GROUPE DES DIX
GROUP OF TEN

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REPORT OF THE STUDY GROUP ON THE CREATION OF RESERVE ASSETS

REPORT TO THE DEPUTIES
OF THE GROUP OF TEN

31ST MAY 1965

GROUPE DES DIX
GROUP OF TEN

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Dr. O. EMMINGER,
Chairman of the Deputies
of the Group of Ten,
Deutsche Bundesbank,
Frankfurt.

Mr. Chairman,

I transmit herewith the Report which the Study Group on the Creation of Reserve Assets has prepared in accordance with the instructions of the Deputies, contained in paragraph 38 of their Report to Ministers of 30th May 1964.

I remain, Mr. Chairman,

Yours faithfully,
R. OSSOLA

Chairman - Study Group on the
Creation of Reserve Assets.

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INTRODUCTION

1. The Ministerial Statement of the Group of Ten, dated 1st August 1964, approved the arrangements made by the Deputies for our Study Group in these words (paragraph 5):

" Looking further into the future, since there is a possibility that the supply of gold and foreign exchange reserves may prove to be inadequate for the overall reserve needs of the world economy, the Ministers and Governors, without prejudging any aspect of this question, have approved the arrangements made by their Deputies for a study group to examine various proposals regarding the creation of reserve assets either through the IMF or otherwise. "

This paragraph is associated with a passage in paragraph 2 of the same Ministerial Statement:

" The continuing growth of world trade and payments is likely to entail a need for larger international liquidity. This need may be met by an expansion of credit facilities and, in the longer run, may possibly call for some new form of reserve asset. "

and with paragraph 25 (*d*) of the Deputies' Annex:

" The need may in time be felt for some additional kind of international reserve asset. We think it would be timely to investigate the problems raised by the creation and use of such an asset, the possible forms it might take and the institutional aspects associated with it. "

2. Our Mandate from the Deputies reads as follows:

" *1.* In accordance with our Report to the Ministers, we have appointed a Study Group on the Creation of Reserve Assets, under the chairmanship of Mr. Ossola, to carry out under our direction an examination of various types of proposals for the creation of reserve assets which have been discussed by us in connection with the long-term evolution of the international monetary system, e.g.:

A) a reserve asset created by a group of countries such as that described in paragraph 33 of our Report to Ministers

B) a reserve asset created by or through the IMF in a variety of forms such as gold tranche or super gold tranche rights, claims resulting from borrowing under the GAB or other borrowing by the Fund, or deposit liabilities by the Fund. Such asset might arise out of:

(*a*) members' normal drawings in credit tranches

(*b*) members' drawings for the purpose of converting currency holdings into claims on the Fund, with an obligation of the holder to provide his currency to the IMF in the amount needed

(*c*) investment operations by the Fund or deposits by members with the Fund

(*d*) the extension of gold tranche or similar rights without corresponding payment of gold to the Fund

C) combinations or variations of the above.

2. The Study Group should provide a description and analysis of each proposal, bringing out significant similarities and differences of underlying principles, functions and modes of operation.

In elucidating the general economic and financial impact of the various proposals, the Group should take full account of their implications for the functioning of the present international monetary system and of the broad considerations set out in our Report to Ministers, particularly those in paragraph 39.

The Study Group should also consider how the provision of the reserve assets should be related to the appropriate framework of multilateral surveillance.

It should cover all relevant technical, procedural and institutional aspects of the respective proposals, but should not enter into details of operation or administration.

3. This study is put in hand without any commitment or prejudgment as to whether, or to what extent, use will be made in the longer run of any of these proposals.

4. The Study Group should conduct its study in close consultation with IMF and with other international bodies as appropriate.

5. The Study Group should assemble the elements necessary for an evaluation of the respective proposals, and should report to us."

3. Our Mandate thus limits our study to the types of proposal indicated in its first paragraph. We have read it in the light of the passages quoted above and of Chapter IV C) of the Deputies' Report, "Further needs for owned reserves." Our purpose has been not only to examine the technical aspects of the types of proposal referred to us, but especially to elucidate the principles underlying the alternative approaches and to assemble the elements necessary for an evaluation by the Deputies of the relative merits of each. Our study has been undertaken without any commitment or prejudgment as to whether, and to what extent, use will be made of any of these proposals.

4. We have been mindful that our instructions were not to express preferences among individual proposals. It is never easy to avoid crossing borderlines, but we have tried our best to explore the matter as fully as possible without going beyond our Mandate. While divergent views have emerged on many points in our study, the Group feels that the study has brought to light the main aspects of the process of reserve creation and the fundamental issues it would involve.

5. Our Report presents the results of our discussions, under the following Chapters:

I – The Problem

II – Existing Types of Reserve Asset

III – Description of the Various Schemes studied by the Group

IV – Comparative Analysis

V – Elements for Evaluating the Respective Proposals

– Concluding Remarks.

CHAPTER I – THE PROBLEM

6. The problem referred to the Group by the Deputies concerns the creation of reserve assets either through the International Monetary Fund (I.M.F.) or otherwise, and thus calls for an examination of various methods of meeting possible needs for an expansion of reserve assets. This problem arises from the considered expectation that the future flow of gold into reserves cannot be prudently relied upon to meet all needs for an expansion of reserves associated with a growing volume of world trade and payments and that the contribution of dollar holdings to the growth of reserves seems unlikely to continue as in the past.

7. Our primary concern has been to look into different means, other than new accruals of gold and reserve currency balances, of providing new or additional reserve assets to be available when the need is felt. Some approaches take effect only in conjunction with financing of balance of payments' deficits, while others aim at creating additional reserve assets independently of the balance of payments' situation of individual countries. We have also examined yet other proposals designed to facilitate changes in the form in which some existing types of reserve assets may be held.

8. As to the problem of providing reserve assets for the deliberate purpose of increasing the world's stock, we recognise that the adequacy of aggregate reserves is not at present measurable by any quantitative formula, and that, as it would be a very extreme situation in which all countries simultaneously felt the need for more reserves, an overall shortage would, in practice, be likely to show up first as a shortage in particular countries. But the reference to " overall reserve needs of the world economy " in paragraph 5 of the Ministerial Statement clearly means that the Group is not called upon merely to discuss ways of providing for the needs of an individual country which happens to be in deficit at

the time. An attempt to identify some possible indicators of overall inadequacy of reserves is, therefore, made in paragraph 10.

9. Clearly, however, a consideration of overall needs must start from the need which the individual country feels for reserves. This is a matter for the authorities in that country to judge, no doubt primarily in the light of their appraisal of the country's present and prospective international economic situation and of the objectives which they have set for themselves in the economic field. But reserve assets are only one form of the liquidity which can be used for these purposes; what distinguishes them from the other forms of liquidity is their unconditional availability. The assessment of a country's reserve needs will therefore depend greatly on the degree of independence which it wishes to preserve in the pursuit of its policies. These considerations would doubtless also apply, to some extent, in any attempt to assess aggregate needs. The outcome of such an attempt would inevitably be a compromise between the divergent attitudes of countries whose financial and economic authorities are confronted with different problems of inflation or deflation, of full employment or under-employment, of slow or rapid growth, and of external deficit or surplus.

10. We have considered what circumstances might indicate a general inadequacy of reserves. An indication that reserves are inadequate might be found in a reluctance to extend intergovernmental credit, or in an increasing propensity to seek credit, in preference to parting with reserve assets. Clearer evidence of a general scarcity might be found in a marked tendency to make maintenance, increase or restoration of reserves an overriding objective of economic policy, taking priority over other fundamental objectives, such as economic growth, a high level of employment and freedom of international trade. Indeed, a general scarcity might well have been permitted to develop too far when such tendencies became evident. In that situation, the anxiety to retain or increase reserves would probably lead countries to adopt excessively restrictive policies to prevent the emergence of a payments' deficit or to achieve a surplus. In such conditions, therefore, the absence of large imbalances would not necessarily be evidence that reserves were adequate. Significant symptoms of strain would be a generalisation of trade and payments' restrictions, instability of exchange rates, rising unemployment and falling international prices.

No doubt, so far as lenders were willing to extend credit in the assumed prevailing scarcity of reserves, the greatly developed credit element in international liquidity would continue to be used to avoid these consequences as far as possible; and this would have the incidental effect of increasing reserve assets of certain kinds. But the additional assets would not necessarily be adequate in amounts, satisfactory in their distribution, or available in the desired forms.

11. This illustrates a point which has frequently arisen in our discussions, namely, the close relationship between credit facilities and reserves. The dividing line between the two is itself difficult to draw—we have taken it to lie where it was fixed, by necessity somewhat arbitrarily, in the tables in Appendix II of the Deputies' Annex, which have been brought up to date in a slightly modified form in an Appendix to our Report. Moreover, reserves and credit facilities interact with each other. On the one hand, greater availability of credit facilities itself contributes to the growth of international liquidity; and the use of credit facilities by a deficit country usually results in the acquisition of a reserve asset by the creditor country. This aspect of the relationship is a particularly relevant one to our task, in that one of the ways in which an increase in the global volume of reserve assets may come about is through the use by deficit countries of available credit facilities. On the other hand, a general scarcity of reserve assets may make for a reluctance to extend international credits. While our Group was not concerned with credit facilities as such, therefore, we have constantly been concerned with their effects.

12. The study of the fundamental aspects of the process of reserve creation raises questions not only of the procedures for creation, distribution and use of assets and of their main characteristics, but also of the width of membership and the institutional framework as well as the management and the taking of decisions. We have had to consider these questions in relation to the existing system and to the reserve assets already held by monetary authorities in differing proportions according to their respective policies. Part of the problem concerns the impact which the introduction of a new asset would have on those policies. In our discussions, therefore, we have traversed all the questions which para-

graph 39 of the Deputies' Report instructed us to take into account. It is not surprising that divergent views have emerged on many of these points. But all agree that the process of reserve creation and the main qualities of a new asset should be such as to inspire confidence, to fit into the pattern of international co-operation and to be capable of flexible management in the interest of the smooth and efficient working of the international monetary system.

CHAPTER II – EXISTING TYPES OF RESERVE ASSET

13. A country's reserves may be broadly defined as all those assets of its monetary authorities that can be used, directly or through assured convertibility into other assets, to support its rate of exchange when its external payments are in deficit. Deputies recognized three main categories of reserve assets: gold, currency assets and claims on the International Monetary Fund (gold tranche, super gold tranche and G.A.B. (1) creditor positions). All of these, other than gold, can be regarded analytically as having originated in the giving and taking of credit in some form or other, although the bulk of them, such as most dollar holdings, were not created by explicit credit transactions among monetary authorities. Nor were such explicit credit transactions as occurred entered into with the primary purpose of increasing aggregate reserves.

14. Besides being components which are held in the reserves of countries in varying proportion according to national policies, existing reserve assets have certain distinct functions in the international monetary system. Thus, gold, which forms approximately 60 % of the present aggregate, is, for reasons which go back through history, the common store of value and the common denominator of currency parities. The reserve currencies, which supply most of the remaining 40 % of the world's reserves, share the function of a store of value but also provide the operating medium of monetary authorities. The claims on the Fund overlap both with gold, because, for all practical purposes, they are gold-value-guaranteed, and with currencies, because they give access to currencies through the Fund.

15. In the following paragraphs we set out some salient characteristics of these three broad types of asset which have come into existence and consider how they may contribute to increasing aggregate reserves.

(i) *Gold*

16. A fixed gold price being the basis of the system, an increase in total gold holdings comes normally from that part of new output that is

(1) General Arrangements to Borrow.

not absorbed by industrial and artistic uses or by private hoarding. From time to time, net sales from the Eastern Bloc increase the supply of gold moving into the official reserves of the rest of the world. Gold reserves could increase also through net dishoarding by the general public, but this has not happened for many years and cannot be counted upon in view of the continuing demands from private sources. In practice, the function of maintaining the international monetary price of gold has been discharged predominantly by the United States.

(ii) *Currency Assets*

17. The world total of official foreign exchange holdings can increase in various ways: through certain purchases or sales of gold for currency by monetary authorities; through some types of I.M.F. transactions; through transfers of foreign exchange from private to official hands; and, in largest measure so far, as a consequence of balance of payments' deficits of reserve centres. In all these cases, the increase in total reserves arises from the application of the "gross principle", viz., that the asset in question is counted as an asset in the reserves of the holder, whereas the liability of the reserve centre is not deducted from that centre's reserves.

18. (*a*) *Reserve Currency Holdings.*— Every country normally counts these holdings in its reserves, whether they be in the form of investments in the money market, deposits in commercial banks, deposits at the B.I.S. [1], or balances held at central banks. Such holdings add to total reserves because of the application by reserve centres of the gross principle mentioned above. Since the war there has not been any substantial rise in sterling holdings, but the rise of dollar holdings, widely spread among countries, has provided an effective and sizable supplement to gold in increasing total reserves. As the Deputies noted, however, this contribution seems unlikely to continue in the future as in the past.

19. (*b*) *Holdings of other Currencies.*— In the reserves of the Group of Ten countries, holdings of currencies other than dollars have been small. There is no immediate prospect of any other

[1] Bank for International Settlements.

currency assuming the role of a reserve currency. Foreign currency holdings of the United States have not so far been very large; but the American authorities have declared their willingness to enlarge them when the U.S. is in surplus.

20. (*c*) *Currency Holdings under Swaps and Deposit Arrangements between Monetary Authorities.*— Formally, a currency swap is an exchange between two parties, reversible at some future date. As such, it results in a temporary increase of reserve assets. If both parties to a central bank swap in their respective currencies were to include swap balances in their reserves on a gross basis, a swap drawing would add to total world reserves an amount double that of the swap. If both parties counted the balance net, there would be no change in total world reserves. All monetary authorities that have drawn on swap facilities in recent years have put any unspent balances in their reserves on a gross basis. The same has applied to the countries drawn on, with the exception of Germany, the Netherlands and, on one occasion, Italy.

21. (*d*) *Roosa-type Bonds.*— Roosa-type bonds are non-marketable short- and medium-term U.S. Treasury securities held by foreign monetary authorities, most of them denominated in the currency of the holder. Some countries include these assets in their reserves, while others do not. They are not netted out in U.S. reserves. In order to make them suitable for inclusion among reserve assets, these securities commonly contain a clause which enables the holder to mobilise them at short notice.

(iii) *Claims on the International Monetary Fund*

22. These include "regular" gold tranche positions, "super" gold tranche positions and creditor positions under the G.A.B.

23. (*a*) *Gold tranche positions* are claims (i.e., drawing rights) that arise to the extent that the Fund's holdings of a member's currency fall short of its quota. Such positions give virtually automatic access to the Fund's resources to a member which

represents that it has need for funds to deal with its balance of payments' situation. They are therefore assets which can be, and have, in fact, been, freely drawn upon by members to support their currencies, and thus fall within the definition of reserves. They are covered by the Fund's maintenance of gold-value guarantee. (1) Gold tranche positions may be divided into two parts:

(1) *Regular gold tranche positions* exist to the extent that, by virtue of the initial subscription or other transactions, the Fund's holdings of a member's currency are below 100 % but not below 75 % of quota. A drawing in the regular gold tranche has to be repaid on the same terms as a drawing in the credit tranches, although it can be redrawn upon a representation of balance of payments' need.

(2) *Super gold tranche positions* exist to the extent that the Fund's holdings of a member's currency are below 75 % of the member's quota. Drawings within the super gold tranche do not entail a repayment obligation.

24. (*b*) *G.A.B. Creditor Positions.*— Claims resulting from the provision of currency to the Fund under the General Arrangements to Borrow are, in many respects, comparable with super gold tranche positions. But they differ on some points. On the one hand, a G.A.B. claim enjoys an outright gold-value guarantee (1) and a specified maturity date, and it earns interest payable in gold by the Fund. On the other hand, instead of conferring a drawing right, the G.A.B. lays down a special procedure for obtaining repayment before the due date to meet a balance of payments' need.

