under the heading of economic rather than financial matters.

(f) RELATIONSHIP BETWEEN THE PROPOSALS DEALT WITH BY THE CONFERENCE

There is a strong affinity between all the proposals dealt with by the Conference because they were all put forward with the same ideal in view. But, though they are complementary to each other, the Monetary Fund proposal and the Bank proposal are quite distinct from each other. The purpose of the Fund is to facilitate the orderly and prompt carrying-out of current exchange transactions, and, in the main, such transactions may be expected to relate to day-to-day import and export business, and other short-term transactions. Normal use of the Fund to tide over the financial consequences of trade fluctuations is regarded as being of an essentially temporary nature, though longer use is provided for in case of need.

The Bank proposal, on the other hand, arose from the expectation, based on past experience, that, in the absence of such an institution, the normal flow of international investment would not revive quickly enough.

In the absence of a speedy revival of international investment in the post-war years a number of countries whose economies had been over-strained or devastated by the war, would not be able to play an effective part in post-war trade, even with all the assistance they could derive from the Monetary Fund. The result would be depression and widespread unemployment in the stricken countries and also, though possibly in a less degree, in all other countries.

The broad function of the Bank would, therefore, be to give confidence and certainty in those fields of international investment where otherwise fear and uncertainty would predominate. Its operations would thus play an important part in stimulating employment in the territories not only of borrowing countries, but also of lending countries.

The emphasis as regards the Fund is short-term finance in respect of current operations, and the emphasis as regards the Bank is long-term finance for capital development and reconstruction.

The proposals for international financial co-operation dealt with by Commission III are supplementary both to the Fund proposal and the Bank proposal.

The need to re-possess assets looted by the enemy needs no comment. The proposal for the reduction of obstacles to international trade, the orderly marketing of staple commodities, and the harmonization of high employment policies is an initial step which demonstrates the recognition that the financial proposals must be supported by action taken in economic and commercial fields as well.

The plan for the Fund and the plan for the Bank offer a medium for carrying out a comprehensive range of financial transactions; it is for other plans to determine the extent and the avenues of the economic activities which should give rise to such transactions.

The question as to whether financial plans on the lines of those dealt with by the International Monetary and Financial Conference will, in fact, be put into practice is a matter which is exclusively the concern of the respective Governments.

But whether or not they will commend themselves to Governments in their present form, there can be no gainsaying the basic ideals which led to their formulation. Those ideals are the happiness, the prosperity, and the general well-being of all peoples, and peace among the nations of the world.



Chairman of the New Zealand Delegation.

APPENDICES

APPENDIX A

Legation of the United States of America,
Wellington, N.Z., 26th May, 1944.

SIR,—

I have the honour to extend to the New Zealand Government by direction of the President of the United States the following invitation to participate in a conference of the United Nations for the purpose of formulating definite proposals for an international monetary fund and possibly a bank for reconstruction and development.

A note similar to the following, which has just been telegraphed to me by the Secretary of State in Washington, will be presented to the New Zealand Minister at Washington to-morrow morning at 11 o'clock, Washington time:—

“The publication of the joint statement of technical experts recommending the establishment of an international monetary fund and setting forth the principles for such a fund has been deeply gratifying to this Government as marking an important step toward post-war international economic co-operation. Undoubtedly the Government and people of New Zealand have been equally pleased by this evidence of the desire of the United Nations and the nations associated with them in the war to co-operate in meeting the economic problems of the post-war world.

“The President of the United States of America now proposes, as a further step toward the realization of this objective, to call a conference of the United Nations and the nations associated with them, for the purpose of formulating definite proposals for an international monetary fund and possibly a bank for reconstruction and development. It would be understood, of course, that the delegates would not be required to hold plenipotentiary powers, and that the proposals formulated at the conference would be taken up with the respective Governments and authorities for their acceptance or rejection.

“I have the honour, therefore, on behalf of the President cordially to invite Your Excellency's Government to send one or more delegates to participate in a formal monetary and financial conference of the United Nations and the nations associated with them to be held in the United States, beginning July 1, 1944. I am pleased to inform Your Excellency that the delegation of the United States to the Conference will be headed by the Secretary of the Treasury. The names of the other delegates of my Government, as well as information regarding the seat of the conference and arrangements for the meeting will be communicated to Your Excellency at a later date.

“Because of my Government's belief that the formulation of definite proposals for an international monetary fund and a bank for reconstruction and development in the near future is a matter of vital concern to all of the United Nations and the nations associated with them, my Government sincerely hopes to receive the favourable reply of Your Excellency's Government at the earliest possible moment, together with the names of all members of the New Zealand delegation.”

I have the honour to be, Sir,

Your obedient servant,

(Signed) PRESCOTT CHILDS,

Chargé d'Affaires, a.i.

31st May, 1944.

Sir,—

I have the honour to acknowledge receipt of your letter of the 26th May and to thank you for the invitation you so kindly extended to the New Zealand Government on behalf of the President, to participate in a conference of the United Nations for the purpose of formulating definite proposals for an International Monetary Fund and possibly also a bank for reconstruction and development.

I have taken note of the terms of the communication which is being communicated by the Secretary of State in Washington to the New Zealand Minister there, and representatives of other Governments, and observe from this that the conference is to commence in the United States at some place yet to be nominated on the 1st July next.

I am not yet in a position to inform you of the name of the leader and other members of the New Zealand Delegation, but I shall get in touch with you again immediately I am in a position to let you have this information.

The New Zealand Government do share the view of your Government that the formulation of definite proposals for an International Monetary Fund and possibly also a bank for reconstruction and development is a matter of particular concern to the future wellbeing of all the United Nations and the nations associated with them.

I have the honour to be, Sir,

Your obedient servant,

(Signed) D. G. SULLIVAN,

Acting Minister of External Affairs.

The Chargé d'Affaires, a.i.

Legation of the United States of America,

D.I.C. Building, Wellington.

