



ANALYSIS

Title Preamble 1. Short Title 2. Amendment to Articles of Agreement of International Monetary Fund	3. Powers and functions of Reserve Bank of New Zealand in respect of special drawing rights 4. Application of Article XXVII (b) of Fund Agreement Schedule
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 1968, No. 7

An Act to amend the International Finance Agreements Act 1961
[6 September 1968]

WHEREAS the Government of New Zealand is a member of the International Monetary Fund: And whereas the Executive Directors of the Fund have submitted a report to the Fund's Board of Governors pursuant to a resolution adopted at the annual meeting of the Fund held in Rio de Janeiro in September, nineteen hundred and sixty-seven: And whereas that report proposes an Amendment to the Fund's Articles of Agreement for the purposes of establishing a new facility in the Fund, based on special drawing rights, to meet the need, as and when it arises, for a supplement to existing reserve assets of members' monetary authorities, and of making improvements in the present rules and practices of the Fund: And whereas the Board of Governors, by resolution, has approved the proposed Amendment: And whereas, pursuant to Article XVII of the Fund Agreement (as set out in the First Schedule to the International Finance Agreements Act 1961) and to the said resolution, the proposed Amendment will come into force for all members on the date on which the Fund certifies, by formal communication to all members, that three-fifths of the members, having four-fifths of the total voting

power, have accepted the proposed Amendment: And whereas it is desirable that the Government of New Zealand should accept the proposed Amendment:

BE IT THEREFORE ENACTED by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:

1. Short Title—This Act may be cited as the International Finance Agreements Amendment Act 1968, and shall be read together with and deemed part of the International Finance Agreements Act 1961.

2. Amendment to Articles of Agreement of International Monetary Fund—Approval is hereby given to the acceptance by the Government of New Zealand of the proposed Amendment, set out in the Schedule to this Act, to the Articles of Agreement of the International Monetary Fund.

3. Powers and functions of Reserve Bank of New Zealand in respect of special drawing rights—After the coming into force of the said Amendment, the Reserve Bank of New Zealand shall have power from time to time to acquire, hold, and deal with special drawing rights in accordance with the Fund Agreement as so amended; and, without limiting the generality of the expression “overseas exchange” in the Reserve Bank of New Zealand Act 1964, special drawing rights shall be deemed to be overseas exchange for the purposes of that Act.

4. Application of Article XXVII (b) of Fund Agreement—On the coming into force of the said Amendment, paragraph (b) of Article XXVII (which is set out in the Schedule to this Act and relates to the exemption from taxation of special drawing rights and of operations and transactions in special drawing rights) shall have the force of law in New Zealand.

Sections 2, 3, 4

SCHEDULE

PROPOSED AMENDMENT TO THE ARTICLES OF AGREEMENT OF THE
INTERNATIONAL MONETARY FUND

A

INTRODUCTORY ARTICLE

The Introductory Article shall read:

- (i) The International Monetary Fund is established and shall operate in accordance with the provisions of this Agreement as originally adopted, and as subsequently amended in order to institute a facility based on special drawing rights and to effect certain other changes.
- (ii) To enable the Fund to conduct its operations and transactions, the Fund shall maintain a General Account and a Special Drawing Account. Membership in the Fund shall give the right to participation in the Special Drawing Account.
- (iii) Operations and transactions authorized by this Agreement shall be conducted through the General Account except that operations and transactions involving special drawing rights shall be conducted through the Special Drawing Account."

B

ARTICLE I—PURPOSES

1. Article I (v) shall read:

"(v) To give confidence to members by making the Fund's resources temporarily 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:"

2. The last sentence of Article I shall read:

"The Fund shall be guided in all its policies and decisions by the purposes set forth in this Article."

C

ARTICLE III—QUOTAS AND SUBSCRIPTIONS

1. Section 2 shall read:

"SECTION 2—ADJUSTMENT OF QUOTAS

The Fund shall at intervals of not more than five years conduct a general 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. An eighty-five percent majority of the total voting power shall be required for any change in quotas proposed as the result of a general review and a four-fifths majority of the total voting power shall be required for any other change in quotas. No quota shall be changed without the consent of the member concerned."

2. The following subsection (c) shall be added to section 4 (Payments when quotas are changed):

SCHEDULE—*continued*

“(c) A majority of eighty-five percent of the total voting power shall be required for any decisions dealing with the payment, or made with the sole purpose of mitigating the effects of the payment, of increases in quotas proposed as the result of a general review of quotas.”

D

ARTICLE IV—PAR VALUES OF CURRENCIES

1. Section 7 shall read:

“SECTION 7—UNIFORM CHANGES IN PAR VALUES

Notwithstanding the provisions of section 5 (b) of this Article, the Fund by an eighty-five percent majority of the total voting power may make uniform proportionate changes in the par values of the currencies of all members. 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.”

2. In section 8 (Maintenance of gold value of the Fund's assets), subsection (d) shall read:

“(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 made the Fund decides otherwise by an eighty-five percent majority of the total voting power.”

E

ARTICLE V—TRANSACTIONS WITH THE FUND

1. In section 3 (Conditions governing use of the Fund's resources), subsection (a) (iii) shall read:

“(iii) The proposed purchase would be a gold tranche purchase, or would not cause the Fund's holdings of the purchasing member's currency to increase by more than twenty-five percent of its quota during the period of twelve months ending on the date of the purchase or to exceed two hundred percent of its quota:”

2. The following subsections (c) and (d) shall be added to section 3:

“(c) A member's use of the resources of the Fund shall be in accordance with the purposes of the Fund. The Fund shall adopt policies on the use of its resources that will assist members to solve their balance of payments problems in a manner consistent with the purposes of the Fund and that will establish adequate safeguards for the temporary use of its resources.

“(d) A representation by a member under (a) above shall be examined by the Fund to determine whether the proposed purchase would be consistent with the provisions of this Agreement and with the policies adopted under them, with the exception that proposed gold tranche purchases shall not be subject to challenge.”