(1) The Articles of Agreement provide that, in the case of a uniform change in par values, the gold-value guarantee would apply unless the Fund specifically decides otherwise. The gold guarantee of the G.A.B. claim does not provide for this latter decision.

CHAPTER III – DESCRIPTION OF THE VARIOUS SCHEMES STUDIED BY THE GROUP

25. We have classified as follows the different types of proposals referred to us for study.

(I) CREATION OF RESERVE ASSETS BY A GROUP OF COUNTRIES

A. Collective Reserve Unit Scheme.

B. Group Schemes Associated with the I.M.F.

(II) CREATION OF RESERVE ASSETS THROUGH THE I.M.F.

A. Normal Drawings in Credit Tranches.

B. Enlargement of Automatic Drawing Rights in the Fund.

C. Extension of Gold Tranche Rights without Gold Payment, on the occasion of Quota Increases.

D. Special Operations by the Fund.

(III) SCHEMES WHICH PROVIDE HOLDERS OF CURRENCY WITH AN ALTERNATIVE ASSET

A. Conversion of Currency Balances into Reserve Positions in the Fund.

B. Mutual Currency Account (M.C.A.).

The above classification, which reflects the Mandate and subsequent instructions given by the Deputies, does not imply any value judgments by the Study Group.

26. All the new or additional reserve assets envisaged under the proposals examined in this Chapter have in common with existing reserve assets the character of availability without conditions affecting the conduct of economic policy. They also share the following characteristics:

— Unlike some of the existing reserve assets, they can be held only by monetary authorities and cannot be used to settle private or governmental transactions.

— Unlike reserve currencies, they cannot be used for direct intervention in the exchange markets.

— They derive their validity from an international convention.

27. The present Chapter is descriptive. It aims at giving a comprehensive view of the main approaches studied by the Group.

(I) CREATION OF RESERVE ASSETS BY A GROUP OF COUNTRIES

A. Collective Reserve Unit Scheme

Definition

28. Collective Reserve Units (C.R.U.s) would be non-interest-bearing assets, created outside the I.M.F. by a limited group of industrial countries, in agreed amounts, from time to time. They would be distributed initially, and on subsequent occasions, in accordance with an agreed arrangement, and held and used in a uniform ratio with gold in the participating countries' monetary reserves. They would derive their acceptability as a reserve asset from the convention establishing the system.

Objectives

29. The objective of the C.R.U. scheme is to provide for the creation of reserves directly in the hands of monetary authorities on the basis of a collective appraisal of global needs. The C.R.U. would be distributed independently of individual balance of payments' situations, in a way that does not increase the heterogeneity of reserve assets at present used in the international monetary system.

Creation and Distribution of the Asset

30. The participating countries would meet at least once a year to appraise the global situation and to decide unanimously on the amount of C.R.U.s to be created or cancelled.

31. C.R.U.s could be created in a number of ways. One method would be by a procedure of crossed deposits in gold, under which each participant would deposit with a central Agent a prescribed amount of gold, while the Agent in turn would deposit an equal amount of gold with each participant individually. The assets created by the participants' deposits of gold with the Agent would constitute the Collective Reserve Units; and the gold deposited by the Agent with the participants would be counted as part of their gold reserves until such time as the scheme were liquidated, any participant withdrew, or some existing C.R.U.s were cancelled.

32. The creation of C.R.U.s could alternatively be initiated through deposits by each participant of its own currency with an Agent. In that event, C.R.U.s would have to be provided with a gold-value guarantee against the contingency of a change in the value of any participant's currency.

33. C.R.U.s could be distributed to participants in proportion to their gold reserves. Other methods of distribution are possible, e.g., on the basis of participants' total monetary reserves or of their I.M.F. quotas, but any distribution of C.R.U.s that was not in proportion to gold reserves would need to be followed by a redistribution of gold against C.R.U.s among the participating countries in order to establish a uniform ratio of C.R.U.s to gold in each participant's monetary reserves. Thus, following a distribution of C.R.U.s on a basis other than gold holdings, any participant whose ratio of C.R.U.s to gold in its reserves exceeded the ratio for the group as a whole would receive gold in exchange for C.R.U.s. Participants who found themselves, after a distribution of C.R.U.s, in the opposite position would lose gold and receive C.R.U.s.

Use of the Asset

34. C.R.U.s would be used only on the periodical settlement dates. In the normal course of international transactions, participants' gold reserves might change. Transfers of C.R.U.s and gold between participants would take place on periodical settlement dates in order to restore a uniform ratio between each participant's C.R.U.s and its gold holdings.

35. This process of restoring the uniform ratio of C.R.U.s to gold ("reshuffle") would mean that countries which, since the last settlement date, had lost gold to other members of the group, or more gold to the rest of the world than the other members of the group, would regain a fraction of what they had lost, while giving up a corresponding amount of C.R.U.s; similarly, countries that had gained gold would relinquish a fraction of it in exchange for C.R.U.s.

36. Changes in the total gold holdings of the group could occur as the result of transactions with the rest of the world, gold production within the group, deliveries to industry, or movements in and out of private hoards within the group. A new proportion of total C.R.U.s to total gold holdings would result. This would replace the previous uniform ratio unless there were a new issue or cancellation of C.R.U.s. Since individual ratios would then normally differ from the new uniform ratio, the next reshuffle would have the result that the change in total gold holdings would be shared by all members of the group.

37. C.R.U.s would not be instruments for market intervention, and there would be no interconvertibility between C.R.U.s and either currencies or gold. C.R.U.s would not be transferred from one participant to another between settlement dates, and they would not be used in transactions with the rest of the world.

Participation and Institutional Arrangements

38. Participation in the C.R.U. scheme would be limited to a small group of industrial countries, which might or might not be larger than the Group of Ten.

39. There are three main institutional aspects of the scheme:

(i) A convention between the participating countries which would govern the creation, distribution and the use of C.R.U.s.

(ii) A governing body which would take decisions by unanimous vote. Its decisions would be mainly concerned with increases or decreases, according to global needs, in the amount of C.R.U.s in issue.

(iii) An Agent which, according to the proposal submitted to the Group, would be the B.I.S. The Agent's main functions would be to keep the accounts of the system and to give instructions for the periodical settlements.

Withdrawal and Liquidation

40. A participating country could withdraw from the system by giving notice of its intention to do so. The day on which notice was given would also be the reference date for the withdrawal settlement. This settlement would have to be effected within an appropriate period of time, specified in the convention.

41. The system could be liquidated by unanimous consent or as a result of the withdrawal of all participants but one.

42. In the case of either withdrawal or liquidation, a participant who was a net creditor–that is, whose holdings of C.R.U.s at that time exceeded the cumulative total of C.R.U.s it had received at the initial and subsequent distributions–would receive the amount of this excess in gold or currencies, as provided by the convention, from participants in the opposite position (i.e., net debtors).

43. A cancellation of part of the outstanding total of C.R.U.s would entail a settlement similar to a withdrawal settlement.

B. Group Schemes Associated with the I.M.F.

Objectives

44. The object of the proposals is the organised and controlled creation inside the I.M.F. of additional reserve assets by, and on behalf of, a limited group of industrial countries in a way that does not involve the concurrent surrender of real resources, nor a net capital inflow; in which respect they resemble other proposals for distribution of reserve assets across the board. The amount of new reserves to be created would be decided at periodic intervals in the light of agreed total needs, account being taken of holdings of other reserve assets. The new

reserve assets would be distributed without reference to the participating countries' balance of payments' surpluses and deficits.

General Procedures for Creation and Distribution of the Assets

45. The procedures for the creation and distribution of the new reserve assets would be determined by a formal convention among all participants and by appropriate arrangements between participants and the I.M.F.

46. The new reserve assets would be distributed among the participating countries in accordance with a prearranged formula. The shares could be based on I.M.F. quotas (with or without G.A.B. credit lines), gold reserves, total monetary reserves (as defined in the convention), or some other agreed criterion.

47. Following the decision to create additional reserve assets, participants would issue to the I.M.F. non-negotiable government obligations which would carry a gold-value guarantee and which might be interest-bearing. In return, they would receive " reserve claims " on a separate account in the I.M.F., which would also carry a gold-value guarantee and which might bear a contractual yield. Since the non-negotiable government obligations would not be deducted in calculating participants' reserves, the reserve claims would represent a net addition to the participants' reserve assets. The I.M.F. would hold the non-negotiable government obligations in a separate account, so that they would not count as a part of the Fund's holdings of the participants' currencies and would not therefore affect the normal I.M.F. drawing rights and repurchase obligations of these members.

48. Participants would undertake, subject to certain conditions discussed below, to accept the reserve claims in international settlements.

Terms and Conditions of Distribution and Use of the Reserve Claims

(i) *Variants linked to Gold*

49. There could be several variants. The original proposal envisages the following:

(*a*) The reserve claims could be distributed to each participant at the time of an initial distribution in proportion to that participant's gold holdings, and this relationship would be maintained by means of periodic reshuffles.

(*b*) The initial distribution of the reserve claims could be according to some criterion other than gold holdings (e.g., I.M.F. quotas, with or without G.A.B. credit lines), but in other respects the scheme would be the same as in (*a*) above. In order to establish a uniform ratio of claims to gold in the reserves of participants, a redistribution of gold would then have to follow each issue of claims. In order to maintain this uniform ratio, periodic reshuffles of gold and claims would be necessary, as in (*a*) above.

(*c*) A third variant linked to gold would introduce a voluntary element into the scheme. Participants would be free to hold claims in a ratio to gold either higher or lower than the average for the group as a whole. Accordingly, there would not be periodic reshuffles, but a participant whose holdings were less than this average would be committed to accept claims in exchange for gold from participants whose holdings of claims exceeded the average.

50. Another variant would also be possible. It would embody the principles of (*c*) above. In addition, participants could arrange bilateral transactions in which a combination of gold and claims would be exchanged against a participant's currency. The ratio of claims to gold in such transactions would be specified in the convention. The convention might fix this " transactions ratio " at a level equal to or higher than the ratio of claims to gold in the holdings of the group as a whole.

(ii) *Variants not linked to Gold*

51. Reserve claims could be distributed initially according, for instance, to I.M.F. quotas (with or without G.A.B. credit lines), and the use of claims would not be linked to gold.

52. The obligation of participants to accept reserve claims could, in this case, be limited quantitatively for each participant under the convention. Alternatively, if the holdings of claims were made sufficiently at-

tractive (e.g., by giving them a net yield), participants might not wish to have any quantitative restriction on their holdings.

(iii) *Techniques for the Use of the Asset*

53. Two different techniques for the use of the reserve claims can be conceived. They are:

(a) Direct transfer of claims between participants. In the case of variants linked to gold, these transfers would take place in conjunction with transfers of gold; in the case of variants not linked to gold, they would take place without simultaneous transfers of gold.

(b) Transfers between participants via the I.M.F. in a way similar to that used for normal gold tranche drawings. This would mean that participants would have to open special credit lines in their own currencies in favour of the Fund for use only in connection with transfers of the claims.

Participation and Institutional Arrangements

54. Participation in the scheme would be limited to a small group of industrial countries, which might or might not be larger than the Group of Ten.

55. A number of alternative procedures for taking decisions would be possible. Decisions could be based on:

(i) a rule of unanimity;

(ii) a rule of unit voting with ordinary majority;

(iii) a rule of weighted voting with ordinary majority.

Withdrawal and Liquidation

56. For the working of the scheme, the convention would have to provide arrangements for the withdrawal of individual participants and for the liquidation of the scheme, making clear what the nature of the claim would be in these circumstances.

(II) CREATION OF RESERVE ASSETS THROUGH THE I.M.F.

A. Normal Drawings in Credit Tranches

Objectives and Mechanism

57. The primary purpose of normal Fund operations is to provide means for balance of payments' financing directly to the drawing member. To the extent that the drawing member is in the credit tranches and the drawee in the regular gold or super gold tranche, additional reserves are created in the form of regular gold tranche, super gold tranche or G.A.B. creditor positions. Normally, the drawee will be in the regular gold or super gold tranche. As total drawings outstanding in the credit tranches increase and decrease over time, therefore, the total of gold tranche positions, and hence the world total of reserve assets, move correspondingly.

58. The initial effect of Fund drawings on the reserves of the country whose currency is drawn depends on whether it is a reserve centre or not:

- When a reserve currency is drawn, the reserve centre correspondingly experiences an increase in its gold tranche position and its total reserves in so far as its currency drawn is not converted.
- When a non-reserve currency is drawn, the drawing country usually converts the proceeds into a reserve currency to be used in exchange markets. Thus, the total reserves of the country drawn upon remain unchanged, as its gold tranche position increases and its other reserves are reduced correspondingly.

Subsequently, however, when the drawing country uses the funds drawn, now in the form of reserve currencies, these funds will tend to flow into countries in balance of payments' surplus:

- When the surplus country to which the funds flow is a reserve centre, a liability will be extinguished, but its total reserves will remain unchanged.
- When the surplus country to which the funds flow is not a reserve centre, the subsequent inflow of reserve currencies will add to its total reserves; in so far as its currency had initially been drawn and converted, this will restore the initial reduction in its other reserves, while leaving its gold tranche position intact.

Thus, while the surplus country whose currency was initially drawn may not earn back precisely the amount of the drawing in its currency, this example illustrates how the final impact tends to be the same, whether the currency drawn was that of a reserve centre or not: an increase in the gold tranche position of the drawee representing a net increase in his total reserves.

Distribution of Reserve Positions

59. The countries participating in the distribution of reserve positions in the Fund resulting from normal drawings are those whose currencies are used in the drawings. Under the present Fund policy, a currency is eligible for use in drawings when it is, in practice, convertible and the country's balance of payments and reserves are reasonably strong. The currencies used may change over time and their number grow; in which case, a greater number of countries would hold reserve positions in the Fund resulting from normal drawings. The Fund's selection of the currencies to be drawn tends, in the long run, to bring about, among countries in strong balance of payments' position, a distribution of reserve positions in the Fund that corresponds roughly to the distribution of their other reserves.

Nature of the Asset

60. Regular gold tranche, super gold tranche and G.A.B. creditor positions resulting from normal drawings confer the right to obtain needed currencies virtually on demand. It should be mentioned that a proposal was formulated for specifying the status of reserve positions in the Fund, in order fully to establish their nature as an unconditional reserve asset; it has also been proposed to grant a yield on reserve positions in the Fund, in order to enhance their reserve character and to introduce an incentive to hold reserves in this form.

Creditor Limits

61. The limit of the creditor's commitment results from the size of his quota, subject to the possibility of its extension under the G.A.B. or otherwise.

B. Enlargement of Automatic Drawing Rights in the Fund

Objectives

62. The object of this proposal is to effect an increase, or subsequently, if desirable, a decrease, in the level of reserve assets in the form of virtually automatic drawing rights in the Fund. These changes in the reserve assets of individual countries would be independent of their current balance of payments' positions. The intention of the scheme would normally be to leave conditional drawing rights in the Fund unimpaired, but, if desired, such conditional rights could be allowed to decline in the same amount as the automatic drawing rights had been increased.

Mechanism

63. The scheme would operate on the basis of decisions to expand virtually automatic drawing rights into the first credit tranche. In order to protect those who receive actual [1] additional automatic drawing rights from suffering a corresponding contraction of their conditional drawing rights, the Fund could simultaneously extend their conditional rights by the same percentage of quota as their automatic rights. A deliberate contraction of reserve assets in this form could be achieved by reversing these procedures. Since enlargement or reduction of automatic drawing rights is a matter of Fund policy, no amendment of the Articles of Agreement would be necessary to put this scheme into effect.