APPENDIX B
FUND QUOTAS AND BANK SUBSCRIPTIONS EXPRESSED IN NEW ZEALAND CURRENCY

Country.	International Monetary Fund Quota.	Bank for Reconstruction and Development Subscriptions.
	£(N.Z.) millions	£(N.Z.) millions
Australia	62.5	62.5
Belgium	70.3	70.3
Bolivia	3.1	2.2
Brazil	46.9	32.8
Canada	93.8	101.6
Chile	15.6	10.9
China	171.9	187.5
Costa Rica	1.6	0.6
Colombia	15.6	10.9
Cuba	15.6	10.9
Czechoslovakia	39.1	39.1
*Denmark
Dominican Republic	1.6	0.6
Ecuador	1.6	1.0
Egypt	14.1	12.5
El Salvador	0.8	0.3
Ethiopia	1.9	0.9
France	140.6	140.6
Greece	12.5	7.8
Guatemala	1.6	0.6
Haiti	1.6	0.6
Honduras	0.8	0.3
Iceland	0.3	0.3
India	125.0	125.0
Iran	7.8	7.5
Iraq	2.5	1.9
Liberia	0.2	0.2
Luxembourg	3.1	3.1
Mexico	28.1	20.3
Netherlands	85.9	85.9
New Zealand	15.6	15.6
Nicaragua	0.6	0.3
Norway	15.6	15.6
Panama	0.2	0.2
Paraguay	0.6	0.3
Peru	7.8	5.5
Philippine Commonwealth	4.7	4.7
Poland	39.1	39.1
Union of South Africa	31.3	31.3
Union of Soviet Socialist Republics	375.0	375.0
United Kingdom	406.3	406.3
United States	859.4	992.2
Uruguay	4.7	3.3
Venezuela	4.7	3.3
Yugoslavia	18.8	12.5
	2,750.4	2,843.9

* The quota of Denmark shall be determined by the Bank after Denmark accepts membership in accordance with these articles of agreement.

APPENDIX C

Country.	Percentage of Total Votes.	
	Monetary Fund.	Bank.
1. Voting-power of Governors -		
U.S.A.	28.0	31.4
United Kingdom	13.4	13.0
U.S.S.R.	12.4	12.0
China	5.8	6.1
France	4.8	4.7
India	4.3	4.2
Canada	3.3	3.4
Netherlands	3.0	2.9
Belgium	2.5	2.4
Australia	2.3	2.2
Brazil	1.8	1.3
Czechoslovakia	1.5	1.5
Poland	1.5	1.5
New Zealand	0.7	0.7
Others	14.7	12.7
	100.0	100.0
2. Voting-power of Directors -		
U.S.A.	28.0	31.4
United Kingdom	13.4	13.0
U.S.S.R.	12.4	12.0
China	5.8	6.1
France	4.8	4.7
Others (seven directors)	35.6	32.8
	100.0	100.0
3. Voting-power of Geographical Groups--		
U.S.A.	28.0	31.4
Other American Republics	9.7	8.0
British Empire	25.2	21.8
Europe	16.3	15.4
U.S.S.R.	12.4	12.0
China	5.8	6.1
Other	2.6	2.3
	100.0	100.0

TEXT OF FINAL ACT

THE Governments of Australia, Belgium, Bolivia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Cuba, Czechoslovakia, Dominican Republic, Ecuador, Egypt, El Salvador, Ethiopia; the French Delegation; the Governments of 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, and Yugoslavia;

Having accepted the invitation extended to them by the Government of the United States of America to be represented at a United Nations Monetary and Financial Conference;

Appointed their respective delegates, who are listed below by countries in the order of alphabetical precedence:—

Australia—

Leslie G. Melville, Economic Adviser to the Commonwealth Bank of Australia (*Chairman of the Delegation*).
James B. Bridgen, Financial Counselor, Australian Legation, Washington.
Frederick H. Wheeler, Commonwealth Department of the Treasury.
Arthur H. Tange, Commonwealth Department of External Affairs.

Belgium—

Camille Gutt, Minister of Finance and Economic Affairs (*Chairman of the Delegation*).
Georges Theunis, Minister of State; Ambassador at Large on special mission in the United States; Governor of the National Bank of Belgium.
Baron Hervé de Gruben, Counselor, Belgian Embassy, Washington.
Baron René Boel, Counselor of the Belgian Government.

Bolivia

René Ballivián, Financial Counselor, Bolivian Embassy, Washington (*Chairman of the Delegation*).

Brazil—

Arthur de Souza Costa, Minister of Finance (*Chairman of the Delegation*).
Francisco Alves dos Santos-Filho, Director of Foreign Exchange of the Bank of Brazil.
Valentin Boucas, Commission of Control of the Washington Agreements and Economic and Financial Council.
Eugenio Gudin, Economic and Financial Council and Economic Planning Committee.
Octávio Bulhões, Chief, Division of Economic and Financial Studies, Ministry of Finance.
Victor Azevedo Bastian, Director, Banco da Província do Rio Grande do Sul.

Canada—

J. L. Hsley, Minister of Finance (*Chairman of the Delegation*).
L. S. St. Laurent, Minister of Justice.
D. C. Abbott, Parliamentary Assistant to the Minister of Finance.
Lionel Chevrier, Parliamentary Assistant to the Minister of Munitions and Supply.
J. A. Blanchette, Member of Parliament.
W. A. Tucker, Member of Parliament.
W. C. Clark, Deputy Minister of Finance.
G. F. Towers, Governor, Bank of Canada.
W. A. Mackintosh, Special Assistant to the Deputy Minister of Finance.
L. Rasminsky, Chairman (alternate), Foreign Exchange Control Board.
A. F. W. Plimtre, Financial Attaché, Canadian Embassy, Washington.
J. J. Deutsch, Special Assistant to the Under Secretary of State of External Affairs.

Chile—

Luis Alamos Barros, Director, Central Bank of Chile (*Chairman of the Delegation*).
Germán Riesco, General Representative of the Chilean Line, New York.
Arturo Maschke Tornero, General Manager, Central Bank of Chile.
Fernando Mardones Restat, Assistant General Manager, Chilean Nitrate and Iodine Sales Corporation.

