

**FOR
AGENDA**

SM/10/71

March 25, 2010

To: Members of the Executive Board

From: The Secretary

Subject: **Proposed Decision to Modify the New Arrangements to Borrow**

Attached for consideration by the Executive Directors is a paper on the proposed decision to modify the New Arrangements to Borrow, which is tentatively scheduled for discussion on **Monday, April 12, 2010**. A draft decision appears on page 28. The paper is being circulated with less than a three-week circulation period in order to facilitate discussion ahead of the Spring Meetings.

The staff proposes the publication of this paper after the Executive Board completes its discussion.

Questions may be referred to Mr. Fisher, FIN (ext. 38755), Mr. Steinki, LEG (ext. 38222), and Ms. Mateos y Lago, SPR (ext. 37219).

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

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INTERNATIONAL MONETARY FUND

Proposed Decision to Modify the New Arrangements to Borrow

Prepared by the Finance and Legal Departments
(In consultation with the Strategy, Policy, and Review Department)

Approved by Andrew Tweedie and Sean Hagan

March 25, 2010

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I. INTRODUCTION

1. **The IMFC agreed at its April 2009 meeting to incorporate immediate financing from members of US\$250 billion into an expanded and more flexible New Arrangements to Borrow (NAB) increased by up to US\$500 billion.**¹ At that meeting, the IMFC also recognized that while an expanded NAB is an important backstop for Fund resources, it is not a substitute for a quota increase. It reiterated that the IMF is, and shall remain, a quota-based institution, and urged a prompt start to the Fourteenth General Review of Quotas so that it is completed by January 2011. At its meeting on October 4, 2009, the IMFC agreed that the renewed and expanded NAB would be reviewed in the light of the outcome of the quota review.

2. **This paper sets forth a proposal for an expanded and more flexible NAB.** The proposal was developed in close consultation with current and potential participants in the NAB, including through meetings of current and potential participants in April, July, and November 2009 in Washington, D.C. under the chairmanship of Japan.² At their November 2009 meeting, current and potential participants reached agreement on an expanded and more flexible NAB, and a draft reflecting this agreement is now being submitted for the approval of the Executive Board.

3. **The NAB reform proposal has the following elements:**

- **An amendment of the NAB Decision** to allow for the adherence of new participants outside of a renewal decision and to introduce other changes to make the NAB more flexible. The amendment will require an Executive Board decision adopted by a majority of the votes cast and the concurrence of (current) participants representing 85 percent of total credit arrangements.
- **Increasing the credit arrangements for existing participants.** This will require an Executive Board decision and the agreement of participants representing 85 percent of total credit arrangements, including each participant whose credit arrangement is changed. As consent is required of all participants that will have the size of their credit arrangements changed under the proposed decision, effectively the consent of participants representing at least 96 percent of total credit arrangements is required.

¹ IMFC Communiqué, April 25, 2009 available at: <http://www.imf.org/external/np/sec/pr/2009/pr09139.htm> . The IMFC subsequently welcomed expected agreement on a renewed and more flexible NAB expanded by over \$500 billion; the October 4, 2009 IMFC Communiqué is available at: <http://www.imf.org/external/np/sec/pr/2009/pr09347.htm> See also the London Summit Communiqué, available at: <http://www.londonsummit.gov.uk/resources/en/news/15766232/communique-020409>.

² The press releases issued following meetings of current and potential NAB participants on April 24, 2009 and November 24, 2009, are available at: <http://www.imf.org/external/np/sec/pr/2009/pr09143.htm> and <http://www.imf.org/external/np/sec/pr/2009/pr09429.htm>.

- **Adherence of new participants.** This will require depositing an instrument of adherence setting forth that, in accordance with its law, the new participant has taken all steps necessary to enable it to carry out the terms and conditions of the NAB Decision. Moreover, for new participants that are official institutions of a member, the member has to consent to their adherence to the NAB (Article 1(a)(xii)).

It is proposed to link the various elements of the NAB reform with respect to their effectiveness, as discussed in Section III.B below. Model consent and adherence communications are set out in Attachment II.

4. The rest of this paper is organized as follows. Section II discusses the proposed key modifications of the NAB. Section III discusses two related issues. Section IV contains the proposed Board decision approving (i) the amendments to the NAB Decision and (ii) the increases in credit arrangements. Attachment I contains the proposed text of the revised NAB Decision reflecting the proposals set forth in this paper. A red-lined version showing changes over the current NAB Decision is also attached (Attachment III).

II. PROPOSED MODIFICATIONS TO THE NAB

5. This section focuses on the key modifications of the NAB that are intended to make the NAB a more effective tool of crisis management, while safeguarding participants' interests.

A. Size of the NAB

Current NAB

6. The current NAB provides for total credit arrangements of SDR 34 billion. The size of individual credit arrangements was initially based in principle on participants' relative economic strength as reflected in their quotas in the Fund.³ Credit arrangements are subject to a minimum of SDR 340 million.

Proposed Modification

7. It is proposed that the total size of credit arrangements be increased to a total of SDR 367.46736 billion (Table 1). (This corresponds to US\$588.565 billion, converted at the official US dollar-SDR exchange rate that prevailed on November 24, 2009 (Table 2)).⁴ It is proposed to retain the current minimum size of credit arrangements at SDR 340 million. This reflects, in part, the intended adherence to the NAB of thirteen new participants, including a number of large emerging market countries.

³ See Annex to NAB Decision.

⁴ The official US dollar—SDR exchange rate on November 24, 2009 was 1.60168 USD = 1 SDR.

Table 1. Participants and Amount of Credit Arrangements 1/
(in Millions of Special Drawing Rights)

	Current Credit Arrangements	New Credit Arrangements
Current Participants		
Australia	801.29	4,370.41
Austria	407.57	3,579.24
Banco Central de Chile	340.00	1,360.00
Belgium	956.60	7,861.85
Canada	1,380.99	7,624.43
Danmarks Nationalbank	367.01	3,207.78
Deutsche Bundesbank	3,518.75	25,370.81
Finland	340.00	2,231.76
France	2,549.29	18,657.38
Hong Kong Monetary Authority	340.00	340.00
Italy	1,752.95	13,578.03
Japan	3,518.75	65,953.20
Korea	340.00	6,583.44
Kuwait	341.29	341.29
Luxembourg	340.00	970.59
Malaysia	340.00	340.00
Netherlands	1,301.85	9,043.72
Norway	378.88	3,870.94
Saudi Arabia	1,760.86	11,126.03
Singapore	340.00	1,276.52
Spain	664.77	6,702.18
Sveriges Riksbank	849.76	4,439.74
Swiss National Bank	1,540.26	10,905.42
Thailand	340.00	340.00
United Kingdom	2,549.29	18,657.38
United States	6,639.83	69,074.27
New Participants		
Bank of Israel		500.00
Brazil		8,740.82
China		31,217.22
Cyprus		340.00
Greece		1,654.51
India		8,740.82
Ireland		1,885.52
Mexico		4,994.76
New Zealand		624.34
Philippines		340.00
Portugal		1,542.13
Russian Federation		8,740.82
South Africa		340.00
Total		367,467.36

1/ Credit arrangements are subject to a minimum of SDR 340 million.

Table 2. Participants and Amount of Credit Arrangements 1/
(in Millions of U.S. Dollars)

	Current Credit Arrangements	New Credit Arrangements
Current Participants		
Australia	1,283.41	7,000.00
Austria	652.80	5,732.80
Banco Central de Chile	544.57	2,178.28
Belgium	1,532.17	12,592.17
Canada	2,211.90	12,211.90
Danmarks Nationalbank	587.83	5,137.83
Deutsche Bundesbank	5,635.92	40,635.92
Finland	544.57	3,574.57
France	4,083.15	29,883.15
Hong Kong Monetary Authority	544.57	544.57
Italy	2,807.66	21,747.66
Japan	5,635.92	105,635.92
Korea	544.57	10,544.57
Kuwait	546.64	546.64
Luxembourg	544.57	1,554.57
Malaysia	544.57	544.57
Netherlands	2,085.15	14,485.15
Norway	606.85	6,200.00
Saudi Arabia	2,820.33	17,820.33
Singapore	544.57	2,044.57
Spain	1,064.76	10,734.76
Sveriges Riksbank	1,361.05	7,111.05
Swiss National Bank	2,467.00	17,467.00
Thailand	544.57	544.57
United Kingdom	4,083.15	29,883.15
United States	10,634.88	110,634.88
New Participants		
Bank of Israel		800.84
Brazil		14,000.00
China		50,000.00
Cyprus		544.57
Greece		2,650.00
India		14,000.00
Ireland		3,020.00
Mexico		8,000.00
New Zealand		1,000.00
Philippines		544.57
Portugal		2,470.00
Russian Federation		14,000.00
South Africa		544.57
Total		588,565.13

1/ Using an exchange rate of 1.60168 USD = 1 SDR, as of November 24, 2009.
Credit arrangements are subject to a minimum of USD 544.57 million (SDR 340 million).

B. Eligibility to Participate in the NAB

Current NAB

8. The NAB Decision limits eligibility to become a participant to members of the Fund, official institutions of members, and official institutions of non-members (Paragraph 1(a)(xi) through (xiii) current NAB).

Considerations for Reform

9. The provision to allow the institutions of non-members to become participants was carried over into the NAB from the General Arrangements to Borrow (GAB), where it had been used to allow the Swiss National Bank to become a participant in the GAB at a time when Switzerland was not a member of the Fund. As there are now very few countries left that are not Fund members, and institutions of such non-members are unlikely to become participants in the NAB, this provision could be deleted in the interests of streamlining the NAB Decision (Paragraphs 1(a)(xii), 2(b), 3(b), 7A(c) and 7B(b) current NAB).

Proposed Modification

10. It is proposed to eliminate the possibility of institutions of non-members to become NAB participants.

C. Purposes and Uses for NAB Resources

11. This sub-section discusses the proposed modifications to the NAB relating to the purposes and uses of NAB resources, including for financing under the Fund's new lending instruments.

Current NAB

12. The purpose of the NAB is to provide a backstop to the Fund's quota-based financing mechanism that is only to be used when supplementary resources to quota resources are required. In addition to this general condition, the current NAB establishes different conditions for the use of NAB resources by participants and non-participants, which vary both with respect to the types of transactions that can be financed and the circumstances required for NAB activation.

- *For participants*, NAB resources may be used for stand-by or extended arrangements or an exchange transaction (i.e., an outright purchase) when necessary in order to forestall or cope with an impairment of the international monetary system (Paragraph 6A current NAB).
- *For non-participants*, NAB resources may be used to meet actual or expected requests for financing that reflect the existence of an exceptional situation associated

with balance of payments problems of members of a character or an aggregate size that could threaten the stability of the international monetary system. In terms of eligible transactions, NAB resources for non-participants may be used for the same purposes as for participants, excluding financing for either reserve tranche purchases or first credit tranche stand-by arrangements (Paragraph 6B current NAB).

Considerations for Reform

13. In order to make the NAB an effective tool of crisis management, the uses that may be made of NAB resources need to be modified to allow the NAB to finance *any* use of General Resource Account (GRA) resources by participants and non-participants alike, irrespective of the type of transaction in question. For example, it will be critical that the NAB be available to finance Flexible Credit Line (FCL) arrangements, which is currently not the case. This change requires a more general definition of the range of transactions that can be financed with NAB resources. At the same time, a uniform definition of the economic circumstances that allow activation of the NAB for GRA financing of participants and non-participants would also promote effectiveness in crisis prevention and management.

Proposed Modification

14. The following modifications are therefore proposed:

- Modify the Preamble to the NAB Decision to reflect explicitly the fact that, since the Fund is a quota-based institution, resources under the NAB will only be used when it is necessary to supplement quota resources (Preamble revised NAB).
- While retaining the purpose of the NAB as a backstop to the Fund's quota-based financing mechanism, adopt a uniform standard for NAB activation, namely the need to supplement the Fund's resources in order to forestall or cope with an impairment of the international monetary system (Preamble, Paragraph 5(a) revised NAB).
- Allow NAB resources to be used for any type of GRA financing for all members (Paragraph 5(a) revised NAB).

D. Activation of the NAB/Calls

15. This sub-section discusses the proposed modifications to the NAB to replace the current loan-by-loan activation with procedures better suited to crisis prevention and management, while retaining a strong governance framework.

Current NAB

16. Under the current NAB, the procedures for activation involve a proposal for calls by the Managing Director following consultations with Executive Directors and participants that

identifies the prospective drawer, the amount, and the period during which the resources requested in the proposal may be called (Paragraph 7A (a) and (b) current NAB). For a proposal to become effective, it needs first to be accepted by participants with an 80 percent majority of total credit arrangements of participants eligible to vote and then to be approved by the Executive Board (Paragraph 7A(i) current NAB).⁵ Calls under individual participants' credit arrangements are made in accordance with the proposal for calls (Paragraph 7B current NAB).⁶

Considerations for Reform

17. The current NAB may only be activated on a loan-by-loan basis, using procedures that are complex and relatively lengthy (e.g., this process took over three weeks when the NAB was activated in 1998). Recent experience highlighted that the global financial system is subject to sudden episodes of liquidity freeze. During such periods, the need may arise for the Fund to provide substantial financial commitments at short notice to a number of members in order to avoid disruptive adjustment and also more generally to be seen as having enough resources at its disposal to prevent systemic dislocation, thereby helping reduce uncertainty and market stress. Thus, the current activation procedures limit the effectiveness of the NAB as a tool of crisis prevention and management. For these reasons, it is proposed to modify the NAB to permit a general activation for a defined period subject to a maximum level of commitments, rather than keeping the current loan-by-loan mechanism.

Proposed Modification

18. The proposed approach is intended to balance the flexibility needed to allow the NAB to be an effective tool of crisis prevention and management and the desire to retain a strong governance framework, in particular the agreement of participants holding a qualified majority of credit arrangements in the activation of the NAB. As is discussed below, the proposed procedure for using NAB resources to fund GRA financing would involve three steps: (1) establishment of an activation period; (2) approval of a Resource Mobilization Plan (RMP); and (3) calls on participants.

⁵ Under the current NAB, neither the prospective drawer nor its participating institution nor participants that have notified that they will not meet calls under a proposal are eligible to vote; see Paragraph 7A (h) current NAB).

⁶ For the specific steps of the activation process, see *New Arrangements to Borrow—Activation Procedures* (EBD/98/99, 9/28/98).

(1) Activation Period

19. The specific proposal is as follows:

- After informal consultation with participants and Executive Directors, the Managing Director would propose the activation of the NAB in circumstances in which there is a need for supplemental resources to forestall or cope with an impairment of the international monetary system. Such proposals would only be made if the Fund's capacity to make commitments from quota-based resources has been or is expected shortly to be substantially depleted, and there appeared to be potential for an ongoing demand for Fund resources. The proposal for the establishment of an activation period would specify: (a) the period of activation, which may not exceed 6 months; and (b) the maximum aggregate amount of calls under credit arrangements of participants for (i) commitments under arrangements approved during the activation period (including augmentations of existing arrangements), and (ii) outright purchases during the activation period (Paragraph 5(a) revised NAB).
- The proposal for the establishment of an activation period would be supported by a memorandum from the Managing Director that would summarize the need for a temporary supplement to the Fund's resources in order to forestall or cope with an impairment of the international monetary system. The memorandum would provide information, to be updated quarterly, on:
 - the size of the pipeline of possible Fund arrangements on which discussions are well advanced and the Managing Director's assessment of the additional borrowing headroom needed to ensure that the Fund is well positioned to address other financing needs that may arise during the proposed activation period.
 - a broad indication of the expected balance between arrangements that are expected to be drawn upon and arrangements that are expected to be precautionary (including FCLs), and the mix of quota-based resources and NAB resources that the Managing Director intends to propose to the Executive Board in the RMP.
- Information on the identities of potential borrowers that is available to the Executive Board prior to the activation decision could be obtained by NAB participants through their Executive Directors, consistent with the arrangements for early consultation with the Executive Board under exceptional access and FCL procedures.
- The Managing Director would not be expected to propose the establishment of an activation period if the Forward Commitment Capacity (on the basis of quota resources) is substantially larger than the identified pipeline of possible Fund

arrangements on which discussions are well advanced plus the Managing Director's assessment of the additional borrowing headroom needed to ensure that the Fund is well positioned to address other financing needs that may arise during the proposed activation period.

- The approval of an activation period would require first the approval by NAB participants with an 85 percent majority of total credit arrangements of participants eligible to vote, and then a decision by the Executive Board by a majority of the votes cast (Paragraphs 5(b) and 5(d) revised NAB).
- Participants that are not included in the Financial Transactions Plan (FTP) at the time of a vote to establish an activation period would not be eligible to vote on the proposal for an activation period, and their credit arrangements would not be taken into account for the purposes of establishing the majority threshold of participants' consent for the proposal to establish an activation period (Paragraph 5(c) revised NAB).

20. With respect to the consequences of the establishment of an activation period, the following should be noted:

- First, while the proposal for an activation period would identify the maximum overall amount of calls under credit arrangements for commitments approved during the activation period and outright purchases during the period, individual calls under credit arrangements would only take place after—and in accordance with—the RMP (see below) approved by the Executive Board.
- Second, all use of GRA resources by members under arrangements approved during an activation period could be funded with NAB resources (up to the aggregate limit approved for the particular activation period), even after the expiration of the activation period. For example, if a one-year FCL arrangement is approved during the fifth month of a six-month activation period, calls could be made under the NAB in respect of that arrangement until the expiration of the arrangement.
- Third, once an activation period with a maximum amount is established, any changes to either the period or the amount would require a new proposal by the Managing Director and both the approval of participants with the requisite majority for NAB activation (i.e., 85 percent of total credit arrangements of participants eligible to vote, as discussed above) and a decision by the Executive Board.