3. In section 7 (Repurchase by a member of its currency held by the Fund), the first sentence of subsection (b) shall read:

SCHEDULE—*continued*

“(b) At the end of each financial year of the Fund, a member shall repurchase from the Fund with each type of monetary reserve, 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 the following changes that have occurred during the year: one-half of any increase in the Fund’s holdings of the member’s currency, plus one-half of any increase, or minus one-half of any decrease, in the member’s monetary reserves, or, if the Fund’s holdings of the member’s currency have decreased, one-half of any increase in the member’s monetary reserves minus one-half of the decrease in the Fund’s holdings of the member’s currency:”

4. In section 7, subsection (c) shall read:

“(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 one hundred fifty percent of its quota, or
 (ii) The Fund’s holdings of its currency are below seventy-five percent of its quota, or
 (iii) The Fund’s holdings of any currency required to be used are above seventy-five percent of the quota of the member concerned, or
 (iv) The amount repurchased exceeds twenty-five percent of the quota of the member concerned.”

5. The following subsection (d) shall be added to section 7:

“(d) The Fund by an eighty-five percent majority of the total voting power may revise the percentages in (c) (i) and (iv) above and revise and supplement the rules in paragraph 1 (c), (d), and (e) and paragraph 2 (b) of Schedule B.”

6. In section 8 (Charges), subsection (a) shall read:

“(a) Any member buying the currency of another member from the Fund in exchange for its own currency shall pay, in addition to the parity price, a service charge uniform for all members of not less than one-half percent and not more than one percent, as determined by the Fund, provided that the Fund in its discretion may levy a service charge of less than one-half percent on gold tranche purchases.”

7. The following section shall be added to Article V:

“SECTION 9—REMUNERATION

(a) The Fund shall pay remuneration, at a rate uniform for all members, on the amount by which seventy-five percent of a member’s quota exceeded the average of the Fund’s holdings of the member’s currency, provided that no account shall be taken of holdings in excess of seventy-five percent of quota. The rate shall be one and one-half percent per annum, but the Fund in its discretion may increase or reduce this rate, provided that a three-fourths majority of the total voting power shall be required for any increase above two percent per annum or reduction below one percent per annum.

(b) Remuneration shall be paid in gold or a member’s own currency as determined by the Fund.”

SCHEDULE—*continued*

F

ARTICLE VI—CAPITAL TRANSFERS

1. In section 1 (Use of Fund's resources for capital transfers), subsection (a) shall read:

“(a) A member may not use the Fund's resources to meet a large or sustained outflow of capital except as provided in section 2 of this Article, 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.”

2. Section 2 shall read:

“SECTION 2—SPECIAL PROVISIONS FOR CAPITAL TRANSFERS

A member shall be entitled to make gold tranche purchases to meet capital transfers.”

G

ARTICLE XII—ORGANIZATION AND MANAGEMENT

1. In section 2 (Board of Governors), subsection (b) (ii) and (iii) shall read:

“(ii) Approve a revision of quotas, or to decide on the payment, or on the mitigation of the effects of payment, of increases in quotas proposed as the result of a general review of quotas:

(iii) Approve a uniform change in the par values of the currencies of all members, or to decide when such a change is made that the provisions relating to the maintenance of gold value of the Fund's assets shall not apply:”.

2. The following shall be added to section 2 (b):

“(ix) Revise the provisions on repurchase or to revise and supplement the rules for the distribution of repurchases among types of reserves:

(x) Make transfers to general reserve from any special reserve.”

3. The title of section 6 shall read:

“RESERVES AND DISTRIBUTION OF NET INCOME”

4. In section 6, subsection (b) shall read:

“(b) If any distribution is made of the net income of any year, there shall first be distributed to members eligible to receive remuneration under Article V, section 9, for that year an amount by which two percent per annum exceeded any remuneration that has been paid for that year. Any distribution of the net income of that year beyond that amount shall be made to all members in proportion to their quotas. Payments to each member shall be made in its own currency.”

5. The following subsection (c) shall be added to section 6:

“(c) The Fund may make transfers to general reserve from any special reserve.”

SCHEDULE—*continued*

H

ARTICLE XVIII—INTERPRETATION

Article XVIII (b) shall read:

“(b) In any case where the Executive Directors have given a decision under (a) above, any member may require, within three months from the date of the decision, that the question be referred to the Board of Governors, whose decision shall be final. Any question referred to the Board of Governors shall be considered by a Committee on Interpretation of the Board of Governors. Each Committee member shall have one vote. The Board of Governors shall establish the membership, procedures, and voting majorities of the Committee. A decision of the Committee shall be the decision of the Board of Governors unless the Board by an eighty-five percent majority of the total voting power decides otherwise. 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.”

I

ARTICLE XIX—EXPLANATION OF TERMS

1. Article XIX (a) shall read:

“(a) A member’s monetary reserves means its official holdings of gold, of convertible currencies of other members, and of the currencies of such non-members as the Fund may specify:”.

2. Article XIX (e) shall read:

“(e) The sums deemed to be official holdings of other official institutions and other banks under (c) above shall be included in the member’s monetary reserves:”.

3. The following shall be added to Article XIX:

“(j) Gold tranche purchase means a purchase by a member of the currency of another member in exchange for its own currency which does not cause the Fund’s holdings of the member’s currency to exceed one hundred percent of its quota, provided that for the purposes of this definition the Fund may exclude purchases and holdings under policies on the use of its resources for compensatory financing of export fluctuations.”

J

ARTICLE XX—FINAL PROVISIONS

The title of Article XX shall read:

“INAUGURAL PROVISIONS”

K

The following Articles XXI through XXXII shall be added after Article XX:

“ARTICLE XXI—SPECIAL DRAWING RIGHTS

SECTION 1—AUTHORITY TO ALLOCATE SPECIAL DRAWING RIGHTS to members that are participants in the Special Drawing Account.

To meet the need, as and when it arises, for a supplement to existing reserve assets, the Fund is authorized to allocate special drawing rights

SCHEDULE—*continued*

SECTION 2—UNIT OF VALUE

The unit of value of special drawing rights shall be equivalent to 0.888 671 gram of fine gold.

ARTICLE XXII—GENERAL ACCOUNT AND SPECIAL DRAWING ACCOUNT

SECTION 1—SEPARATION OF OPERATIONS AND TRANSACTIONS

All operations and transactions involving special drawing rights shall be conducted through the Special Drawing Account. All other operations and transactions of the Fund authorized by or under this Agreement shall be conducted through the General Account. Operations and transactions pursuant to Article XXIII, section 2, shall be conducted through the General Account as well as the Special Drawing Account.