China

Hsiang-Hsi K'ung, Vice President of Executive Yuan and concurrently Minister of Finance; Governor of the Central Bank of China (*Chairman of the Delegation*).
Tingfu F. Tsiang, Chief Political Secretary of Executive Yuan; former Chinese Ambassador to the Union of Soviet Socialist Republics.
Ping-Wen Kuo, Vice Minister of Finance.
Victor Hoo, Administrative Vice Minister of Foreign Affairs.
Yee-Chun Koo, Vice Minister of Finance.
Kuo-Ching Li, Adviser to the Ministry of Finance.
Te-Mou Hsi, Representative of the Ministry of Finance in Washington; Director, the Central Bank of China and Bank of China.
Tsu-Yee Pei, Director, Bank of China.
Ts-Liang Soong, General Manager, Manufacturers Bank of China; Director, the Central Bank of China, Bank of China, and Bank of Communications.

Colombia—

Carlos Lleras Restrepo, former Minister of Finance and Comptroller General (*Chairman of the Delegation*).
Miguel López Pumarejo, former Ambassador to the United States; Manager, Caja de Crédito Agrario, Industrial y Minero.
Victor Dugand, Banker.

Costa Rica—

Francisco de P. Gutiérrez Ross, Ambassador to the United States; former Minister of Finance and Commerce (*Chairman of the Delegation*).
Luis Demetrio Tinoco Castro, Dean, Faculty of Economic Sciences, University of Costa Rica; former Minister of Finance and Commerce; former Minister of Public Education.
Fernando Madrigal A., Member of Board of Directors, Chamber of Commerce of Costa Rica.

Cuba—

E. I. Montoulieu, Minister of Finance (*Chairman of the Delegation*).

Czechoslovakia

Ladislav Feierabend, Minister of Finance (*Chairman of the Delegation*).
Jan Mládek, Ministry of Finance (*Deputy Chairman of the Delegation*).
Antonín Basch, Department of Economics, Columbia University.
Josef Hanc, Director of the Czechoslovak Economic Service in the United States of America.
Ervin Hexner, Professor of Economics and Political Science, University of North Carolina.

Dominican Republic—

Anselmo Copello, Ambassador to the United States (*Chairman of the Delegation*).
J. R. Rodríguez, Minister Counselor, Embassy of the Dominican Republic, Washington.

Ecuador—

Esteban F. Carbo, Financial Counselor, Ecuadoran Embassy, Washington (*Chairman of the Delegation*).
Sixto E. Durán Ballén, Minister Counselor, Ecuadoran Embassy, Washington.

Egypt—

Sany Lackany Bey (*Chairman of the Delegation*).
Mahmoud Saleh El Falaky.
Ahmed Selim.

El Salvador—

Augustín Alfaro Moran (*Chairman of the Delegation*).
Raúl Gamero.
Víctor Manuel Valdes.

Ethiopia—

Blatta Ephrem Tewelde Medhen, Minister to the United States (*Chairman of the Delegation*).
George A. Blowers, Governor, State Bank of Ethiopia.

French Delegation—

Pierre Mendes-France, Commissioner of Finance (*Chairman of the Delegation*).
André Istel, Technical Counselor to the Department of Finance.

Assistant Delegates—

Jean de Largentaye, Finance Inspector.
Robert Mossé, Professor of Economics.
Raoul Aglion, Legal Counselor.
André Paul Maury.

Greece—

Kyriakos Varvaressos, Governor of the Bank of Greece; Ambassador Extraordinary for Economic and Financial Matters (*Chairman of the Delegation*).
Alexander Argyropoulos, Minister Resident, Director, Economic and Commercial Division, Ministry of Foreign Affairs.
Athanasios Sbarounis, Director General, Ministry of Finance.

Guatemala—

Manuel Noriega Morales, Postgraduate Student in Economic Sciences, Harvard University (*Chairman of the Delegation*).

Haiti—

André Liautaud, Ambassador to the United States (*Chairman of the Delegation*).
Pierre Chauvet, Under Secretary of State for Finance.

Honduras—

Julían R. Cáceres, Ambassador to the United States (*Chairman of the Delegation*).

Iceland—

Magnús Sigurdsson, Manager, National Bank of Iceland (*Chairman of the Delegation*).
Asgeir Asgeirsson, Manager, Fishery Bank of Iceland.
Svanbjörn Frimannsson, Chairman, State Commerce Board.

India—

Sir Jeremy Raisman, Member for Finance, Government of India (*Chairman of the Delegation*).
Sir Theodore Gregory, Economic Adviser to the Government of India.
Sir Chintaman D. Deshmukh, Governor, Reserve Bank of India.
Sir Shammukham Chetty.
A. D. Shroff, Director, Tata Sons, Ltd.

Iran—

Abol Hassan Ebtelaj, Governor of National Bank of Iran (*Chairman of the Delegation*).
A. A. Daftary, Counselor, Iranian Legation, Washington.
Hossein Navab, Consul General, New York.
Taghi Nassr, Iranian Trade and Economic Commissioner, New York.

Iraq—

Ibrahim Kamal, Senator and former Minister of Finance (*Chairman of the Delegation*).
Lionel M. Swan, Adviser to the Ministry of Finance.
Ibrahim Al-Kabir, Accountant General, Ministry of Finance.
Claude E. Loombe, Comptroller of Exchange and Currency Officer.

Liberia—

William E. Dennis, Secretary of the Treasury (*Chairman of the Delegation*).
James F. Cooper, former Secretary of the Treasury.
Walter F. Walker, Consul General, New York.

Luxembourg—

Hugues Le Gallais, Minister to the United States (*Chairman of the Delegation*).

Mexico—

Eduardo Suárez, Minister of Finance (*Chairman of the Delegation*).
Antonio Espinosa de los Monteros, Executive President of Nacional Financiera; Director of Banco de México.

Mexico—continued

Rodrigo Gómez, Manager of Banco de México.
Daniel Cosío Villegas, Chief of the Department of Economic Studies, Banco de México.

Netherlands

J. W. Beyen, Financial Adviser to the Netherlands Government (*Chairman of the Delegation*).
D. Crena de Jongh, President of the Board for the Netherlands Indies, Surinam, and Curagao in the United States.
H. Riemeis, Financial Attaché, Netherlands Embassy, Washington; Financial Member of the Netherlands Economic, Financial, and Shipping Mission in the United States.
A. H. Philipse, Member of the Netherlands Economic, Financial, and Shipping Mission in the United States.