(2) Resource Mobilization Plan

21. With respect to the RMP, the following key features should be noted:

- Drawings under the NAB for the financing of outright purchases during the activation period or purchases under arrangements approved during an activation period would be subject to periodic—normally quarterly—RMPs that would be approved by the Executive Board (Paragraph 6(a) revised NAB).⁷ The proposed RMP would be considered in parallel with the proposed FTP. (Occasional departures from a quarterly frequency of the RMP and FTP may be necessary on account of the need for relatively short extensions of the RMP and FTP, but with the Fund subsequently returning to the quarterly cycle promptly.) In approving the RMP with the FTP, the Executive Board would effectively approve the mix of quota and borrowed resources for the relevant quarter. In the event of unexpected developments, it might be necessary to amend the RMP and/or FTP, possibly at short notice, in line with the existing practice with the FTP.
- The RMP would establish the maximum amount for calls under each credit arrangement during the plan period for each participant (Paragraph 6(a) revised NAB). Subject to these limits, there would be no limitations on the pace at which drawings could be made on individual credit arrangements; for example, there would be no weekly or monthly limit on calls.
- A participant who is not included or who is not being proposed to be included in the FTP for transfers because of its balance of payments and reserve position would also not be included in the RMP for the relevant period (Paragraph 6(b) revised NAB). The exclusion of such member from the RMP would be automatic. That is to say, the participant would not have to notify the Fund that it is not in a position to meet calls because of its balance of payments position.
- Following Board approval of the RMP, the Fund would immediately notify each participant of the maximum calls that the RMP specifies may be made under its credit arrangement during the period covered by the plan, as is currently done for FTP members.

22. It should be emphasized that the fact that commitments approved during the activation period may be funded with NAB resources, does not necessarily mean that, in the context of the approval of a RMP, the Fund would decide to actually use NAB resources to fund the purchases when they are made. Depending on the Fund's overall liquidity situation, and in accordance with its borrowing policies, the Executive Board would decide at the time of the approval of the RMP to what extent it would actually rely on NAB resources to supplement quota resources.

⁷ The first RMP would be considered by the Board shortly after the first activation of the amended NAB.

(3) *Calls*

23. The following framework will apply to calls:

- During the period of the RMP, the Managing Director would have the authority to make calls on participants for purposes of funding purchases made by members, subject to the maximum limits established under the RMP (Paragraph 6(a) revised NAB) and consistent with the Fund's borrowing policies.
- In line with the standard procedures applied in the context of the operation of the FTP, promptly as referred to in paragraph 6(d) means there is a presumption that participants would receive at least five (participant) business days notice of the intention to make a call, which would be followed by detailed payment instructions two (participant) business days prior to value date of actual call. In the exceptional event it is not possible to provide at least five (participant) business days notice, notification of intent to call would be made at least three business days in advance of the value date, recognizing that such calls rely on participants' best efforts to overcome any technical or market related obstacles to mobilize amounts requested at very short notice. At the same time, calls on multiple NAB participants as described in paragraphs 21 and 22 would minimize the amounts requested from each individual participant, and participants would not be expected to provide their entire commitment with less than five (participant) business days notice.
- No call would be made on a participant that had been included in a RMP if, at the time of the call, the member's currency is not being used in transfers under the FTP because of the balance of payments and reserve position of the member (Paragraph 6(c) revised NAB).

24. More generally, the three steps envisaged under the proposed activation procedures (activation period, RMP, and calls) are designed to provide participants with increasingly specific notice of the Fund's intention to draw under their credit arrangements. In addition, in cases in which staff has advance notice of up-coming purchases prior to an actual purchase request, there would be prompt informal consultations with participants, in line with the practice under the FTP.

E. Proportionality of Drawings

Current NAB

25. The NAB Decision provides that a proposal for calls shall provide for calls proportional to the amount of each participant's credit arrangement, subject to very limited exceptions (Paragraph 7A(d) and (e) current NAB). Each call made under a proposal shall be in proportion to the amounts in the proposal unless otherwise provided for in the proposal (Paragraph 7B(a) current NAB).

Considerations for Reform

26. The objective is to maintain proportionality of drawings under credit arrangements as a means of promoting fair burden sharing. While there will be a need to introduce some flexibility to address operational issues and constraints that arise as a result of transitional issues as discussed below, such flexibility will be carefully circumscribed.

Proposed Modification

27. The following approach to maintaining proportionality is proposed:

- When the RMP is approved by the Executive Board, the maximum amounts of calls that would be allocated to individual participants under their credit arrangement would normally be determined in such a way that they would result in the available commitments (i.e., undrawn balances, see Paragraph 1(a)(iii) revised NAB) of participants being of equal proportion relative to their credit arrangements (assuming calls for the maximum authorized amount would be made under each credit arrangement) (Paragraph 6(a) revised NAB).
- In implementing the plan for specific purchase transactions, the Managing Director would seek to allocate calls among participants with due regard to the objective of achieving available commitments of participants that are of equal proportion relative to their credit arrangements (Paragraph 6(c) revised NAB).
- If at the end of the period covered by the RMP, participants' available commitments are not proportional, the Executive Board would seek to correct this imbalance when establishing the next RMP.

28. With respect to the implementation of the above proportionality framework, the following should be emphasized.

- First, the fact that, under the RMP, the Executive Board will normally allocate the maximum amount of calls in a manner that seeks to ensure that participants' undrawn commitments are proportional to their credit arrangements, means that there may be

specific RMP periods where certain participants would be called upon to provide more (or less) resources in relation to their credit commitments relative to other participants. This could arise, for example, as a result of a participant folding in its outstanding claims under a bilateral credit arrangement. The folding in by such participant will (other things equal) result in its undrawn credit arrangement under the NAB being reduced (as a result of it being drawn upon to repay the bilateral credit). Hence, this participant would normally not be subject to calls under a RMP until the credit arrangements of other participants had been sufficiently drawn to a level where their undrawn commitment is proportional to the undrawn commitment of the participant that had folded in. Conversely, if a new participant adheres to the NAB at a time when the credit arrangements of other participants had already been drawn upon, the new participant would bear a greater burden until its undrawn commitment were reduced to a level where it is proportional to those of other participants. The fact that the proposed provision states that this rule will “normally” apply, means that the Executive Board would have some flexibility to deviate from this general rule when it considers it necessary to do so; for example, where this approach would impose an undue hardship on a new participant.

- Second, while the Managing Director must make calls on participants in a manner that pays due regard to the allocation set forth in the RMP, there may be circumstances where it may be necessary to deviate from strict proportionality in the funding of specific purchase requests made during the relevant period. Such circumstances may include situations where it would be administratively inefficient to draw on all participants to fund a small purchase, or where a participant may be closed for business on the day the purchase transaction takes place. Other circumstances may include unexpected events, such as developments in domestic money markets that make it difficult for a participant to mobilize the resources needed to fund a call.
- Third, transfers of claims under credit arrangements would have no effect on the available commitment of participants under their credit arrangements, i.e., they would not restore the amount that could be drawn under the credit arrangement. Only if payment is made on a transferred claim would the amount that could be drawn under the credit arrangement under which it arose be restored (Paragraph 13(c) revised NAB; see also paragraph 35, last bullet below).

F. Interest Rate

Current NAB

29. The interest rate payable on outstanding credit under NAB credit arrangements is the SDR interest rate, or a higher rate as agreed between the Fund and participants representing 80 percent of total credit arrangements (Paragraph 9(a) current NAB).

30. In the event of a change in the method of calculating the SDR interest rate, the new rate would apply to outstanding indebtedness under the NAB only if participants representing 80 percent of total credit arrangements agree. Moreover, individual participants retain the right to continue to receive interest calculated under the original method for calculating the SDR interest rate (Paragraph 9(b) current NAB). Accordingly, the Fund is exposed to an interest rate risk arising from limitations on the Fund's ability to adjust the interest rate paid to participants.

Proposed Modification

31. The following changes are proposed:

- It is proposed to increase the required threshold for participants' consent to an interest rate higher than the SDR interest rate from 80 percent currently to 85 percent of total credit arrangements (Paragraph 9(a) revised NAB).
- It is also proposed to delete Paragraph 9(b) of the current NAB to eliminate any exposure of the Fund to interest rate risk.

G. Repayment of NAB Borrowing

Current NAB

32. The NAB Decision provides that claims under credit arrangements have a maximum maturity of five years (Paragraph 11(a), first sentence current NAB). However, the Fund has to repay participants prior to that maturity in accordance with the repurchase obligation schedule for the purchases funded with NAB resources (Paragraph 11(a), second sentence current NAB). In addition, the Fund may make early repayments in part or in full to one or several participants, in consultation with participants (Paragraph 11(b) current NAB).

Considerations for Reform

33. The principle that NAB participants should be repaid when the Fund is repaid under Fund credit funded from the NAB should be maintained under the expanded and more flexible NAB. At the same time—and particularly in light of the fact, as discussed above, that the creditor positions of participants might not be balanced due, inter alia, to folding-in of outstanding drawings or non-proportional funding of individual purchases—it would be desirable for the Fund to have flexibility to allocate repayments in a manner designed to achieve balanced positions among participants with respect to their available commitments. This consideration would apply to all receipts of resources from repurchases of credit (whether scheduled repurchases or early repurchases) that had been financed by calls on participants, in order to help achieve balanced positions.

34. The use of borrowed resources would reflect exceptional circumstances in which there is a need to supplement the Fund's quota resources to support its lending activities, rather than being a core part of the Fund's financing mechanism. Accordingly, in circumstances in which the Fund's liquidity has strengthened (whether as a result of repurchases of credit that had been financed with quota resources, or as a result of an increase in quota resources), there would be a strong presumption that the Fund would exercise the option to make early repayments (though this would need to be governed by a separate Fund policy rather than as a part of the NAB Decision). This would be consistent with the requirement under the Articles that borrowing is only to be used to replenish the Fund's holdings of members' currencies. Here too, it would seem appropriate for the Fund to maintain the flexibility to apply payments so as to help achieve proportionality among participants with respect to their available commitments.

Proposed Modification

35. The proposed amendments to the NAB Decision are intended to allow the Fund to allocate repayments so as to balance individual participants' creditor positions as follows:

- All repurchases of Fund credit financed with NAB resources (including through borrowing agreements that have been folded into the NAB) will be used to repay NAB participants an equivalent amount (Paragraph 11(a), second sentence revised NAB). Repayments to individual participants prior to the 5-year maturity date will be allocated with due regard to the objective of achieving available commitments of participants that are of equal proportion relative to their credit arrangements (Paragraph 11(d) revised NAB).
- The option for the Fund to make early repayments in addition to those based on the pass-through of the repurchases of Fund credit funded with NAB resources would be retained. Such early repayments would also be allocated among participants with due regard to the objective of achieving available commitments of participants that are of equal proportion relative to their credit arrangements (Paragraph 11(b) and (d) revised NAB).
- Given the nature of repurchases from the Fund, i.e., each purchase is normally repaid in eight equal installments, it would not be practicable in some cases to distribute each repurchase among all 39 participants, particularly in the case of smaller repurchases. In such cases, the resulting deviations among participants' available commitments would be taken into account in allocating future repurchases funded with NAB resources, when approving and drawing under the next RMP, or when making repayments from quota resources; all of these would be done with the objective of reducing any such differences.

- The requirement for repayment of NAB participants on the same date as repurchases are made would be eliminated (Paragraph 11(a) revised NAB), which will allow the Fund to bundle a number of smaller repurchases during a quarterly period for purposes of repayment of NAB participants, avoiding multiple payments of relatively small amounts.
- Information on scheduled repayments of NAB resources and their allocation to participants would be included in the RMP and, in periods where there is no RMP, in the FTP for the relevant period. Participants would be notified about repayments allocated to them in accordance with the Fund's rules and practices for GRA repurchases.
- To reduce the drawn balance of a participant that had transferred a claim arising from a call (loan claim or note), repayments would have to be made to the holder of that claim. Payment to the transferee would restore *pro tanto* the amount that can be called under the credit arrangement of the participant under which the claim originally arose (Paragraph 11(f) revised NAB).

H. Early Repayment of Participants in Case of Balance of Payments Need

Current NAB

36. The NAB Decision allows the Managing Director to request participants to provide the resources needed to finance an early repayment to another participant experiencing balance of payments difficulties. However, the consent of participants is required for such drawings as there is no obligation for participants under the current NAB to provide resources under their credit arrangements in response to a request to fund the early repayment of another participant (Paragraph 11(e) current NAB).

Considerations for Reform

37. Retaining the full and immediate encashability of participants' claims under their credit arrangements in case of balance of payments need is critical from the perspective of allowing these claims to be treated as reserve assets and to be shown as such in statistical reporting. Accordingly, the Fund must maintain adequate liquidity to mitigate liquidity risks associated with encashment to give confidence in its capacity to meet commitments to its borrowers.

38. The size of individual credit arrangements under the expanded NAB are expected to be too large for the Fund to be in a position to support only from quota resources the full and immediate encashment of claims under credit arrangements, some of which exceed US\$100 billion. Accordingly, there is a need under the expanded NAB for automatic access to available credit commitments of participants to finance early repayments of NAB claims (notes and loans), in order to provide a firm assurance that the necessary resources would be

available should the need arise. As some proportion of credit arrangements would need to be set aside for the possible need to finance encashment, the total volume of lending that could be supported by the NAB would be less than the size of the NAB. By way of example, if 20 percent of NAB credit arrangements were set aside to ensure NAB encashability, then the use of NAB resources to support lending would be limited to 80 percent of the total size of the NAB.

Proposed Modification

39. The following proposal is intended to preserve the Fund’s ability to make full and immediate repayment to any participant experiencing balance of payments needs:

- Retain the right to full and immediate encashability of claims (loan claims and notes) under credit arrangements of NAB participants experiencing balance of payments needs (Paragraph 11(e) revised NAB).
- Require participants to provide resources, within the limits of their credit arrangements, that are necessary to finance early repayment to any participant that is experiencing a balance of payments need and requests full or partial early repayment, in circumstances in which the Fund’s holdings of currencies for such repayments are not wholly adequate (“special calls”). The right to early encashment would be available to a transferee of a NAB claim (loan or note) if the transferee is a member or the institution of a member and if, at the time of the transfer, the relevant member was included in the FTP (see under L below.). The activation procedure discussed in Section II.D would not apply to these calls. Special calls to finance encashment would be made on a proportional basis, consistent with the framework discussed in Section II.E (Paragraph 7(a) revised NAB).
- Special calls to finance encashment would not be made on a participant that, because of its balance of payments and reserve position, is not included in the FTP for transfers at the time the call is made. Also, no such special calls would be made on a participant that has been included in the FTP, if at the time of the call, the member’s currency is not being used in transfers under the FTP because of the member’s balance of payments and reserve position (Paragraph 7(a) revised NAB).

I. Currencies for Early Repayment of Participants in Case of Balance of Payments Need

Current NAB

40. While resources provided under the NAB to finance purchases must effectively be provided in freely usable currencies as a result of Article V, Section 3(e) of the Articles of Agreement, no such obligations apply to resources provided to finance early repayment of NAB borrowing. Under the current NAB, early repayment to participants in case of balance

of payments need is to be made in the currencies of other members that are actually convertible (defined in the current NAB as currencies included in the Fund's quarterly operational budget, which is the Financial Transactions Plan in today's terminology) for transfers (Paragraph 1(a)(vii) current NAB), which may or may not be freely usable currencies (Paragraph 11(e) current NAB). Participants who make available resources under their NAB credit arrangements to fund the early repayment are under no obligation to convert balances of their currency (if they are not a freely usable currency) into a freely usable currency. Participants seeking early repayment may, therefore, not be able to obtain the freely usable currencies that they may need to address their balance of payments need.

Considerations for Reform

41. It would be desirable for a participant experiencing balance of payments difficulties to be able to receive early repayment of its NAB claims in freely usable currencies, as is the case when NAB resources are used to fund purchases by members with balance of payments need from the GRA. As the provisions in the Articles regarding the conversion into freely usable currencies of currencies sold in GRA purchase transactions do not apply to the balances of a participant's currency drawn to fund early encashment of NAB claims, the obligation to convert such balances into freely usable currencies would need to be established under the NAB Decision.

Proposed Modification

42. In order to ensure that a participant requesting early repayment because of balance of payments need could receive a freely usable currency, the proposed amendments to the NAB Decision introduce, with respect to calls to finance such encashment, a regime similar to that under Article V, Section 3(e) of the Fund's Articles of Agreement regarding the provision of freely usable currencies in the context of purchase transactions from the GRA (Paragraph 11(e) revised NAB):

- At the request of the participant requesting early repayments, participants who are being called upon to fund the early repayment and whose currency is not a freely usable currency would be obliged to convert their currency into a freely usable currency of their choice.
- A participant who is being called upon to fund the early repayment and whose currency is a freely usable currency would be required to collaborate with the Fund and other members to enable the exchange of its currency into another freely usable currency at the request of the participant requesting early repayment; such exchanges would not be mandated by the decision.

43. As quota resources are the first line of defense to fund early repayment requests, the proposed amendment similarly provides that in case repayment is made from quota

resources, it will be made in a freely usable currency unless, with the agreement of the participant, the repayment is made in another currency that is actually convertible (Paragraph 11(e), fourth sentence revised NAB).

44. As a matter of operational practice, staff envisages that the procedures which are currently in place with FTP members regarding currency conversion for GRA purchases would also be followed for drawings to finance early repayment of NAB borrowing.

J. Admitting New Participants and Changing the Size of Credit Commitments

45. This sub-section discusses possible modifications to increase the flexibility for accepting new participants.

Current NAB

46. The regime for the admission of new participants under the current NAB has the following features:

- New participants can only be admitted at the time of the renewal of the NAB Decision. Admission at the time of renewal requires a Board decision and agreement of participants representing 80 percent of total credit arrangements (Paragraph 3(b) current NAB).
- The admission of a new participant other than at the time of the renewal of the NAB Decision requires an amendment of the NAB Decision, i.e., a Board decision and the concurrence of participants representing 85 percent of total credit arrangements.⁸ An amendment of the NAB is a cumbersome and time-consuming process that can involve, on the part of participants, legislative approvals and other domestic authorization procedures before participants can agree to an amendment.
- An increase in the size of total credit arrangements at the time of the admission of a new participant (which cannot exceed the amount of the new participant's credit agreement) requires the support of participants representing 85 percent of total credit arrangements (Paragraph 5(a) current NAB).