SECTION 2—SEPARATION OF ASSETS AND PROPERTY

All assets and property of the Fund shall be held in the General Account, except that assets and property acquired under Article XXVI, section 2, and Articles XXX and XXXI and Schedules H and I shall be held in the Special Drawing Account. Any assets or property held in one Account shall not be available to discharge or meet the liabilities, obligations, or losses of the Fund incurred in the conduct of the operations and transactions of the other Account, except that the expenses of conducting the business of the Special Drawing Account shall be paid by the Fund from the General Account which shall be reimbursed from time to time by assessments under Article XXVI, section 4, made on the basis of a reasonable estimate of such expenses.

SECTION 3—RECORDING AND INFORMATION

All changes in holdings of special drawing rights shall take effect only when recorded by the Fund in the Special Drawing Account. Participants shall notify the Fund of the provisions of this Agreement under which special drawing rights are used. The Fund may require participants to furnish it with such other information as it deems necessary for its functions.

ARTICLE XXIII—PARTICIPANTS AND OTHER HOLDERS OF SPECIAL DRAWING RIGHTS

SECTION 1—PARTICIPANTS

Each member of the Fund that deposits with the Fund an instrument setting forth that it undertakes all the obligations of a participant in the Special Drawing Account in accordance with its law and that it has taken all steps necessary to enable it to carry out all of these obligations shall become a participant in the Special Drawing Account as of the date the instrument is deposited, except that no member shall become a participant before Articles XXI through XXXII and Schedules F through I have entered into force and instruments have been deposited under this Section by members that have at least seventy-five percent of the total of quotas.

SCHEDULE—*continued*

SECTION 2—GENERAL ACCOUNT AS A HOLDER

The Fund may accept and hold special drawing rights in the General Account and use them, in accordance with the provisions of this Agreement.

SECTION 3—OTHER HOLDERS

The Fund by an eighty-five percent majority of the total voting power may prescribe:

- (i) As holders, non-members, members that are non-participants, and institutions that perform functions of a central bank for more than one member;
- (ii) The terms and conditions on which these holders may be permitted to accept, hold, and use special drawing rights, in operations and transactions with participants; and
- (iii) The terms and conditions on which participants may enter into operations and transactions with these holders.

The terms and conditions prescribed by the Fund for the use of special drawing rights by prescribed holders and by participants in operations and transactions with them shall be consistent with the provisions of this Agreement.

ARTICLE XXIV—ALLOCATION AND CANCELLATION OF SPECIAL DRAWING RIGHTS

SECTION 1—PRINCIPLES AND CONSIDERATIONS GOVERNING ALLOCATION AND CANCELLATION

(a) In all its decisions with respect to the allocation and cancellation of special drawing rights the Fund shall seek to meet the long-term global need, as and when it arises, to supplement existing reserve assets in such manner as will promote the attainment of its purposes and will avoid economic stagnation and deflation as well as excess demand and inflation in the world.

(b) The first decision to allocate special drawing rights shall take into account, as special considerations, a collective judgment that there is a global need to supplement reserves, and the attainment of a better balance of payments equilibrium, as well as the likelihood of a better working of the adjustment process in the future.

SECTION 2—ALLOCATION AND CANCELLATION

(a) Decisions of the Fund to allocate or cancel special drawing rights shall be made for basic periods which shall run consecutively and shall be five years in duration. The first basic period shall begin on the date of the first decision to allocate special drawing rights or such later date as may be specified in that decision. Any allocations or cancellations shall take place at yearly intervals.

(b) The rates at which allocations are to be made shall be expressed as percentages of quotas on the date of each decision to allocate. The rates at which special drawing rights are to be cancelled shall be expressed as percentages of net cumulative allocations of special drawing rights on the date of each decision to cancel. The percentages shall be the same for all participants.

SCHEDULE—*continued*

(c) In its decision for any basic period the Fund may provide, notwithstanding (a) and (b) above, that:

- (i) The duration of the basic period shall be other than five years;
or
- (ii) The allocations or cancellations shall take place at other than yearly intervals; or
- (iii) The basis for allocations or cancellations shall be the quotas or net cumulative allocations on dates other than the dates of decisions to allocate or cancel.

(d) A member that becomes a participant after a basic period starts shall receive allocations beginning with the next basic period in which allocations are made after it becomes a participant unless the Fund decides that the new participant shall start to receive allocations beginning with the next allocation after it becomes a participant. If the Fund decides that a member that becomes a participant during a basic period shall receive allocations during the remainder of that basic period and the participant was not a member on the dates established under (b) or (c) above, the Fund shall determine the basis on which these allocations to the participant shall be made.

(e) A participant shall receive allocations of special drawing rights made pursuant to any decision to allocate unless:

- (i) The governor for the participant did not vote in favour of the decision; and
- (ii) The participant has notified the Fund in writing prior to the first allocation of special drawing rights under that decision that it does not wish special drawing rights to be allocated to it under the decision. On the request of a participant, the Fund may decide to terminate the effect of the notice with respect to allocations of special drawing rights subsequent to the termination.

(f) If on the effective date of any cancellation the amount of special drawing rights held by a participant is less than its share of the special drawing rights that are to be cancelled, the participant shall eliminate its negative balance as promptly as its gross reserve position permits and shall remain in consultation with the Fund for this purpose. Special drawing rights acquired by the participant after the effective date of the cancellation shall be applied against its negative balance and cancelled.

SECTION 3—UNEXPECTED MAJOR DEVELOPMENTS

The Fund may change the rates or intervals of allocation or cancellation during the rest of a basic period or change the length of a basic period or start a new basic period, if at any time the Fund finds it desirable to do so because of unexpected major developments.

SECTION 4—DECISIONS ON ALLOCATIONS AND CANCELLATIONS

(a) Decisions under section 2 (a), (b), and (c) or section 3 of this Article shall be made by the Board of Governors on the basis of proposals of the Managing Director concurred in by the Executive Directors.

(b) Before making any proposal, the Managing Director, after having satisfied himself that it will be consistent with the provisions of section

SCHEDULE—*continued*

1 (a) of this Article, shall conduct such consultations as will enable him to ascertain that there is broad support among participants for the proposal. In addition, before making a proposal for the first allocation, the Managing Director shall satisfy himself that the provisions of section 1 (b) of this Article have been met and that there is broad support among participants to begin allocations; he shall make a proposal for the first allocation as soon after the establishment of the Special Drawing Account as he is so satisfied.