Distribution

64. This proposal can be applied to all Fund members or to a more limited group, for example, countries whose currencies are usable by the Fund and which are willing to extend lines of credit to the Fund in connection with the receipt of new reserve assets.

65. Regardless of the range of countries entitled to participate in the scheme, this proposal, in the form in which it has been presented, embodies a self-qualifying element: an extension of automatic drawing

[1] As opposed to potential: see paragraph 65.

rights beyond the present gold tranche to the point at which Fund holdings of the member's currency reached, for example, 105 % of quota, would effectively increase the reserve assets of individual countries only to the extent that they had not drawn on the Fund up to this point. Countries that had already borrowed from the Fund beyond this point would receive only a potential increase.

Use of the Asset

66. Participating countries would use the asset as they now use gold tranche positions, by drawing currencies from the Fund to meet balance of payments' needs. In the process, the reserve asset would be transferred to the country whose currency was drawn. In order to provide for such transfers of the new reserve assets–without requiring the Fund to use its ordinary resources, which are intended to meet normal drawings–each country qualifying under the scheme would extend to the Fund a line of credit proportional to the new reserve assets created in its favour. The activation of such lines of credit by the Fund to meet currency drawings of other countries using their new reserve assets would create reserve assets for the country whose line of credit was drawn upon, as in the case of the G.A.B.

Quantitative Effects on Reserves

67. The general order of magnitude of reserve asset creation from this proposal can be gauged as follows. On the basis of Fund quotas after the present round of quota increases, an extension of automatic drawing rights to the 105 % point would add about $ 1 bn. to actual and potential reserve positions in the Fund. About two-thirds would go to members of the Group of Ten. Of the remaining one-third, more than half in present circumstances would remain potential. Each further extension of automatic drawing rights would add correspondingly to reserve assets. On the same basis, if and when the entire first credit tranche had been made automatic, $ 5 bn. would have been added to actual and potential reserve assets. Each future increase in Fund quotas would further enlarge reserve assets in this form unless the dividing line between automatic

and conditional drawing rights were deliberately adjusted to avoid this result—in other words, unless the percentage of quota over which automatic drawing rights would apply were reduced.

C. Extension of Gold Tranche Rights without Gold Payment, on the occasion of Quota Increases

Objectives

68. The object is to provide a means of reserve creation, independently of individual countries' balance of payments' positions, on the occasion of general increases in Fund quotas. Such across-the-board additions to reserve assets could later be offset, if desired.

Mechanism

69. At the time of general quota increases, the first 25 % of quota enlargements might be subscribed by means other than payment in gold–e.g., in callable gold certificates–with no change in the virtually automatic nature of drawings in the gold tranche. As a result, the gold holdings of Fund members would be unaffected by a quota increase (assuming that countries did not deduct the gold certificates as a liability in calculating reserves), while their gold tranche positions would increase. As in the case of other schemes for reserve creation, the claim on member countries (gold certificates) would normally remain dormant. If, however, it were desired to reduce reserve assets, the Fund could call gold in exchange for the gold certificates. Whether or not amendment of the Articles of Agreement would be necessary to implement this scheme would have to be examined.

Distribution

70. Countries which had not borrowed from the Fund beyond their pre-existing gold tranche would acquire a new reserve asset in the form of a gold tranche position equal to one-fourth of the increase in their quota. The self-qualifying element would thus apply. To the extent that countries had borrowed beyond one-fourth of the proposed increase in quotas, they would receive only potential reserve assets in this form.

All countries would, however, be relieved of gold payment at the time of quota increases.

Variant applicable to a smaller Group of Countries

71. The proposal is also adaptable to a smaller group of countries, for example, countries whose currencies are normally used by the Fund in drawings. It could be decided that the latter group of countries, which already contribute usable resources to the Fund, and only these countries, would pay in national currency in lieu of gold subscription. This portion of the subscription would be placed in a special account in the Fund and would not count as an ordinary Fund holding of the member's currency in determining the member's position in the Fund. The subscribing country would thus acquire an additional gold tranche claim, as in the previous case.

Quantitative Effects on Reserves

72. Gold tranche positions would increase by one-fourth of each quota increase, the addition to reserve assets being only potential for countries excluded under the self-qualifying element. For example, on the occasion of a further increase of 10 % in quotas after the forthcoming round of quota increases, it would be possible through this method to create $ 500 mn. of actual or potential reserve assets in the form of gold tranches. This would be in addition to the growth of gold tranche claims arising from normal drawings in the credit tranches. The amount and timing of reserve increases thus achieved would, of course, be contingent on the amount and timing of quota increases.

D. Special Operations by the Fund

Definitions and Types of Operations

73. By "special operations" is meant the acquisition by the Fund of special assets, other than gold, which do not add to the Fund's currency holdings in such a way as to detract from the normal drawing rights of the countries in which the special assets are held. Special operations would include both operations undertaken on the initiative of the Fund with currencies or gold (" Fund investment ": paras. 75 to 87 below)

and deposits with, or loans to, the Fund for financing " special credit operations " (paras. 88 to 90).

74. In order to carry out activities of the types under examination, the Fund would probably have to acquire new powers by amendment of the Articles of Agreement.

(i) Special Currency Operations

Objectives

75. The acquisition or liquidation of special assets in connection with special currency operations by the Fund would be undertaken in order to increase or decrease the general level of world reserves.

Creation and Distribution of the Reserve Asset

76. In order to obtain the means needed to carry out special currency operations, the Fund would normally borrow in members' own currencies in suitable amounts. If such operations were contemplated in currencies of which the Fund had ample supply in its normal holdings, however, it could draw on those holdings to finance the operations.

77. The Fund would invest currencies in special operations according to the following possibilities:

(*a*) Among all member countries, according to some formula to be agreed upon, e.g., in proportion to Fund quotas, in proportion to total reserves, or otherwise;

(*b*) Among a selected group of member countries (e.g., Group of Ten or all countries with convertible currencies) according to some general formula;

(*c*) The Fund could place the currencies at the disposal of some international institution like the I.B.R.D. [1], which would use them selectively to finance particular projects or otherwise, according to its normal criteria.

78. The effect of special currency operations would normally be to increase the reserve positions in the Fund of the countries whose cur-

[1] International Bank for Reconstruction and Development.

rencies were utilised for the operations. (1) The additional reserve assets created by the operations would accrue to the countries in which the investments were made. Thus, if the currency of a country were invested in the same country, that country would normally receive a reserve position in the Fund, which would constitute for it an additional reserve. On the other hand, if the currency of one country were invested in another country, the first country would receive the reserve position in the Fund, but would probably lose other reserves (by conversion). These reserves would accrue to the country of investment. To the extent that the first country had lost reserves in the conversion of its own currency, it would have no net increase in its reserves (2).

Nature of the Special Assets acquired by the Fund

79. The special assets acquired by the Fund in the process of investment with currencies would take the form of either special non-negotiable governmental obligations or the liabilities of an international institution, such as the I.B.R.D. They would be denominated in the currency in which the investment was made and would be covered by a gold-value guarantee. The greater part of these assets would be of a long-term character, but some proportion of them might be on short term in order to facilitate a contraction, when appropriate, in the total amount of world reserves.

Nature and Use of Members' Reserve Positions

80. Where the Fund used currencies acquired by borrowing, the reserve positions created by the investment operations would take the form of loan claims on the Fund. These would carry a gold-value guarantee and might also earn interest. Where the Fund used currencies from its existing holdings on quota accounts, the reserve positions created would take the form of gold tranche positions.

(1) By way of exception to the normal case, if the currency utilised came from Fund holdings, the country whose currency it was would acquire a reserve position in the Fund only if the operation reduced total Fund holdings of its currency below 100 % of quota; otherwise, its conditional drawing rights would be reconstituted *pro tanto*. Consequently, if the investment were made in the country whose currency was utilised, that country would get an additional reserve asset only provided that the operation gave it a reserve position in the Fund.

(2) The full effects of the operation for both reserve centres and other countries whose currencies were utilised would be similar to those described in paragraph 58 above, in connection with the discussion of normal drawings in the credit tranches.

81. Loan claims could be transferred among the member countries in a number of ways:

(*a*) Via the Fund, i.e., they could be used, on a representation of balance of payments' need, to obtain usable currencies from the Fund. The country whose currency was made available by the Fund to the member using its loan claim would, in effect, take over a reserve position in the Fund from that member. This approach would normally entail:

(1) the negotiation by the Fund of lines of credit in an amount sufficient to enable it to meet additional demands for drawable currencies arising out of this use of loan claims;

(2) the establishment of provisions, analogous to the present policies on currencies to be drawn, to ensure the equitable sharing of loan claims among countries providing the lines of credit; and

(3) the establishment of provisions to ensure that loan claims used for balance of payments' reasons would be reconstituted.

(*b*) Loan claims could alternatively be transferred directly among member countries, i.e., on the initiative of the transferor and without the intermediary of the Fund. However, the commitments of transferee countries to accumulate the claims would be subject to agreed quantitative limits, which would perform the same function as the lines of credit envisaged in (*a*) above.

(*c*) Whether the loan claims were transferable through the Fund or directly, the acceptance of these claims might be governed by an obligation to hold them in a fixed proportion to other reserves; this obligation would be implemented by periodic reshuffle of such claims against other reserves.

82. Gold tranche positions arising out of special currency operations would, of course, be transferred in the same way as gold tranches arising out of normal Fund operations.

Institutional Aspects and Operational Arrangements

83. Under special currency operations associated with borrowing, appropriate arrangements might be established, involving both the Fund and the countries participating in the financing, in order to decide periodically, on the basis of a proposal by the Managing Director of the Fund, the amount, distribution, maturity, and so on, of the investments to be acquired or liquidated over the ensuing period. In any event, an understanding would have to be reached, prior to the entry into force of the scheme, on the types of operations that would be undertaken and possibly on some broad principles governing distribution.

84. If the Fund used currency from its quota accounts for special currency operations, its ordinary rules and procedures would apply.

(ii) SPECIAL GOLD OPERATIONS

85. The objective of this proposal would be to increase the amount of gold in national reserves and thereby to affect the aggregate level of world reserves. There would be no change in the amount of countries' reserve positions in the Fund, since the Fund would divest itself of an existing asset (gold) rather than establishing a new claim against itself. If it were desired subsequently to reduce the total level of world reserves, this could be done by realising gold investments previously made.

86. In exchange for its gold, the Fund would acquire a claim against the country in which gold was invested, but would not hold the asset on an ordinary quota account.

87. Since the amount of the Fund's gold stock is limited, this type of investment could not be repeated indefinitely to meet needs for national reserves; moreover, any investment of gold by the Fund would raise a question of the Fund's liquidity.

(iii) DEPOSITS WITH, OR LOANS TO, THE FUND FOR FINANCING SPECIAL CREDIT OPERATIONS

88. A system of deposits with, or special loans to, the Fund could be organised on a negotiated basis, in order to create reserves for a group of depositors or lenders, while providing to the Fund, for granting special

assistance in connection with balance of payments or reserve situations, usable currencies in addition to, and separate from, its ordinary currency holdings.

89. The claims on the Fund in favour of the depositing or lending countries would carry an assured right to repayment on a representation of balance of payments' need and would thus constitute reserves for the depositors or lenders. To permit the exercise of this right without reducing the normal resources of the Fund, lines of credit would be provided by the participating countries in addition to the amounts deposited or loaned. The loans or credits furnished by the Fund would normally remain distinct from ordinary Fund drawings and standbys in order not to curtail the drawing facilities at the disposal of the borrowing country.

90. The yield and duration of the deposits would be fixed in such a way as to exercise a regulatory influence on the amount of reserves created under the system by adjusting the incentive for countries to participate in the arrangement.

(III) SCHEMES WHICH PROVIDE HOLDERS OF CURRENCY WITH AN ALTERNATIVE ASSET

General Objectives

91. The primary objective of these schemes is to provide an alternative reserve asset into which currency balances held by monetary authorities can be converted. It is not an objective of these schemes to provide means of deliberately increasing aggregate reserves.

A. Conversion of Currency Balances into Reserve Positions in the Fund

Objectives

92. The objective of this scheme is to assist a country holding a currency balance in its reserves to convert that balance, in agreement with the country whose currency is concerned, into a reserve position in the

I.M.F. The procedure could be used for any currency, but, as the only currencies extensively held in reserves are reserve currencies, it would, in practice, apply chiefly to them, and the mechanism is, for convenience, described in terms of reserve currencies held.

Mechanism

93. The initiative could be on the side of either the reserve centre or the country holding its currency. The procedure would be for the reserve centre to draw the currency of the holder from the Fund and use it to buy back the reserve currency from the holder. After this transaction, the reserve centre would normally have lost a reserve by using up its gold tranche claim in making the drawing. The holder would have substituted a gold tranche claim of equal amount in his reserves for the reserve currency which he had previously been holding.

94. Since a reserve position in the Fund can only be transferred to another member by that member's currency being drawn from the Fund, it would be necessary for the drawee's currency to be available to the Fund in sufficient amount. The scheme, therefore, envisages that, irrespective of which party takes the initiative, the drawee should undertake to make his currency available, by loan to the Fund, if the Fund's holdings of it are insufficient. Although the transaction is envisaged as a transfer of gold tranche rights, the drawer could, with Fund permission, draw within a credit tranche. In this case, however, the above undertaking of the drawee to make his currency available by lending to the Fund would not apply.

95. Drawings on the Fund under this arrangement would be governed by the Fund's normal policies and procedures.

B. Mutual Currency Account (M.C.A.)

Objectives

96. The Mutual Currency Account is a depository facility designed to provide an alternative form of asset into which a currency held by a monetary authority could be converted without drawing on the reserves of the country whose currency it holds. This would not increase

total reserve assets but would avoid the decrease which would otherwise result from conversions. As such conversions could, in certain conditions and if they were extensive, weaken confidence in the currency itself and thus lead to further conversions, the aggregate loss of reserves could be large. The objective of the facility would be to reduce the risk of such a situation arising. Though applicable to any currency held by a monetary authority, the facility used in this way would be likely in practice only to be employed for a reserve currency.

97. The facility is not intended to be used as a means of financing balance of payments' deficits (1), and procedures would be employed under multilateral surveillance to ensure that it was not so used.

Membership and Institutional Arrangements

98. Full membership would, in principle, be limited to a group of industrialised countries, but the right to deposit a currency held might be made available more widely. The books would be kept by the I.M.F. as Agent (assuming that it was willing to undertake the task) and any necessary policy or administrative decisions would be taken by the full members.

Mechanism

99. A country could deposit with the Agent in a special account the currency of any full member of the scheme in exchange for an asset denominated in M.C.A. units of account expressed as the equivalent of a given weight of gold.

100. Since M.C.A. units would thus carry a gold-value guarantee, they would earn either no interest or only a very low rate of interest. Countries whose currencies are held by the Agent would guarantee the holding as to value and would pay low interest to the Account.

(1) As originally propounded, its use was envisaged in association with a support operation, separately negotiated between two or more monetary authorities, in which the creditor bought the debtor's currency with a view to depositing it immediately in the Account. Used in this way, the M.C.A. would be a means of balance of payments' finance and of reserve asset creation. The scheme could equally associate the M.C.A. depository facility with currencies which have accrued to monetary authorities in the normal way, through market intervention, rather than in consequence of a specially negotiated support operation.

101. M.C.A. units would be transferable from a country in deficit for the purchase of the currency of another member who is in surplus. Conversions between the units and members' currencies would be at, or very close to, parity.

102. Appropriate creditor limits on the obligation to acquire units would be agreed by the full members of the scheme. There would also be limits on the amount of each currency that could be held in the Account, but provision would be made for rallonges in case of need. No limits are proposed on the time for which a currency might remain in the Account, but members whose currency was held in the Account:

(i) would be required to redeem it with M.C.A. units when, and to the extent that, they acquired them; and

(ii) could redeem it at any time with gold, which the Agent would at once distribute pro rata to holders of M.C.A. units, thereby extinguishing a corresponding amount of units.