47. Individual participants' credit arrangements can be changed at any time in light of developing circumstances. They require a decision by the Fund and the agreement of participants representing 85 percent of total credit arrangements, including each participant whose credit arrangement is changed (Paragraph 5(b) current NAB); this latter provision can only be amended with the agreement of all participants.

⁸ See *New Arrangements to Borrow—Proposed Decisions* (SM/96/307, 12/31/1996), p. 3-4.

Proposed Modification

48. Under the proposed amendments:

- New participants may be admitted at any time with the agreement of the Fund and participants representing 85 percent of total credit arrangements (Paragraph 3(b) revised NAB), thereby eliminating the need for an amendment of the NAB Decision for the adherence of new participants outside of renewal decisions.
- No change is proposed to the provision relating to increases in the size of total NAB credit arrangements upon adherence of a new participant by up to the size of the new participant's credit arrangement (Paragraph 4(a) revised NAB).
- No change is proposed to the provision relating to changes in the size of individual credit arrangements in light of developing circumstances (Paragraph 4(b) revised NAB).

K. Nature and Evidence of Indebtedness***Current NAB***

49. Resources made available to the Fund under the current NAB are provided in the form of loans. At the request of a participant, the Fund issues certificates evidencing the Fund's indebtedness to the participant in the form of non-negotiable instruments (Paragraph 8 current NAB).

Considerations for Reform

50. One element of the proposed flexibility under the modified NAB is to broaden the range of instruments through which participants can provide credit in order to increase the attractiveness of NAB participation to potential participants. Specifically, it is proposed that participants be given the option to extend credit to the Fund under the NAB not only in the form of loans, but also by purchasing promissory notes from the Fund. Allowing individual participations to take different forms is important from the perspective of accommodating participants' and potential participants' individual institutional requirements and preferences. Whether participants provide resources through notes or loans would have no effect on their rights and obligations as participants under the NAB as identical substantive terms would apply to both notes and loans. Nor will it affect how the Fund uses the resources obtained in financing transactions with members.

Proposed Modification

51. Resources provided under the NAB could be either in the form of loans or notes. The key substantive terms of the notes, e.g., regarding maturity, interest rate, media of payment,

or exchange rates, would be identical to those of loans. General Terms and Conditions (GTC) for NAB Notes reflecting these terms would be attached to the NAB Decision. Any changes to the GTC would require a decision by the Fund and the agreement of participants representing 85 percent of total credit arrangements, and the amended GTC would apply to all outstanding notes issued under the NAB Decision.

L. Transferability of NAB Claims

Current NAB

52. The NAB Decision provides for the transferability of claims to repayment under credit arrangements with the prior consent of the Fund, on such terms and conditions as the Fund may approve. In a separate Executive Board decision, the Fund consented in advance to the transfer of claims to repayment under the NAB to other NAB participants.⁹

Considerations for Reform

53. In order to help ensure that the potential liquidity of claims on the Fund under the NAB would be similar to that of notes issued under the Note Purchase Agreement (NPA) framework endorsed by the Executive Board on July 1, 2009, and thereby strengthen the incentives for participants to fold their NPAs into the NAB, it is proposed that the transferability provisions under the NAB be aligned with those applicable to notes (which are themselves based on the borrowing agreement with Japan and other bilateral borrowing agreements).¹⁰ This would allow the transfer of claims to members that are not participants and to certain official entities under a regime for pre-authorized transfers as part of the NAB Decision. In order to manage the liquidity risks associated with encashment—and reflecting the approach under the bilateral loan agreements and the NPA framework—the transferee would have the right to request early repayment only if the transferee is a member (or the institution of a member) that was included in the FTP at the time of the transfer. An expansion of the transferability of claims does not affect the rights and obligations of NAB participants under the NAB Decision. In particular, it does not affect the available credit commitment of a participant under the NAB (see paragraphs 28 last bullet and 35 last bullet).

⁹ See Decision No. 11429-(97/6), January 27, 1997.

¹⁰ *A Framework for the Fund's Issuance of Notes to the Official Sector—Decision* (EBS/09/96 Sup. 2, 7/6/2009).

Proposed Modification

54. A regime for pre-authorized transfers of the loans and notes would be integrated into the NAB Decision to allow for transfers of claims and notes without the need for prior approval of the Fund:

- Such transfers could be made to: (a) other participants; and (b) non-participants that are: (i) members of the Fund; (ii) the central bank or other fiscal agency of a member; or (iii) official entities that are prescribed holders of SDRs. Transfers outside this defined group would continue to require the prior consent of the Fund (Paragraph 13 revised NAB).¹¹
- The right to request early repayment in the event the transferee experiences a balance of payments need would be limited to members or institutions of members that at the time of the transfer were considered to have balance of payments and reserve positions that were sufficiently strong for them to have been included on the transfer side of the FTP (Paragraph 13(c) revised NAB).
- Transferees of a claim in the form of a loan may request at the time of transfer that the claim be exchanged for a NAB note, and claims in the form of a note may be exchanged for a loan claim. The claim so exchanged shall be held by the transferee on the same substantive terms as the transferred claim, in particular regarding the amount, maturity, interest rate and right to early encashment (Paragraph 13(k) revised NAB).

M. Folding in Existing Agreements

55. This sub-section sets forth a proposal for folding existing borrowing agreements into the NAB.

Considerations

56. As noted above, at their April 2009 meeting the IMFC called for an increase in the resources available to the IMF through immediate financing from members of \$250 billion, subsequently incorporated into an expanded and more flexible NAB. Consolidating bilateral loan agreements and NPAs into a single multilateral framework for the provision of supplementary financing for the Fund would have a number of advantages, including providing a predictable and uniform backstop to the Fund's quota resources, and facilitating

¹¹ As under the current NAB transfer decision, the Fund would need to be notified of the full details of the transfer (and in particular the vintage of the transferred claim) in order to be able to make repayments and interest payments.

the encashment of claims without the limits adopted on the size of encashments under bilateral loan and NPAs through the use of unutilized credit arrangements.

Proposed Approach

57. It is proposed that participants will have the option to fold into the NAB their claims under bilateral loan and note purchase agreements with the Fund entered into prior to the effectiveness of the expanded NAB. This would apply to both claims arising from agreements entered into by participants, and those obtained through transfers. The process would be as follows:

- With respect to outstanding claims under bilateral agreements (i.e., amounts that have already been drawn under such agreements), the Fund would repay, at the request of the participant, the outstanding claim under the agreement by making a special call under the NAB credit arrangement of the participant that made the request. This special call would not involve the application of the activation period described in Section II.D. The maturity date of each claim—loan or note—arising from the special call would be the final maturity date of each outstanding drawing or note under the original bilateral loan or NPA. All other terms and conditions of the NAB would apply (Paragraph 23 revised NAB). Such a special call could not be made until the revised NAB is fully operational, as set out in Section III.B.
- Once outstanding claims under bilateral agreements have been repaid through a special call under Paragraph 23 of the revised NAB, participants would have the option to terminate or reduce the remaining commitment under their bilateral agreement. This right would not be affected by the size of the credit arrangement established in the NAB in relation to the size of the bilateral agreement.¹²

N. Relationship between the NAB and the GAB

Current NAB

58. The NAB specifies that it is to be used as the first and principal recourse vis-à-vis the GAB in circumstances in which the Fund needs to supplement its resources. The Fund can make calls under the GAB in only two circumstances. First, in the event of a request for a drawing on the Fund by a participating member, or a member whose institution is a participant, in both the NAB and the GAB, a proposal for calls may be made under either

¹² Some of the earlier bilateral loan agreements do not give the lender the option to terminate or reduce the remaining commitment under these agreements when the NAB reform becomes effective. It is understood that these agreements will be amended to provide for this option.

agreement. Second, in the event that a proposal for a call under the NAB is not accepted by participants (Paragraph 21(a) current NAB).

59. Outstanding drawings and commitments under the NAB and GAB may not exceed SDR 34 billion, or such other amount of total credit arrangements as may be in effect in accordance with the NAB Decision. The available commitment of a participant under the NAB is reduced *pro tanto* by any outstanding drawings under the GAB (Paragraph 21(b) current NAB).

Considerations for Reform

60. Under the proposals discussed above, the NAB would be modified to allow for a general activation for a defined period, instead of the current loan-by-loan activation (Section II.D). Accordingly, there is a need for a conforming modification of the circumstances in which the Fund could make calls on the GAB. In order to preserve the GAB's role as a backstop to the NAB, it would seem desirable to allow the Fund to make calls on the GAB in circumstances in which participants have not agreed to provide resources under the NAB.

Proposed Modification

61. The following modifications are therefore proposed:

- The Managing Director could make a proposal for calls under the GAB in circumstances in which participants have *not* accepted a proposal by the Managing Director for an activation period under the NAB (Paragraph 21(a) revised NAB). Such proposals would be made in accordance with the provisions of the GAB Decision.
- No changes are proposed to other aspects of the relationship between the NAB and the GAB. Similarly, no changes are proposed to the GAB.

O. NAB as a Standing Arrangement to provide a Backstop to the Fund's Financing Mechanism and Renewal of the NAB

62. It would be desirable to maintain the NAB as a standing backstop for the Fund's financing mechanism. The current crisis has demonstrated that financing needs can build rapidly and strain the Fund's ability to finance lending using quota resources alone. It would be helpful for the Fund to continue to maintain a standing borrowing arrangement as a backstop for quota-based resources, including in the event that a participant were to need to call on its reserve tranche position or request the use of Fund resources.

63. Bearing in mind the desirability of maintaining the NAB as a standing backstop, the appropriate size of the NAB will be considered in light of the outcome of the Fourteenth

General Review of Quotas at the time of the next NAB renewal. At the same time, experience with the operation of the NAB (including experience with the procedures for activation) would be reviewed.

64. Regarding the timing of the next NAB renewal, it is proposed that the NAB Decision be amended to provide that the current NAB period would expire on November 16, 2012 (rather than November 16, 2013) (Paragraph 19(a) revised NAB). As a result, the next NAB Renewal Decision would need to be adopted no later than November 15, 2011 (Paragraph 19(b) revised NAB).

III. OTHER ISSUES

A. Use of Quota Resources to Repay NAB Borrowing

65. An issue that will need to be considered by the Executive Board after the Fourteenth General Review of Quotas is completed is whether it would be appropriate to use some part of the increased quota resources to retire borrowing from the NAB in full or in part. As discussed in paragraph 34 above, once the Fund's liquidity has strengthened, thereby alleviating the need to replenish the Fund's holdings of currencies, it would be appropriate to use quota resources to make early repayments on the Fund's borrowings. This will need to be considered by the Fund's Executive Board in the context of the size of quotas following the Fourteenth General Review, developments in Fund liquidity, and prospective demand for Fund resources.

B. Entry into Effect

66. An amendment of the NAB is necessary to give effect to the proposed modifications regarding increased flexibility and the adherence of new participants outside of a renewal decision. Consistent with Paragraph 15 of the current NAB, such amendment will require a decision of the Executive Board (adopted by a majority of votes cast) and the concurrence of participants representing 85 percent of total credit arrangements. As it is no longer proposed to modify any protected provision in the Decision (at an earlier stage it was contemplated to amend Paragraph 5(b) of the current NAB), the proposed amendments do not require the agreement of all (current) NAB participants.

67. Separate from the amendment of the NAB Decision are the increases in the credit arrangements of existing participants. As discussed above, changes in the credit arrangements require an Executive Board decision and the agreement of participants representing 85 percent of total credit arrangements, including each participant whose credit arrangement is changed (Paragraph 5(b) current NAB).

68. The adherence of new participants requires a formal notification of adherence to the revised NAB. Moreover, for new participants that are official institutions of a member, the member has to consent to their adherence to the NAB (Article 1(a)(xii)).

69. The NAB reform is understood to be a package. It is therefore proposed to link the three reform elements (i.e., (i) the amendments to the NAB to make it more flexible; (ii) the increases in credit arrangements of existing participants, and (iii) the adherence of new participants) regarding their effectiveness as follows:

- The amendments to the NAB Decision (including the amendment to admit new participants outside of a renewal decision) and the changes in the credit arrangements of existing participants would be adopted in one Executive Board decision.
- The amendments to the NAB Decision and the changes in credit arrangements would become effective when (i) existing participants representing 85 percent of current credit arrangements have concurred to the proposed amendments, and (ii) existing participants representing 85 percent of current credit arrangements have agreed to the proposed increases in the credit arrangements of existing participants, including each participant whose credit arrangement is changed. As credit arrangements of participants representing 96 percent of credit arrangements are being increased under the proposed decision, effectively the agreement of participants representing at least 96 percent of total current credit arrangements is required for the proposed changes in credit arrangements.
- With respect to new participants, the amended NAB Decision provides that no drawings may be made under the amended NAB until new participants representing 70 percent of the credit arrangements of new participants have adhered to the amended NAB (paragraph 24 revised NAB). Therefore, for the expanded and more flexible NAB to become operational, new participants representing 70 percent of total credit arrangements will need to adhere.

IV. PROPOSED DECISION

Accordingly, the following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

1. Decision No. 11428-(97/6), adopted January 27, 1997 on the New Arrangements to Borrow, as amended (the "NAB Decision"), shall be further amended to read as set out in Attachment I to SM/10/74, March 25, 2010 ("Attachment I").

2. The credit arrangements of current NAB participants shall be changed as set out in Annex 1 of Attachment I.

3. The amendments to the NAB Decision and the changes in credit arrangements of existing participants shall become effective when participants representing 85 percent of total credit arrangements have concurred to the amendments and participants representing 85 percent of total credit arrangements, including each participant whose credit arrangement is changed, have agreed to the changes in the credit arrangements.

New Arrangements to Borrow

Preamble

In order to enable the International Monetary Fund (the “Fund”) to fulfill more effectively its role in the international monetary system, a number of countries with the financial capacity to support the international monetary system have agreed to provide resources to the Fund up to specified amounts in accordance with the terms and conditions of this decision. As the Fund is a quota-based institution, the credit arrangements provided for under the terms of this decision shall only be drawn upon when quota resources need to be supplemented in order to forestall or cope with an impairment of the international monetary system. In order to give effect to these intentions, the following terms and conditions are adopted under Article VII, Section 1(i) of the Fund’s Articles of Agreement.

Paragraph 1. *Definitions*

- (a) As used in this decision the term:
 - (i) “amount of a credit arrangement” means the maximum amount expressed in special drawing rights that a participant undertakes to make available to the Fund under a credit arrangement;
 - (ii) “Articles” means the Articles of Agreement of the Fund;
 - (iii) “available commitment” means a participant’s credit arrangement less any drawn and outstanding balances;
 - (iv) “borrowed currency” or “currency borrowed” means currency transferred to the Fund’s account under a credit arrangement;
 - (v) “call” means a notice by the Fund to a participant to make a transfer under its credit arrangement to the Fund’s account;
 - (vi) “credit arrangement” means an undertaking to provide resources to the Fund on the terms and conditions of this decision;
 - (vii) “currency actually convertible” means currency included in the Fund’s quarterly financial transactions plan for transfers;
 - (viii) “drawer” means a member that purchases borrowed currency from the General Resources Account of the Fund;
 - (ix) “indebtedness of the Fund” means the amount the Fund is committed to repay under a credit arrangement;

- (x) “member” means a member of the Fund;
- (xi) “participant” means a participating member or a participating institution;
- (xii) “participating institution” means an official institution of a member that has entered into a credit arrangement with the Fund with the consent of the member; and
- (xiii) “participating member” means a member that has entered into a credit arrangement with the Fund.

(b) For the purposes of this decision, the Monetary Authority of Hong Kong (the “HKMA”) shall be regarded as an official institution of the member whose territories include Hong Kong, provided that

- (i) loans by the HKMA and payments by the Fund to the HKMA under this decision shall be made in the currency of the United States of America, unless the currency of another member is agreed between the Fund and the HKMA;
- (ii) the references to balance of payments and reserve position in paragraphs 5(c), 6(b), 6(c), 7(a), and 11(e) shall be understood to refer to the balance of payments and reserve position of Hong Kong. The HKMA shall not be eligible to vote on a proposal for activation under paragraph 5(c), included in a resources mobilization plan under paragraph 6(b), or subject to calls under paragraph 7(a), and shall be excluded from calls in accordance with paragraph 6(c), if, at the time of voting on any such proposal, approval of any such resource mobilization plan, or making of any such call, the HKMA notifies the Fund that Hong Kong’s present and prospective balance of payments and reserve position does not allow it to meet calls under its credit arrangement; and
- (iii) the HKMA shall have the right to request early repayment in accordance with paragraph 13(c) with respect to claims transferred to the HKMA if at the time of the transfer the balance of payments position of Hong Kong is, in the opinion of the Fund, sufficiently strong to justify such a right.

Paragraph 2. *Credit Arrangements*

(a) A member or institution that adheres to this decision undertakes to provide resources to the Fund on the terms and conditions of this decision up to the amount in special drawing rights set forth in Annex I to this decision (“Annex I”), which may be amended from

time to time in order to take into account changes in credit arrangements resulting from the application of paragraphs 3(b), 4, 15(b), 16, 17 and 19(b).

(b) Except as set forth in paragraph 1(b)(i) or otherwise agreed with the Fund, resources provided to the Fund under this decision shall be made in the currency of the participant. Agreements under this paragraph for the use of the currency of another member shall be subject to the concurrence of any member whose currency shall be used.

Paragraph 3. *Adherence*

(a) Any member or institution specified in Annex I as a new participant may adhere to this decision in accordance with paragraph 3(c).