(c) The Managing Director shall make proposals:

- (i) Not later than six months before the end of each basic period;
- (ii) If no decision has been taken with respect to allocation or cancellation for a basic period, whenever he is satisfied that the provisions of (b) above have been met;
- (iii) When, in accordance with section 3 of this Article, he considers that it would be desirable to change the rate or intervals of allocation or cancellation or change the length of a basic period or start a new basic period; or
- (iv) Within six months of a request by the Board of Governors or the Executive Directors;

provided that, if under (i), (iii), or (iv) above the Managing Director ascertains that there is no proposal which he considers to be consistent with the provisions of section 1 of this Article that has broad support among participants in accordance with (b) above, he shall report to the Board of Governors and to the Executive Directors.

(d) A majority of eighty-five percent of the total voting power shall be required for decisions under section 2 (a), (b), and (c) or section 3 of this Article except for decisions under section 3 with respect to a decrease in the rates of allocation.

ARTICLE XXV—OPERATIONS AND TRANSACTIONS IN SPECIAL
DRAWING RIGHTS

SECTION 1—USE OF SPECIAL DRAWING RIGHTS

Special drawing rights may be used in the operations and transactions authorized by or under this Agreement.

SECTION 2—TRANSACTIONS BETWEEN PARTICIPANTS

(a) A participant shall be entitled to use its special drawing rights to obtain an equivalent amount of currency from a participant designated under section 5 of this Article.

(b) A participant, in agreement with another participant, may use its special drawing rights:

- (i) To obtain an equivalent amount of its own currency held by the other participant; or
- (ii) To obtain an equivalent amount of currency from the other participant in any transactions, prescribed by the Fund, that would promote reconstitution by the other participant under section 6 (a) of this Article; prevent or reduce a negative balance of the other participant; offset the effect of a failure by the other participant to fulfill the expectation in section 3 (a) of this Article; or bring the holdings of special drawing

SCHEDULE—*continued*

rights by both participants closer to their net cumulative allocations. The Fund by an eighty-five percent majority of the total voting power may prescribe additional transactions or categories of transactions under this provision. Any transactions or categories of transactions prescribed by the Fund under this subsection (b) (ii) shall be consistent with the other provisions of this Agreement and with the proper use of special drawing rights in accordance with this Agreement.

(c) A participant that provides currency to a participant using special drawing rights shall receive an equivalent amount of special drawing rights.

SECTION 3—REQUIREMENT OF NEED

(a) In transactions under section 2 of this Article, except as otherwise provided in (c) below, a participant will be expected to use its special drawing rights only to meet balance of payments needs or in the light of developments in its official holdings of gold, foreign exchange, and special drawing rights, and its reserve position in the Fund, and not for the sole purpose of changing the composition of the foregoing as between special drawing rights and the total of gold, foreign exchange, and reserve position in the Fund.

(b) The use of special drawing rights shall not be subject to challenge on the basis of the expectation in (a) above, but the Fund may make representations to a participant that fails to fulfill this expectation. A participant that persists in failing to fulfill this expectation shall be subject to Article XXIX, section 2 (b).

(c) Participants may use special drawing rights without fulfilling the expectation in (a) above to obtain an equivalent amount of currency from another participant in any transactions, prescribed by the Fund, that would promote reconstitution by the other participant under section 6 (a) of this Article; prevent or reduce a negative balance of the other participant; offset the effect of a failure by the other participant to fulfill the expectation in (a) above; or bring the holdings of special drawing rights by both participants closer to their net cumulative allocations.

SECTION 4—OBLIGATION TO PROVIDE CURRENCY

A participant designated by the Fund under section 5 of this Article shall provide on demand currency convertible in fact to a participant using special drawing rights under section 2 (a) of this Article. A participant's obligation to provide currency shall not extend beyond the point at which its holdings of special drawing rights in excess of its net cumulative allocation are equal to twice its net cumulative allocation or such higher limit as may be agreed between a participant and the Fund. A participant may provide currency in excess of the obligatory limit or any agreed higher limit.

SECTION 5—DESIGNATION OF PARTICIPANTS TO PROVIDE CURRENCY

(a) The Fund shall ensure that a participant will be able to use its special drawing rights by designating participants to provide currency for specified amounts of special drawing rights for the purposes of sections 2 (a) and 4 of this Article. Designations shall be made in accordance with the following general principles supplemented by such other principles as the Fund may adopt from time to time:

SCHEDULE—*continued*

- (i) A participant shall be subject to designation if its balance of payments and gross reserve position is sufficiently strong, but this will not preclude the possibility that a participant with a strong reserve position will be designated even though it has a moderate balance of payments deficit. Participants shall be designated in such manner as will promote over time a balanced distribution of holdings of special drawing rights among them.
 - (ii) Participants shall be subject to designation in order to promote reconstitution under section 6 (a) of this Article; to reduce negative balances in holdings of special drawing rights; or to offset the effect of failures to fulfill the expectation in section 3 (a) of this Article.
 - (iii) In designating participants the Fund normally shall give priority to those that need to acquire special drawing rights to meet the objectives of designation under (ii) above.
- (b) In order to promote over time a balanced distribution of holdings of special drawing rights under (a) (i) above, the Fund shall apply the rules for designation in Schedule F or such rules as may be adopted under (c) below.
- (c) The rules for designation shall be reviewed before the end of the first and each subsequent basic period and the Fund may adopt new rules as the result of a review. Unless new rules are adopted, the rules in force at the time of the review shall continue to apply.

SECTION 6—RECONSTITUTION

- (a) Participants that use their special drawing rights shall reconstitute their holdings of them in accordance with the rules for reconstitution in Schedule G or such rules as may be adopted under (b) below.
- (b) The rules for reconstitution shall be reviewed before the end of the first and each subsequent basic period and new rules shall be adopted if necessary. Unless new rules are adopted or a decision is made to abrogate rules for reconstitution, the rules in force at the time of the review shall continue to apply. An eighty-five percent majority of the total voting power shall be required for decisions to adopt, modify, or abrogate the rules for reconstitution.

SECTION 7—OPERATIONS AND TRANSACTIONS THROUGH THE GENERAL ACCOUNT

- (a) Special drawing rights shall be included in a member's monetary reserves under Article XIX for the purposes of Article III, section 4 (a), Article V, section 7 (b) and (c), Article V, section 8 (f), and Schedule B, paragraph 1. The Fund may decide that 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 of any increase or decrease in those monetary reserves which is due to allocations or cancellations of special drawing rights during the year.
- (b) The Fund shall accept special drawing rights:
- (i) In repurchases accruing in special drawing rights under Article V, section 7 (b); and
 - (ii) In reimbursement pursuant to Article XXVI, section 4.