103. In liquidation, the Account's assets would be distributed pro rata to holders of M.C.A. units and further settlement would be arranged bilaterally between the parties (as in E.P.U.) (1). Provision would be made covering the withdrawal of a member whose currency was held by the Account (debtor) or of a member who held M.C.A. units (creditor) and would be such as to protect the interests of other members.

APPENDIX TO CHAPTER III

Note on Effect of Various Forms of Reserve Creation on the Liquidity of the Fund

(i) Whatever the form of reserve creation—through the Fund or otherwise—countries must be prepared to accept the reserve assets in question in sufficient quantity to ensure that the possessors of these assets can use them in settlements between monetary authorities. Where these reserves are both created by, and transferred through, the Fund, this requirement is reflected in a problem of the Fund's own liquidity.

(1) European Payments Union.

(ii) Some methods of reserve creation would not entail the use by the Fund of its existing resources of gold or currencies; others would. But all such methods–except special gold operations by the Fund–would create claims which, if transferred through the Fund rather than directly, would require the Fund to provide usable currencies to the country exercising its claim.

(iii) The extent to which the process of creating reserves would constitute a drain on the Fund's resources, in the absence of special arrangements to deal with the problem, varies with the particular technique adopted. The enlargement of automatic drawing rights in the Fund would involve no initial use of existing Fund resources; nor would special operations by the Fund if financed by borrowing. In cases where the Fund used its own resources for creation of reserve assets, the impact on Fund liquidity would be greater or less depending upon whether the operations were financed with gold, normally drawable currencies or a combination of currencies, including some that are not normally drawn. The creation of gold tranche rights without gold payment on the occasion of quota increases may be regarded as having the same effect on Fund liquidity, in the long run, as an investment of gold.

(iv) In the case of reserve creation involving the acquisition of assets by the Fund, the Fund's liquidity might, in principle, be protected by the possibility of later realising such assets as a means of obtaining the currencies which the Fund required for its operations. Since, however, any disposition of such assets by the Fund would contract the volume of world reserves, this technique would be appropriate only when that was desired. Ordinarily, the need to safeguard the Fund's liquidity in connection with methods of reserve creation that involved a use of Fund resources would require other arrangements–for example, the granting of lines of credit to the Fund in currencies suitable for drawing, either for fixed amounts or proportionate to reserves.

(v) The process of using reserve positions in the Fund–that is, transferring them–is independent of the method by which they are created. As has been said above, unless such claims are made transferable directly among countries, without the intervention of the Fund, they confer on their holders an assured right to obtain foreign currencies to meet a balance of payments' need. Thus, the greater the volume of reserve assets created, the greater the potential claim on the Fund's drawable currencies.

(vi) Arrangements to deal with this problem could take several forms:

(*a*) Lines of credit might be extended to the Fund by countries for which new reserves were created. In this way countries receiving additional reserve assets which they could use when in deficit would also commit themselves to accept such assets from others when in stronger balance of payments' position. The use of such lines of credit by the Fund would add to the reserve assets of the country whose line of credit was drawn upon, thereby effecting a transfer of reserve assets from the deficit country.

(*b*) Claims on the Fund could be made directly transferable at will. Here, as in (*c*) below, the problem would not be reflected in Fund liquidity; rather, it would appear as one of creditor limits, which is the other side of the coin of the Fund liquidity problem.

(*c*) Countries participating in reserve creation might assume an obligation to hold and transfer reserve positions in the Fund in proportion to their other reserves.

(vii) Whereas, in the case of transferability through the Fund, provisions analogous to the Fund's policy on currencies to be drawn would be established for the purpose of assuring an equitable sharing among members of the claims transferred, in the case of direct transferability, individual countries would be more exposed to the possibility of having to accept direct transfers of claims up to the total amount of their creditor limits. Consequently, in the latter case, countries might be reluctant to accept creditor limits of as great a magnitude as in the case of transferability through the Fund.

In a recent Fund Staff Paper, "Effect of various types of Fund reserve creation on Fund liquidity" (DM/65/12), the additional resources, in terms of lines of credit in normally drawable currencies, that might be required by the Fund in connection with various modes of reserve creation and use were estimated, on necessarily somewhat arbitrary assumptions, as follows:

1. For extension of quasi-automatic and total drawing facilities, at 55 % of the amount of the extension;
2. For investment with gold, at 220 % of the amount invested;
3. For investment in all member countries with investee currency, at 125 % of the amount invested;
4. For investment with normally drawable currencies, at 155 % of the amount invested.

In the case of investment with currencies, these amounts are reckoned inclusive of any loans to, or deposits with, the Fund that might be made concurrently with the investment.

CHAPTER IV – COMPARATIVE ANALYSIS

PART 1 – GENERAL PROBLEMS

Differing Primary Objectives

104. All methods described in Chapter III have in common a direct or indirect concern with the adequacy of reserve assets; but they fall into three broad classes according to their primary objectives.

(i) *Where the procedures are initiated to meet the balance of payments' deficit of an individual country*

105. These types of operation have the purpose of meeting particular countries' needs for balance of payments' finance. The associated creation of reserve assets contributes to world reserves, but as a consequence of such finance rather than as deliberate reserve creation. In this class we include:

(*a*) Normal Fund drawings in credit tranches. As explained in Chapter III, increases in outstanding drawings will result in a net creation of additional assets, normally in the form of gold tranche or G.A.B. claims in the hands of the countries whose currencies are drawn (paras. 57 - 61).

(*b*) New types of Fund operations when carried out for balance of payments' considerations, namely, deposits with, or loans to, the Fund for financing special credit operations (paras. 88 - 90).

(ii) *Where the procedures are initiated with the deliberate aim of creating reserve assets in accordance with some agreed assessment of overall needs, and distributing them " across the board ", i.e., independently of the immediate balance of payments' situations of individual countries*

106. Distribution in this class will generally have been made without

the immediate recipient of the asset having to " earn " it by foregoing real resources or by experiencing a net capital inflow. This class includes:

(*a*) Enlargement of automatic drawing rights in the Fund or extensions of Fund gold tranche rights without gold payments (paras. 62 - 72).

(*b*) Some new types of Fund operations undertaken with the aim of increasing aggregate assets (paras. 73 - 87).

(*c*) A scheme for collective creation of reserve assets outside the Fund by a group of countries (C.R.U.) (paras. 28 - 43); and compatable group schemes associated with the Fund (paras. 44 - 56).

(iii) *Where the procedures are initiated to convert a currency which has already accrued to a monetary authority into a different form of asset*

107. The primary objective here is to convert an existing currency holding into an international asset, not in order to increase the aggregate of reserve assets, but to avoid or minimise a decrease. This type of proposal includes:

(*a*) The scheme for conversion of currency balances into reserve positions in the Fund (paras. 92 - 95).

(*b*) The Mutual Currency Account (M.C.A.) (paras. 96 - 103).

108. Being designed for different immediate purposes, these three broad classes of scheme are not necessarily mutually exclusive. Despite differences of view regarding the relative merits of the various schemes listed above, and especially regarding the alternative methods of across-the-board reserve creation, all members recognise that the Fund will continue to finance balance of payments' deficits under its rules and standards and will create reserve assets, in the form of claims on the Fund, in the process. As was recognised in Chapter I, the amount or the distribution of reserve assets that result from the financing of balance of payments' deficits might not fully correspond to reserve needs; for example, there could be large deficits at a time when there was no shortage of aggregate

reserves or there could be relative balance when aggregate reserves were too low. Therefore, all are agreed that conditions could arise in which the total stock of reserve assets might prove to be inadequate and that a further means of reserve creation would then be needed through the Fund or otherwise.

109. Most members believe that, if these circumstances were to arise, the creation of further reserve assets would be on an across-the-board basis, that is, the additional reserves would be distributed among countries independently of their balance of payments' situations. Some of these members, although they agree that credit facilities granted under normal conditions are a proper means for financing balance of payments' deficits, emphasise, in particular, that distribution of deliberately-created new reserves should not be limited to countries in balance of payments' deficit. Such a procedure would entail a relaxation of pressures on deficit countries to adopt corrective policies and undermine existing rules on the granting of international credit.

110. Some members, who also believe that credit facilities are a proper means to finance deficits and who share the view that, over time, a supplement to gold and reserve currencies may be needed, point out that the Study Group is not charged, under its Mandate, with selecting among the three broad classes of scheme, nor among specific proposals; rather, its task is to assemble the elements necessary for an evaluation of the various proposals for the creation of reserve assets, whether by across-the-board methods or otherwise. These members note, incidentally, that none of the proposals for deliberate reserve creation studied by the Group would limit the distribution of reserve assets exclusively to deficit countries.

111. In the Study Group's examination of the various schemes for across-the-board reserve creation, divergences appeared regarding certain basic characteristics of these schemes — namely, the desirability of a close link to gold in the creation, distribution and use of reserve assets; the width of membership of reserve-creating schemes; the suitability of using the Fund for reserve creation as well as for credit extension; and the methods of decision envisaged for such schemes. Underlying some

of these issues was a difference regarding the importance of selecting an approach which would be compatible with the existing system and a related difference regarding the likely effects of various schemes on the existing system.

112. Another divergence of view concerns the third class of scheme – namely, that which aims at a facility for converting currencies which have already accrued to a monetary authority into a different form of international asset. It is agreed that, under the market intervention system, which is now general, the asset which first accrues to a non-reserve currency authority will be a reserve currency. Some members believe that a special facility is required for the conversion into an international asset of any reluctantly-held balances of a reserve currency. Other members stress the importance of avoiding the introduction of either a new asset or a new facility that might have deleterious effects on the substantial reserve currency component which already exists in total reserve holdings.

113. It was agreed that it is necessary to consider the effect of each major type of proposal on the total volume and distribution of international reserves and the effect on the process of adjustment. This is done in the latter part of the present Chapter.

The Role of Gold

114. While there is no disagreement on the place of gold in the system as the basic reserve asset, differences emerged on its role in relation to the introduction of new reserve assets.

115. In support of a link with gold (as close as that in the C.R.U. scheme), some members argue that:

— since gold is the basic reserve asset, the characteristics and use of any new asset must be closely associated with it. Such a link between the reserve asset and gold would, moreover, be a simple way of safeguarding creditor countries against excessive accumulation of the new asset, would make the asset more acceptable, and would avoid movements to convert it directly or indirectly into gold.

— The close link with gold would, in some ways, have the same practical consequences, for the monetary authorities of the limited number of countries concerned and for the duration of the scheme, as an increase in the volume of monetary gold holdings. This would make it clear that an increase in the price of gold is excluded; it would put an end to the uncertainty which exists on this point and to the speculation stemming from it. The result would be to channel a larger part of the new output of gold into official reserves. It is to be noted in this respect that the new reserve asset would, in all probability, only be introduced after a favourable evolution of the balance of payments of the United States had already strengthened the world monetary system and reduced speculation and hoarding.

— In such a situation, the shift from other existing forms of reserve assets into gold which could theoretically be induced by the implementation of a closely gold-linked scheme could only be on a limited scale; many countries which would be involved already have high gold ratios in their reserves; the combined official currency holdings of the Ten are some $ 10 bn. and represent, in part, minimum working balances; moreover, many monetary authorities concerned would continue, for reasons of convenience and earnings, to keep currency holdings above the amount required for working balances' purposes.

— To supplement the gold stock by a reserve asset as closely as possible linked with gold itself would contribute directly to solving the problem of an inadequate gold supply. The United States, having the largest stock of gold, would be the main recipient of the new assets, which should make it easier for this country to assure the convertibility of its currency, thus contributing to the general interconvertibility of other currencies. Finally, in the view of these members, the emphasis on gold would, in the future, avoid the kind of expansion of reserve currency holdings which, in the recent past, has weakened the international monetary system, made the adjustment process less efficient and led to the present difficult situation.

116. Other members consider that establishing a close link to gold in the creation, distribution and use of new reserve assets would represent a backward step, reversing the historical tendency toward the increasing use of monetary instruments other than gold.

— More immediately, the distribution of new reserve assets on the basis of gold holdings would amount to a disguised increase in the gold price for the countries concerned and would induce speculation in gold markets.

— Distribution of newly-created reserve assets in proportion to countries' gold holdings would, because of differing policies on the composition of reserves, be inequitable, penalising those countries which, as a matter of policy, maintain a low ratio of gold to total reserves. In order to benefit from a greater share of new assets created, monetary authorities would feel an incentive to maximise their gold holdings by converting reserve currency assets into gold. Moreover, the consequent reduction in the gold reserves of the United States might cause anxieties to monetary authorities outside the group of participating countries and lead them also to convert reserve currencies into gold. The result would be a shrinkage of total reserve assets (at least in their present form) and therefore a potential threat to the stability of the system as a whole. The impact would fall mainly on U.S. reserves; yet, even if new assets were created, and distributed in proportion to gold holdings, in an amount equivalent to the shrinkage of reserve currency assets, only 40 % of the drop in U.S. reserves would be compensated, since the U.S. holds only 40 % of the group's total gold stock. It may be noted that substitution of gold for reserve currencies resulting in an increase of only one percentage point in the average ratio of gold to total official reserves outside the United States would mean the disappearance of about $ 500 mn. of reserve assets (of which about $ 275 mn. in the group), an amount not far from the annual addition to monetary gold stocks in recent years.

— Even if distribution were not based on gold holdings, a close link to gold in the use of new reserve assets would encourage countries within the group to hold a higher ratio of gold to total reserves, since the use of the new assets would (unlike other new assets not closely linked with gold) entail sizable gold movements in the financing of international imbalances. Countries outside the group might feel impelled to increase their gold ratios also. Sizable gold movements could be damaging to confidence and could, in any case, lead countries to adopt excessively harsh policies in order to avoid deficits and a resultant loss of gold. This tendency towards restrictive policies would be accentuated as the result of conversions of currency assets into gold, with further harmful effects on international trade and economic growth.

— Finally, these members also questioned whether the operations of the Fund, being necessarily based on the use of currencies, would not be impeded in a gold-dominated system through fears of Fund members that their currencies, when drawn and put into circulation, would have to be redeemed by them in gold.

The Width of Membership appropriate to Reserve Creating Arrangements of this Kind

117. On this question there has proved to be considerable diversity of view. The broad subject is dealt with below under the separate headings of management and of distribution and circulation of the asset, but the two inevitably overlap. Arguments in favour of inclusion in the management group apply also to inclusion in distribution, but this is not necessarily true of arguments against. The discussion of width of membership in the following paragraphs does not prejudge the question whether reserve asset creation should be in the Fund, associated with the Fund, or outside.

(i) *Width of Management Group*

118. So far as management is concerned, it is argued in favour of a limited group that the formation of judgments on the operation and liquidity of the international monetary system would be a highly important, but difficult, process which would only be likely to succeed in practice within a group of limited size and homogeneous composition. The needs

of the larger industrialised countries which share the responsibility for the working of the international monetary system are different not only in scale but in kind from those of the rest of the world. These are the countries which principally hold and use reserves for international monetary purposes; and their reserve needs are a primary concern of the international system. Those who hold this view see no serious technical or political problem in limited groups. Important precedents already exist in the E.P.U., E.M.A. (1), the provision for mutual assistance in the E.E.C. (2), and the G.A.B. The outside world has always accepted such groups provided that they are not detrimental to outside interests or, *a fortiori*, that they operate in the general interests of the system as, for example, the limited group of the G.A.B. is designed to do.