New Zealand—

Walter Nash, Minister of Finance; Minister to the United States (*Chairman of the Delegation*).
Bernard Carl Ashwin, Secretary to the Treasury.
Edward C. Fussell, Deputy Governor, Reserve Bank of New Zealand.
Alan G. B. Fisher, Counselor, New Zealand Legation, Washington.

Nicaragua—

Guillermo Sevilla Sacasa, Ambassador to the United States (*Chairman of the Delegation*).
León DeBayle, former Ambassador to the United States.
J. Jesús Sánchez Roig, former Minister of Finance; Vice Chairman, Board of Directors, National Bank of Nicaragua.

Norway—

Wilhelm Keilhau, Director, Bank of Norway, p.t., London (*Chairman of the Delegation*).
Ole Colbjørnsen, Financial Counselor, Norwegian Embassy, Washington.
Arne Skiung, Commercial Counselor, Norwegian Embassy, Washington.

Panama—

Guillermo Arango, President, Investors Service Corporation of Panama (*Chairman of the Delegation*).
Narciso E. Garay, First Secretary, Panamanian Embassy, Washington.

Paraguay—

Celso R. Velázquez, Ambassador to the United States (*Chairman of the Delegation*).
Néstor M. Campos Ros, First Secretary, Paraguayan Embassy, Washington.

Peru—

Pedro Beltrán, Ambassador-designate to the United States (*Chairman of the Delegation*).
Manuel B. Llosa, Second Vice President of the Chamber of Deputies; Deputy from Cerro de Pasco.
Andrés F. Dasso, Senator from Lima.
Alberto Alvarez Calderón, Senator from Lima.
Juvenal Monge, Deputy from Cuzco.
Juan Chávez, Minister, Commercial Counselor, Peruvian Embassy, Washington.

Philippine Commonwealth—

Colonel Andrés Soriano, Secretary of Finance of the Philippine Commonwealth (*Chairman of the Delegation*).
Jaime Hernandez, Auditor General of the Philippine Commonwealth.
Joseph H. Foley, Manager, Philippine National Bank, New York Agency, Philippine Commonwealth.

Poland—

Ludwik Grosfeld, Minister of Finance (*Chairman of the Delegation*).
Leon Baranski, Director General, Bank of Poland.
Zygmunt Karpinski, Director, Bank of Poland.
Stanisław Kirkor, Director, Ministry of Finance.
Janusz Zoltowski, Financial Counselor, Polish Embassy, Washington.

Union of South Africa—

S. F. N. Gie, Minister to the United States (*Chairman of the Delegation*).
J. E. Holloway, Secretary for Finance (*Co-Delegate*).
M. H. de Kock, Deputy Governor of South African Bank (*Co-Delegate*).

Union of Soviet Socialist Republics—

- M. S. Stepanov, Deputy People's Commissar of Foreign Trade (*Chairman of the Delegation*).
 P. A. Maletin, Deputy People's Commissar of Finance.
 N. F. Chechulin, Assistant Chairman of the State Bank.
 I. D. Zlobin, Chief, Monetary Division of the People's Commissariat of Finance.
 A. A. Arutiunian, Professor; Doctor of Economics; Expert-Consultant of the People's Commissariat of Foreign Affairs.
 A. P. Morozov, Member of the Collegium; Chief, Monetary Division of the People's Commissariat for Foreign Trade.

United Kingdom—

- Lord Keynes (*Chairman of the Delegation*).
 Robert H. Brand, United Kingdom Treasury Representative in Washington.
 Sir Wilfrid Eady, United Kingdom Treasury.
 Nigel Bruce Ronald, Foreign Office.
 Dennis H. Robertson, United Kingdom Treasury.
 Lionel Robbins, War Cabinet Offices.
 Redvers Opie, Counselor, British Embassy, Washington.

United States of America—

- Henry Morgenthau, Jr., Secretary of the Treasury (*Chairman of the Delegation*).
 Fred M. Vinson, Director, Office of Economic Stabilization (*Vice Chairman of the Delegation*).
 Dean Acheson, Assistant Secretary of State.
 Edward E. Brown, President, First National Bank of Chicago.
 Leo T. Crowley, Administrator, Foreign Economic Administration.

U.S.A.—continued

- Marriner S. Eccles, Chairman, Board of Governors of the Federal Reserve System.
 Mabel Newcomer, Professor of Economics, Vassar College.
 Brent Spence, House of Representatives; Chairman, Committee on Banking and Currency.
 Charles W. Tobey, United States Senate; Member, Committee on Banking and Currency.
 Robert F. Wagner, United States Senate; Chairman, Committee on Banking and Currency.
 Harry D. White, Assistant to the Secretary of the Treasury.
 Jesse P. Wolecott, House of Representatives; Member, Committee on Banking and Currency.

Uruguay—

- Mario La Gamma Acevedo, Expert, Ministry of Finance (*Chairman of the Delegation*).
 Hugo García, Financial Attaché, Uruguayan Embassy, Washington.

Venezuela—

- Rodolfo Rojas, Minister of the Treasury (*Chairman of the Delegation*).
 Alfonso Espinosa, President, Permanent Committee of Finance, Chamber of Deputies.
 Cristóbal L. Mendoza, former Minister of the Treasury; Legal Adviser to the Central Bank of Venezuela.
 José Joaquín González Gorrondona, President, Office of Import Control; Director, Central Bank of Venezuela.

Yugoslavia—

- Vladimir Rybar, Counselor of the Yugoslav Embassy, Washington (*Chairman of the Delegation*).

Who met at Bretton Woods, New Hampshire, on July 1, 1944, under the Temporary Presidency of The Honourable Henry Morgenthau, Jr., Chairman of the Delegation of the United States of America.

The Honourable Henrik de Kauffmann, Danish Minister at Washington, attended the Inaugural Plenary Session in response to an invitation of the Government of the United States to be present in a personal capacity. The Conference, on the proposal of its Committee on Credentials, extended a similar invitation for the remaining sessions of the Conference.