SCHEDULE—*continued*

(c) The Fund may accept special drawing rights to the extent it may decide:

- (i) In payment of charges; and
- (ii) In repurchases other than those under Article V, section 7 (b), in proportions which, as far as feasible, shall be the same for all members.

(d) The Fund, if it deems such action appropriate to replenish its holdings of a participant's currency and after consultation with that participant on alternative ways of replenishment under Article VII, section 2, may require that participant to provide its currency for special drawing rights held in the General Account subject to section 4 of this Article. In replenishing with special drawing rights, the Fund shall pay due regard to the principles of designation under section 5 of this Article.

(e) To the extent that a participant may receive special drawing rights in a transaction prescribed by the Fund to promote reconstitution by it under section 6 (a) of this Article, prevent or reduce a negative balance, or offset the effect of a failure by it to fulfill the expectation in section 3 (a) of this Article, the Fund may provide the participant with special drawing rights held in the General Account for gold or currency acceptable to the Fund.

(f) In any of the other operations and transactions of the Fund with a participant conducted through the General Account the Fund may use special drawing rights by agreement with the participant.

(g) The Fund may levy reasonable charges uniform for all participants in connection with operations and transactions under this section.

SECTION 8—EXCHANGE RATES

(a) The exchange rates for operations or transactions between participants shall be such that a participant using special drawing rights shall receive the same value whatever currencies might be provided and whichever participants provide those currencies, and the Fund shall adopt regulations to give effect to this principle.

(b) The Fund shall consult a participant on the procedure for determining rates of exchange for its currency.

(c) For the purpose of this provision the term participant includes a terminating participant.

ARTICLE XXVI—SPECIAL DRAWING ACCOUNT INTEREST AND CHARGES

SECTION 1—INTEREST

Interest at the same rate for all holders shall be paid by the Fund to each holder on the amount of its holdings of special drawing rights. The Fund shall pay the amount due to each holder whether or not sufficient charges are received to meet the payment of interest.

SECTION 2—CHARGES

Charges at the same rate for all participants shall be paid to the Fund by each participant on the amount of its net cumulative allocation of special drawing rights plus any negative balance of the participant or unpaid charges.

SCHEDULE—*continued*

SECTION 3—RATE OF INTEREST AND CHARGES

The rate of interest shall be equal to the rate of charges and shall be one and one-half percent per annum. The Fund in its discretion may increase or reduce this rate, but the rate shall not be greater than two percent or the rate of remuneration decided under Article V, section 9, whichever is higher, or smaller than one percent or the rate of remuneration decided under Article V, section 9, whichever is lower.

SECTION 4—ASSESSMENTS

When it is decided under Article XXII, section 2, that reimbursement shall be made, the Fund shall levy assessments for this purpose at the same rate for all participants on their net cumulative allocations.

SECTION 5—PAYMENT OF INTEREST, CHARGES, AND ASSESSMENTS

Interest, charges, and assessments shall be paid in special drawing rights. A participant that needs special drawing rights to pay any charge or assessment shall be obligated and entitled to obtain them, at its option for gold or currency acceptable to the Fund, in a transaction with the Fund conducted through the General Account. If sufficient special drawing rights cannot be obtained in this way, the participant shall be obligated and entitled to obtain them with currency convertible in fact from a participant which the Fund shall specify. Special drawing rights acquired by a participant after the date for payment shall be applied against its unpaid charges and cancelled.

ARTICLE XXVII—ADMINISTRATION OF THE GENERAL ACCOUNT
AND THE SPECIAL DRAWING ACCOUNT

(a) The General Account and the Special Drawing Account shall be administered in accordance with the provisions of Article XII, subject to the following:

- (i) The Board of Governors may delegate to the Executive Directors authority to exercise any powers of the Board with respect to special drawing rights except those under Article XXIII, section 3, Article XXIV, section 2 (a), (b), and (c), and section 3, the penultimate sentence of Article XXV, section 2 (b), Article XXV, section 6 (b), and Article XXXI (a).
- (ii) For meetings of or decisions by the Board of Governors on matters pertaining exclusively to the Special Drawing Account only requests by or the presence and the votes of governors appointed by members that are participants shall be counted for the purpose of calling meetings and determining whether a quorum exists or whether a decision is made by the required majority.
- (iii) For decisions by the Executive Directors on matters pertaining exclusively to the Special Drawing Account only directors appointed or elected by at least one member that is a participant shall be entitled to vote. Each of these directors shall be entitled to cast the number of votes allotted to the member which is a participant that appointed him or

SCHEDULE—*continued*

to the members that are participants whose votes counted towards his election. Only the presence of directors appointed or elected by members that are participants and the votes allotted to members that are participants shall be counted for the purpose of determining whether a quorum exists or whether a decision is made by the required majority.

- (iv) Questions of the general administration of the Fund, including reimbursement under Article XXII, section 2, and any question whether a matter pertains to both Accounts or exclusively to the Special Drawing Account shall be decided as if they pertained exclusively to the General Account. Decisions with respect to the acceptance and holding of special drawing rights in the General Account and the use of them, and other decisions affecting the operations and transactions conducted through both the General Account and the Special Drawing Account shall be made by the majorities required for decisions on matters pertaining exclusively to each Account. A decision on a matter pertaining to the Special Drawing Account shall so indicate.

(b) In addition to the privileges and immunities that are accorded under Article IX of this Agreement, no tax of any kind shall be levied on special drawing rights or on operations or transactions in special drawing rights.

(c) A question of interpretation of the provisions of this Agreement on matters pertaining exclusively to the Special Drawing Account shall be submitted to the Executive Directors pursuant to Article XVIII (a) only on the request of a participant. In any case where the Executive Directors have given a decision on a question of interpretation pertaining exclusively to the Special Drawing Account only a participant may require that the question be referred to the Board of Governors under Article XVIII (b). The Board of Governors shall decide whether a governor appointed by a member that is not a participant shall be entitled to vote in the Committee on Interpretation on questions pertaining exclusively to the Special Drawing Account.

(d) Whenever a disagreement arises between the Fund and a participant that has terminated its participation in the Special Drawing Account or between the Fund and any participant during the liquidation of the Special Drawing Account with respect to any matter arising exclusively from participation in the Special Drawing Account, the disagreement shall be submitted to arbitration in accordance with the procedures in Article XVIII (c).

ARTICLE XXVIII—GENERAL OBLIGATIONS OF PARTICIPANTS

In addition to the obligations assumed with respect to special drawing rights under other Articles of this Agreement, each participant undertakes to collaborate with the Fund and with other participants in order to facilitate the effective functioning of the Special Drawing Account and the proper use of special drawing rights in accordance with this Agreement.