(b) Any member or institution not specified in Annex I, may apply to become a participant at any time. Any such member or institution that wishes to become a participant shall, after consultation with the Fund, give notice of its willingness to adhere to this decision, and, if the Fund and participants representing 85 percent of total credit arrangements shall so agree, the member or institution may adhere in accordance with paragraph 3(c). When giving notice of its willingness to adhere under this paragraph 3(b), a member or institution shall specify the amount, expressed in special drawing rights, of the credit arrangement which it is willing to enter into, provided that the amount shall not be less than the credit arrangement of the participant with the smallest credit arrangement. The admission of a new participant shall lead to a proportional reduction in the credit arrangements of all existing participants whose credit arrangements are above that of the participant with the smallest credit arrangement: such proportional reduction in the credit arrangements of participants shall be in an aggregate amount equal to the amount of the new participant's credit arrangement less any increase in total credit arrangements decided in accordance with paragraph 4(a), provided that no participant's credit arrangement shall be reduced below the minimum amount set out in Annex I.

(c) A member or institution shall adhere to this decision by depositing with the Fund an instrument setting forth that it has adhered in accordance with its law and has taken all steps necessary to enable it to carry out the terms and conditions of this decision. On the deposit of the instrument the member or institution shall be a participant as of the date of the deposit or of the effective date of the amendments to this decision set out in Executive Board Decision No. [Decision amending NAB Decision], whichever is later.

Paragraph 4. *Changes in Amounts of Credit Arrangements*

(a) When a member or institution is authorized under paragraph 3(b) to adhere to this decision, the total amount of credit arrangements may be increased by the Fund with the agreement of participants representing 85 percent of total credit arrangements; the increase shall not exceed the amount of the new participant's credit arrangement.

(b) The amounts of participants' individual credit arrangements may be reviewed from time to time in the light of developing circumstances and changed with the agreement

of the Fund and of participants representing 85 percent of total credit arrangements, including each participant whose credit arrangement is changed. This provision may be amended only with the consent of all participants.

Paragraph 5. Activation Period

(a) When the Managing Director considers that the Fund's resources available for the purpose of providing financing to members from the General Resources Account need to be supplemented in order to forestall or cope with an impairment of the international monetary system, and after consultations with Executive Directors and participants, the Managing Director may make a proposal for the establishment of an activation period during which the Fund may (i) make commitments under Fund arrangements for which it may make calls on participants under their credit arrangements, and (ii) fund outright purchases by making calls on participants under their credit arrangements; provided that an activation period shall not exceed 6 months, and provided further that the amount covered by calls to fund such commitments under arrangements and outright purchases shall not exceed the maximum amount specified in the proposal. The proposal for the establishment of an activation period shall include information on (i) the overall size of possible Fund arrangements on which discussions are advanced, (ii) the balance between arrangements that are expected to be drawn upon and arrangements that are expected to be precautionary, (iii) additional financing needs that, in the opinion of the Managing Director, may arise during the proposed activation period, and (iv) the mix of quota and NAB resources for purchases from the General Resources Account in the period following the approval of an activation period. The information will be updated quarterly during an activation period.

(b) If there is not unanimity among the participants, the question whether the participants are prepared to accept the Managing Director's proposal for the establishment of an activation period in accordance with paragraph 5(a) will be decided by a poll of the participants. A favorable decision shall require an 85 percent majority of total credit arrangements of participants eligible to vote. The decision shall be notified to the Fund.

(c) A participant shall not be eligible to vote if, based on its present and prospective balance of payments and reserve position, the member is not included in the financial transaction plan for transfers of its currency at the time of the decision on a proposal for an activation period.

(d) An activation period shall become effective only if it is accepted by participants pursuant to paragraph 5(b) and is then approved by the Executive Board.

Paragraph 6. Resource Mobilization Plans and Calls

(a) To fund outright purchases during an activation period and commitments under arrangements approved during an activation period, calls under individual credit arrangements of participants may be made on the basis of resource mobilization plans approved by the Executive Board normally on a quarterly basis in conjunction with the

quarterly financial transactions plan for the General Resources Account. Such resource mobilization plans shall specify for each participant the maximum amount for which calls may be made during the applicable period. The Executive Board may at any time amend such a plan to change the maximum amounts and period for calls. With respect to the allocation of the maximum amounts among participants, the resource mobilization plan shall normally establish an allocation that would result in the available commitments of participants being of equal proportion relative to their credit arrangements.

(b) A participant shall not be included in the resource mobilization plan when, based on its present and prospective balance of payments and reserve position, the member is not included and is not being proposed by the Managing Director to be included in the list of countries in the quarterly financial transactions plan for transfers of its currency.

(c) Calls during the period of a resource mobilization plan shall be made on participants by the Managing Director with due regard to the objective specified in paragraph 6(a) of achieving available commitments of participants that are of equal proportion relative to their credit arrangements. No call shall be made on a participant that has been included in the resource mobilization plan if, at the time of such call, the member's currency is not being used in transfers under the financial transactions plan because of the member's balance of payments and reserve position.

(d) When the Fund makes a call pursuant to this paragraph 6, the participant shall promptly make the transfer in accordance with the call.

Paragraph 7. *Procedures for Special Calls*

(a) Calls pursuant to paragraph 11(e) may be made at any time with due regard to the objective specified in paragraph 6(a) of achieving available commitments of participants that are of equal proportion relative to their credit arrangements, provided that no such call shall be made on a participant, when, based on its present and prospective balance of payments and reserve position, the member is not included and is not being proposed by the Managing Director to be included in the list of countries in the quarterly financial transactions plan for transfers of its currency or, if the member has been included in the financial transactions plan, when, at the time of such call, the member's currency is not being used in transfers under such plan because of the member's balance of payments and reserve position. Calls under this paragraph 7(a) shall not be subject to the procedures set forth in either paragraph 5 or paragraph 6.

(b) Calls pursuant to paragraph 23 may be made at any time; they shall not be subject to the procedures set forth in either paragraph 5 or paragraph 6.

(c) When the Fund makes a call pursuant to this paragraph 7, the participant shall promptly make the transfer in accordance with the call.

Paragraph 8. *Nature and Evidence of Indebtedness*

(a) A participant's claim on the Fund arising from calls under this decision shall be in the form of a loan to the Fund; provided that, at the request of a participant, the Fund shall issue to the participant and the participant shall purchase, for up to the amount of any call on that participant, one or more promissory notes ("Note") that have the same substantive terms as loans extended under this decision and are subject to the General Terms and Conditions for NAB Notes set forth in Annex II to this decision (the "GTC"). The GTC may be amended by a decision of the Fund with the agreement of participants representing 85 percent of total credit arrangements, provided that any amendment of the GTC shall be consistent with the terms of this decision. The amended GTC shall apply upon effectiveness to all outstanding Notes issued under this decision.

(b) In cases where a participant's claim on the Fund is in the form of a loan, the Fund shall issue to the participant, at its request, instruments evidencing the Fund's indebtedness. The form of the instruments shall be agreed between the Fund and the participant. Upon repayment of the amount of any such instrument and all accrued interest, the instrument shall be returned to the Fund for cancellation. If less than the amount of any such instrument is repaid, the instrument shall be returned to the Fund and a new instrument for the remainder of the amount shall be substituted with the same maturity date as in the old instrument.

(c) In cases where a participant's claim on the Fund is in the form of promissory notes, such notes shall be issued in book entry form. Upon the request of a participant, the Fund shall issue a registered note substantially in the form as set out in the Appendix to the GTC. Upon repayment of any Note and all accrued interest, the Note shall be returned to the Fund for cancellation. If less than the amount of any such Note is repaid, the Note shall be returned to the Fund and a new Note for the remainder of the amount shall be substituted with the same maturity date as in the old Note.

Paragraph 9. *Interest*

(a) The Fund shall pay interest on its indebtedness under this decision at a rate equal to the combined market interest rate computed by the Fund from time to time for the purpose of determining the rate at which it pays interest on holdings of special drawing rights or any such higher rate as may be agreed between the Fund and participants representing 85 percent of the total credit arrangements.

(b) Interest shall accrue daily and shall be paid as soon as possible after each July 31, October 31, January 31, and April 30.

(c) Interest due to a participant shall be paid, as determined by the Fund in consultation with the participant, in special drawing rights, in the participant's currency, in the currency borrowed, in freely usable currencies, or, with the agreement of the participant, in other currencies that are actually convertible.

Paragraph 10. *Use of Borrowed Currency*

The Fund's policies and practices under Article V, Sections 3 and 7 of the Articles on the use of its general resources, including those relating to the period of use, shall apply to purchases of currency borrowed by the Fund. Nothing in this decision shall affect the authority of the Fund with respect to requests for the use of its resources by individual members, and access to these resources by members shall be determined by the Fund's policies and practices, and shall not depend on whether the Fund can borrow under this decision.

Paragraph 11. *Repayment by the Fund*

(a) Subject to the other provisions of this paragraph 11, the Fund, five years after a transfer by a participant in response to a call under this decision, shall repay the participant an amount equivalent to the transfer calculated in accordance with paragraph 12. If a drawer for whose purchase resources were made available under this decision repurchases on a date earlier than five years after its purchase, the Fund shall repay participants an equivalent amount during the quarterly period in which the repurchase is made in accordance with paragraph 11(d). Repayment under this paragraph 11(a) or under paragraph 11(c) shall be, as determined by the Fund, in the currency borrowed whenever feasible, in the currency of the participant, in special drawing rights in an amount that does not increase the participant's holdings of special drawing rights above the limit under Article XIX, Section 4 of the Articles unless the participant agrees to accept special drawing rights above that limit in such repayment, in freely usable currencies, or, with the agreement of the participant, in other currencies that are actually convertible.

(b) Before the date prescribed in paragraph 11(a), the Fund, after consultation with participants, may make repayment in part or in full to one or several participants in accordance with paragraph 11(d). The Fund shall have the option to make repayment under this paragraph 11(b) in the participant's currency, in the currency borrowed, in special drawing rights in an amount that does not increase the participant's holdings of special drawing rights above the limit under Article XIX, Section 4 of the Articles unless the participant agrees to accept special drawing rights above that limit in such repayment, in freely usable currencies, or, with the agreement of the participant, in other currencies that are actually convertible.

(c) Whenever a reduction in the Fund's holdings of a drawer's currency is attributed to a purchase of currency borrowed under this decision, the Fund shall promptly repay an equivalent amount to participants. If the Fund has used resources under this decision to finance a reserve tranche purchase by a drawer and the Fund's holdings of the drawer's currency that are not subject to repurchase are reduced as a result of net sales of that currency during a quarterly period covered by a financial transactions plan, the Fund shall repay at the beginning of the next quarterly period an amount equivalent to that reduction to the participants, up to the amount of the reserve tranche purchase. Payments under this paragraph 11(c) shall be allocated among participants in accordance with paragraph 11(d).

(d) Repayments under paragraphs 11(a), second sentence, 11(b) and 11(c) shall be allocated among participants with due regard to the objective specified in paragraph 6(a) of achieving available commitments of participants that are of equal proportion relative to their credit arrangements. For each participant, repayments shall be applied first to the longest outstanding claim under its credit arrangement. If repayment is to be made in accordance with this paragraph 11(d) on a claim that has been transferred, the repayment shall be made to the transferee of such claim.

(e) Before the date prescribed in paragraph 11(a), a participant may give notice representing that there is a balance of payments need for repayment of part or all of the Fund's indebtedness and requesting such repayment. The participant seeking such repayment shall consult with the Managing Director and with the other participants before giving notice. The Fund shall give the overwhelming benefit of any doubt to the participant's representation. Repayment shall be made promptly after consultation with the participant in freely usable currencies or in special drawing rights, as determined by the Fund, or, with the agreement of the participant, in the currencies of other members that are actually convertible. If the Fund's holdings of currencies in which repayment should be made are not wholly adequate, the Managing Director shall make calls on individual participants to provide the necessary balances under their credit arrangements subject to the limit of their available commitments. At the time of such call, and if so requested by the participant seeking early repayment, (i) a participant providing balances under its credit arrangement that are not balances of a freely usable currency shall ensure that such balances can be exchanged for a freely usable currency of its choice, and (ii) a participant providing balances under its credit arrangement that are balances of a freely usable currency, shall collaborate with the Fund and other members to enable such balances to be exchanged for another freely usable currency.

(f) When a repayment is made on a claim arising from a call under this decision, the amount that can be called for under the credit arrangement of the participant under which the claim arose as a result of a call under this decision shall be restored pro tanto.

(g) Unless otherwise agreed between the Fund and a participating institution, the Fund shall be deemed to have discharged its obligations to a participating institution to make repayment in accordance with the provisions of this paragraph 11 or to pay interest in accordance with the provisions of paragraph 9 if the Fund transfers an equivalent amount in special drawing rights to the member in which the participating institution is established.

Paragraph 12. *Rates of Exchange*

(a) The value of any transfer shall be calculated as of the date of the dispatch of the instructions for the transfer. The calculation shall be made in terms of the special drawing right in accordance with Article XIX, Section 7(a) of the Articles, and the Fund shall be obliged to repay an equivalent value.

(b) For all of the purposes of this decision, the value of a currency in terms of the special drawing right shall be calculated by the Fund in accordance with Rule O-2 of the Fund's Rules and Regulations.

Paragraph 13. *Transferability*

(a) No participant or non-participant holder may transfer all or any part of its claim to repayment under a credit arrangement except (i) in accordance with this paragraph 13 or (ii) with the prior consent of the Fund and on such terms and conditions as the Fund may approve.

(b) All or part of any claim to repayment under a credit arrangement may be transferred at any time to a participant or to a non-participant that is either (i) a member of the Fund, (ii) the central bank or other fiscal agency designated by any member for purposes of Article V, Section 1 of the Articles (“other fiscal agency”), or (iii) an official entity that has been prescribed as a holder of special drawing rights pursuant to Article XVII, Section 3 of the Articles.

(c) As from the value date of the transfer, the transferred claim shall be held by the transferee on the same terms and conditions as claims originating under its credit arrangement (in the case of transferees that are participants) or as the claim was held by the transferor (in the case of transferees that are non-participants), except that (i) the transferee shall have the right to request early repayment of the transferred claim on balance of payments grounds pursuant to paragraph 11(e) only if the transferee is a member, or an institution of a member, whose balance of payments and reserve position, at the time of the transfer, is considered sufficiently strong for its currency to be usable in transfers under the Fund's financial transactions plan; (ii) if the transferee is a non-participant, references to the participant's currency shall be deemed to refer (A) if the transferee is a member, to the transferee's currency, (B) if the transferee is an institution of a member, to the currency of that member, and (C) in other cases, to a freely usable currency as determined by the Fund; and (iii) claims transferred in accordance with this paragraph 13 shall be considered drawn balances of the first transferor participant for purposes of determining the available commitment under its credit arrangement, and claims obtained by a participant under a transfer shall not be considered drawn balances of the transferee for purposes of determining the available commitment under its credit arrangement.

(d) The price for the claim transferred shall be as agreed between the transferee and the transferor.

(e) The transferor of a claim shall inform the Fund promptly of the claim that is being transferred, the name of the transferee, the amount of the claim that is being transferred, the agreed price for transfer of the claim, and the value date of the transfer.

(f) The transfer shall be registered by the Fund and the transferee shall become the holder of the claim if the transfer is in accordance with the terms and conditions of this decision. Subject to the foregoing, the transfer shall be effective as of the value date agreed between the transferee and the transferor.

(g) Notice to or by a transferee that is a non-participant shall be in writing or by rapid means of communication and shall be given to or by the fiscal agency designated by the transferee in accordance with Article V, Section 1 of the Articles and Rule G-1 of the Rules and Regulations of the Fund if the transferee is a member, or to or by the transferee directly if the transferee is not a member.

(h) If all or part of a claim is transferred during a quarterly period as described in paragraph 9(b), the Fund shall pay interest to the transferee on the amount of the claim transferred for the whole of that period.

(i) Unless otherwise agreed between the Fund and a transferee that is either a participating institution or the central bank or other fiscal agency designated by any member for purposes of Article V, Section 1 of the Articles, the Fund shall be deemed to have discharged its obligations to make repayment to such transferee in special drawing rights in accordance with paragraph 11 or to pay interest in special drawing rights in accordance with paragraph 9 if the Fund transfers an equivalent amount in special drawing rights to the account of the member in which the institution is established.

(j) If requested, the Fund shall assist in seeking to arrange transfers.

(k) The transferee of a claim may request at the time of transfer that a claim in the form of a loan be exchanged by the Fund for a Note on the same substantive terms subject to the GTC, or that a claim in the form of a Note be exchanged for a loan claim on the same substantive terms.

(l) Derivative transactions in respect of any claim under this decision, and transfer of participation interests in any claim, are prohibited.

Paragraph 14. *Notices*

Notice to or by a participating member under this decision shall be in writing or by rapid means of communication and shall be given to or by the fiscal agency of the participating member designated in accordance with Article V, Section 1 of the Articles and Rule G-1 of the Rules and Regulations of the Fund. Notice to or by a participating institution shall be in writing or by rapid means of communication and shall be given to or by the participating institution.

Paragraph 15. *Amendment*

(a) Except as provided in paragraphs 4(b), 15(b) and 16, this decision may be amended during the period prescribed in paragraph 19(a) and any subsequent renewal periods that may be decided pursuant to paragraph 19(b) only by a decision of the Fund and with the concurrence of participants representing 85 percent of total credit arrangements. Such

concurrence shall not be necessary for the modification of the decision on its renewal pursuant to paragraph 19(b).

(b) If in its view an amendment materially affects the interest of a participant that voted against the amendment, the participant shall have the right to withdraw its adherence to this decision by giving notice to the Fund and the other participants within 90 days from the date the amendment was adopted. This provision may be amended only with the consent of all participants.

Paragraph 16. Withdrawal of Adherence

Without prejudice to paragraph 15(b), a participant may withdraw its adherence to this decision in accordance with paragraph 19(b) but may not withdraw within the period prescribed in paragraph 19(a) except with the agreement of the Fund and all participants. This provision may be amended only with the consent of all participants.