119. The other view, while recognising that precedents exist and that such groups as the members of the G.A.B. may operate to the general advantage of the system as a whole, considers that arrangements concerned with the liquidity of the international monetary system as a whole should, in principle, be of a world-wide nature. As regards the danger of unsound decisions being reached if the management were widely representative, those who share this view reminded the Group that, while the views of all participants in the international monetary system are heard in the Fund, the ultimate decisions remain in the hands of the limited number of countries which are chiefly responsible for the system's successful working. To establish a management group to which only the larger industrial countries are admitted would mean arbitrarily excluding countries of proven credit and ability in managing their external finances. The growth of reserves outside the Group of Ten during the past decade, for example, averaged some $ 485 mn. a year.

(ii) *Width of Distribution and Circulation of the Asset*

120. In favour of keeping the ownership and circulation of the asset within a limited group of industrialised countries, it was argued that an international asset must be based on credit and that the credit of those who back it must therefore be unquestioned. There must be no room for doubt whether the asset will, in practice, be honoured in operation

(1) European Monetary Agreement.
(2) European Economic Community.

or, ultimately, in liquidation. Deliberately-created new reserve assets must, of their nature, initially be distributed without the recipients' having had to forego real resources in order to earn them, but will thereafter command real resources. Care is therefore needed in establishing the group in which they are to be used. A reserve asset is characterised by the expectation that, if it flows out, it should ordinarily be reconstituted in due time. Assets which are specifically created to fulfil the reserve function should, consequently, be distributed only to countries whose balance of payments is likely to move between deficit and surplus and which are, therefore, able to assume the obligations as well as the rights entailed in the convention and its working. More generally, a system which meets the reserve needs of the larger nations will, in practice, benefit all countries.

121. The other view here, while recognising the logic of some of the points made, considers that the limited arrangement would be exposed to disadvantages which would outweigh the advantages claimed for it. For a group of industrially-advanced countries to increase, by a stroke of the pen, as it were, their own monetary reserves and appear to make themselves thereby the richer, would invite criticism from other countries, who would declare that their own need for more elbow room in their international payments was, proportionately, no less than that of the members of the group. A number of the smaller countries could show that they have maintained a good reserve position and that their balance of payments' record compares favourably with that of countries within the group. It would be arbitrary to deny participation to such countries. In any limited membership, the difficulty of borderline cases is likely to arise. For this reason, those who hold this view favour an approach that is not strictly limited in the width of membership. They prefer an approach that embodies a self-qualifying element and would therefore be more open than a grouping that is strictly limited to a small number of countries. They point out that many countries throughout the world feel, or will feel, a need for growing reserves; yet countries excluded from the group would be able to increase their reserves only by surrendering real resources or attracting capital inflow. To exclude these countries would risk creating a sense of discrimination which would hamper monetary co-operation and understanding and which might well lead

to demand for compensation in other ways. As a technical matter, the more limited the group the more likely it is that individual members of the group will accumulate an undue amount of the new asset; this would occur if such members, even when in payments' balance with the entire world, had a surplus with the group and a deficit with the rest of the world.

122. Some members felt that membership for purposes of management need not necessarily be identical with membership for purposes of distribution and use of the reserve asset.

The Role of the I.M.F.

123. The first type of proposal listed in our Mandate refers to an asset created by a group of countries independently of the Fund, while the second category of proposals refers specifically to " a reserve asset created by or through the I.M.F. " We accordingly discussed the relative advantages or disadvantages of centering reserve creation in the Fund or elsewhere. All agreed that the Fund fulfils a vital and unique function in the field of medium-term conditional credit facilities and that its lending operations have the incidental result of creating reserve assets of a certain kind.

124. As regards deliberate reserve creation, however, the following arguments against the Fund were supplied, mainly by one of our members:

(i) To give to the Fund the power to create and distribute at its initiative new unconditional reserve assets might impair its ability to perform its role of custodian of monetary discipline, which is based on the granting of conditional credits of limited duration.

(ii) Generally, the ordinary rules of weighted voting in the Fund, which, in fact, give a decisive influence to a very few countries with the largest quotas, do not seem appropriate to the handling of such a powerful instrument as across-the-board reserve creation, which should be under the control of a group comprising all the largest industrial countries.

(iii) Moreover, the difficulty of drawing a line inside the Fund between members who would and members who would not benefit from across-the-board creation of reserve assets would entail the risk that assets which, by their nature, should flow back and forth, would be distributed to countries showing a persistent tendency to remain in deficit. In practice, it seems politically and psychologically extremely difficult, if not impossible, to introduce inside the Fund a discrimination among its members by the way of a qualifying criterion–e.g., countries whose currency has been drawn.

(iv) As to the "self-qualifying element" which would result from the fact that an across-the-board increase in gold tranche positions would not immediately accrue to countries with outstanding drawings in their credit tranches, its effects would not have much practical significance as between those who qualified and those who did not. It makes little difference to the former, because of their good position and record in the Fund, whether their drawing rights are automatic or of the kind now available to them in the first credit tranche, nor would the associated addition to total drawing facilities be of great significance to them; whereas the latter would receive a benefit in an appreciable *de facto* mitigation of their repayment obligation, in so far as any amount repaid in their new automatic tranche can easily be redrawn.

(v) The use of reserve positions in the Fund has certain disadvantages. In most schemes of Fund reserve creation, it would require a drawing on the Fund or the realisation of a loan claim on terms similar to those of a drawing; and some countries have, in the past, shown reluctance to draw on the Fund. On the one hand, a country has to represent a balance of payments' need before drawing; on the other hand, it might have to repay before its reserves have improved, or to allow, even if it does not wish to do so, its position in the Fund to be reconstituted at the discretion of the Fund through drawings of its currency by other countries.

(vi) The amendment of the Articles of Agreement, which is required in several schemes, would open the door to further, unpredictable and possibly undesirable modifications of the rules governing the Fund.

(vii) In the particular case of substitution of gold certificates for gold on the occasion of quota increases, the principal deterrent to unjustified requests for larger quotas by countries permanently in a weak external position would disappear. Moreover, there would be little flexibility to respond to overall needs as increases could only be decided at the time of quota increases.

125. Counter-arguments, some of which were supported by all other members of the Group, were presented as follows, some members, however, recognising the justification of certain of the arguments made above.

(i) In general, the Fund's prestige and experience as a monetary institution make it the natural centre for new functions involving deliberate creation of reserve assets and provide assurance of its capacity to conduct, and keep distinct, conditional lending and deliberate reserve creation. It was felt that it would be unfortunate and confusing to establish a rival centre of decision in the international monetary field. Given the desirability of maintaining a proper balance between the extension of credit facilities and the creation of reserve assets, it would be more appropriate to combine these functions in one institution. It should be noted that any scheme of deliberate reserve creation, whether in the Fund or otherwise, will tend to make countries less dependent on credit facilities and on the conditions attaching to them.

(ii) As regards the decision-making process, the weighted voting system has operated effectively, generally reflecting the relative economic weight and international responsibility of the participants, and giving the countries of the Group of Ten a decisive influence on Fund policy-making. Furthermore, the voting power of individual countries or groups of countries may be altered, for instance, by selective adjustments of quotas, to reflect changes over time in relative economic weight and responsibility. In addition, special decision rules may be envisaged to govern the operation of particular methods of creating reserve assets through the Fund.

(iii) Most schemes for deliberate reserve creation through the Fund incorporate a self-qualifying element, which would exclude countries in persistent deficit while allowing countries with good balance of payments' performance, now or in the future, to share in reserve creation; other qualifying criteria – for example, that the country's currency has been used in drawings – would permit a more selective but still open grouping. In response to the argument that countries with a favourable balance of payments' record would have little interest in an increase in reserve assets in the form of automatic drawing rights in the Fund, it was stated that this consideration applied with equal strength to the attitude of such countries to any form of addition to their reserves. As to the benefit that is said to accrue to countries that are at first excluded under the self-qualifying element and later repay their debt to the Fund, this mitigation of a debt burden is no different from what would be experienced by debtor countries which received new reserve assets under any reserve creation scheme, except that, under the self-qualifying element in the Fund, the benefit is not gained until the debt is actually repaid.

(iv) It was pointed out that not all Fund schemes would require an amendment of the Articles of Agreement; in any event, proposals outside the Fund would require national legislation. It was also observed that the criticism of particular Fund schemes – for example, that referred to in paragraph 124 (vii) – are not arguments against centering deliberate reserve creation in the Fund but of particular methods of doing so.

(v) The gold tranche is increasingly recognised as a reserve asset which countries can use without reluctance and virtually at will to meet a balance of payments' need; new types of claim on the Fund could be used with equal facility. Furthermore, a repayment obligation, such as that now attaching to regular gold tranche drawings, is not different in kind from the normal expectation that a reserve loss will be reconstituted. Finally, the process of reconstituting a country's reserve position in the Fund through drawings of its currency by others is no different in substance from the direct transfer of any reserve asset to one country from another.

Rules of Decision-Making

126. Deliberate multilateral creation of reserve assets would be an entirely new activity, entailing issues of great significance to the world economy. Under most proposals, decisions would be required, at a minimum, as to the circumstances in which the reserves should be created and as to the amount to be created. Since differences of attitude and policy among the participants would be inevitable in the application of any of the proposals that have been considered, great importance attaches to the means of resolving differences.

127. Objective formulae and agreed rules are helpful in minimising the need for decisions. But any scheme would have to be applied to varying circumstances and in changing conditions and would call for decisions on both policy and administration. While no voting system will work smoothly where there are deep underlying divisions of view, it is recognised that a viable decision-making process is a prerequisite to the successful operation of any reserve creation scheme. The Group considered four general rules of decision-making that have been used in international organisations:

— *Unanimity:*

The proponents of this principle consider that it is the only workable process for as fundamental an operation as deliberate creation of reserves and that it offers some protection against international inflation. They consider that the rule, which they regard as an essential safeguard of their monetary autonomy, should be workable in a limited and homogeneous group of countries capable of reaching compromise, and cite examples, e.g., E.P.U. The opposite view, however, is that differences of opinion on policy and operation are inevitable and that, as a result of the unanimity requirement, action could not be taken without the agreement of the group's most reluctant member. The result would be a failure to take action, and hence too restrictive an approach to future needs for reserves.

— *Unit Voting with Ordinary Majority:*

In general, our members did not believe that this method of voting should be relied upon for decision-making, some because of the advantages they saw in unanimity and others because of their preference for weighted voting. However, in a variant of one of the schemes before us, this method was mentioned as a possibility within a limited and homogeneous group of countries (para. 55).

— *Weighted Voting with Ordinary Majority:*

This is the rule in the Fund for most types of decisions, and is implicit in the proposals for creating reserves through the Fund, as described in Chapter III. It could also be applied to a limited group within the Fund. The supporters of this procedure assert that it is now familiar and has been used successfully to govern the operations of the Fund. This thoroughly-tested system represents a satisfactory compromise between unanimity, which risks an impasse, and simple majority voting, which risks unsound decisions. Moreover, they point out that the industrial members of the Fund have a decisive voice in the decisions taken under this procedure. Other members point out that there has been criticism of individual decisions reached under this system. Decisions on deliberate reserve creation would involve more fundamental issues, and divergences of views could be sharper. To try to settle the issues by majority voting, and especially by a weighted majority which overruled a substantial minority, could expose the system to severe strain.

— *Special Majority – i.e., greater than an Ordinary Majority:*

This could be applied both to unit voting and weighted voting. It is used in the Fund in conjunction with weighted voting for certain important decisions, and in the G.A.B.

128. Selection between these alternatives is much more than a technical matter. The economic impact of any scheme can be greatly influenced by the rules adopted for arriving at decisions.

129. Some members were of the opinion that it is not possible to judge the relative merits of the various types of decision-making rule independently of the specific institutional and operational framework in which they would be designed to operate. In their view, the aim of providing maximum safeguards for sound decisions, avoiding, on the one hand, extreme rigidity and, on the other, the possibility of misuse, could – depending on the specific procedures and process of decision-making – conceivably be achieved by any one of the above-mentioned types or a combination of them. In this context, they referred, by way of example, to the variety of voting types in the E.E.C. Treaty.

PART 2 – METHODS AND EFFECTS OF RESERVE CREATION

130. We now turn to certain specific aspects of the problem of reserve creation, such as methods of creation, distribution and use of the asset, creditor's commitment, qualities of the asset, rules of liquidation and withdrawal, and relationship with multilateral surveillance. Technically, there is a choice of methods or of institutional arrangements by which the desired objective can be achieved. It is not, however, the technical aspects which have been most significant in our discussion. Rather, the views expressed by individual members of our Group on questions of method reflect differences of general approach.

Creation and Distribution of the Asset

131. There is listed below a variety of methods suggested to us for creating the asset. This is mainly a technical matter, but carries wider economic implications, for example, in the use of gold, the width of mem-

bership, the nature and quality of the asset and other issues which are dealt with elsewhere in this Chapter. Creation of the asset could be:

— by subscription in national currencies, or special obligations which may or may not remain dormant in the institution until liquidation or the withdrawal of a member. This is the method of subscribing for new or increased quotas in the Fund, and also applies to some types of proposal for a new reserve unit.

— by crossed deposits in gold centralised in the books of an agent (as in the C.R.U. proposal), the deposit claim of the institution remaining dormant and that of the member being the active reserve asset.

— by subscription in gold certificates on the occasion of quota increases.

— by extension of virtually automatic drawing rights in the Fund into the first credit tranche.

— by one of the possible new types of Fund methods for reserve creation indicated in Chapter III (special operations by the Fund).

— in the case of schemes for providing holders of currency with an alternative asset, the transformation of the existing holding into the new international asset would only occur as the transactions were done.

132. The types of proposal before us exemplified two broad methods of distribution by which newly-created assets would be allocated among countries. Under the first method, the allocation would be carried out according to individual needs at the time; under the second, it would be made to all qualified participants, according to an agreed formula.

(i) *In the Light of Individual Needs at the Time*

133. This would apply to:

— assets created by normal Fund drawings (para. 57).

— deposits with, or loans to, the Fund for financing special Fund credit operations described in paragraph 88, undertaken for individual balance of payments' reasons.

(ii) *According to an Agreed Distribution Formula*

134. This might apply to distribution either to a limited group inside or outside the Fund or to all Fund members. The formula alone might be decisive, as in the C.R.U. proposal or in Fund investment financed by borrowing; or it might embody a self-qualifying element – as in certain Fund proposals.

135. Suggested formulae for distribution fall into two classes: those linked with gold and those not linked with gold.

(a) *Linked with Gold*

Initial distribution may be carried out in proportion to members' gold holdings at the time; or it may be governed by some other formula but immediately followed by a redistribution to produce a prescribed uniform gold/asset ratio in the composition of members' reserves. This might mean large gold transfers in some cases. In other versions, some variation in the operating ratio may be permitted before such redistribution is called for.

Distribution in proportion to gold holdings is advocated as a technical implication of the views on the role of gold recorded earlier in this Chapter and as administratively simple and operationally logical, since gold and the new reserve asset will thereafter have to move and be held in uniform proportion.

Arguments against it have been recorded earlier in this Chapter (para. 116). In addition, it was thought that the distribution of the new asset in ratio with existing gold holdings (or total reserves) would tend over time to allocate an increasing share of newly-created reserves to countries in persistent surplus, since it is these countries whose gold holdings would be growing most rapidly. Other members, however, considered that maldistribution of reserves should not be dealt with by creation of reserve assets, but by appropriate balance of payments' policies; still others thought that such policies might, on occasion, be supplemented by long-term credit operations.

(b) *Not Linked with Gold*

The formulae not linked with gold that have been proposed include a distribution based on Fund quotas, with or without G.A.B. commitments, or a link with total reserves. A wide variety of other formulae could be envisaged, based, say, on volume of trade, fluctuations of external income, or other factors not connected with the immediate balance of payments' position of the individual member.

136. Any system of distribution by agreed formulae, even though not intended to be discriminatory, may give rise to controversy, in that any formula tends to favour some countries. Most members thought that the formula embodied in Fund quotas would be less controversial in that it has already been accepted and is based on a variety of relevant criteria.