SCHEDULE—*continued*

ARTICLE XXIX—SUSPENSION OF TRANSACTIONS IN SPECIAL DRAWING RIGHTS

SECTION 1—EMERGENCY PROVISIONS

In the event of an emergency or the development of unforeseen circumstances threatening the operations of the Fund with respect to the Special Drawing Account, the Executive Directors by unanimous vote may suspend for a period of not more than one hundred twenty days the operation of any of the provisions relating to special drawing rights, and the provisions of Article XVI, section 1 (b), (c), and (d), shall then apply.

SECTION 2—FAILURE TO FULFILL OBLIGATIONS

(a) If the Fund finds that a participant has failed to fulfill its obligations under Article XXV, section 4, the right of the participant to use its special drawing rights shall be suspended unless the Fund otherwise determines.

(b) If the Fund finds that a participant has failed to fulfill any other obligation with respect to special drawing rights, the Fund may suspend the right of the participant to use special drawing rights it acquires after the suspension.

(c) Regulations shall be adopted to ensure that before action is taken against any participant under (a) or (b) above, the participant shall be informed immediately of the complaint against it and given an adequate opportunity for stating its case, both orally and in writing. Whenever the participant is thus informed of a complaint relating to (a) above, it shall not use special drawing rights pending the disposition of the complaint.

(d) Suspension under (a) or (b) above or limitation under (c) above shall not affect a participant's obligation to provide currency in accordance with Article XXV, section 4.

(e) The Fund may at any time terminate a suspension under (a) or (b) above, provided that a suspension imposed on a participant under (b) above for failure to fulfill the obligation under Article XXV, section 6 (a), shall not be terminated until one hundred eighty days after the end of the first calendar quarter during which the participant complies with the rules for reconstruction.

(f) The right of a participant to use its special drawing rights shall not be suspended because it has become ineligible to use the Fund's resources under Article IV, section 6, Article V, section 5, Article VI, section 1, or Article XV, section 2 (a). Article XV, section 2, shall not apply because a participant has failed to fulfill any obligations with respect to special drawing rights.

ARTICLE XXX—TERMINATION OF PARTICIPATION

SECTION 1—RIGHT TO TERMINATE PARTICIPATION

(a) Any participant may terminate its participation in the Special Drawing Account at any time by transmitting a notice in writing to the Fund at its principal office. Termination shall become effective on the date the notice is received.

SCHEDULE—*continued*

(b) A participant that withdraws from membership in the Fund shall be deemed to have simultaneously terminated its participation in the Special Drawing Account.

SECTION 2—SETTLEMENT ON TERMINATION

(a) When a participant terminates its participation in the Special Drawing Account, all operations and transactions by the terminating participant in special drawing rights shall cease except as otherwise permitted under an agreement made pursuant to (c) below in order to facilitate a settlement or as provided in sections 3, 5, and 6 of this Article or in Schedule H. Interest and charges that accrued to the date of termination and assessments levied before that date but not paid shall be paid in special drawing rights.

(b) The Fund shall be obligated to redeem all special drawing rights held by the terminating participant, and the terminating participant shall be obligated to pay to the Fund an amount equal to its net cumulative allocation and any other amounts that may be due and payable because of its participation in the Special Drawing Account. These obligations shall be set off against each other and the amount of special drawing rights held by the terminating participant that is used in the setoff to extinguish its obligation to the Fund shall be cancelled.

(c) A settlement shall be made with reasonable dispatch by agreement between the terminating participant and the Fund with respect to any obligation of the terminating participant or the Fund after the setoff in (b) above. If agreement on a settlement is not reached promptly the provisions of Schedule H shall apply.

SECTION 3—INTEREST AND CHARGES

After the date of termination the Fund shall pay interest on any outstanding balance of special drawing rights held by a terminating participant and the terminating participant shall pay charges on any outstanding obligation owed to the Fund at the times and rates prescribed under Article XXVI. Payment shall be made in special drawing rights. A terminating participant shall be entitled to obtain special drawing rights with currency convertible in fact to pay charges or assessments in a transaction with a participant specified by the Fund or by agreement from any other holder, or to dispose of special drawing rights received as interest in a transaction with any participant designated under Article XXV, section 5, or by agreement with any other holder.

SECTION 4—SETTLEMENT OF OBLIGATION TO THE FUND

Gold or currency received by the Fund from a terminating participant shall be used by the Fund to redeem special drawing rights held by participants in proportion to the amount by which each participant's holdings of special drawing rights exceed its net cumulative allocation at the time the gold or currency is received by the Fund. Special drawing rights so redeemed and special drawing rights obtained by a terminating participant under the provisions of this Agreement to meet any installment due under an agreement on settlement or under Schedule H and set off against that installment shall be cancelled.

SCHEDULE—*continued*

SECTION 5—SETTLEMENT OF OBLIGATION TO A TERMINATING PARTICIPANT

Whenever the Fund is required to redeem special drawing rights held by a terminating participant, redemption shall be made with currency or gold provided by participants specified by the Fund. These participants shall be specified in accordance with the principles in Article XXV, section 5. Each specified participant shall provide at its option the currency of the terminating participant or currency convertible in fact or gold to the Fund and shall receive an equivalent amount of special drawing rights. However, a terminating participant may use its special drawing rights to obtain its own currency, currency convertible in fact, or gold from any holder, if the Fund so permits.

SECTION 6—GENERAL ACCOUNT TRANSACTIONS

In order to facilitate settlement with a terminating participant the Fund may decide that a terminating participant shall:

- (i) Use any special drawing rights held by it after the setoff in section 2 (b) of this Article, when they are to be redeemed, in a transaction with the Fund conducted through the General Account to obtain its own currency or currency convertible in fact at the option of the Fund; or
- (ii) Obtain special drawing rights in a transaction with the Fund conducted through the General Account for a currency acceptable to the Fund or gold to meet any charges or installment due under an agreement or the provisions of Schedule H.

ARTICLE XXXI—LIQUIDATION OF THE SPECIAL DRAWING ACCOUNT

(a) The Special Drawing Account may not be liquidated except by decision of the Board of Governors. In an emergency, if the Executive Directors decide that liquidation of the Special Drawing Account may be necessary, they may temporarily suspend allocations or cancellations and all transactions in special drawing rights pending decision by the Board. A decision by the Board of Governors to liquidate the Fund shall be a decision to liquidate both the General Account and the Special Drawing Account.