The Economic, Financial, and Transit Department of the League of Nations, the International Labour Office, the United Nations Interim Commission on Food and Agriculture, and the United Nations Relief and Rehabilitation Administration were each represented by one observer at the Inaugural Plenary Session. Their representation was in response to an invitation of the Government of the United States, and either the observers or their alternates attended the subsequent sessions in accordance with the resolution presented by the Committee on Credentials and adopted by the Conference. The observers and their alternates are listed below:—

Economic, Financial, and Transit Department of the League of Nations—

- Alexander Loveday (*Director*).
 Ragnar Nurkse (*Alternate*).

International Labour Office—

- Edward J. Phelan (*Acting-Director*).
 C. Wilfred Jenks, Legal Adviser and
 E. J. Riches, Acting Chief, Economic and Statistical Section (*Alternates*).

United Nations Interim Commission on Food and Agriculture—

- Edward Twentymann, Delegate from the United Kingdom.

United Nations Relief and Rehabilitation Administration—

- A. H. Feller, General Counsel; or
 Mieczyslaw Sokolowski, Financial Adviser.

Warren Kelehner, Chief of the Division of International Conferences, Department of State of the United States, was designated, with the approval of the President of the United States, as Secretary-General of the Conference; Frank Coe, Assistant Administrator, Foreign Economic Administration of the United States, as Technical Secretary-General; and Philip C. Jessup, Professor of International Law at Columbia University, New York, New York, as Assistant Secretary-General.

The Honourable Henry Morgenthau, Jr., Chairman of the Delegation of the United States of America, was elected Permanent President of the Conference at the Inaugural Plenary Session held on July 1, 1944.

M. S. Stepanov, the Chairman of the Delegation of the Union of Soviet Socialist Republics; Arthur de Souza Costa, the Chairman of the Delegation of Brazil; Camille Gutt, the Chairman of the Delegation of Belgium; and Leslie G. Melville, the Chairman of the Delegation of Australia, were elected Vice-Presidents of the Conference.

The Temporary President appointed the following members of the General Committees constituted by the Conference:—

Committee on Credentials:—

E. I. Montoulieu (Cuba) (*Chairman*).
J. W. Beyen (Netherlands).
S. F. N. Gie (South Africa).
William E. Dennis (Liberia).
Wilhelm Keilhau (Norway).

Committee on Rules and Regulations:—

Hsiang-Hsi K'ung (China) (*Chairman*).
Guillermo Sevilla Sacasa (Nicaragua).
Ludwik Grosfeld (Poland).
Leslie G. Melville (Australia).
Ibrahim Kamal (Iraq).

Committee on Nominations:—

Walter Nash (New Zealand) (*Chairman*).
Hugues Le Gallais (Luxembourg).
Julian R. Cáceres (Honduras).
Magnús Sigurdsson (Iceland).
Pedro Beltrán (Peru).

In accordance with the regulations adopted at the Second Plenary Session, held on July 3, 1944, the Conference elected a Steering Committee, which was composed of the following Chairmen of Delegations:—

Henry Morgenthau, Jr. (U.S.A.) (*Chairman*).
Camille Gutt (Belgium).
Arthur de Souza Costa (Brazil).
J. L. Hsley (Canada).
Hsiang-Hsi K'ung (China).
Carlos Lleras Restrepo (Colombia).

Pierre Mendes-France (French Delegation).
Abol Hassan Ebtelaj (Iran).
Eduardo Suárez (Mexico).
M. S. Stepanov (U.S.S.R.).
Lord Keynes (U.K.).

On July 21, 1944, the Co-ordinating Committee was constituted with the following membership:—

Fred M. Vinson (U.S.A.) (*Chairman*).
Arthur de Souza Costa (Brazil).
Ping-Wen Kuo (China).
Robert Mossé (French Delegation).

Eduardo Suárez (Mexico).
A. A. Arutunian (U.S.S.R.).
Lionel Robbins (U.K.).

The Conference was divided into three Technical Commissions. The officers of these Commissions and of their respective Committees, as elected by the Conference, are listed below:—

COMMISSION I.—INTERNATIONAL MONETARY FUND

Chairman: Harry D. White (U.S.A.).
Vice Chairman: Rodolfo Rojas (Venezuela).
Reporting Delegate: L. Rasmúsky (Canada).
Secretary: Leroy D. Stinebower.
Assistant Secretary: Eleanor Lansing Dulles

COMMITTEE 1.—PURPOSES, POLICIES, AND QUOTAS OF THE FUND

Chairman: Tingfu P. Tsiang (China).
Reporting Delegate: Kyriakos Varvaressos (Greece).
Secretary: William Adams Brown, Jr.

COMMITTEE 2.—OPERATIONS OF THE FUND

Chairman: P. A. Malotin (U.S.S.R.).
Vice-Chairman: W. A. Mackintosh (Canada).
Reporting Delegate: Robert Mossé (French Delegation).
Secretary: Karl Bopp.
Assistant Secretary: Alice Bourneuf.

COMMITTEE 3.—ORGANIZATION AND MANAGEMENT

Chairman: Arthur de Souza Costa (Brazil).
Reporting Delegate: Ervin Hoxner (Czechoslovakia).
Secretary: Malcolm Bryan.
Assistant Secretary: H. J. Bittermann.

COMMITTEE 4.—FORM AND STATUS OF THE FUND

Chairman: Manuel B. Llosa (Peru).
Reporting Delegate: Wilhelm Keilhau (Norway).
Secretary: Colonel Charles H. Dyson.
Assistant Secretary: Lauren Casaday.

COMMISSION II.—BANK FOR RECONSTRUCTION AND DEVELOPMENT

Chairman: Lord Keynes (U.K.).
Vice-Chairman: Luis Alamos Barros (Chile).
Reporting Delegate: Georges Theunis (Belgium).
Secretary: Arthur Upgren.
Secretary: Arthur Smithies.
Assistant Secretary: Ruth Russell.

COMMITTEE 1.—PURPOSES, POLICIES, AND CAPITAL OF THE BANK

Chairman: J. W. Beyen (Netherlands).
Reporting Delegate: J. Rafael Oreamuno (Costa Rica).
Secretary: J. P. Young.
Assistant Secretary: Janet Sundelson.