Paragraph 17. Withdrawal from Membership

If a participating member or a member whose institution is a participant withdraws from membership in the Fund, the participant's credit arrangement shall cease at the same time as the withdrawal takes effect. The Fund's indebtedness under the relevant credit arrangement shall be treated as an amount due from the Fund for the purpose of Article XXVI, Section 3 and Schedule J of the Articles.

Paragraph 18. Suspension of Exchange Transactions and Liquidation

(a) The right of the Fund to make calls under paragraphs 6, 11(e), and 23 and the obligation to make repayments under paragraph 11 shall be suspended during any suspension of exchange transactions under Article XXVII of the Articles.

(b) In the event of liquidation of the Fund, credit arrangements shall cease and the Fund's indebtedness shall constitute liabilities under Schedule K of the Articles. For the purpose of paragraph 1(a) of Schedule K, the currency in which the liability of the Fund shall be payable shall be first the currency borrowed, then the participant's currency and finally the currency of the drawer for whose purchases transfers were made by the participants in connection with calls under paragraph 6.

Paragraph 19. Period and Renewal

(a) This decision shall continue in existence until November 16, 2012. When considering a renewal of this decision for any period following the period referred to in this paragraph 19(a), the Fund and the participants shall review the functioning of this decision and, in particular, (i) the experience with the procedures for activation and (ii) the impact of the Fourteenth General Review of Quotas on the overall size of quotas, and shall consult on any possible modifications.

(b) This decision may be renewed for such period or periods and with such modifications, subject to paragraphs 4(b), 15(b) and 16, as the Fund may decide. The Fund shall adopt a decision on renewal and modification, if any, not later than twelve months before the end of the period prescribed in paragraph 19(a). Any participant may advise the Fund not less than six months before the end of the period prescribed in paragraph 19(a) that it will withdraw its adherence to the decision as renewed. In the absence of such notice, a participant shall be deemed to continue to adhere to the decision as renewed. Withdrawal of adherence in accordance with this paragraph 19(b) by a participant shall not preclude its subsequent adherence in accordance with paragraph 3(b).

(c) If this decision is terminated or not renewed, paragraphs 8 through 14, 17 and 18(b) shall nevertheless continue to apply in connection with any indebtedness of the Fund under credit arrangements in existence at the date of the termination or expiration of the decision until repayment is completed. If a participant withdraws its adherence to this decision in accordance with paragraph 15(b), paragraph 16, or paragraph 19(b), it shall cease to be a participant under the decision, but paragraphs 8 through 14, 17 and 18(b) of the decision as of the date of the withdrawal shall nevertheless continue to apply to any indebtedness of the Fund under such former credit arrangement until repayment has been completed.

Paragraph 20. *Interpretation*

Any question of interpretation raised in connection with this decision (including the GTC for NAB Notes) which does not fall within the purview of Article XXIX of the Articles shall be settled to the mutual satisfaction of the Fund, the participant or transferee of a claim raising the question, and all other participants. For the purpose of this paragraph 20 participants shall be deemed to include those former participants to which paragraphs 8 through 14, 17 and 18(b) continue to apply pursuant to paragraph 19(c) to the extent that any such former participant is affected by a question of interpretation that is raised.

Paragraph 21. *Relationship with the General Arrangements to Borrow and Associated Borrowing Arrangements*

(a) When considering whether to activate the New Arrangements to Borrow or the General Arrangements to Borrow, the Fund shall be guided by the principle that the New Arrangements to Borrow shall be the facility of first and principal recourse, except that in the event that a proposal for the establishment of an activation period under the New Arrangements to Borrow is not accepted under paragraph 5(a), a proposal for calls may be made under the General Arrangements to Borrow.

(b) Outstanding drawings and available commitments under the New Arrangements to Borrow and the General Arrangements to Borrow shall not exceed SDR 367,467.36 million, or such other amount of total credit arrangements as may be in effect in accordance with this decision. The available commitment of a participant under the New Arrangements to Borrow shall be reduced pro tanto by any outstanding drawings on, and commitments of, the participant under the General Arrangements to Borrow. The

available commitment of a participant under the General Arrangements to Borrow shall be reduced pro tanto by the extent to which its credit arrangement under the General Arrangements to Borrow exceeds its available commitment under the New Arrangements to Borrow.

(c) References to drawings and commitments under the General Arrangements to Borrow shall include drawings and commitments under the Associated Borrowing Arrangements referred to in paragraph 23 of the General Arrangements to Borrow.

Paragraph 22. Other Borrowing Arrangements

Nothing in this decision shall preclude the Fund from entering into any other types of borrowing arrangements.

Paragraph 23. Transitional Arrangements for Amendments Adopted Pursuant to Decision No. []

At the request of a participant that holds claims, either in the form of loans or notes, on the Fund under bilateral borrowing agreements entered into by the Fund prior to the effectiveness of the amendments to this decision set forth in Decision No. ____ [date], the Managing Director shall make calls under the credit arrangement of such a participant to fund the repayment of such claims. Similarly, at the request of the relevant participant, calls shall be made on a participant that is a participating institution for the repayment of such claims held by the member of which it is an official institution or by the central bank or other fiscal agency designated by the member, or on a participant that is a member for the repayment of such claims held by the central bank or other fiscal agency designated by the member. Notwithstanding paragraph 11(a), the maturity date of claims under credit arrangements arising from such calls shall be the maturity date of the bilateral borrowing agreement claim for whose repayment the call was made.

Paragraph 24. Delay in Drawings

No drawings shall be made under this decision until participants representing at least 70 percent of the total credit arrangements of new participants listed in Annex I have adhered to this decision in accordance with paragraph 3(c).

Participants and Amount of Credit Arrangements 1/
(in Millions of Special Drawing Rights)

	Current Credit Arrangements	New Credit Arrangements
Current Participants		
Australia	801.29	4,370.41
Austria	407.57	3,579.24
Banco Central de Chile	340.00	1,360.00
Belgium	956.60	7,861.85
Canada	1,380.99	7,624.43
Danmarks Nationalbank	367.01	3,207.78
Deutsche Bundesbank	3,518.75	25,370.81
Finland	340.00	2,231.76
France	2,549.29	18,657.38
Hong Kong Monetary Authority	340.00	340.00
Italy	1,752.95	13,578.03
Japan	3,518.75	65,953.20
Korea	340.00	6,583.44
Kuwait	341.29	341.29
Luxembourg	340.00	970.59
Malaysia	340.00	340.00
Netherlands	1,301.85	9,043.72
Norway	378.88	3,870.94
Saudi Arabia	1,760.86	11,126.03
Singapore	340.00	1,276.52
Spain	664.77	6,702.18
Sveriges Riksbank	849.76	4,439.74
Swiss National Bank	1,540.26	10,905.42
Thailand	340.00	340.00
United Kingdom	2,549.29	18,657.38
United States	6,639.83	69,074.27
New Participants		
Bank of Israel		500.00
Brazil		8,740.82
China		31,217.22
Cyprus		340.00
Greece		1,654.51
India		8,740.82
Ireland		1,885.52
Mexico		4,994.76
New Zealand		624.34
Philippines		340.00
Portugal		1,542.13
Russian Federation		8,740.82
South Africa		340.00
Total		367,467.36

1/ Credit arrangements are subject to a minimum of SDR 340 million.

**General Terms and Conditions for Notes Issued by the International Monetary Fund
under the New Arrangements to Borrow (the “NAB”)**

These are the General Terms and Conditions for the promissory notes (the “Notes”) issued by the International Monetary Fund (the “Fund”) in accordance with paragraphs 8 and 13(k) of Executive Board Decision No. 11428-(97/6), January 27, 1997, on the New Arrangements to Borrow (the “NAB Decision”), as amended. Terms that are not otherwise defined in these General Terms and Conditions shall have the meaning ascribed to them in the NAB Decision.

Paragraph 1. Issuance of Notes to Participants and Other Holders.

(a) At the request of a participant pursuant to paragraph 8(a) of the NAB Decision the Fund will issue to the participant, and the participant shall purchase, Notes in the amount requested, up to the amount of the Fund’s call on the participant under its credit arrangement. At the request of the transferee of a loan claim, the Fund will issue Notes to the transferee in exchange for the loan claim pursuant to paragraph 13(k) of the NAB Decision.

(b) Notes shall be denominated in the special drawing right.

Paragraph 2. Form, Delivery and Custody of Notes.

(a) Notes will be issued in book entry form. The Fund will establish and maintain in its records a book entry account in the name of each holder recording pertinent details of all Notes issued, including the number, issue date, principal amount, and maturity date. As of the value date of each purchase, or of each exchange or transfer of a Note in accordance with paragraph 13 of the NAB Decision, the Fund will make an appropriate entry in its records regarding details of the Note purchased or transferred. The making of such an entry in the records of the Fund shall constitute a taking of delivery of the Note by the purchaser or transferee, and the person so listed with respect to such Note shall be the holder thereof for all purposes.

(b) Upon the request of a holder, the Fund will issue to the holder a registered Note substantially in the form set out in the Appendix to these General Terms and Conditions, including without limitation the legend regarding restrictions on transfer of Notes. Each such registered Note will bear as its issue date the value date of the purchase of the Note or the value date of the loan claim for which it was exchanged pursuant to paragraph 13(k) of the NAB Decision and shall be issued in the name of the relevant holder. Unless otherwise agreed between a holder and the Fund, the Fund will keep such registered Notes in custody for the holder, and acceptance of custody by the Fund shall constitute delivery of such registered Notes to the holder.

Paragraph 3. *Interest.*

(a) The Fund shall pay interest on Notes at a rate equal to the combined market interest rate computed by the Fund from time to time for the purpose of determining the rate at which it pays interest on holdings of special drawing rights or any such higher rate as may be agreed between the Fund and participants representing 85 percent of the total credit arrangements under the NAB Decision.

(b) Interest shall accrue daily and shall be paid as soon as possible after each July 31, October 31, January 31, and April 30.

(c) Interest due to a holder shall be paid, as determined by the Fund in consultation with the holder, in special drawing rights, in the holder's currency if the holder is a member, in the currency borrowed, in freely usable currencies, or, with the agreement of the holder, in other currencies that are actually convertible.

Paragraph 4. *Maturity; Repayment by the Fund.*

(a) Notes have a maturity of five years, provided that a Note issued pursuant to paragraph 13(k) of the NAB Decision shall have the maturity of the loan claim for which it was exchanged. Repayment of the Note principal to a holder is made in accordance with paragraph 11 of the NAB Decision.

(b) Unless otherwise agreed between the Fund and a holder that is either a participating institution or the central bank or other fiscal agency designated by a member for purposes of Article V, Section 1 of the Articles, the Fund shall be deemed to have discharged its obligations to such holder to make repayment in special drawing rights in accordance with paragraph 11 of the NAB Decision or to pay interest in special drawing rights in accordance with paragraph 3 of these terms and conditions, if the Fund transfers an equivalent amount in special drawing rights to the account of the member in which the institution is established.

(c) The Fund will cancel a Note (i) upon payment of the principal amount of the Note and all accrued interest, (ii) if a Note is transferred in accordance with paragraph 6 of these General Terms and Conditions, or (iii) if a Note is exchanged for a loan claim in accordance with paragraph 13(k) of the NAB Decision. If the Fund makes early payment of less than the principal amount of a Note, the Fund will cancel the Note and issue a new Note for the remainder of the amount.

(d) Any registered Note to be cancelled by the Fund that is not already in the custody of the Fund shall be surrendered by the holder to the Fund for cancellation.

Paragraph 5. *Rates of Exchange.*

For all of the purposes of these General Terms and Conditions, the value of a currency in terms of the special drawing right shall be calculated by the Fund in accordance with Rule O-2 of the Fund's Rules and Regulations.

Paragraph 6. *Transferability of Notes.*

(a) A holder may not transfer all or any part of its Notes except (i) in accordance with this paragraph 6 or (ii) with the prior consent of the Fund and on such terms and conditions as the Fund may approve. Any other purported transfer by a participant or other holder shall be of no force or effect.

(b) All or part of any Note may be transferred at any time to a participant or to a non-participant that is either (i) a member of the Fund, (ii) the central bank or other fiscal agency designated by any member for purposes of Article V, Section 1 of the Articles ("other fiscal agency"), or (iii) an official entity that has been prescribed as a holder of special drawing rights pursuant to Article XVII, Section 3 of the Articles.

(c) As from the value date of the transfer, the Note shall be held by the transferee on the same terms and conditions as Notes originating under its credit arrangement (in the case of transferees that are participants in the NAB) or as the Note was held by the transferor (in the case of transferees that are non-participants in the NAB), except that (i) the transferee shall have the right to request early repayment of the transferred Note on balance of payments grounds pursuant to paragraph 11(e) of the NAB Decision only if the transferee is a member, or the institution of a member, whose balance of payment and reserve position, at the time of the transfer, is considered sufficiently strong for its currency to be usable in transfers under the Fund's financial transactions plan, or, in the case of the HKMA, the balance of payments position of Hong Kong at the time of the transfer is, in the opinion of the Fund, sufficiently strong to justify such a right; (ii) if the transferee is a non-participant, references in paragraph 11 of the NAB Decision to the participant's currency shall be deemed to refer to (A) if the transferee is a member, to the transferee's currency, (B) if the transferee is an institution of a member, to the currency of that member, and (C) in other cases to a freely usable currency as determined by the Fund; and (iii) Notes transferred in accordance with this paragraph 6 shall be considered drawn balances of the first transferor participant for purposes of determining the available commitment under its credit arrangement, and Notes obtained by a transferee participant shall not be considered drawn balances of such participant for purposes of determining the available commitment under its credit arrangement.

(d) The price for the Note transferred shall be as agreed between the transferee and the transferor.

(e) The transferor of a Note shall inform the Fund promptly of the Note that is being transferred, the name of the transferee, the amount of the Note that is being transferred, the agreed price for transfer of the Note, and the value date of the transfer.

(f) The transfer shall be registered by the Fund and the transferee shall become the holder of the Note only if such transfer is in accordance with the terms and conditions of the NAB Decision and these General Terms and Conditions. Subject to the foregoing, upon registration, the transfer shall be effective as of the value date agreed between the transferee and the transferor.

(g) The transferee of a Note may request at the time of transfer that the Note be exchanged by the Fund for a loan claim pursuant to paragraph 13(k) of the NAB Decision to be held by the transferee on the same substantive terms as the transferred Note.

(h) Notice to or by a transferee that is a non-participant shall be in writing or by rapid means of communication and shall be given to or by the fiscal agency designated by the transferee in accordance with Article V, Section 1 of the Articles and Rule G-1 of the Rules and Regulations of the Fund if the transferee is a member, or to or by the transferee itself if the transferee is not a member.

(i) If all or part of a Note is transferred during a quarterly period as described in paragraph 3(b) of these General Terms and Conditions, the Fund shall pay interest to the transferee holder on the relevant interest payment date on the amount of the Note transferred for the whole of that period.

(j) If requested, the Fund shall assist in seeking to arrange transfers.

(k) For all transfers under this paragraph 6, the Fund will cancel the Note that has been transferred in whole or in part and, if the Note is a registered Note, the transferor shall, as a condition for the transfer, surrender for cancellation any such registered Note that is not already in the custody of the Fund. Upon cancellation of the relevant Note, the Fund will issue a new Note in the name of the transferee for the principal amount transferred and, where appropriate, a new Note in the name of the transferor for any part of the principal amount retained by it. The issue date of each new Note will be the issue date of the cancelled Note, and the new Note will have the same maturity date (including any maturity date resulting from extensions of a previous maturity date) that is applicable to the cancelled Note. The form and delivery of each new Note will be as specified in paragraph 2 of these General Terms and Conditions.

(l) Derivative transactions in respect of any Note, and transfers of participation interests in any Note, are prohibited.

Paragraph 7. *Notices*

Notice to or by a holder who is a participating member shall be in writing or by rapid means of communication and shall be given to or by the fiscal agency of the participating

member designated in accordance with Article V, Section 1 of the Articles and Rule G-1 of the Rules and Regulations of the Fund. Notice to or by a holder who is a participating institution shall be in writing or by rapid means of communication and shall be given to or by the participating institution.

Paragraph 8. *Interpretation.*

Any question of interpretation raised in connection with any Note which does not fall within the purview of Article XXIX of the Articles shall be settled to the mutual satisfaction of the Fund, the holder raising the question, and all participants in the NAB. For the purpose of this paragraph 8, holder shall be deemed to include those former participants in the NAB to which paragraphs 8 through 14, 17 and 18(b) of the NAB Decision continue to apply pursuant to paragraph 19(c) of the NAB Decision to the extent that any such former participant is affected by a question of interpretation that is raised.

Paragraph 9. *NAB Decision and Changes in the GTC*

Notes subject to these General Terms and Conditions, and any claims thereunder or with respect thereto, are subject to the terms and conditions of the NAB Decision as in effect from time to time. Any amendments to these General Terms and Conditions adopted in accordance with Paragraph 8(a) of the NAB Decision shall apply to all outstanding Notes issued under the NAB Decision.

Form of Registered NAB Note

Number _____ SDR _____

INTERNATIONAL MONETARY FUND

REGISTERED NAB NOTE

Issue Date: _____

Maturity Date:

The INTERNATIONAL MONETARY FUND (“the Fund”), for value received, hereby promises to pay to _____, being the registered holder of this Note, an amount equivalent to

_____ Special Drawing Rights (SDR _____)

on the maturity date specified above and to pay interest thereon as set forth below.

This Note is issued in accordance with the New Arrangements to Borrow (the “NAB”) and the General Terms and Conditions for International Monetary Fund NAB Notes (the “General Terms and Conditions”). Each holder of this Note is deemed to have agreed to the General Terms and Conditions and relevant terms of the NAB, as they may be amended in accordance with the NAB Decision, including without limitation the maturity date, the interest rate, the terms and conditions of early payment at the request of the Fund or the holder hereof, and the terms and conditions of transfer of this Note or any part thereof.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES LAWS OF ANY JURISDICTION.