(iii) *In connection with Development Finance*

137. A suggestion has been made for coupling the creation of reserve assets with the provision of development finance under the direction of an international investment institution, say, the I.B.R.D. It was argued in favour of the idea that it would partly overcome the disadvantage of a group approach by providing benefits for countries not participating in the system. In the form in which it has been put forward, this technique would apply to only a modest fraction of the total reserves to be created, and would probably supply only a small amount of the total resources of the I.B.R.D. The scheme would entail the Fund's investing currencies from its members' quotas or from special resources in an instrument issued by the I.B.R.D., which would subsequently distribute the currencies according to its policies. The beneficiaries, being assumed to be in need of finance, would not retain the currencies received from the I.B.R.D., but would use them for purchases from industrialised countries, and additional assets would thus find their way into the reserves of countries which were in surplus. The system could be applied to any type of scheme other than those relating directly to balance of payments' financing.

138. Most members believe that the provision of capital to developing countries is a problem quite distinct from the creation of reserves

and should be achieved by other techniques. They see disadvantage in an attempt to combine objectives of long-term development finance with the needs of flexibility required for monetary management. From the point of view of international monetary management, full flexibility of decision is called for as to whether assets should be created or not. From the point of view of development, on the other hand, planning both by donors and by recipients requires firm commitments over considerable periods. This would introduce an inflexibility into the monetary aspects of the scheme and thus impair the monetary quality of the asset. The difficulties might not be insuperable if, as was suggested in paragraph 137 above, the amount of reserve creation associated with development finance were kept at a modest fraction of the total creation of reserves. But it would be difficult to resist demands from developing countries, and internal pressures in the industrialised countries, to give aid in this form, which appears to avoid a cost in real resources. There would be a risk that, over time, more of the assets might be created than surplus countries would be willing to acquire. Most members also hold the view that the character of an asset depends to some extent on its quality in case of liquidation of the scheme or of withdrawal of members. In case of liquidation of the scheme, participants would receive long-term I.B.R.D. bonds, which might not meet the requirements of liquidity demanded by a central bank. For these reasons, therefore, the idea of combining asset creation with development finance was not widely favoured.

Use of the Asset

(i) *Transferability*

139. There was discussion whether the asset should be directly and independently transferable between monetary institutions or not. The existing claims on the Fund are not directly transferable; they can only be transferred to a particular country by the owner drawing from the Fund the currency of that country. The C.R.U. is not independently transferable; it would only be transferred in conjunction with gold. Some types of scheme before us envisage direct and independent transfer.

— Those who see advantage in this consider that it would be simple to administer, to understand and to build upon. They recognise that no monetary authority would be likely at present to accept an obligation to accumulate any new form of asset without limit (a point dealt with below under " Creditor Limits "). But they do not think that this should prevent direct transfer, subject to appropriate arrangements to guard against a disproportionate accumulation in individual reserves.

— Others consider that transferability of claims through the Fund should be sufficient for all working purposes, with the advantage that existing provisions and procedures in the Fund guard adequately against excessive accumulations in individual hands. The facility of direct transfer between central banks would, in their opinion, increase the risk of a reassessment of assets now available and might lead to an unnecessary demand for the new asset in substitution for existing holdings, particularly of reserve currencies.

140. Decisions on these matters would affect the form the asset takes, i.e., whether it is to be a new international reserve unit or to be a right of the member to pay his own currency into an institution in purchase of another member's currency. There are superficial differences between the two forms – for example, an asset which takes the form of a right to purchase with the member's own currency may carry with it a repurchase obligation which can be discharged with another member's currency, so that the repurchase operation of one member can affect the drawing rights of another member. The ultimate effect, however, is the same as the ultimate effect in the case of a directly transferable unit: when one member gains reserve assets, another member loses them. Technically, the one form of asset can be made to do all that the other can do, and, for some members, the difference of form itself, as opposed to the other characteristics of the scheme, is not a substantial issue.

(ii) " *Liquidity Problem* "

141. The use of any new reserve asset raises a " liquidity problem " in the sense that the country acquiring the asset must supply its own currency

directly or indirectly against it and therefore ultimately provide real resources or claims to them. In the case of schemes involving direct transfer of the reserve asset, the receiving country makes its currency available up to the amount of its established creditor limit or in ratio with concurrent receipt of gold or other reserve assets. In the case of claims on the Fund which are not directly transferable, the transfer is effected by a drawing of currencies from the Fund on the part of the country using its reserve position in the Fund. Through this process, its claim on the Fund is transferred to the country whose currency is drawn. The latter country's currency is made available up to the limit of its quota or, in the case of some schemes, its line of credit. The relevant techniques are examined in an Appendix to Chapter III. We mention the point here, not because it was controversial but rather as a reminder that, if the decision were taken to build on the claim on the Fund as the best available form of international asset, parallel action would be needed to ensure its liquidity. In general, therefore, although the process appears more cumbersome in the case of the use of claims on the Fund, the problem is, in substance, the same in all schemes. And, in all cases, the liquidity of a reserve asset depends upon the extent and nature of the creditor's commitment.

(iii) *Creditor's Commitment*

142. Although some saw advantage in an asset which would be accepted without limit, and all recognised that narrow limits could impair the usefulness of the asset, it was generally accepted that any type of proposal must, in practice, include some provision determining the obligation of members to accept the new asset. So long as the total issue of the asset was moderate in relation to aggregate reserves, individual limits might not be needed. But, as the amount in issue grew, an unlimited obligation to accept the asset would expose the individual creditor to having a disproportionate amount of it tendered to him. Some form of limit is, therefore, likely to be a practical necessity in any case.

143. Possible ways of limiting the creditor's commitment which we discussed were:

— *quantitative limits by predetermined amounts.* This is the type under present arrangements in the Fund, where there are "creditor limits ", first in the amount of a member's quota, and, secondly, for members of the G.A.B., in the G.A.B. commitment. Within these limits, the Fund, through its decisions on what currencies are to be drawn, exercises some administrative control over accumulation of claims in the hands of any one member.

Under some types of proposal before us, variants were suggested:

— quantitative limits could be agreed for the amount of any new asset which individual countries would commit themselves to hold, e.g., under lines of credit to the Fund.

— quantitative limits with provision for " rallonges " requiring the consent of the creditor, e.g., in the M.C.A. proposal.

— *limits by ratio in reserve holdings.* The ratio, which might be uniform, maximum or within a range, might be determined in relationship to:

— gold holdings, e.g., in C.R.U. and in one version of reserve claims associated with the Fund.

— total reserve holdings, e.g., in another version of reserve claims associated with the Fund and in a variant of Fund special operations.

— *limits by ratio in transfers.* This was the method in the E.P.U. and is included in one of the proposals before us.

144. The methods of limitation by ratio to gold, whether in holdings or transfers, encountered broadly the same difference of opinion as we have already recorded on the subject of gold generally. A holding ratio to total reserves was regarded by some as less controversial in principle, though it may be more difficult to administer in practice. Some members saw substantial advantages of simplicity and administrative flexibility in the Fund procedures for establishing creditor limits, including lines of credit, as proposed in Chapter III (paras. 66 and 81) above. Others favoured a ratio method which, being automatic, avoids the rigidity of quantitative limits and requires no administrative control.

Qualities of the Asset

(i) *Guarantee*

145. It was widely felt that any new type of international asset must be covered by some form of gold-value guarantee. This would be needed, in general, to assure its acceptability, particularly at times when pressure on the available gold resources was causing fears of an increase in the gold price; new assets lacking a gold-value guarantee would then compare badly with gold, and, in this view, fail to relieve the pressure on available gold resources. It was widely felt that the maintenance-of-value guarantee in the Fund would, in practice, serve the same purpose as an outright gold-value guarantee. Some members saw special advantage in the Fund guarantee in that the use of an existing and familiar feature would minimise the risk of pressures that might arise on existing assets held in the form of reserve currency. They see this guarantee attaching to new reserve assets created through the Fund more as a collateral advantage of action through the Fund than as a *sine qua non.*

(ii) *Interest*

146. The opinion has been expressed that payment of interest on all or some reserve claims would enhance their attractiveness as reserves, and some would make the rate variable in order to improve the flexibility of the scheme. Others, however, considered that, where a gold-value guarantee is envisaged, the asset should be non-interest-bearing or very low-interest-bearing.

Liquidation and Withdrawal

147. There was agreement that withdrawal and liquidation provisions under any scheme should not be such as to enable a large creditor to exert pressure on the other members by threatening withdrawal on terms which would draw heavily and immediately on their reserves. This can only be achieved through rules giving an appropriate period of time for the amortisation of debtor positions.

Relationship to Multilateral Surveillance

148. The Study Group was instructed to consider how the provision of the reserve assets should be related to the appropriate framework of

multilateral surveillance. Statistics and factual knowledge made available under this surveillance on the financing of deficits and surpluses would provide part of the material for judging the need for additional assets. In any case, we take it for granted that any new asset decided upon would be covered in these returns. It is suggested in the M.C.A. scheme that multilateral surveillance would be employed to ensure that the facility was not used as a means of financing balance of payments' deficits.

149. Finally, some members believe that a smooth transition to the use of an additional reserve asset would be facilitated, and the risk of bidding up of gold ratios reduced, by a harmonisation under multilateral surveillance of present policies regarding the composition of reserve assets. All members, however, considered that the subject of harmonisation itself falls outside the scope of the Mandate.

PART 3 – EFFECTS ON THE VOLUME OF INTERNATIONAL RESERVES AND ON THE ADJUSTMENT PROCESS

150. There is a close relationship between the volume of reserves and the functioning of the adjustment process. Generally speaking, if international reserves are plentiful, countries will be prepared to draw them down, and will react slowly to any deficit; moreover, in such conditions, they should not have difficulty in obtaining credit. The measures which a country will have to take to improve its external financial situation will not have to be too severe because those measures will not be counteracted by the efforts of other countries to maintain their reserves intact. If, on the other hand, the aggregate level of reserves is too low, there will be the opposite effects, some of which have been described in paragraph 10; in these conditions, countries would tend to carry out the adjustment process sooner and more drastically.

151. The possible effects of the various schemes on the volume of reserves and on the adjustment process have already been touched on several times in this Report, notably in the present Chapter. However, in view of the importance of these questions, we thought it desirable

to summarise, in a separate section, the main considerations concerning them. As we felt it would be going into unnecessary detail to examine these questions in relation to each of the schemes, we have used the classification according to primary objectives which was adopted at the beginning of this Chapter and which appears particularly appropriate to this examination. The arguments concerned with effects on the volume of reserves are grouped under the sub-paragraphs (a), and those concerned with the effects on the adjustment process under sub-paragraphs (b).

(i) *Where the scheme's procedures are initiated to meet the balance of payments' deficit of an individual country*

152. (a) Most members of the Group believe that the total amount of credit facilities used will probably vary in the same direction as the overall needs for reserves. The reserve assets which are usually created in this way in the hands of surplus countries will contribute to overall reserve needs. However, as we have already pointed out, the additional reserves created in this way will not necessarily be sufficient in amount, distributed in a satisfactory way, or available in the form desired.

(b) The schemes included in this class should normally contribute to the proper functioning of the adjustment process. The deficit country obtains financing on a temporary and conditional basis, and this should give it an incentive to carry out the adjustment process in a satisfactory way. Moreover, the surplus countries, whose reserves will generally be increased as a result of the use of the credit facilities by the deficit countries, should be more willing to accept the measures of adjustment applied by the deficit countries.

In the schemes providing for deposits with, or loans to, the Fund for financing special credit operations by the Fund, the effects on the adjustment process would depend on the conditions attached to the special credit operations.

(ii) *Where the scheme's procedures are initiated with the deliberate aim of creating reserve assets in accordance with some agreed* *assessment of overall needs, and distributing them " across the board ", i.e., independently of the immediate balance of payments' situations of individual countries*

153. (a) These schemes have in common the characteristic that they provide for the deliberate creation or subsequent cancellation of reserves. Accordingly, they are particularly adapted to flexible adjustment of the overall volume of international reserves, which will take account of the development of overall needs, given the variations in the rate at which the international monetary system is supplied with reserves from traditional sources.

There were divergences of view on two points: the procedure for taking decisions and the link between the new reserve asset and gold, as proposed in certain schemes. Some of us consider that, if decisions require a unanimous vote, this would be likely to lead to a too restrained use of reserve asset creation, while others feel that the unanimity rule provides some guarantee against a too inflationary policy; the different views on this point are set out in paragraph 127 of the present Chapter.

As regards the link between the new reserve asset and gold, some of us consider that this would lead to a substantial reduction in existing reserve assets, through conversion of reserve currencies into gold, and that this reduction could not be compensated in a satisfactory way by the creation of an equal amount of the new reserve assets. Others consider that these effects are unlikely to occur. (Paragraphs 115 and 116 of the present Chapter set out the arguments for and against these two views.)

(b) The putting into effect of schemes in this class would necessarily affect the functioning of the adjustment process. Too liberal use of this means of reserve creation would tend to weaken the incentive for countries to take measures to restore equilibrium in their balance of payments, with the risk of inflationary consequences; *vice versa,* a too restrained use of deliberate reserve creation would probably lead to too harsh an application of adjustment processes, with harmful effects on economic growth and the freedom of international transactions. A requirement that the new asset be used only with gold could in itself lead, in the view of some members, to too restrictive adjustment processes. In the view of others, its effect on the processes would be beneficial.

(iii) *Where the scheme's procedures are initiated to convert a currency which has already accrued to a monetary authority into a different form of asset*

154. (a) Those who support these schemes have stated that their primary objective is not to increase the aggregate of reserves but to avoid or minimise a decrease.

It was agreed that the scheme which provides for the conversion of a currency balance into a reserve position in the Fund would, except when the drawing was in a credit tranche, bring about a reduction in the level of international reserves, owing to the reduction of the reserve position in the Fund of the country whose currency is converted.

The following criticism was made of these schemes: The indirect effect of this type of scheme could be to reduce the overall volume of reserves; because, as it became known that a particular currency was being converted or deposited, the psychological effect might be to provoke an increased demand for conversion of that currency into another asset (in the case of the U.S. dollar, into gold), thus entailing a fall in overall reserves.

(b) As regards the effect on the adjustment process, one of these schemes proposed that multilateral surveillance be employed to ensure that they are not used to finance balance of payments' deficits. However, members of the Group questioned whether multilateral surveillance could be used to that effect. If not, the scheme would open the way to the additional financing of deficits through the creation of new reserve currency balances.

CHAPTER V – ELEMENTS FOR EVALUATING THE RESPECTIVE PROPOSALS

155. Our Mandate asks us to " provide a description and analysis of each proposal, bringing out significant similarities and differences of underlying principles, functions and modes of operation " and to " assemble the elements necessary for an evaluation of the respective proposals... ".

156. In Chapter III, we have provided a description of each proposal. In Chapter IV, we have presented a comparative analysis in a " horizontal " manner – that is, we have examined the major questions that arise in establishing means for reserve creation and have referred to differences among the various specific schemes in the course of that examination. In view of our assignment to " assemble the elements necessary for an evaluation of the respective proposals ", we present here in a " vertical " manner an examination of each scheme described in Chapter III, bringing together the various analytical points, in favour or in opposition, that have emerged during our study.

157. We take up the various proposals in the order in which they appear in Chapter III. Of necessity we have had to present in a different framework much of the material that has already been treated in Chapter IV. In the interest of avoiding needless repetition, however, when the same argument pertains to more than one proposal, we develop it in full only once. For other schemes to which it is also relevant, we recall briefly the essentials of the argument and indicate the paragraph of the present Chapter in which it appears in full. For convenience, we also include, where appropriate, references to the earlier sections of our Report in which the arguments were first set out.