COMMITTEE 2.—OPERATIONS OF THE BANK

Chairman: E. I. Montoulieu (Cuba).
Reporting Delegate: James B. Brigden (Australia).
Secretary: H. J. Bitterman.
Assistant Secretary: Ruth Russell.

COMMITTEE 3.—ORGANIZATION AND MANAGEMENT

Chairman: Miguel López Pumarejo (Colombia).
Reporting Delegate: M. H. de Kock (South Africa).
Secretary: Mordecai Ezekiel.
Assistant Secretary: Captain William L. Ullmann.

COMMITTEE 4.—FORM AND STATUS OF THE BANK

Chairman: Sir Chintaman D. Deshmukh (India).
Reporting Delegate: Leon Baranski (Poland).
Secretary: Henry Edmiston.
Assistant Secretary: Colonel Charles H. Dyson.

COMMISSION III.—OTHER MEANS OF INTERNATIONAL FINANCIAL CO-OPERATION

Chairman: Eduardo Suárez (Mexico).
Vice-Chairman: Mahmud Saleh El Falaky (Egypt).
Reporting Delegate: Alan G. B. Fisher (New Zealand).
Secretary: Orvis Schmidt.

The Final Plenary Session was held on July 22, 1944. As a result of the deliberations, as recorded in the minutes and reports of the respective Commissions and their Committees and of the Plenary Sessions, the following instruments were drawn up:—

INTERNATIONAL MONETARY FUND

Articles of Agreement of the International Monetary Fund, which are attached hereto as Annex A.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Articles of Agreement of the International Bank for Reconstruction and Development, which are attached hereto as Annex B.

Summary of the Agreements in Annex A and Annex B, which is attached hereto as Annex C.

The following resolutions, statement, and recommendations were adopted:—

I. PREPARATION OF THE FINAL ACT

THE UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

Resolves—

That the Secretariat be authorized to prepare the Final Act in accordance with the suggestions proposed by the Secretary General in *Journal* No. 19, July 19, 1944;

That the Final Act contain the definitive texts of the conclusions approved by the Conference in plenary session, and that no changes be made therein at the Closing Plenary Session;

That the Co-ordinating Committee review the text and, if approved, submit it to the Final Plenary Session.

II. PUBLICATION OF DOCUMENTATION

THE UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

Resolves—

That the Government of the United States of America be authorized to publish the Final Act of this Conference; the Reports of the Commissions; the Minutes of the Public Plenary Sessions; and to make available for publication such additional documents in connection with the work of this Conference as in its judgment may be considered in the public interest.

III. NOTIFICATION OF SIGNATURES AND CUSTODY OF DEPOSITS

THE UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

Resolves—

To request the Government of the United States of America—

(1) As depository of the Articles of Agreement of the International Monetary Fund, to inform the Governments of all countries whose names are set forth in Schedule A of the Articles of Agreement of the International Monetary Fund, and all Governments whose membership is approved in accordance with Article II, Section 2, of all signatures of the Articles of Agreement; and

(2) To receive and to hold in a special deposit account gold or United States dollars transmitted to it in accordance with Article XX, Section 2 (*d*), of the Articles of Agreement of the International Monetary Fund, and to transmit such funds to the Board of Governors of the Fund when the initial meeting has been called.

IV. STATEMENT REGARDING SILVER

The problems confronting some nations as a result of the wide fluctuation in the value of silver were the subject of serious discussion in Commission III. 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 Commission III that the subject should merit further study by the interested nations.

V. LIQUIDATION OF THE BANK FOR INTERNATIONAL SETTLEMENTS

THE UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

Recommends—

The liquidation of the Bank for International Settlements at the earliest possible moment.

VI. ENEMY ASSETS AND LOOTED PROPERTY

Whereas, in anticipation of their impending defeat, enemy leaders, enemy nationals, and their collaborators are transferring assets to and through neutral countries in order to conceal them and to perpetuate their influence, power, and ability to plan future aggrandizement and world domination, thus jeopardizing the efforts of the United Nations to establish and permanently maintain peaceful international relations;

Whereas, enemy countries and their nationals have taken the property of occupied countries and their nationals by open looting and plunder, by forcing transfers under duress, as well as by subtle and complex devices, often operated through the agency of their puppet Governments, to give the cloak of legality to their robbery and to secure ownership and control of enterprises in the post-war period;

Whereas, enemy countries and their nationals have also, through sales and other methods of transfer, run the chain of their ownership and control through occupied and neutral countries, thus making the problem of disclosure and disentanglement one of international character;

Whereas, the United Nations have declared their intention to do their utmost to defeat the methods of dispossession practised by the enemy, have reserved their right to declare invalid any transfers of property belonging to persons within occupied territory, and have taken measures to protect and safeguard property, within their respective jurisdictions, owned by occupied countries and their nationals, as well as to prevent the disposal of looted property in United Nations markets; therefore

THE UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

1. Takes note of and fully supports steps taken by the United Nations for the purpose of—

- (a) Uncovering, segregating, controlling, and making appropriate disposition of enemy assets;
- (b) Preventing the liquidation of property looted by the enemy, locating and tracing ownership and control of such looted property, and taking appropriate measures with a view to restoration to its lawful owners;

2. *Recommends—*

That all Governments of countries represented at this Conference take action consistent with their relations with the countries at war to 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 or institutions within those United Nations occupied by the enemy; and
 - (2) 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.

VII. INTERNATIONAL ECONOMIC PROBLEMS

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 and to the development of the productive resources 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 co-operative effort the harmonization of national policies of Member States designed to promote and maintain high levels of employment and progressively rising standards of living.

VIII

THE UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE.

Resolves—

1. To express its gratitude to the President of the United States, Franklin D. Roosevelt, for his initiative in convening the present Conference and for its preparation;
2. To express to its President, The Honourable Henry Morgenthau, Jr., its deep appreciation for the admirable manner in which he has guided the Conference;
3. To express to the Officers and Staff of the Secretariat its appreciation for their untiring services and diligent efforts in contributing to the attainment of the objectives of the Conference.