IN NO EVENT SHALL ANY HOLDER OF THIS NOTE SELL, ASSIGN, DISPOSE OF OR OTHERWISE TRANSFER THIS NOTE, DIRECTLY OR INDIRECTLY, TO ANY ENTITY THAT IS NOT (I) A MEMBER OF THE FUND, (II) THE CENTRAL BANK OR OTHER FISCAL AGENCY DESIGNATED BY A MEMBER OF THE FUND FOR PURPOSES OF ARTICLE V, SECTION 1 OF THE FUND’S ARTICLES OF AGREEMENT, (III) AN OFFICIAL ENTITY THAT HAS BEEN PRESCRIBED AS A HOLDER OF SPECIAL DRAWING RIGHTS PURSUANT TO ARTICLE XVII, SECTION 3 OF THE FUND’S ARTICLES OF AGREEMENT, OR (IV) AN ENTITY IN RESPECT OF WHICH THE FUND HAS CONSENTED IN WRITING TO THE TRANSFER PURSUANT TO PARAGRAPH 6(A) OF THE GENERAL TERMS AND CONDITIONS.

ANY DERIVATIVE TRANSACTIONS IN RESPECT OF THIS NOTE, AND TRANSFERS OF PARTICIPATION INTERESTS IN THIS NOTE, ARE PROHIBITED.

The Fund shall pay interest on this Note at a rate equal to the combined market interest rate computed by the Fund from time to time for the purpose of determining the rate at which it pays interest on holdings of special drawing rights or any such higher rate as may be agreed between the Fund and participants representing 85 percent of the total credit arrangements under the NAB. Interest shall accrue daily and shall be paid as soon as possible after each July 31, October 31, January 31, and April 30. Interest due to a holder shall be paid, as determined by the Fund in consultation with the holder, in special drawing rights, in the holder's currency if the holder is a member, in the currency borrowed, or in other currencies that are actually convertible.

[Signatures]

Model Communications

1. Consent Letter - Existing participants

Dear [Managing Director] [Secretary of the Fund]

In reference to your letter dated [mm/dd/yy], I am pleased to inform you that [Participant], as a participant to the New Arrangements to Borrow, consents to the amendments of the NAB Decision and the increases of credit arrangements of participants as approved by the Executive Board on April, __ 2010 (Executive Board Decision No. __).

Yours sincerely,

2. Instrument of Adherence: New Participant – Member

Dear [Managing Director] [Secretary of the Fund],

In my capacity as [Minister of Finance] [Governor for (name of member) of the International Monetary Fund] [other authorized official], I have the honor to notify you that [member], in accordance with its law, hereby adheres to Decision No. 11428-(97/6) on the New Arrangements to Borrow, adopted by the Executive Board of the International Monetary Fund on January 27, 1997, as amended by Decision No. __, adopted by the Executive Board of the International Monetary Fund on [April __, 2010], and has taken all steps necessary to enable it to carry out the terms and conditions of that Decision.

Yours sincerely,

3. Instrument of Adherence: New Participant – Institution

Dear [Managing Director] [Secretary of the Fund],

In my capacity as [President] [Governor] [other authorized official], I have the honor to notify you that [institution], in accordance with its law, hereby adheres to Decision No. 11428-(97/6) on the New Arrangements to Borrow, adopted by the Executive Board of the International Monetary Fund on January 27, 1997, as amended by Decision No. __, adopted

by the Executive Board of the International Monetary Fund on [April __, 2010], and that [institution] has taken all steps necessary to enable it to carry out the terms and conditions of that Decision.

Yours sincerely,

4. Communication of Consent by Member Regarding New Participating Institution

Dear [Managing Director] [Secretary of the Fund],

On behalf of [member], I have the honor to notify you that [member] consents to the participation of [official institution of member] in the New Arrangements to Borrow under the terms and conditions of Decision No. 11428-(97/6) on the New Arrangements to Borrow, adopted by the Executive Board of the International Monetary Fund on January 27, 1997, as amended by Decision No. __ adopted by the Executive Board of the International Monetary Fund on [April __, 2010].

Yours sincerely,

New Arrangements to Borrow

Preamble

In order to enable the International Monetary Fund (the “Fund”) to fulfill more effectively its role in the international monetary system, a number of countries with the financial capacity to support the international monetary system have agreed to ~~make available~~ provide resources to the Fund ~~resources in the form of loans up to specified amounts~~ in accordance with the terms and conditions of this decision. ~~As the Fund is a quota-based institution, the credit arrangements provided for under the terms of this decision shall only be drawn upon when supplementary quota resources are needed~~ need to be supplemented in order to forestall or cope with an impairment of the international monetary system or to deal with an exceptional situation that poses a threat to the stability of that system. In order to give effect to these intentions, the following terms and conditions are adopted under Article VII, Section 1(i) of the Fund’s Articles of Agreement.

Paragraph 1. *Definitions*

- (a) As used in this decision the term:
- (i) “amount of a credit arrangement” means the maximum amount expressed in special drawing rights that a participant undertakes to ~~lend~~ make available to the Fund under a credit arrangement;
 - (ii) “Articles” means the Articles of Agreement of the ~~International Monetary Fund~~;
 - (iii) “available commitment” means a participant’s credit arrangement less any ~~committed or drawn~~ and outstanding balances;
 - (iv) “borrowed currency” or “currency borrowed” means currency transferred to the Fund’s account under a credit arrangement;
 - (v) “call” means a notice by the Fund to a participant to make a transfer under its credit arrangement to the Fund’s account;
 - (vi) “credit arrangement” means an undertaking to ~~lend~~ provide resources to the Fund on the terms and conditions of this decision;
 - (vii) “currency actually convertible” means currency included in the Fund’s quarterly ~~operational budget~~ financial transactions plan for transfers;
 - (viii) “drawer” means a member that purchases borrowed currency from the Fund ~~in an exchange transaction, including an exchange transaction~~

~~under a standby or extended arrangement~~ General Resources Account of the Fund;

- (ix) “indebtedness” of the Fund” means the amount ~~the Fund~~ is committed to repay under a credit arrangement;
- (x) “member” means a member of the Fund;
- (xi) “participant” means a participating member or a participating institution;
- (xii) “participating institution” means an official institution of a member that has entered into a credit arrangement with the Fund with the consent of the member, ~~or an official institution of a nonmember that has entered into a credit arrangement with the Fund;~~ and
- (xiii) “participating member” means a member that has entered into a credit arrangement with the Fund.

(b) For the purposes of this decision, the ~~Hong Kong Monetary Authority (of Hong Kong (the “HKMA”))~~ shall be regarded as an official institution of the member whose territories include Hong Kong, provided that:

- (i) loans by the HKMA and payments by the Fund to the HKMA under this decision shall be made ~~in principle~~ in the currency of the United States of America, unless the currency of another member is agreed between the Fund and the HKMA;
- (ii) ~~the participation of the HKMA shall not give rise to the application of paragraph 6 A to the member whose territories include Hong Kong; and~~
- (iii) ~~the references to the balance of payments and reserve position in paragraphs 7 A 5(c), 7 B 6(b), 6(c), 7(a), and 11(e) shall be understood to refer to the balance of payments and reserve position of Hong Kong. The HKMA shall not be eligible to vote on a proposal for activation under paragraph 5(c), included in a resources mobilization plan under paragraph 6(b), or subject to calls under paragraph 7(a), and shall be excluded from calls in accordance with paragraph 6(c), if, at the time of voting on any such proposal, approval of any such resource mobilization plan, or making of any such call, the HKMA notifies the Fund that Hong Kong’s present and prospective balance of payments and reserve position does not allow it to meet calls under its credit arrangement; and~~
- (iii) the HKMA shall have the right to request early repayment in accordance with paragraph 13(c) with respect to claims transferred to

the HKMA if at the time of the transfer the balance of payments position of Hong Kong is, in the opinion of the Fund, sufficiently strong to justify such a right.

Paragraph 2. *Credit Arrangements*

(a) A member or institution that adheres to this decision undertakes to ~~make loans~~ provide resources to the Fund on the terms and conditions of this decision up to the amount in special drawing rights set forth in ~~the Annex to this decision or established in accordance with paragraph 3~~ Annex I to this decision ("Annex I"), which may be amended from time to time in order to take into account changes in credit arrangements resulting from the application of paragraphs 3(b), 4, 15(b), 16, 17 and 19(b).

~~(b) Unless~~ Except as set forth in paragraph 1(b)(i) or otherwise agreed with the Fund, loans/resources provided to the Fund under this decision shall be made in the currency of the participant. ~~If the participant is an institution of a nonmember, the Fund and the participant shall agree on which member's currency or members' currencies shall be used for the loans.~~ Agreements under this paragraph for the use of the currency of another member shall be subject to the concurrence of any member whose currency shall be used in the loans.

Paragraph 3. *Adherence*

(a) Any member or institution specified in ~~the Annex I~~ as a new participant may adhere to this decision in accordance with paragraph 3(c).

(b) Any member or institution not specified in ~~the Annex, including an institution of a nonmember I,~~ may apply to become a participant at ~~the any time of renewal of this decision in accordance with paragraph 19.~~ Any such member or institution that wishes to become a participant shall, after consultation with the Fund, give notice of its willingness to adhere to this decision, and, if the Fund and participants representing ~~80~~ 85 percent of total credit arrangements ~~under the renewed decision~~ shall so agree, the member or institution may adhere in accordance with paragraph 3(c). When giving notice of its willingness to adhere under this paragraph 3(b), a member or institution shall specify the amount, expressed in special drawing rights, of the credit arrangement which it is willing to enter into, provided that the amount shall not be less than the credit arrangement of the participant with the smallest credit arrangement. The admission of a new participant shall lead to a proportional reduction in the credit arrangements of all existing participants whose credit arrangements are above that of the participant with the smallest credit arrangement: such proportional reduction in the credit arrangements of participants shall be in an aggregate amount equal to the amount of the new participant's credit arrangement less any increase in total credit arrangements decided in accordance with paragraph ~~54~~ 54(a), provided that no participant's credit arrangement shall be reduced below the minimum amount set out in ~~the Annex I.~~

(c) A member or institution shall adhere to this decision by depositing with the Fund an instrument setting forth that it has adhered in accordance with its law and has taken all steps necessary to enable it to carry out the terms and conditions of this decision. On the

deposit of the instrument the member or institution shall be a participant as of the date of the deposit or of the effective date of ~~this decision, the amendments to this decision set out in~~ Executive Board Decision No. [Decision amending NAB Decision], whichever is later.

Paragraph 4. *Entry into Force*

~~This decision shall become effective when it has been adhered to by members or institutions included in the Annex with credit arrangements amounting to not less than SDR 28.9 billion, including the five members or institutions with the largest credit arrangements specified in the Annex.~~

~~Paragraph 5.~~ *Changes in Amounts of Credit Arrangements*

(a) When a member or institution is authorized under paragraph 3(b) to adhere to this ~~decision,~~ the total amount of credit arrangements may be increased by the Fund with the agreement of participants representing 85 percent of total credit arrangements; the increase shall not exceed the amount of the new participant's credit arrangement.

(b) The amounts of participants' individual credit arrangements may be reviewed from time to time in the light of developing circumstances and changed with the agreement of the Fund and of participants representing 85 percent of total credit arrangements, including each participant whose credit arrangement is changed. This provision may be amended only with the consent of all participants.

~~Paragraph 6.~~ *Initiation of Procedure* 5. Activation Period

~~A. Participants~~

(a) ~~When a participating member or a member whose institution is a participant approaches the Fund on an exchange transaction or a stand-by or extended arrangement and the Managing Director, after consultation, considers that the exchange transaction or stand-by or extended arrangement is necessary~~ Fund's resources available for the purpose of providing financing to members from the General Resources Account need to be supplemented in order to forestall or cope with an impairment of the international monetary system, and that the Fund's resources need to be supplemented for this purpose, the Managing Director may initiate the procedure set out in paragraph 7A.

~~B. Nonparticipants~~

~~The Managing Director may initiate the procedure set out in paragraph 7A for exchange transactions requested by members that are not participants if (a), the exchange transactions are (i) transactions in the upper credit tranches, (ii) transactions under stand-by arrangements extending beyond the first credit tranche, (iii) transactions under extended arrangements, or (iv) transactions in the first credit tranche in conjunction with a stand-by or an extended arrangement, and (b), after consultation, the Managing Director considers that~~

the Fund's resources need to be supplemented to meet actual and expected requests for financing that reflect the existence of an exceptional situation associated with balance of payments problems of members of a character or aggregate size that could threaten the stability of the international monetary system. In making proposals for calls pursuant to paragraph 6B, the Managing Director shall pay due regard to potential calls pursuant to paragraph 6A.

Paragraph 7. Proposals and Calls

A. Proposals

(a) ~~The Managing Director shall make a proposal for calls under this decision only after consultation~~after consultations with Executive Directors and participants.

(b) ~~In making a proposal for resources to be lent to the Fund, the Managing Director shall identify the prospective drawer, the amount, and the~~may make a proposal for the establishment of an activation period during which the resources requested in the proposal~~Fund may be called.~~

(c) ~~If a participant determines that it will not be able to meet calls~~(i) make commitments under a proposal because of its present and prospective balance of payments and reserve position, Fund arrangements for which would normally be reflected in the member's exclusion from the list of countries that are included in the Fund's quarterly operational budget for transfers of it may make calls on participants under their currencies, it shall so notify the Fund and the other credit arrangements, and (ii) fund outright purchases by making calls on participants. ~~If the participant is an institution of a nonmember, the participant shall consult with the Fund on that nonmember's balance of payments and reserve position before making a determination under this provision. A participant shall exercise restraint and shall take into account the views of the Fund and other participants in making such a determination.~~

(d) ~~Unless otherwise specified under paragraph 7A(c), a proposal shall be for calls proportional to the amount of each participant's credit arrangement.~~

(e) ~~The Managing Director may make a proposal for calls that are not proportional to the amount of each participant's credit arrangement under the following circumstances:~~

(i) ~~If proportional calls sufficient to provide the total amount sought from participants to finance the proposed exchange transactions cannot be made because at least one participant's available commitment is insufficient to meet such a proportional call, the Managing Director may ask every participant whose available commitment would have been sufficient to meet fully such a proportional call to provide the amount under such a proportional call under their credit arrangements; provided that, if the Managing Director asks every such participant to provide such amount, the Managing Director shall also ask every participant whose available commitment would have been insufficient to meet such a~~

~~proportional call to provide an amount to the extent of its available commitment. If necessary, the Managing Director may also ask for an amount in addition to that an activation period shall not exceed 6 months, and provided under the prior sentence from a participant whose available commitment exceeds the amount it would provide under such a proportional call.~~

~~further that the amount covered by calls to fund such commitments under arrangements and outright purchases shall not exceed the maximum amount specified in the proposal. The proposal for the establishment of an activation period shall include information on (i) the overall size of possible Fund arrangements on which discussions are advanced, (ii) If proportional calls sufficient to provide the total amount sought from participants to finance the proposed exchange transactions cannot be made because at least one participant lacks sufficient amounts of the type of currency or currencies needed for the proposed exchange transactions, the Managing Director may ask every participant that is in a position to provide the currency or currencies needed to provide the amount under such a proportional call, up to the amount of its available commitment or the amount that it is in a position to provide, whichever is less. If necessary, the Managing Director may also ask a participant whose available commitment exceeds the resources it would provide under such a proportional call and that remains in a position to provide the type of currency or currencies needed to provide an amount of the currency or currencies needed in addition to that provided under the prior sentence the balance between arrangements that are expected to be drawn upon and arrangements that are expected to be precautionary, (iii) additional financing needs that, in the opinion of the Managing Director, may arise during the proposed activation period, and (iv) the mix of quota and NAB resources for purchases from the General Resources Account in the period following the approval of an activation period. The information will be updated quarterly during an activation period.~~

~~(f) The concurrence of every participant that would undertake to provide proportionately more resources than at least one other participant shall be required before the proposal can be accepted under Paragraph 7A(g).~~

~~(g)(b) If there is not unanimity among the participants, the question whether the participants are prepared to facilitate, by making to accept the Fund, the exchange transactions or stand by or extended arrangement specified in the Managing Director's proposal for the establishment of an activation period in accordance with paragraph 5(a) will be decided by a poll of the participants. A favorable decision shall require an 8085 percent majority of total credit arrangements of participants eligible to vote. The decision shall be notified to the Fund.~~

~~(h) Neither the prospective drawer nor its participating institution nor participants that have notified that they will not meet calls under a proposal shall be eligible to vote on the proposal.~~

~~(i) A proposal(c) A participant shall not be eligible to vote if, based on its present and prospective balance of payments and reserve position, the member is not~~

included in the financial transaction plan for transfers of its currency at the time of the decision on a proposal for an activation period.

(d) An activation period shall become effective only if it is accepted by participants pursuant to paragraph 7A(g5(b) and is then approved by the Executive Board.

~~(j) After a proposal has been accepted, commitments and drawings shall not be affected by a subsequent change in the amounts of the credit arrangements.~~

B. Calls

~~(a) Unless otherwise provided in a proposal for future calls approved under paragraph 7A, each call shall be made in proportion to the amounts in the proposal.~~

~~(b) Except with the participant's consent, calls may not be made on a participant, on which calls could otherwise be made-Paragraph 6. *Resource Mobilization Plans and Calls*~~

(a) To fund outright purchases during an activation period and commitments under arrangements approved during an activation period, calls under individual credit arrangements of participants may be made on the basis of resource mobilization plans approved by the Executive Board normally on a quarterly basis in conjunction with the quarterly financial transactions plan for the General Resources Account. Such resource mobilization plans shall specify for each participant the maximum amount for which calls may be made during the applicable period. The Executive Board may at any time amend such a plan to change the maximum amounts and period for calls. With respect to the allocation of the maximum amounts among participants, the resource mobilization plan shall normally establish an allocation that would result in the available commitments of participants being of equal proportion relative to their credit arrangements.

(b) A participant shall not be included in the resource mobilization plan when, based on its present and prospective balance of payments and reserve position, the member is not included and is not being proposed by the Managing Director to be included in the list of countries in the quarterly financial transactions plan for transfers of its currency.