(I) Collective Reserve Unit Scheme

158. Arguments in favour of the scheme:

(a) C.R.U. would be created according to overall needs, on the basis of a collective judgment and not as an incidental consequence of the financing of balance of payments' deficits (para. 29).

(b) Limiting membership in the scheme to a small and homogeneous group of industrial countries would be justified by the special reserve needs of such countries. It would also facilitate decision-making and would avoid the problems arising from the participation of persistent debtors (paras. 118 and 120).

(c) The rule of unanimity is a protection against mismanagement of such a powerful instrument as deliberate reserve creation and against the possibility of breakdown resulting from the majority's trying to impose solutions unacceptable to the minority (para. 127).

(d) The close link with gold has the following advantages:

— it provides an objective basis for distribution independent of balance of payments' deficits at the time.

— it links the new asset with the basic reserve asset.

— it makes impossible an extreme accumulation of the new asset in the hands of one country.

— it increases the acceptability of the new asset.

— it would make clear that an increase in the price of gold is excluded, thereby putting an end to speculation and channelling more new gold into official reserves (para. 115).

(e) The C.R.U. would be a fully-owned reserve, which could, in effect, be used directly and unconditionally in conjunction with gold, without the intervention of any governing body, either in settlement operations or to purchase another reserve asset.

(f) The C.R.U.s, not being convertible alone into another reserve asset, would not add to the instability of the present system resulting from heterogeneity of existing assets (paras. 29 and 37).

(g) The United States, having the largest gold stock, would be the main recipient of the new asset, making it easier to assure convertibility of the dollar, and therefore the other principal currencies, into gold. Emphasis on gold would, in the future, avoid excessive reliance on reserve currencies, a process which has led to the present situation (para. 115).

(h) The size of the U.S. gold stock, the high gold ratio in many industrial countries, the fact that monetary authorities would, for many reasons, continue to hold sizable reserve currency balances, the circumstances in which the C.R.U. would be introduced (U.S. in external balance or surplus), and the favourable psychological climate that would be engendered by the introduction of the new asset – all these factors should ensure that the system would not have adverse effects on the composition of world reserves (para. 115).

(i) The C.R.U. scheme, with its fixed ratio to gold, would increase discipline on deficit countries that would otherwise have settled deficits in their own currencies or with a pure credit instrument. Nevertheless, harshness in the adjustment process would be avoided, since an *esprit de corps* in the limited group would make for the smooth functioning of the system.

(j) The C.R.U. scheme would avoid impairing the I.M.F.'s role as a custodian of monetary discipline. Because of various disadvantages seen in using the I.M.F. for reserve creation, this proposal keeps the process entirely separate from the I.M.F. (para. 124).

159. Arguments against the scheme:

(a) The C.R.U. scheme would accentuate the role of gold in the system, introducing new incentives to convert other reserve assets into gold. Distribution of newly-created C.R.U.s among countries in proportion to gold reserves would be inequitable and would introduce an incentive to maximise gold at the expense of other reserves (para. 116).

(b) Even if new C.R.U.s were distributed on another basis, the close link of the C.R.U.s to gold would tend to lead countries in the limited group to increase the ratio of gold in their total reserves, and this tendency could spread to countries outside the group. The result would be a shrinkage of total reserve assets in the present forms. It may be noted that conversions of currencies leading to a rise of even one percentage point in the ratio of gold to total official reserves outside the United States would mean the disappearance of about $500 mn. of reserve currency assets, an amount not far from the average annual increase in monetary gold stocks in recent years (para. 116).

(c) The major impact of this shrinkage would be on the gold reserves of the U.S.; yet creation of new C.R.U.s to replace this amount of lost reserves would compensate the U.S. for only part of the decline in its gold reserves. The U.S. holds about 40 % of gold reserves of all Group of Ten countries and would, therefore, receive 40 % of the new C.R.U. (para. 116).

(d) Successive allocations of C.R.U.s in proportion to gold (or total reserves) would tend over time to distribute a rising share of newly-created reserves to countries in persistent surplus (para. 135, a).

(e) The distribution of the C.R.U.s on the basis of gold holdings would represent a disguised increase in the gold price for the countries concerned and would induce speculation in gold markets (para. 116).

(f) The use of C.R.U., being linked closely to gold, would entail sizable gold movements in the financing of international imbalances. This would create a generally restrictive climate and, combined with the contraction of reserve currency holdings mentioned above, lead countries to adopt excessively harsh policies in order to avoid deficits and resultant gold losses. There would be danger of harmful effects on international trade and economic growth (para. 116).

(g) The requirement that C.R.U.s would have to be utilised in conjunction with gold would place on their use an onerous condition that is not attached to the use of existing reserve assets, nor to the use of those contemplated in many of the other schemes studied by the Group.

(h) Confining participation in reserve creation to a limited group would exclude many countries with growing reserve needs and with good balance of payments' records. This would risk creating among such countries a sense of discrimination, which would hamper monetary co-operation and understanding and which might well lead to demand for compensation in other ways (para. 121).

(i) Through the unanimity rule, the group's most reluctant member could block decisions for the creation of new reserves desired by the other members. The result would be a failure to take action, which, in turn, could lead to a too restrictive approach to future reserve needs (para. 127).

(j) Establishing a rival centre for reserve creation distinct from the I.M.F. would be unfortunate and would create continuous confusion (para. 125, i).

(II) Group Schemes Associated with the I.M.F.

160. This approach has a number of variants, and the arguments pro and con depend upon which variant is under examination. All the variants have in common that the new asset – a reserve claim on a special account in the I.M.F. – is created in accordance with agreed total needs without reference to the participating countries' balance of payments' situations, without the concurrent surrender of real resources, and after taking account of total holdings of other reserve assets. In all variants, participation would be limited to a small group of industrial countries, which might or might not be larger than the Group of Ten.

161. Arguments in favour of these schemes:

(a) Being associated with the I.M.F., they imply an evolutionary course of the international monetary system and derive advantages from their contact with the Fund.

(b) The argument in the section on the C.R.U. regarding the advantages of limiting membership to a small group of industrial countries would apply to all variants (para. 158, b).

(c) For the variant linked to gold in distribution and use, the arguments set out in the section on the C.R.U. in favour of a link between the new asset and gold would apply (para. 158).

(d) For the variants linked to gold in use but not in distribution, redistributions of gold would be necessary, but the disadvantages associated with distribution in proportion to gold reserves would be avoided.

(e) Certain variants linked to gold could embody a degree of flexibility by permitting countries, under certain conditions, to hold the new asset in a ratio to gold different from the average ratio of the group, and to convert a combination of that new asset and gold directly into currency (paras. 49, c and 50).

(f) Except for differences in width of membership, the variants not linked to gold bear a resemblance to some of the schemes for reserve creation through the Fund, which are treated in the following sections. The arguments cited below in favour of Fund approaches are shared, where relevant, by those variants.

162. Arguments against these schemes:

(a) The arguments regarding the problem of discrimination as between two groups of Fund members, formulated in paragraph 164 below, would apply.

(b) With respect to variants involving a link to gold, the arguments cited in paragraph 159 against the gold link in the C.R.U. scheme would apply in varying degree, depending on the closeness of the link.

(III) Enlargement of Automatic Drawing Rights in the Fund

163. Arguments in favour of the scheme:

(a) This technique provides a means of creating additional reserve assets across the board in a flexible manner, involving a minimum of institutional change or disruption of the existing monetary system. Yet it introduces into the system a new concept of deliberate reserve creation (paras. 62 and 63).

(b) The reserve assets created under this scheme would be distributed in proportion to Fund quotas, without affecting the volume of conditional drawing rights in the Fund, unless that were desired, and without any change in Fund policies and standards with respect to its function as a provider of medium-term credit.

(c) The scheme embodies a self-qualifying element that would permit countries that were excluded initially to participate at a later time when their balance of payments' performance had improved. This element would exclude countries in persistent deficit and would thus strengthen the adjustment process. The scheme is also adaptable to a smaller group of countries on an open basis (para. 121).

(d) This scheme, which requires no change in the Fund's Articles of Agreement, can accomplish in a relatively simple way much that can be done through other more complex proposals for across-the-board reserve creation through the Fund. For example, while lines of credit are required to facilitate the use of the new reserve asset, they are not required for its creation (Appendix to Chapter III).

(e) By placing deliberate reserve creation in the Fund, this scheme avoids the establishment of a rival centre of decision and operation in the international monetary field. The Fund's prestige and experience as a monetary institution provide assurance of its capacity to conduct, and keep distinct, conditional lending and deliberate reserve creation. As regards effects on discipline and mitigation of repayment obligations, it should be noted that any across-the-board creation of reserve assets, whether in the Fund or otherwise, would tend to make countries less dependent on credit facilities and make it easier for them to repay outstanding debts (para. 125).

(f) For decision-making, the scheme would rely on the Fund's weighted voting system, generally reflecting the relative economic weight and international responsibility of its members, and giving the countries of the Group of Ten a decisive influence on policy-making (para. 127).

(g) The reserve assets created under this scheme would be in the form of claims on the Fund, which could be held and used without concurrent holding and use of gold.

(h) Claims on the Fund can be used virtually at will to meet a balance of payments' need, just as any reserve asset is utilised only in case of need. The repayment obligation attaching to regular gold tranche drawings is not different in kind from the normal expectation that reserve losses will be reconstituted. Furthermore, the process by which a country's reserve position in the Fund is reconstituted through drawings of its currency by other members is not different in substance from the direct transfer of reserve assets from one country to another (para. 125).

164. Arguments against the scheme:

(a) To give the Fund power to create and distribute reserve assets at its initiative might impair its role as custodian of monetary discipline associated with its medium-term credit functions (para. 124).

(b) Deliberate creation of reserve assets inside the Fund would normally apply to a wide range of countries, including some which might not be able to assume the obligations and responsibilities required for the functioning of the system (para. 120).

(c) The reserve asset created under this scheme in the form of a claim on the Fund would present the disadvantage that a country would have to represent a balance of payments' need to use the asset, and might have to reconstitute its reserve position by repurchase before its reserves have improved, or to allow, even if it does not wish to do so, its position to be reconstituted at the discretion of the Fund through drawings of its currency by other countries (para. 124).

(d) The use of claims on the Fund involves a cumbersome procedure, including lines of credit from participating countries (para. 124).

(e) Discrimination inside the Fund would be far more resented by countries excluded from the distribution of new reserve assets than a limited arrangement outside the Fund. Either the discrimination would be maintained at the cost of continuous political difficulties, or, to solve these difficulties, the group would be enlarged to include countries showing a persistent tendency to remain in deficit (paras. 120 and 124).

(f) It would make little difference to members who qualify, because of their good position and record in the Fund, whether their drawing rights were automatic or of the kind now available to them in the first credit tranche, nor would the associated addition to total drawing facilities be of great significance to them; whereas members who would not qualify would receive a benefit in an appreciable *de facto* mitigation of their repayment obligation, in so far as any amount repaid in their new automatic tranche could easily be redrawn (para. 124).

(g) The rules of weighted voting in the Fund, which give a decisive influence to a very few countries, are not appropriate to the handling of such a powerful instrument as deliberate reserve creation (paras. 124 and 127).

(h) Generally speaking, the use of claims on the Fund lacks the disciplinary effects provided by the linking to gold of the use of reserve assets.

(IV) Extension of Gold Tranche Rights without Gold Payment, on the occasion of Quota Increases

165. Arguments in favour of the scheme:

(a) This scheme for across-the-board reserve creation provides an opportunity to create reserve assets on occasions when, for other reasons, it is appropriate to increase I.M.F. quotas.

(b) All the arguments in favour of reserve creation through the Fund recorded in paragraph 163 would apply to this scheme, with the exception of those in sub-paragraphs (a) and (d) of paragraph 163.

166. Arguments against the scheme:

(a) Since this scheme would relieve Fund members of the obligation to subscribe 25 % of quota increases in gold, it would remove the principal deterrent to unjustified requests for larger quotas (para. 124).

(b) The scheme is not flexibly responsive to overall needs, since reserve assets can be created only at the time of quota increases.

(c) If this scheme were to require an amendment of the Fund Articles (see para. 69), the considerations set forth in paragraph 169 (a) would apply.

(d) The general arguments against reserve creation through the Fund presented in paragraph 164 would apply.

(V) Special Operations by the Fund

167. Included here are special currency operations to create reserves across the board or through the I.B.R.D. (paras. 75 to 84); special gold operations (paras. 85 to 87); and special credit operations (paras. 88 to 90).

The general arguments for and against reserve creation through the Fund, set forth under the scheme for enlargement of automatic drawing rights (paras. 163 and 164), would also apply to the schemes treated under this heading. We develop below the arguments, pro and con, more particulary relevant to the present group of proposals.

168. Arguments in favour of the schemes:

(a) Most variants under this approach offer considerable technical flexibility in creating or reducing reserves. It is limited only by the willingness of members to agree to reserve creation, to provide lines of credit, and to accept transfers of loan claims from other members.

(b) One variant, the placing of currencies in the I.B.R.D., would, in the process of reserve creation, assist the financing of development needs.

(c) Special credit operations would create reserve assets on occasions when it was appropriate to meet individual balance of payments' situations by providing financial assistance to important industrial countries.

169. Arguments against the schemes:

(a) These schemes would require amendment of the Fund's Articles of Agreement, thereby creating the occasion for further changes in the Fund which might be undesirable (para. 124).

(b) The variant that would place currencies in the I.B.R.D. would result in an intermingling of long-term capital assistance and monetary management. The asset created by such operations might not meet the requirements of liquidity to make it acceptable to monetary authorities (para. 138).

(c) Special gold operations could be utilised only to a limited extent for increasing reserve assets, because they would run down the Fund's limited gold stock and raise a question of Fund liquidity (para. 87).

(d) Special credit operations cannot be relied upon to produce the required amount of reserves in circumstances where there is an overall need apart from individual balance of payments' situations.

(VI) Schemes which Provide Holders of Currency with an Alternative Asset

170. Two related schemes are included under this heading: Conversion into Reserve Positions in the Fund and Mutual Currency Account (paras. 91 to 103).

171. Arguments in favour of the schemes:

(a) The world-wide use of reserve currencies for market intervention means that surpluses normally accrue in the form of these currencies. This, in turn, calls for a means by which any balances which may be held reluctantly can be converted into an international asset with a gold-value guarantee, thereby reducing the risk of cumulative conversions decreasing the reserves of reserve centres (para. 96).

(b) Procedures would be employed under multilateral surveillance to ensure that the M.C.A. scheme was not used as a means of financing balance of payments' deficits (para. 97).

172. Arguments against the schemes:

(a) If it proved impossible under multilateral surveillance to ensure that the M.C.A. scheme was not used for deficit finance, the scheme would weaken the adjustment process and would result in creation of reserve assets not necessarily in any relationship to aggregate needs.

(b) The scheme for conversion of currencies into reserve positions in the Fund would operate to reduce total reserve assets, since the country whose currency is converted draws on the Fund and uses up a gold tranche position (para. 93).

(c) The indirect effects of these schemes could be a reduction in the volume of reserve assets. As it became known that a particular currency was being deposited or converted, the psychological effect on other holders might induce an acceleration of such deposits or direct conversions of the currency into another asset – for the dollar, into gold (para 154, a).

CONCLUDING REMARKS

173. We propose now to take final note of the main points on which we focused attention in the course of our work.

174. In Chapter I we considered briefly certain points related to our problem, such as the concept of overall reserve needs and its relationship with individual needs, symptoms of a possible overall inadequacy of reserves, and the relationship between credit facilities and reserves.

175. The distinctive features and functions of various types of existing reserve assets are reviewed in Chapter II.

176. In accordance with the Mandate, we provided in Chapter III a systematic description of various types of proposals for the creation of new reserve assets. We have taken the term " new reserve assets " to mean additional types of reserve assets as well as existing assets created through new methods.