In witness whereof, the following delegates sign the present Final Act—

Done at Bretton Woods, New Hampshire, on the twenty-second day of July, nineteen hundred and forty-four, in the English language, the original to be deposited in the archives of the Department of State of the United States, and certified copies thereof to be furnished by the Government of the United States of America to each of the Governments and Authorities represented at the Conference.

[Signatures follow.]

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 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.

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 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 per cent. of its quota; or
- (ii) Ten per cent. 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.

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 25 per cent. 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 75 per cent. 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.

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 1 per cent.; 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.

(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 10 per cent. of the initial par value, the Fund shall raise no objection:

(ii) Does not exceed a further 10 per cent. 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 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 per cent. 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 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.

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;
- (iii) The proposed purchase would not cause the Fund's holdings of the purchasing member's currency to increase by more than 25 per cent. of its quota during the period of twelve months ending on the date of the purchase nor to exceed 200 per cent. of its quota, but the 25 per cent. limitation shall apply only to the extent that the Fund's holdings of the member's currency have been brought above 75 per cent. 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 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.

SECTION 7.—REPURCHASE BY A MEMBER OF ITS CURRENCY HELD BY THE FUND

(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:—

(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 75 per cent. of its quota; or
- (iii) The Fund's holdings of any currency required to be used are above 75 per cent. 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 $\frac{3}{4}$ per cent. in addition to the parity price. The Fund in its discretion may increase this service charge to not more than 1 per cent. or reduce it to not less than $\frac{1}{2}$ 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 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 25 per Cent. in Excess of the Quota.*—No charge for the first three months; $\frac{1}{2}$ per cent. per annum for the next nine months; and thereafter an increase in the charge of $\frac{1}{2}$ per cent. for each subsequent year:
- (ii) *On Amounts more than 25 per Cent. and not more than 50 per Cent. in Excess of the Quota.*—An additional $\frac{1}{2}$ per cent. for the first year; and an additional $\frac{1}{2}$ per cent. for each subsequent year:
- (iii) *On each Additional Bracket of 25 per Cent. in Excess of the Quota.*—An additional $\frac{1}{2}$ per cent. for the first year; and an additional $\frac{1}{2}$ per cent. 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 4 per cent. 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 5 per cent., 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.

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, 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 75 per cent. of its quota, or of reducing the Fund's holdings of the currency desired below 75 per cent. 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.

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:—

- (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 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 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 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 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 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
- (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;
- (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 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 as may be necessary. The provisions of this Article shall be without prejudice to the operations of Article VII, Section 5.

ARTICLE IX—STATUS, IMMUNITIES AND PRIVILEGES

SECTION 1.—PURPOSES OF ARTICLE

To enable the Fund to fulfil 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 judicial 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.

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.

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 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.

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 1, 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.

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 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.

(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 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 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 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 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 four hundred thousand 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 four hundred thousand 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 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.

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 2 per cent. non-cumulative payment to each member on the amount by which 75 per cent. 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.

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.

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 40 per cent. 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.

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 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 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 favourable 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 (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 transmitting a notice in writing to 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 fulfil 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.

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.

(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 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 its 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.

(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)).

(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 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.

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 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 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 limitations:—
 - (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 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 65 per cent. 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 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 1 per cent. 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.

(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. 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.

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 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, 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) 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 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).

(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 65 per cent. 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.

SCHEDULE A.—QUOTAS

(In Millions of United States Dollars.)				(In Millions of United States Dollars.)			
Australia	200	India	400				
Belgium	225	Iran	25				
Bolivia	10	Iraq	8				
Brazil	150	Liberia	0.5				
Canada	300	Luxembourg	10				
Chile	50	Mexico	90				
China	550	Netherlands	275				
Colombia	50	New Zealand	50				
Costa Rica	5	Nicaragua	2				
Cuba	50	Norway	50				
Czechoslovakia	125	Panama	0.5				
Denmark *	*	Paraguay	2				
Dominican Republic	5	Peru	25				
Ecuador	5	Philippine Commonwealth	15				
Egypt	45	Poland	125				
El Salvador	2.5	Union of South Africa	100				
Ethiopia	6	Union of Soviet Socialist Republics	1,200				
France	450	United Kingdom	1,300				
Greece	40	United States	2,750				
Guatemala	5	Uruguay	15				
Haiti	5	Venezuela	15				
Honduras	2.5	Yugoslavia	60				
Iceland	1						

* 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.

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 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.

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 19 per cent. 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 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 20 per cent. 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 20 per cent. of the eligible votes the 20 per cent. 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 20 per cent. is reached.

5. Any Governor part of whose votes must be counted in order to raise the total of any person above 19 per cent. shall be considered as casting all of his votes for such person even if the total votes for such person thereby exceed 20 per cent.

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 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 45 per cent. 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 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 instalments during the ensuing five years. Each such instalment 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 instalment which is due in accordance with the preceding paragraphs, the withdrawing member shall be entitled to require the Fund to pay the instalment 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 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:
- (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 Fund's holdings of its currency but such distribution shall not exceed 50 per cent. 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.

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 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 fulfil 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.

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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 the development of the productive resources of members, thereby assisting in raising productivity, the standard of living, and conditions of labour 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.

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 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:—

- (i) Twenty per cent. shall be paid or subject to call under Section 7 (i) of this Article as needed by the Bank for its operations:
- (ii) The remaining 80 per cent. 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, 2 per cent. of the price shall be payable in gold or United States dollars, and, when calls are made, the remaining 18 per cent. 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 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 2 per cent. 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 $\frac{1}{2}$ per cent. until five years after that date:
- (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 immobilized 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 8 per cent. of the price of the share in addition to the payment of 2 per cent. referred to in (a) above:
- (ii) Not more than 5 per cent. 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 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 whatever, 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 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 100 per cent. of the unimpaired subscribed capital, reserves, and surplus of the Bank.

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 subdivision 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:
- (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 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 reserves:
- (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.

(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, Section 7 (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.

(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 released 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 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.

(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:—

- (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 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 loans.

In the case of loans made under Section 1 (a) (ii) of this Article during the first ten years of the Bank's operations, this rate of commission shall be not less than 1 per cent. per annum and not greater than $1\frac{1}{2}$ per cent. 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—

(i) In the case of loans made under Section 1 (a) (i) of this Article, the loan contracts shall provide that payments to 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 Articles 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 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 1 per cent. per annum and not greater than $1\frac{1}{2}$ per cent. per annum. 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 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.