(b) If the Board of Governors decides to liquidate the Special Drawing Account, all allocations or cancellations and all operations and transactions in special drawing rights and the activities of the Fund with respect to the Special Drawing Account shall cease except those incidental to the orderly discharge of the obligations of participants and of the Fund with respect to special drawing rights, and all obligations of the Fund and of participants under this Agreement with respect to special drawing rights shall cease except those set out in this Article, Article XVIII (c), Article XXVI, Article XXVII (d), Article XXX and Schedule H, or any agreement reached under Article XXX subject to paragraph 4 of Schedule H, Article XXXII, and Schedule I.

SCHEDULE—*continued*

(c) Upon liquidation of the Special Drawing Account, interest and charges that accrued to the date of liquidation and assessments levied before that date but not paid shall be paid in special drawing rights. The Fund shall be obligated to redeem all special drawing rights held by holders and each participant shall be obligated to pay the Fund an amount equal to its net cumulative allocation of special drawing rights and such other amounts as may be due and payable because of its participation in the Special Drawing Account.

(d) Liquidation of the Special Drawing Account shall be administered in accordance with the provisions of Schedule I.

ARTICLE XXXII—EXPLANATION OF TERMS WITH RESPECT TO SPECIAL DRAWING RIGHTS

In interpreting the provisions of this Agreement with respect to special drawing rights the Fund and its members shall be guided by the following:

- (a) Net cumulative allocation of special drawing rights means the total amount of special drawing rights allocated to a participant less its share of special drawing rights that have been cancelled under Article XXIV, section 2 (a).
- (b) Currency convertible in fact means:
- (1) a participant's currency for which a procedure exists for the conversion of balances of the currency obtained in transactions involving special drawing rights into each other currency for which such procedure exists, at rates of exchange prescribed under Article XXV, section 8, and which is the currency of a participant that
 - (i) has accepted the obligations of Article VIII, sections 2, 3, and 4, or
 - (ii) for the settlement of international transactions in fact freely buys and sells gold within the limits prescribed by the Fund under section 2 of Article IV; or
 - (2) currency convertible into a currency described in paragraph (1) above at rates of exchange prescribed under Article XXV, section 8.
 - (c) A participant's reserve position in the Fund means the sum of the gold tranche purchases it could make and the amount of any indebtedness of the Fund which is readily repayable to the participant under a loan agreement."

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SCHEDULE B—PROVISIONS WITH RESPECT TO REPURCHASE BY A MEMBER OF ITS CURRENCY HELD BY THE FUND

1. Paragraph 1 shall read:

"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 convertible currency and each of the other types of monetary reserve, 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.

SCHEDULE—*continued*

- (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, minus one-half of any decrease in the Fund's holdings of the member's currency that has occurred during the year, 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 the repurchases required under Article V, section 7 (b), had been made, the result would exceed either of the limits specified in Article V, section 7 (c) (i) or (ii), the Fund shall require such repurchases to be made by the member proportionately in such manner that these limits will not be exceeded.
- (d) If after all the repurchases required under Article V, section 7 (b), had been made, the result would exceed the limit specified in Article V, section 7 (c) (iii), the amount by which the limit would be exceeded shall be discharged in convertible currencies as determined by the Fund without exceeding that limit.
- (e) If a repurchase required under Article V, section 7 (b), would exceed the limit specified in Article V, section 7 (c) (iv), the amount by which the limit would be exceeded shall be repurchased at the end of the subsequent financial year or years in such a way that total repurchases under Article V, section 7 (b), in any year would not exceed the limit specified in Article V, section 7 (c) (iv)."

2. Paragraph 2 shall read:

"2. (a) The Fund shall not acquire the currency of any non-member under Article V, section 7 (b) and (c).

(b) Any amount payable in the currency of a non-member under 1 (a) or 1 (b) above shall be paid in the convertible currencies of members as determined by the Fund."

3. The following paragraphs 5 and 6 shall be added to Schedule B:

"5. In calculating monetary reserves and the increase in monetary reserves during any year for the purpose of Article V, section 7 (b) and (c), the Fund may decide in its discretion, on the request of a member, that deductions shall be made for obligations outstanding as the result of transactions between members under a reciprocal facility by which a member agrees to exchange on demand its currency for the currency of the other member up to a maximum amount and on terms requiring that each such transaction be reversed within a specified period not in excess of nine months.

"6. In calculating monetary reserves and the increase in monetary reserves for the purpose of Article V, section 7 (b) and (c), Article XIX (e) shall apply except that the following provision shall apply at the end of a financial year if it was in effect at the beginning of that year:

SCHEDULE—*continued*

'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.'

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The following Schedules shall be added after Schedule E:

"SCHEDULE F—DESIGNATION

During the first basic period the rules for designation shall be as follows:

- (a) Participants subject to designation under Article XXV, section 5 (a) (i), shall be designated for such amounts as will promote over time equality in the ratios of the participants' holdings of special drawing rights in excess of their net cumulative allocations to their official holdings of gold and foreign exchange.
- (b) The formula to give effect to (a) above shall be such that participants subject to designation shall be designated:
 - (i) In proportion to their official holdings of gold and foreign exchange when the ratios described in (a) above are equal; and
 - (ii) In such manner as gradually to reduce the difference between the ratios described in (a) above that are low and the ratios that are high.

SCHEDULE G—RECONSTITUTION

1. During the first basic period the rules for reconstitution shall be as follows:

- (a) (i) A participant shall so use and reconstitute its holdings of special drawing rights that, five years after the first allocation and at the end of each calendar quarter thereafter, the average of its total daily holdings of special drawing rights over the most recent five-year period will be not less than thirty percent of the average of its daily net cumulative allocation of special drawing rights over the same period.
- (ii) Two years after the first allocation and at the end of each calendar month thereafter the Fund shall make calculations for each participant so as to ascertain whether and to what extent the participant would need to acquire special drawing rights between the date of the calculation and the end of any five-year period in order to comply with the requirement in (a) (i) above. The Fund shall adopt regulations with respect to the bases on which these calculations shall be made and with respect to the timing of the designation of

SCHEDULE—*continued*

- participants under Article XXV, section 5 (a) (ii), in order to assist them to comply with the requirement in (a) (i) above.
- (iii) The Fund shall give special notice to a participant when the calculations under (a) (ii) above indicate that it is unlikely that the participant will be able to comply with the requirement in (a) (i) above unless it ceases to use special drawing rights for the rest of the period for which the calculation was made under (a) (ii) above.
- (iv) A participant that needs to acquire special drawing rights to fulfill this obligation shall be obligated and entitled to obtain them, at its option for gold or currency acceptable to the Fund, in a transaction with the Fund conducted through the General Account. If sufficient special drawing rights to fulfill this obligation cannot be obtained in this way, the participant shall be obligated and entitled to obtain them with currency convertible in fact from a participant which the Fund shall specify.
- (b) Participants shall also pay due regard to the desirability of pursuing over time a balanced relationship between their holdings of special drawing rights and their holdings of gold and foreign exchange and their reserve positions in the Fund.
2. If a participant fails to comply with the rules for reconstitution, the Fund shall determine whether or not the circumstances justify suspension under Article XXIX, section 2 (b).