(c) Calls during the period of a resource mobilization plan shall be made on participants by the Managing Director with due regard to the objective specified in paragraph 6(a) of achieving available commitments of participants that are of equal proportion relative to their credit arrangements. No call shall be made on a participant that has been included in the resource mobilization plan if, at the time of such call, the member's currency is not being used in transfers under the financial transactions plan because of the member's balance of payments and reserve position.

(d) When the Fund makes a call pursuant to this paragraph 6, the participant shall promptly make the transfer in accordance with the call.

Paragraph 7. Procedures for Special Calls

~~(a) Calls pursuant to paragraph 11(e) may be made at any time with due regard to the objective specified in paragraph 6(a) of achieving available commitments of participants that are of equal proportion relative to their credit arrangements, provided that no such call shall be made on a participant, when, based on its present and prospective balance of payments and reserve position, the member is not included and is not being proposed by the Managing Director to be included in the list of countries in the quarterly operational budget/financial transactions plan for transfers of its currency. If or, if the participant is an institution of a nonmember, its ability to meet calls under this decision shall be determined by member has been included in the Fund, after consultation with financial transactions plan, when, at the participant, on time of such call, the basis member's currency is not being used in transfers under such plan because of that nonmember's present and prospective the member's balance of payments and reserve position. In the event that a call is not made on a participant, the Managing Director may propose to the other participants that substitute amounts be made available under their credit arrangements, and this proposal shall~~ Calls under this paragraph 7(a) shall not be subject to the procedure of procedures set forth in either paragraph 7A.5 or paragraph 6.

~~(b) _____ (e) Calls pursuant to paragraph 23 may be made at any time; they shall not be subject to the procedures set forth in either paragraph 5 or paragraph 6.~~

~~(c) _____~~ When the Fund makes a call pursuant to this paragraph 7, the participant shall promptly make the transfer in accordance with the call.

Paragraph 8. *Nature and Evidence of Indebtedness*

~~(a) The _____~~ A participant's claim on the Fund arising from calls under this decision shall be in the form of a loan to the Fund; provided that, at the request of a participant, the Fund shall issue to a participant, on the participant and the participant shall purchase, for up to the amount of any call on that participant, one or more promissory notes ("Note") that have the same substantive terms as loans extended under this decision and are subject to the General Terms and Conditions for NAB Notes set forth in Annex II to this decision (the "GTC"). The GTC may be amended by a decision of the Fund with the agreement of participants representing 85 percent of total credit arrangements, provided that any amendment of the GTC shall be consistent with the terms of this decision. The amended GTC shall apply upon effectiveness to all outstanding Notes issued under this decision.

~~(b) _____~~ In cases where a participant's claim on the Fund is in the form of a loan, the Fund shall issue to the participant, at its request, nonnegotiable instruments evidencing the Fund's indebtedness to the participant. The form of the instruments shall be agreed between the Fund and the participant.

~~(b) _____~~ Upon repayment of the amount of any such instrument issued under paragraph 8(a) and all accrued interest, the instrument shall be returned to the Fund for cancellation. If less than the amount of any such instrument is repaid, the instrument shall be returned to the

Fund and a new instrument for the remainder of the amount shall be substituted with the same maturity date as in the old instrument.

(c) In cases where a participant's claim on the Fund is in the form of promissory notes, such notes shall be issued in book entry form. Upon the request of a participant, the Fund shall issue a registered note substantially in the form as set out in the Appendix to the GTC. Upon repayment of any Note and all accrued interest, the Note shall be returned to the Fund for cancellation. If less than the amount of any such Note is repaid, the Note shall be returned to the Fund and a new Note for the remainder of the amount shall be substituted with the same maturity date as in the old Note.

Paragraph 9. *Interest*

(a) The Fund shall pay interest on its indebtedness under this decision at a rate equal to the combined market interest rate computed by the Fund from time to time for the purpose of determining the rate at which it pays interest on holdings of special drawing rights or any such higher rate as may be agreed between the Fund and participants representing 80 85 percent of the total credit arrangements.

~~(b) A change in the method of calculating the combined market interest rate shall apply to the Fund's indebtedness under this decision only if the Fund and participants representing 80 percent of the total credit arrangements so agree; provided that, if a participant so requests at the time this agreement is reached, the change shall not apply to the Fund's indebtedness to that participant outstanding at the date the change becomes effective.~~

~~(e)~~ Interest shall accrue daily and shall be paid as soon as possible after each July 31, October 31, January 31, and April 30.

~~(d)~~ (c) Interest due to a participant shall be paid, as determined by the Fund in consultation with the participant, in special drawing rights, in the participant's currency, in the currency borrowed, ~~or in freely usable currencies, or, with the agreement of the participant,~~ in other currencies that are actually convertible.

Paragraph 10. *Use of Borrowed Currency*

The Fund's policies and practices under Article V, Sections 3 and 7 of the Articles on the use of its general resources and stand-by arrangements and extended arrangements, including those relating to the period of use, shall apply to purchases of currency borrowed by the Fund. Nothing in this decision shall affect the authority of the Fund with respect to requests for the use of its resources by individual members, and access to these resources by members shall be determined by the Fund's policies and practices, and shall not depend on whether the Fund can borrow under this decision.

Paragraph 11. *Repayment by the Fund*

(a) Subject to the other provisions of this paragraph 11, the Fund, five years after a transfer by a participant in response to a call under this decision, shall repay the participant an amount equivalent to the transfer calculated in accordance with paragraph 12. ~~If the drawer for whose purchase participants make transfers is committed to repurchase at a fixed resources were made available under this decision repurchases on a date earlier than five years after its purchase, the Fund shall repay the participants at that date.~~ Participants an equivalent amount during the quarterly period in which the repurchase is made in accordance with paragraph 11(d). Repayment under this paragraph 11(a) or under paragraph 11(c) shall be, as determined by the Fund, in the currency borrowed whenever feasible, in the currency of the participant, in special drawing rights in an amount that does not increase the participant's holdings of special drawing rights above the limit under Article XIX, Section 4, of the Articles of Agreement unless the participant agrees to accept special drawing rights above that limit in such repayment, in freely usable currencies, or, ~~after consultation with the agreement of the participant~~, in other currencies that are actually convertible. ~~Repayments to a participant under paragraph 11(b) and 11(e) shall be credited against transfers by the participant for a drawer's purchases in the order in which repayment must be made under this paragraph 11(a).~~

(b) Before the date prescribed in paragraph 11(a), the Fund, after consultation with ~~the participants~~, may make repayment in part or in full to one or several participants in accordance with paragraph 11(d). The Fund shall have the option to make repayment under this paragraph 11(b) in the participant's currency, in the currency borrowed, in special drawing rights in an amount that does not increase the participant's holdings of special drawing rights above the limit under Article XIX, Section 4, of the Articles of Agreement unless the participant agrees to accept special drawing rights above that limit in such repayment, in freely usable currencies, or, with the agreement of the participant, in other currencies that are actually convertible.

(c) Whenever a reduction in the Fund's holdings of a drawer's currency is attributed to a purchase of currency borrowed under this decision, the Fund shall promptly repay an equivalent amount to participants. ~~If the Fund is indebted to a participant as a result of transfers has used resources under this decision~~ to finance a reserve tranche purchase by a drawer and the Fund's holdings of the drawer's currency that are not subject to repurchase are reduced as a result of net sales of that currency during a quarterly period covered by ~~an operational budget~~ a financial transactions plan, the Fund shall repay at the beginning of the next quarterly period an amount equivalent to that reduction, ~~up to the amount of the indebtedness to the participant.~~ to the participants, up to the amount of the reserve tranche purchase. Payments under this paragraph 11(c) shall be allocated among participants in accordance with paragraph 11(d).

(d) ~~Repayment under paragraph 11(e) shall be made in proportion to the Fund's indebtedness to the participants that made transfers in respect of which repayment is being made.~~

(d) Repayments under paragraphs 11(a), second sentence, 11(b) and 11(c) shall be allocated among participants with due regard to the objective specified in paragraph 6(a) of achieving available commitments of participants that are of equal proportion relative to their credit arrangements. For each participant, repayments shall be applied first to the longest outstanding claim under its credit arrangement. If repayment is to be made in accordance with this paragraph 11(d) on a claim that has been transferred, the repayment shall be made to the transferee of such claim.

(e) Before the date prescribed in paragraph 11(a), a participant may give notice representing that there is a balance of payments need for repayment of part or all of the Fund's indebtedness and requesting such repayment. ~~If a reversal of its loan may lead to further loans to the Fund by other participants, the~~ The participant seeking such reversal repayment shall consult with the Managing Director and with the other participants before giving notice. The Fund shall give the overwhelming benefit of any doubt to the participant's representation. Repayment shall be made promptly after consultation with the participant in freely usable currencies or in special drawing rights, as determined by the Fund, or, with the agreement of the participant, in the currencies of other members that are actually convertible, or in special drawing rights, as determined by the Fund. If the Fund's holdings of currencies in which repayment should be made are not wholly adequate, the Managing Director shall make calls on individual participants ~~may be requested to provide the necessary balance~~balances under their credit arrangements subject to the limit of their available commitments. ~~For all of the purposes of this paragraph 11, transfers under this paragraph 11(e) shall be deemed to have been made at the same time and for the same purchases as the transfers.~~ At the time of such call, and if so requested by the participant obtaining repayment under this paragraph 11(e) seeking early repayment, (i) a participant providing balances under its credit arrangement that are not balances of a freely usable currency shall ensure that such balances can be exchanged for a freely usable currency of its choice, and (ii) a participant providing balances under its credit arrangement that are balances of a freely usable currency, shall collaborate with the Fund and other members to enable such balances to be exchanged for another freely usable currency.

(f) ~~When a repayment is made to a participant, on a claim arising from a call under this decision, the amount that can be called for under its~~ the credit arrangement in accordance with of the participant under which the claim arose as a result of a call under this decision shall be restored pro tanto.

(g) ~~The~~ Unless otherwise agreed between the Fund and a participating institution, the Fund shall be deemed to have discharged its obligations to a participating institution to make repayment in accordance with the provisions of this paragraph 11 or to pay interest in accordance with the provisions of paragraph 9 if the Fund transfers an equivalent amount in special drawing rights to the member in which the participating institution is established.

Paragraph 12. *Rates of Exchange*

(a) The value of any transfer shall be calculated as of the date of the dispatch of the instructions for the transfer. The calculation shall be made in terms of the special drawing

right in accordance with Article XIX, Section 7(a) of the Articles, and the Fund shall be obliged to repay an equivalent value.

(b) For all of the purposes of this decision, the value of a currency in terms of the special drawing right shall be calculated by the Fund in accordance with Rule O-2 of the Fund's Rules and Regulations.

Paragraph 13. *Transferability*

A(a) No participant or non-participant holder may not transfer all or any part of its claim to repayment under a credit arrangement except (i) in accordance with this paragraph 13 or (ii) with the prior consent of the Fund and on such terms and conditions as the Fund may approve.

(b) All or part of any claim to repayment under a credit arrangement may be transferred at any time to a participant or to a non-participant that is either (i) a member of the Fund, (ii) the central bank or other fiscal agency designated by any member for purposes of Article V, Section 1 of the Articles ("other fiscal agency"), or (iii) an official entity that has been prescribed as a holder of special drawing rights pursuant to Article XVII, Section 3 of the Articles.

(c) As from the value date of the transfer, the transferred claim shall be held by the transferee on the same terms and conditions as claims originating under its credit arrangement (in the case of transferees that are participants) or as the claim was held by the transferor (in the case of transferees that are non-participants), except that (i) the transferee shall have the right to request early repayment of the transferred claim on balance of payments grounds pursuant to paragraph 11(e) only if the transferee is a member, or an institution of a member, whose balance of payments and reserve position, at the time of the transfer, is considered sufficiently strong for its currency to be usable in transfers under the Fund's financial transactions plan; (ii) if the transferee is a non-participant, references to the participant's currency shall be deemed to refer (A) if the transferee is a member, to the transferee's currency, (B) if the transferee is an institution of a member, to the currency of that member, and (C) in other cases, to a freely usable currency as determined by the Fund; and (iii) claims transferred in accordance with this paragraph 13 shall be considered drawn balances of the first transferor participant for purposes of determining the available commitment under its credit arrangement, and claims obtained by a participant under a transfer shall not be considered drawn balances of the transferee for purposes of determining the available commitment under its credit arrangement.

(d) The price for the claim transferred shall be as agreed between the transferee and the transferor.

(e) The transferor of a claim shall inform the Fund promptly of the claim that is being transferred, the name of the transferee, the amount of the claim that is being transferred, the agreed price for transfer of the claim, and the value date of the transfer.

(f) The transfer shall be registered by the Fund and the transferee shall become the holder of the claim if the transfer is in accordance with the terms and conditions of this decision. Subject to the foregoing, the transfer shall be effective as of the value date agreed between the transferee and the transferor.

(g) Notice to or by a transferee that is a non-participant shall be in writing or by rapid means of communication and shall be given to or by the fiscal agency designated by the transferee in accordance with Article V, Section 1 of the Articles and Rule G-1 of the Rules and Regulations of the Fund if the transferee is a member, or to or by the transferee directly if the transferee is not a member.

(h) If all or part of a claim is transferred during a quarterly period as described in paragraph 9(b), the Fund shall pay interest to the transferee on the amount of the claim transferred for the whole of that period.

(i) Unless otherwise agreed between the Fund and a transferee that is either a participating institution or the central bank or other fiscal agency designated by any member for purposes of Article V, Section 1 of the Articles, the Fund shall be deemed to have discharged its obligations to make repayment to such transferee in special drawing rights in accordance with paragraph 11 or to pay interest in special drawing rights in accordance with paragraph 9 if the Fund transfers an equivalent amount in special drawing rights to the account of the member in which the institution is established.

(j) If requested, the Fund shall assist in seeking to arrange transfers.

(k) The transferee of a claim may request at the time of transfer that a claim in the form of a loan be exchanged by the Fund for a Note on the same substantive terms subject to the GTC, or that a claim in the form of a Note be exchanged for a loan claim on the same substantive terms.

(l) Derivative transactions in respect of any claim under this decision, and transfer of participation interests in any claim, are prohibited.

Paragraph 14. *Notices*

Notice to or by a participating member under this decision shall be in writing or by rapid means of communication and shall be given to or by the fiscal agency of the participating member designated in accordance with Article V, Section 1 of the Articles and Rule G-1 of the Rules and Regulations of the Fund. Notice to or by a participating institution

shall be in writing or by rapid means of communication and shall be given to or by the participating institution.

Paragraph 15. *Amendment*

(a) Except as provided in paragraphs ~~54~~(b), 15(b) and 16, this decision may be amended during the period prescribed in paragraph 19(a) and any subsequent renewal periods that may be decided pursuant to paragraph 19(b) only by a decision of the Fund and with the concurrence of participants representing 85 percent of total credit arrangements. Such concurrence shall not be necessary for the modification of the decision on its renewal pursuant to paragraph 19(b).

(b) If in its view an amendment materially affects the interest of a participant that voted against the amendment, the participant shall have the right to withdraw its adherence to this decision by giving notice to the Fund and the other participants within 90 days from the date the amendment was adopted. This provision may be amended only with the consent of all participants.

Paragraph 16. *Withdrawal of Adherence*

Without prejudice to paragraph 15(b), a participant may withdraw its adherence to this decision in accordance with paragraph 19(b) but may not withdraw within the period prescribed in paragraph 19(a) except with the agreement of the Fund and all participants. This provision may be amended only with the consent of all participants.

Paragraph 17. *Withdrawal from Membership*

If a participating member or a member whose institution is a participant withdraws from membership in the Fund, the participant's credit arrangement shall cease at the same time as the withdrawal takes effect. The Fund's indebtedness under the relevant credit arrangement shall be treated as an amount due from the Fund for the purpose of Article XXVI, Section 3, and Schedule J of the Articles.

Paragraph 18. *Suspension of Exchange Transactions and Liquidation*

(a) The right of the Fund to make calls under ~~paragraph 7~~ paragraphs 6, 11(e), and 23 and the obligation to make repayments under paragraph 11 shall be suspended during any suspension of exchange transactions under Article XXVII of the Articles.

(b) In the event of liquidation of the Fund, credit arrangements shall cease and the Fund's indebtedness shall constitute liabilities under Schedule K of the Articles. For the purpose of paragraph 1(a) of Schedule K, the currency in which the liability of the Fund shall be payable shall be first the currency borrowed, then the participant's currency and finally the currency of the drawer for whose purchases transfers were made by the participants in connection with calls under paragraph 6.

Paragraph 19. *Period and Renewal*

(a) This decision shall continue in existence ~~for five years from its effective date until November 16, 2012.~~ When considering a renewal of this decision for ~~the~~any period following the ~~five-year~~ period referred to in this paragraph 19(a), the Fund and the participants shall review the functioning of this decision and, in particular, (i) the experience with the procedures for activation and (ii) the impact of the Fourteenth General Review of Quotas on the overall size of quotas, and shall consult on any possible modifications.

(b) This decision may be renewed for such period or periods and with such modifications, subject to paragraphs ~~54~~(b), 15(b) and 16, as the Fund may decide. The Fund shall adopt a decision on renewal and modification, if any, not later than twelve months before the end of the period prescribed in paragraph 19(a). Any participant may advise the Fund not less than six months before the end of the period prescribed in paragraph 19(a) that it will withdraw its adherence to the decision as renewed. In the absence of such notice, a participant shall be deemed to continue to adhere to the decision as renewed. Withdrawal of adherence in accordance with this paragraph 19(b) by a participant, ~~whether or not included in the Annex,~~ shall not preclude its subsequent adherence in accordance with paragraph 3(b).

(c) If this decision is terminated or not renewed, paragraphs 8 through 14, 17 and 18(b) shall nevertheless continue to apply in connection with any indebtedness of the Fund under credit arrangements in existence at the date of the termination or expiration of the decision until repayment is completed. If a participant withdraws its adherence to this decision in accordance with paragraph 15(b), paragraph 16, or paragraph 19(b), it shall cease to be a participant under the decision, but paragraphs 8 through 14, 17 and 18(b) of the decision as of the date of the withdrawal shall nevertheless continue to apply to any indebtedness of the Fund under ~~the~~such former credit arrangement until repayment has been completed.