(b) Guarantee commissions shall be paid directly to the Bank by the borrower.

(c) 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.

(d) 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 used only 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, 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 1 per cent. 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 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 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.

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 co-operate 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.

(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) 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 and 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 II, 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.

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 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.

(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, labour, 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 co-operation which would involve a modification of any provision of this Agreement 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.

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 may be 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 40 per cent. 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 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.

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 2 per cent. 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 2 per cent. 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 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 fulfil 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.

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 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 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:
- (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 5 of 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 guarantees pending 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 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.

(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, in so far as they are available for distribution, an amount equivalent in value to its proportionate share of the total amount to be distributed:

- (ii) Any balance due to a member after payment has been made under (i) above shall be paid, in its own currency, in so far 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, in so far 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.

ARTICLE VII.—STATUS, IMMUNITIES, AND PRIVILEGES

SECTION 1.—PURPOSES OF ARTICLE

To enable the Bank to fulfil 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.

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.

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, 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.

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;

(ii) The right secured by Article II, Section 3 (c);

(iii) The limitation on liability provided in Article II, Section 6.

(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 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.

(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.

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 65 per cent. 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 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 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 1 per cent. 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.

(*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 1 of 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.

(*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.

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).

SCHEDULE A.—SUBSCRIPTIONS

	(Millions of Dollars.)		(Millions of Dollars.)
Australia	200	Iran	24
Belgium	225	Iraq	6
Bolivia	7	Liberia	0.5
Brazil	105	Luxembourg	10
Canada	325	Mexico	65
Chile	35	Netherlands	275
China	600	New Zealand	50
Colombia	35	Nicaragua	0.8
Costa Rica	2	Norway	50
Cuba	35	Panama	0.2
Czechoslovakia	125	Paraguay	0.8
* Denmark	*	Peru	17.5
Dominican Republic	2	Philippine Commonwealth	15
Ecuador	3.2	Poland	125
Egypt	40	Union of South Africa	100
El Salvador	1	Union of Soviet Socialist Republics	1,200
Ethiopia	3	United Kingdom	1,300
France	450	United States	3,175
Greece	25	Uruguay	10.5
Guatemala	2	Venezuela	10.5
Haiti	2	Yugoslavia	40
Honduras	1		
Iceland	1		
India	400	Total	9,100

* The subscription of Denmark shall be determined by the Bank after Denmark accepts membership in accordance with these Articles of Agreement.

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 3 of Article V. The seven persons receiving the greatest number of votes shall be Executive Directors, except that no person who receives less than 14 per cent. 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 15 per cent. 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 15 per cent. of the eligible votes, the 15 per cent. 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 15 per cent. is reached.

5. Any Governor, part of whose votes must be counted in order to raise the total of any person above 14 per cent., shall be considered as casting all of his votes for such person even if the total votes for such person thereby exceed 15 per cent.

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.

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ANNEX C. SUMMARY OF AGREEMENTS OF BRETTON WOODS CONFERENCE

THIS Conference at Bretton Woods, representing nearly all the peoples of the world, has considered matters of international money and finance which are important for peace and prosperity. The Conference has agreed on the problems needing attention, the measures which should be taken, and the forms of international co-operation or organization which are required. The agreement reached on these large and complex matters is without precedent in the history of international economic relations.

I. THE INTERNATIONAL MONETARY FUND

Since foreign trade affects the standard of life of every people, all countries have a vital interest in the system of exchange of national currencies and the regulations and conditions which govern its working. Because these monetary transactions are international exchanges, the nations must agree on the basic rules which govern the exchanges if the system is to work smoothly. When they do not agree, and when single nations and small groups of nations attempt by special and different regulations of the foreign exchanges to gain trade advantages, the result is instability, a reduced volume of foreign trade, and damage to national economies. This course of action is likely to lead to economic warfare and to endanger the world's peace.

The Conference has therefore agreed that broad international action is necessary to maintain an international monetary system which will promote foreign trade. The nations should consult and agree on international monetary changes which affect each other. They should outlaw practices which are agreed to be harmful to world prosperity, and they should assist each other to overcome short-term harmful difficulties.

The Conference has agreed that the nations here represented should establish for these purposes a permanent international body, *The International Monetary Fund*, with powers and resources adequate to perform the tasks assigned to it. Agreement has been reached concerning these powers and resources and the additional obligations which the member countries should undertake. Draft Articles of Agreement on these points have been prepared.

II. THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

It is in the interest of all nations that post-war reconstruction should be rapid. Likewise, the development of the resources of particular regions is in the general economic interest. Programmes of reconstruction and development will speed economic progress everywhere, will aid political stability, and foster peace.

The Conference has agreed that expanded international investment is essential to provide a portion of the capital necessary for reconstruction and development.

The Conference has further agreed that the nations should co-operate to increase the volume of foreign investment for these purposes, made through normal business channels. It is especially important that the nations should co-operate to share the risks of such foreign investment, since the benefits are general.

The Conference has agreed that the nations should establish a permanent international body to perform these functions, to be called *The International Bank for Reconstruction and Development*. It has been agreed that the Bank should assist in providing capital through normal channels at reasonable rates of interest and for long periods for projects which will raise the productivity of the borrowing country. There is agreement that the Bank should guarantee loans made by others, and that through their subscriptions of capital all countries should share with the borrowing country in guaranteeing such loans. The Conference has agreed on the powers and resources which the Bank must have and on the obligations which the member countries must assume, and has prepared draft Articles of Agreement accordingly.

The Conference has recommended that in carrying out the policies of the institutions here proposed special consideration should be given to the needs of countries which have suffered from enemy occupation and hostilities.

The proposals formulated at the Conference for the establishment of the Fund and the Bank are now submitted, in accordance with the terms of the invitation, for consideration of the Governments and people of the countries represented.

Approximate Cost of Paper.—Preparation, not given; printing (530 copies), £100.

By Authority: E. V. PAUL, Government Printer, Wellington.—1944.

Price 1s. 3d.]