SCHEDULE H—TERMINATION OF PARTICIPATION

1. If the obligation remaining after the setoff under Article XXX, section 2 (b), is to the terminating participant and agreement on settlement between the Fund and the terminating participant is not reached within six months of the date of termination, the Fund shall redeem this balance of special drawing rights in equal half-yearly installments within a maximum of five years of the date of termination. The Fund shall redeem this balance as it may determine, either (a) by the payment to the terminating participant of the amounts provided by the remaining participants to the Fund in accordance with Article XXX, section 5, or (b) by permitting the terminating participant to use its special drawing rights to obtain its own currency or currency convertible in fact from a participant specified by the Fund, the General Account, or any other holder.

2. If the obligation remaining after the setoff under Article XXX, section 2 (b), is to the Fund and agreement on settlement is not reached within six months of the date of termination, the terminating participant shall discharge this obligation in equal half-yearly installments within three years of the date of termination or within such longer period as may be fixed by the Fund. The terminating participant shall discharge this obligation, as the Fund may determine, either (a) by the payment to the Fund of currency convertible in fact or gold at the option of the terminating participant, or (b) by obtaining special drawing rights, in accordance with Article XXX, section 6, from the General Account or in agreement with a participant specified by the Fund or from any

SCHEDULE—*continued*

other holder, and the setoff of these special drawing rights against the installment due.

3. Installments under either 1 or 2 above shall fall due six months after the date of termination and at intervals of six months thereafter.

4. In the event of the Special Drawing Account going into liquidation under Article XXXI within six months of the date a participant terminates its participation, the settlement between the Fund and that government shall be made in accordance with Article XXXI and Schedule I.

SCHEDULE I—ADMINISTRATION OF LIQUIDATION OF THE SPECIAL DRAWING ACCOUNT

1. In the event of liquidation of the Special Drawing Account, participants shall discharge their obligations to the Fund in ten half-yearly installments, or in such longer period as the Fund may decide is needed, in currency convertible in fact and the currencies of participants holding special drawing rights to be redeemed in any installment to the extent of such redemption, as determined by the Fund. The first half-yearly payment shall be made six months after the decision to liquidate the Special Drawing Account.

2. If it is decided to liquidate the Fund within six months of the date of the decision to liquidate the Special Drawing Account, the liquidation of the Special Drawing Account shall not proceed until special drawing rights held in the General Account have been distributed in accordance with the following rule:

After the distribution made under 2 (a) of Schedule E, the Fund shall apportion its special drawing rights held in the General Account among all members that are participants in proportion to the amounts due to each participant after the distribution under 2 (a). To determine the amount due to each member for the purpose of apportioning the remainder of its holdings of each currency under 2 (c) of Schedule E, the Fund shall deduct the distribution of special drawing rights made under this rule.

3. With the amounts received under 1 above, the Fund shall redeem special drawing rights held by holders in the following manner and order:

- (a) Special drawing rights held by governments that have terminated their participation more than six months before the date the Board of Governors decides to liquidate the Special Drawing Account shall be redeemed in accordance with the terms of any agreement under Article XXX or Schedule H.
- (b) Special drawing rights held by holders that are not participants shall be redeemed before those held by participants, and shall be redeemed in proportion to the amount held by each holder.
- (c) The Fund shall determine the proportion of special drawing rights held by each participant in relation to its net cumulative allocation. The Fund shall first redeem special drawing rights from the participants with the highest proportion until this proportion is reduced to that of the second highest proportion;

SCHEDULE—*continued*

the Fund shall then redeem the special drawing rights held by these participants in accordance with their net cumulative allocations until the proportions are reduced to that of the third highest proportion; and this process shall be continued until the amount available for redemption is exhausted.

4. Any amount that a participant will be entitled to receive in redemption under 3 above shall be set off against any amount to be paid under 1 above.

5. During liquidation the Fund shall pay interest on the amount of special drawing rights held by holders, and each participant shall pay charges on the net cumulative allocation of special drawing rights to it less the amount of any payments made in accordance with 1 above. The rates of interest and charges and the time of payment shall be determined by the Fund. Payments of interest and charges shall be made in special drawing rights to the extent possible. A participant that does not hold sufficient special drawing rights to meet any charges shall make the payment with gold or a currency specified by the Fund. Special drawing rights received as charges in amounts needed for administrative expenses shall not be used for the payment of interest, but shall be transferred to the Fund and shall be redeemed first and with the currencies used by the Fund to meet its expenses.

6. While a participant is in default with respect to any payment required by 1 or 5 above, no amounts shall be paid to it in accordance with 2 or 5 above.

7. If after the final payments have been made to participants each participant not in default does not hold special drawing rights in the same proportion to its net cumulative allocation, those participants holding a lower proportion shall purchase from those holding a higher proportion such amounts in accordance with arrangements made by the Fund as will make the proportion of their holdings of special drawing rights the same. Each participant in default shall pay to the Fund its own currency in an amount equal to its default. The Fund shall apportion this currency and any residual claims among participants in proportion to the amount of special drawing rights held by each and these special drawing rights shall be cancelled. The Fund shall then close the books of the Special Drawing Account and all of the Fund's liabilities arising from the allocations of special drawing rights and the administration of the Special Drawing Account shall cease.

8. Each participant whose currency is distributed to other participants under this Schedule guarantees the unrestricted use of such currency at all time for the purchase of goods or for payments of sums due to it or to persons in its territories. Each participant so obligated agrees to compensate other participants for any loss resulting from the difference between the value at which the Fund distributed its currency under this Schedule and the value realized by such participants on disposal of its currency."