Paragraph 20. *Interpretation*

Any question of interpretation raised in connection with this decision (including the GTC for NAB Notes) which does not fall within the purview of Article XXIX of the Articles shall be settled to the mutual satisfaction of the Fund, the participant or transferee of a claim raising the question, and all other participants. For the purpose of this paragraph 20 participants shall be deemed to include those former participants to which paragraphs 8 through 14, 17 and 18(b) continue to apply pursuant to paragraph 19(c) to the extent that any such former participant is affected by a question of interpretation that is raised.

Paragraph 21. *Relationship with the General Arrangements to Borrow and Associated Borrowing Arrangements*

(a) When considering whether to activate the New Arrangements to Borrow or the General Arrangements to Borrow, the Fund shall be guided by the ~~following principles:~~principle that the New Arrangements to Borrow shall be the facility of first and principal recourse, except that: in the event that a proposal for the establishment of an

activation period under the New Arrangements to Borrow is not accepted under paragraph 5(a), a proposal for calls may be made under the General Arrangements to Borrow.

~~(i) in the event of a request for a drawing on the Fund by a participating member, or a member whose institution is a participant, in both the General Arrangements to Borrow and the New Arrangements to Borrow, a proposal for calls may be made under either of the arrangements; and~~

~~(ii) in the event that a proposal for calls under the New Arrangements to Borrow is not accepted under paragraph 7A, a proposal for calls may be made under the General Arrangements to Borrow.~~

(b) Outstanding drawings and available commitments under the New Arrangements to Borrow and the General Arrangements to Borrow shall not exceed ~~SDR 34 billion~~ SDR 367,45467.8836 -million, or such other amount of total credit arrangements as may be in effect in accordance with this decision. The available commitment of a participant under the New Arrangements to Borrow shall be reduced pro tanto by any outstanding drawings on, and commitments of, the participant under the General Arrangements to Borrow. The available commitment of a participant under the General Arrangements to Borrow shall be reduced pro tanto by the extent to which its credit arrangement under the General Arrangements to Borrow exceeds its available commitment under the New Arrangements to Borrow.

(c) References to drawings and commitments under the General Arrangements to Borrow shall include drawings and commitments under the Associated Borrowing Arrangements referred to in paragraph 23 of the General Arrangements to Borrow.

Paragraph 22. *Other Borrowing Arrangements*

Nothing in this decision shall preclude the Fund from entering into any other types of borrowing arrangements.

Paragraph 23. *Transitional Arrangements for Amendments Adopted Pursuant to Decision No. []*

At the request of a participant that holds claims, either in the form of loans or notes, on the Fund under bilateral borrowing agreements entered into by the Fund prior to the effectiveness of the amendments to this decision set forth in Decision No. [] [date], the Managing Director shall make calls under the credit arrangement of such a participant to fund the repayment of such claims. Similarly, at the request of the relevant participant, calls shall be made on a participant that is a participating institution for the repayment of such claims held by the member of which it is an official institution or by the central bank or other fiscal agency designated by the member, or on a participant that is a member for the repayment of such claims held by the central bank or other fiscal agency designated by the

member. Notwithstanding paragraph 11(a), the maturity date of claims under credit arrangements arising from such calls shall be the maturity date of the bilateral borrowing agreement claim for whose repayment the call was made.

Paragraph 24. *Delay in Drawings*

No drawings shall be made under this decision until participants representing at least 70 percent of the total credit arrangements of new participants listed in Annex I have adhered to this decision in accordance with paragraph 3(c).

Participants and Amount of Credit Arrangements 1/
(in Millions of Special Drawing Rights)

	Current Credit Arrangements	New Credit Arrangements
Current Participants		
Australia	801.29	4,370.41
Austria	407.57	3,579.24
Banco Central de Chile	340.00	1,360.00
Belgium	956.60	7,861.85
Canada	1,380.99	7,624.43
Danmarks Nationalbank	367.01	3,207.78
Deutsche Bundesbank	3,518.75	25,370.81
Finland	340.00	2,231.76
France	2,549.29	18,657.38
Hong Kong Monetary Authority	340.00	340.00
Italy	1,752.95	13,578.03
Japan	3,518.75	65,953.20
Korea	340.00	6,583.44
Kuwait	341.29	341.29
Luxembourg	340.00	970.59
Malaysia	340.00	340.00
Netherlands	1,301.85	9,043.72
Norway	378.88	3,870.94
Saudi Arabia	1,760.86	11,126.03
Singapore	340.00	1,276.52
Spain	664.77	6,702.18
Sveriges Riksbank	849.76	4,439.74
Swiss National Bank	1,540.26	10,905.42
Thailand	340.00	340.00
United Kingdom	2,549.29	18,657.38
United States	6,639.83	69,074.27
New Participants		
Bank of Israel		500.00
Brazil		8,740.82
China		31,217.22
Cyprus		340.00
Greece		1,654.51
India		8,740.82
Ireland		1,885.52
Mexico		4,994.76
New Zealand		624.34
Philippines		340.00
Portugal		1,542.13
Russian Federation		8,740.82
South Africa		340.00
Total		367,467.36

1/ Credit arrangements are subject to a minimum of SDR 340 million.

**General Terms and Conditions for Notes Issued by the International Monetary Fund
under the New Arrangements to Borrow (the “NAB”)**

These are the General Terms and Conditions for the promissory notes (the “Notes”) issued by the International Monetary Fund (the “Fund”) in accordance with paragraphs 8 and 13(k) of Executive Board Decision No. 11428-(97/6), January 27, 1997, on the New Arrangements to Borrow (the “NAB Decision”), as amended. Terms that are not otherwise defined in these General Terms and Conditions shall have the meaning ascribed to them in the NAB Decision.

Paragraph 1. Issuance of Notes to Participants and Other Holders.

(a) At the request of a participant pursuant to paragraph 8(a) of the NAB Decision the Fund will issue to the participant, and the participant shall purchase, Notes in the amount requested, up to the amount of the Fund’s call on the participant under its credit arrangement. At the request of the transferee of a loan claim, the Fund will issue Notes to the transferee in exchange for the loan claim pursuant to paragraph 13(k) of the NAB Decision.

(b) Notes shall be denominated in the special drawing right.

Paragraph 2. Form, Delivery and Custody of Notes.

(a) Notes will be issued in book entry form. The Fund will establish and maintain in its records a book entry account in the name of each holder recording pertinent details of all Notes issued, including the number, issue date, principal amount, and maturity date. As of the value date of each purchase, or of each exchange or transfer of a Note in accordance with paragraph 13 of the NAB Decision, the Fund will make an appropriate entry in its records regarding details of the Note purchased or transferred. The making of such an entry in the records of the Fund shall constitute a taking of delivery of the Note by the purchaser or transferee, and the person so listed with respect to such Note shall be the holder thereof for all purposes.

(b) Upon the request of a holder, the Fund will issue to the holder a registered Note substantially in the form set out in the Appendix to these General Terms and Conditions, including without limitation the legend regarding restrictions on transfer of Notes. Each such registered Note will bear as its issue date the value date of the purchase of the Note or the value date of the loan claim for which it was exchanged pursuant to paragraph 13(k) of the NAB Decision and shall be issued in the name of the relevant holder. Unless otherwise agreed between a holder and the Fund, the Fund will keep such registered Notes in custody for the holder, and acceptance of custody by the Fund shall constitute delivery of such registered Notes to the holder.

Paragraph 3. Interest.

(a) The Fund shall pay interest on Notes at a rate equal to the combined market interest rate computed by the Fund from time to time for the purpose of determining the rate at which it pays interest on holdings of special drawing rights or any such higher rate as may be agreed between the Fund and participants representing 85 percent of the total credit arrangements under the NAB Decision.

(b) Interest shall accrue daily and shall be paid as soon as possible after each July 31, October 31, January 31, and April 30.

(c) Interest due to a holder shall be paid, as determined by the Fund in consultation with the holder, in special drawing rights, in the holder's currency if the holder is a member, in the currency borrowed, in freely usable currencies, or, with the agreement of the holder, in other currencies that are actually convertible.

Paragraph 4. Maturity; Repayment by the Fund.

(a) Notes have a maturity of five years, provided that a Note issued pursuant to paragraph 13(k) of the NAB Decision shall have the maturity of the loan claim for which it was exchanged. Repayment of the Note principal to a holder is made in accordance with paragraph 11 of the NAB Decision.

(b) Unless otherwise agreed between the Fund and a holder that is either a participating institution or the central bank or other fiscal agency designated by a member for purposes of Article V, Section 1 of the Articles, the Fund shall be deemed to have discharged its obligations to such holder to make repayment in special drawing rights in accordance with paragraph 11 of the NAB Decision or to pay interest in special drawing rights in accordance with paragraph 3 of these terms and conditions, if the Fund transfers an equivalent amount in special drawing rights to the account of the member in which the institution is established.

(c) The Fund will cancel a Note (i) upon payment of the principal amount of the Note and all accrued interest, (ii) if a Note is transferred in accordance with paragraph 6 of these General Terms and Conditions, or (iii) if a Note is exchanged for a loan claim in accordance with paragraph 13(k) of the NAB Decision. If the Fund makes early payment of less than the principal amount of a Note, the Fund will cancel the Note and issue a new Note for the remainder of the amount.

(d) Any registered Note to be cancelled by the Fund that is not already in the custody of the Fund shall be surrendered by the holder to the Fund for cancellation.

Paragraph 5. Rates of Exchange.

For all of the purposes of these General Terms and Conditions, the value of a currency in terms of the special drawing right shall be calculated by the Fund in accordance with Rule O-2 of the Fund's Rules and Regulations.

Paragraph 6. *Transferability of Notes.*

(a) A holder may not transfer all or any part of its Notes except (i) in accordance with this paragraph 6 or (ii) with the prior consent of the Fund and on such terms and conditions as the Fund may approve. Any other purported transfer by a participant or other holder shall be of no force or effect.

(b) All or part of any Note may be transferred at any time to a participant or to a non-participant that is either (i) a member of the Fund, (ii) the central bank or other fiscal agency designated by any member for purposes of Article V, Section 1 of the Articles ("other fiscal agency"), or (iii) an official entity that has been prescribed as a holder of special drawing rights pursuant to Article XVII, Section 3 of the Articles.

(c) As from the value date of the transfer, the Note shall be held by the transferee on the same terms and conditions as Notes originating under its credit arrangement (in the case of transferees that are participants in the NAB) or as the Note was held by the transferor (in the case of transferees that are non-participants in the NAB), except that (i) the transferee shall have the right to request early repayment of the transferred Note on balance of payments grounds pursuant to paragraph 11(e) of the NAB Decision only if the transferee is a member, or the institution of a member, whose balance of payment and reserve position, at the time of the transfer, is considered sufficiently strong for its currency to be usable in transfers under the Fund's financial transactions plan, or, in the case of the HKMA, the balance of payments position of Hong Kong at the time of the transfer is, in the opinion of the Fund, sufficiently strong to justify such a right; (ii) if the transferee is a non-participant, references in paragraph 11 of the NAB Decision to the participant's currency shall be deemed to refer to (A) if the transferee is a member, to the transferee's currency, (B) if the transferee is an institution of a member, to the currency of that member, and (C) in other cases to a freely usable currency as determined by the Fund; and (iii) Notes transferred in accordance with this paragraph 6 shall be considered drawn balances of the first transferor participant for purposes of determining the available commitment under its credit arrangement, and Notes obtained by a transferee participant shall not be considered drawn balances of such participant for purposes of determining the available commitment under its credit arrangement.

(d) The price for the Note transferred shall be as agreed between the transferee and the transferor.

(e) The transferor of a Note shall inform the Fund promptly of the Note that is being transferred, the name of the transferee, the amount of the Note that is being transferred, the agreed price for transfer of the Note, and the value date of the transfer.

(f) The transfer shall be registered by the Fund and the transferee shall become the holder of the Note only if such transfer is in accordance with the terms and conditions of the NAB Decision and these General Terms and Conditions. Subject to the foregoing, upon registration, the transfer shall be effective as of the value date agreed between the transferee and the transferor.

(g) The transferee of a Note may request at the time of transfer that the Note be exchanged by the Fund for a loan claim pursuant to paragraph 13(k) of the NAB Decision to be held by the transferee on the same substantive terms as the transferred Note.

(h) Notice to or by a transferee that is a non-participant shall be in writing or by rapid means of communication and shall be given to or by the fiscal agency designated by the transferee in accordance with Article V, Section 1 of the Articles and Rule G-1 of the Rules and Regulations of the Fund if the transferee is a member, or to or by the transferee itself if the transferee is not a member.

(i) If all or part of a Note is transferred during a quarterly period as described in paragraph 3(b) of these General Terms and Conditions, the Fund shall pay interest to the transferee holder on the relevant interest payment date on the amount of the Note transferred for the whole of that period.

(j) If requested, the Fund shall assist in seeking to arrange transfers.

(k) For all transfers under this paragraph 6, the Fund will cancel the Note that has been transferred in whole or in part and, if the Note is a registered Note, the transferor shall, as a condition for the transfer, surrender for cancellation any such registered Note that is not already in the custody of the Fund. Upon cancellation of the relevant Note, the Fund will issue a new Note in the name of the transferee for the principal amount transferred and, where appropriate, a new Note in the name of the transferor for any part of the principal amount retained by it. The issue date of each new Note will be the issue date of the cancelled Note, and the new Note will have the same maturity date (including any maturity date resulting from extensions of a previous maturity date) that is applicable to the cancelled Note. The form and delivery of each new Note will be as specified in paragraph 2 of these General Terms and Conditions.

(l) Derivative transactions in respect of any Note, and transfers of participation interests in any Note, are prohibited.

Paragraph 7. Notices

Notice to or by a holder who is a participating member shall be in writing or by rapid means of communication and shall be given to or by the fiscal agency of the participating member designated in accordance with Article V, Section 1 of the Articles and Rule G-1 of the Rules and Regulations of the Fund. Notice to or by a holder who is a participating institution shall be in writing or by rapid means of communication and shall be given to or by the participating institution.

Paragraph 8. Interpretation.

Any question of interpretation raised in connection with any Note which does not fall within the purview of Article XXIX of the Articles shall be settled to the mutual satisfaction of the Fund, the holder raising the question, and all participants in the NAB. For the purpose of this paragraph 8, holder shall be deemed to include those former participants in the NAB to which paragraphs 8 through 14, 17 and 18(b) of the NAB Decision continue to apply pursuant to paragraph 19(c) of the NAB Decision to the extent that any such former participant is affected by a question of interpretation that is raised.

Paragraph 9. NAB Decision and Changes in the GTC

Notes subject to these General Terms and Conditions, and any claims thereunder or with respect thereto, are subject to the terms and conditions of the NAB Decision as in effect from time to time. Any amendments to these General Terms and Conditions adopted in accordance with Paragraph 8(a) of the NAB Decision shall apply to all outstanding Notes issued under the NAB Decision.

Form of Registered NAB Note

Number _____ SDR _____

INTERNATIONAL MONETARY FUNDREGISTERED NAB NOTE

Issue Date: _____

Maturity Date: _____

_____ The INTERNATIONAL MONETARY FUND (“the Fund”), for value received, hereby promises to pay to _____, being the registered holder of this Note, an amount equivalent to

_____ Special Drawing Rights (SDR _____)

on the maturity date specified above and to pay interest thereon as set forth below.

_____ This Note is issued in accordance with the New Arrangements to Borrow (the “NAB”) and the General Terms and Conditions for International Monetary Fund NAB Notes (the “General Terms and Conditions”). Each holder of this Note is deemed to have agreed to the General Terms and Conditions and relevant terms of the NAB, as they may be amended in accordance with the NAB Decision, including without limitation the maturity date, the interest rate, the terms and conditions of early payment at the request of the Fund or the holder hereof, and the terms and conditions of transfer of this Note or any part thereof.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES LAWS OF ANY JURISDICTION.

IN NO EVENT SHALL ANY HOLDER OF THIS NOTE SELL, ASSIGN, DISPOSE OF OR OTHERWISE TRANSFER THIS NOTE, DIRECTLY OR INDIRECTLY, TO ANY ENTITY THAT IS NOT (I) A MEMBER OF THE FUND, (II) THE CENTRAL BANK OR OTHER FISCAL AGENCY DESIGNATED BY A MEMBER OF THE FUND FOR PURPOSES OF ARTICLE V, SECTION 1 OF THE FUND’S ARTICLES OF AGREEMENT, (III) AN OFFICIAL ENTITY THAT HAS BEEN PRESCRIBED AS A HOLDER OF SPECIAL DRAWING RIGHTS PURSUANT TO ARTICLE XVII, SECTION 3 OF THE FUND’S ARTICLES OF AGREEMENT, OR (IV) AN ENTITY IN RESPECT OF WHICH THE FUND HAS CONSENTED IN WRITING TO THE TRANSFER PURSUANT TO PARAGRAPH 6(A) OF THE GENERAL TERMS AND CONDITIONS.

ANY DERIVATIVE TRANSACTIONS IN RESPECT OF THIS NOTE, AND TRANSFERS OF PARTICIPATION INTERESTS IN THIS NOTE, ARE PROHIBITED.

The Fund shall pay interest on this Note at a rate equal to the combined market interest rate computed by the Fund from time to time for the purpose of determining the rate at which it pays interest on holdings of special drawing rights or any such higher rate as may be agreed between the Fund and participants representing 85 percent of the total credit arrangements under the NAB. Interest shall accrue daily and shall be paid as soon as possible after each July 31, October 31, January 31, and April 30. Interest due to a holder shall be paid, as determined by the Fund in consultation with the holder, in special drawing rights, in the holder's currency if the holder is a member, in the currency borrowed, or in other currencies that are actually convertible.

[Signatures]