177. In order to bring out significant similarities and differences of underlying principles, functions and modes of operation of the proposals, as requested in the Mandate, Chapter IV compares the proposals from many points of view; and Chapter V applies the analysis to individual schemes, assembling the salient arguments exchanged with respect to them. This comparative analysis has not yielded an agreed view of all the implications of the various proposals, but it has enabled us to explore some fundamental problems associated with reserve creation, and has revealed the nature and extent of differences of view upon them.

178. In examining the general economic and financial impact of the various proposals, we took full account of their implications for the functioning of the present international monetary system and of the considerations set out in the Deputies' Report to Ministers, particularly

those indicated in paragraph 39 of that Report. The considerations in this paragraph are:

(a) compatibility with the evolution of the existing system;

(b) contribution to a greater stability of the international monetary system;

(c) ability to direct liquidity to the point of greatest legitimate need at any given time;

(d) ability to adapt the volume of owned reserves to global needs, as opposed to individual shortages;

(e) acceptability and soundness of the claims they offer as a reserve asset;

(f) machinery required for controlling the volume and distribution of reserves created;

(g) effect on relations of the Group with the rest of the world;

(h) desirability of a group approach, as opposed to a world-wide approach.

179. The observations we have offered on these topics are to be found in several places in our Report because the subjects have many facets. Together with certain comments, we indicate below the paragraphs in which the main material relating to these headings appears.

A. Compatibility with the Evolution of the Existing System

180. Stages in the evolution of the international monetary system during this century have been the transformation of the gold standard into a system involving a more extensive use of reserve currencies and market intervention by monetary authorities; the establishment and growing use of the I.M.F.; the removal of restrictions and return to exchange convertibility based on stable exchange rates; the development of short-term bilateral credit facilities among monetary authorities; the close co-operation among Treasuries and Central Banks through international organisations and the processes of multilateral surveillance.

181. Our study originated with the concern that the supply of gold and foreign exchange reserves might become inadequate to meet overall

needs for reserves. In an evolutionary response to such a condition, innovations would be built upon the existing system, important principles of which are the established price of gold, fixed rates of exchange, and international monetary co-operation. It would also provide for the co-existence of new reserve assets with existing ones.

182. Chapter IV, paragraphs 114 to 116, on the role of gold, contains discussion of the effect of certain new schemes on attitudes to gold and of the degree to which new assets would be compatible with reserve currencies. See also paragraph 139 on transferability and paragraph 145 on guarantees.

B. Contribution to a Greater Stability of the International Monetary System

183. We recognise that the questions arising under this heading are akin to those arising under A above.

184. Three aspects of the influence of new reserve assets upon the stability of the international monetary system have concerned us. One aspect is the impact, through changing circumstances, of the qualities of the new asset and methods of creating, distributing and using it, on the willingness to hold existing reserve assets. A second, related aspect is that of the influence of the conditions governing the creation, distribution and use of reserve assets upon the working of the international adjustment process. The third aspect concerns the relationship between the amounts of reserve assets outstanding and the general level of economic activity; in this respect, the question of stability is related to the ability to adapt the volume of reserves to global needs of the world economy.

185. The first aspect mentioned above is discussed in Chapter IV, paragraphs 114 to 116, and Part 2. The second aspect is discussed in Chapter IV, Part 3, and in Chapter V: C.R.U., paragraphs 158 (i) and (j) and 159 (f); Enlargement of automatic drawing rights, paragraphs 163 (c) and 164 (a). The third aspect is discussed in Chapter IV, paragraphs 115, 116, 126 to 129, and Part 3.

C. Ability to Direct Liquidity to the Point of Greatest Legitimate Need at Any Given Time

D. Ability to Adapt the Volume of Owned Reserves to Global Needs as Opposed to Individual Shortages

186. These topics are discussed in relation to the primary objectives of proposals in paragraphs 105 to 113, 124 and 125 of Chapter IV. The description of the variety of methods of distributing new reserve assets appears in paragraphs 132 to 138 of the same Chapter.

E. Acceptability and Soundness of the Claims They Offer as a Reserve Asset

187. Acceptability and soundness of claims result from a number of factors. First among these would appear to be the extent of the creditor's commitment to accept the asset; this will be determined by the convention governing the asset and may be defined by a specific relationship to gold, or by undertakings to accept it within quantitative limits. Also relevant are characteristics of the asset, such as form, value-guarantees, interest and transferability, and considerations arising from the association of asset creation with development finance. The former factors are discussed in paragraphs 114 to 116 and 141 to 144, of Chapter IV; the latter in paragraphs 138 to 140 and 145 to 147 of the same Chapter.

F. Machinery Required for Controlling the Volume and Distribution of Reserves Created

188. Fundamental questions, as well as more technical ones in this area, are discussed in Chapter IV, mainly in paragraphs 123 to 125, 126 to 129 and 141 to 144.

G. Effect on Relations of the Group with the Rest of the World

H. Desirability of a Group Approach as Opposed to a World-wide Approach

189. These questions, being of major importance, have been extensively discussed. Their treatment is to be found mainly in Chapter IV, paragraphs 117 to 125, and Chapter V: C.R.U., paragraphs 158 (b) and 159 (h).

190. Many divergences of view on the implications of the various proposals have been recorded in considerable detail in Chapter IV. These differences have meant that our Report cannot take the form of an agreed exposition of the elements necessary for an evaluation of the respective proposals. But the study has served the useful purpose of bringing to light the fact that the differences which confront us ultimately reflect a range of views on four fundamental issues, which are listed here in the order in which they have been discussed in Chapter IV, but not necessarily in order of importance:

(i) the question of a link between gold and a new reserve asset, the closeness of that link, and its effects on the existing system;

(ii) the width of membership for purposes of management and distribution of the assets;

(iii) the role of the I.M.F. as regards deliberate reserve creation;

(iv) the rules for decision-making concerning the creation of reserve assets.

APPENDIX

TABLE I

OFFICIAL RESERVES AND CREDIT FACILITIES 1/

December 31, 1963 - December 31, 1964

(in billions of U.S. dollars equivalent)

	RESERVES										CREDIT FACILITIES							
	GOLD AND FOREIGN EXCHANGE			OTHER							ASSURED				SUBJECT TO NEGOTIATION			
				Reserve Position in IMF														
	Gold	Foreign exchange	Subtotal (1)+(2)	Gold 2/ tranche	GAB	Total	Special U.S. bonds	Swaps used by other party	Miscellaneous	Subtotal (4)-(7)	Total reserves (3)+(8)	Swaps unactivated	IMF stand-bys 3/	Other credit lines	Subtotal (10, 11, 12)	Other IMF 4/ tranches	Potential credit lines	Subtotal (14) + (15)	Total credit facilities (13)+(16)
	(1)	(2)	(3)			(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
The Eight and Switzerland:																			
1963	16.44	9.83	26.27	1.80	—	1.80	.66	.24	n.a.	2.70	28.97	1.03	0		1.03	3.74		3.74	4.77
1964	17.45	10.18	27.63	2.24	.41	2.65	.96	.19	n.a.	3.80	31.43	1.26	.13		1.39	3.90		3.90	5.29
Change	+ 1.01	+ .35	+ 1.36	+ .44	+ .41	+ .85	+ .30	− .05	n.a.	+ 1.10	+ 2.46	+ .23	+ .13		+ .36	+ .16		+ .16	+ .52
Group of Ten and Switzerland:																			
1963	34.52	10.21	44.73	3.33	—	3.33	.66	.29	n.a.	4.28	49.01	3.11	.51	0	3.62	9.30		9.30	12.92
1964	35.06	10.79	45.85	3.00	.41	3.41	.96	.39	n.a.	4.76	50.61	3.72	.13	1.69	5.54	9.45		9.45	14.99
Change	+ .54	+ .58	+ 1.12	− .33	+ .41	+ .85	+ .30	+ .10	n.a.	+ .48	+ 1.60	+ .61	− .38	+ 1.69	+ 1.92	+ .15		+ .15	+ 2.07
Rest of World:																			
1963	5.71	11.84	17.55	.61	—	.61	.05	0	n.a.	.66	18.21	.05	0		.05	4.18		4.18	4.23
1964	5.81	12.48	18.29	.75	—	.75	.05	0	n.a.	.80	19.09	.04	0		.04	4.43		4.43	4.47
Change	+ .10	+ .64	+ .74	+ .14	—	+ .14	0	0	n.a.	.14	+ .88	− .01	0		− .01	+ .25		+ .25	+ .24
All Countries:																			
1963	40.23	22.05	62.28	3.94	—	3.94	.71	.29	n.a.	4.94	67.22	3.16	.51	0	3.67	13.48		13.48	17.15
1964	40.87	23.27	64.14	3.75	.41	4.16	1.01	.39	n.a.	5.56	69.70	3.76	.13	1.69	5.58	13.88		13.88	19.46
Change	+ .64	+ 1.22	+ 1.86	− .19	+ .41	+ .22	+ .30	+ .10	n.a.	+ .62	+ 2.48	+ .60	− .38	+ 1.69	+ 1.91	+ .40		+ .40	+ 2.31

1/ Data for other reserves and credit facilities are incomplete and partly estimated.
2/ Including super gold tranche.
3/ Beyond the gold tranche.
4/ Including standbys subject to policy performance.
n.a. Not available.

TABLE II

OFFICIAL RESERVES AND CREDIT FACILITIES 1/

December 31, 1959 - December 31, 1963

(in billions of U.S. dollars equivalent)

	RESERVES									CREDIT FACILITIES							
	GOLD AND FOREIGN EXCHANGE			OTHER						ASSURED				SUBJECT TO NEGOTIATION			
	Gold	Foreign exchange	Subtotal (1)+(2)	Gold 2/ tranche	Special U.S. bonds	Swaps used by other party	Miscel-laneous	Subtotal (4)-(7)	Total reserves (3)+(8)	Swaps unacti-vated	IMF stand-bys 3/	Other credit lines	Subtotal (10, 11, 12)	Other IMF 4/ tranches	Poten-tial credit lines	Subtotal (14) +(15)	Total credit facilities (13) +(16)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
The Eight and Switzerland:																	
1959	11.27	6.24	*17.51*	.86	0	0	n.a.	.86	*18.37*	0	0		0	3.80		3.80	*3.80*
1963	16.44	9.83	*26.27*	1.80	.66	.24	n.a.	2.70	*28.97*	1.03	0		1.03	3.74		3.74	*4.77*
Change	+ 5.17	+ 3.59	+ *8.76*	+ .94	+ .66	+ .24	n.a.	+ 1.84	+*10.60*	+ 1.03	0		+ 1.03	− .06		− .06	+ *.97*
Group of Ten and Switzerland:																	
1959	33.29	6.46	*39.75*	2.93	0	0	n.a.	2.93	*42.68*	0	0		0	9.87		9.87	*9.87*
1963	34.52	10.21	*44.73*	3.33	.66	.29	n.a.	4.28	*49.01*	3.11	.51		3.62	9.30		9.30	*12.92*
Change	+ 1.23	+ 3.75	+ *4.98*	+ .40	+ .66	+ .29	n.a.	+ 1.35	+ *6.33*	+ 3.11	+ .51		+ 3.62	− .57		− .57	+ *3.05*
Rest of World:																	
1959	4.59	10.12	*14.71*	.32	0	0	n.a.	.32	*15.03*	0	0		0	3.03		3.03	*3.03*
1963	5.71	11.84	*17.55*	.61	.05	0	n.a.	.66	*18.21*	.05	0		.05	4.18		4.18	*4.23*
Change	+ 1.12	+ 1.72	+ *2.84*	+ .29	+ .05	0	n.a.	+ .34	+ *3.18*	+ .05	0		+ .05	+ 1.15		+ 1.15	+ *1.20*
All Countries:																	
1959	37.88	16.58	*54.46*	3.25	0	0	n.a.	3.25	*57.71*	0	0		0	12.90		12.90	*12.90*
1963	40.23	22.05	*62.28*	3.94	.71	.29	n.a.	4.94	*67.22*	3.16	.51		3.67	13.48		13.48	*17.15*
Change	+ 2.35	+ 5.47	+ *7.82*	+ .69	+ .71	+ .29	n.a.	+ 1.69	+ *9.51*	+ 3.16	+ .51		+ 3.67	+ .58		+ .58	+ *4.25*

1/ Data for other reserves and credit facilities are incomplete and partly estimated.
2/ Including super gold tranche.
3/ Beyond the gold tranche.
4/ Including standbys subject to policy performance.
n.a. Not available.

TABLE III

OFFICIAL RESERVES AND CREDIT FACILITIES 1/

December 31, 1953 - December 31, 1963

(in billions of U.S. dollars equivalent)

	RESERVES									CREDIT FACILITIES							
	GOLD AND FOREIGN EXCHANGE			OTHER						ASSURED				SUBJECT TO NEGOTIATION			
	Gold (1)	Foreign exchange (2)	Subtotal (1)+(2) (3)	Gold 2/ tranche (4)	Special U.S. bonds (5)	Swaps used by other party (6)	Miscellaneous (7)	Subtotal (4)-(7) (8)	Total reserves (3)+(8) (9)	Swaps unactivated (10)	IMF stand-bys 3/ (11)	Other credit lines (12)	Subtotal (10, 11, 12) (13)	Other IMF 4/ tranches (14)	Potential credit lines (15)	Subtotal (14)+(15) (16)	Total credit facilities (13)+(16) (17)
The Eight and Switzerland:																	
1953	5.48	5.12	10.60	.26	0	0	n.a.	.26	10.86	0	0		0	1.48		1.48	1.48
1963	16.44	9.83	26.27	1.80	.66	.24	n.a.	2.70	28.97	1.03	0		1.03	3.74		3.74	4.77
Change	+10.96	+ 4.71	+15.67	+ 1.54	+ .66	+ .24	n.a.	+ 2.44	+18.11	+ 1.03	0		+ 1.03	+ 2.26		+ 2.26	+ 3.29
Group of Ten and Switzerland:																	
1953	29.83	5.40	35.23	1.75	0	0	n.a.	1.75	36.98	0	0		0	5.53		5.53	5.53
1963	34.52	10.21	44.73	3.33	.66	.29	n.a.	4.28	49.01	3.11	.51		3.62	9.30		9.30	12.92
Change	+ 4.69	+ 4.81	+ 9.50	+ 1.58	+ .66	+ .29	n.a.	+ 2.53	+12.03	+ 3.11	+ .51		+ 3.62	+ 3.77		+ 3.77	+ 7.39
Rest of World:																	
1953	4.49	10.16	14.65	.14	0	0	n.a.	.14	14.79	0	0		0	1.61		1.61	1.61
1963	5.71	11.84	17.55	.61	.05	0	n.a.	.66	18.21	.05	0		.05	4.18		4.18	4.23
Change	+ 1.22	+ 1.68	+ 2.90	+ .47	+ .05	0	n.a.	+ .52	+ 3.42	+ .05	0		+ .05	+ 2.57		+ 2.57	+ 2.62
All Countries:																	
1953	34.32	15.56	49.88	1.89	0	0	n.a.	1.89	51.77	0	0		0	7.14		7.14	7.14
1963	40.23	22.05	62.28	3.94	.71	.29	n.a.	4.94	67.22	3.16	.51		3.67	13.48		13.48	17.15
Change	+ 5.91	+ 6.49	+12.40	+ 2.05	+ .71	+ .29	n.a.	+ 3.05	+15.45	+ 3.16	+ .51		+ 3.67	+ 6.34		+ 6.34	+10.01

1/ Data for other reserves and credit facilities are incomplete and partly estimated.
2/ Including super gold tranche.
3/ Beyond the gold tranche.
4/ Including standbys subject to policy performance.
n.a. Not available.

OFFICIAL RESERVES AND

December 31, 1963 -

(in billions of U.S.

	RESERVES								
	GOLD AND FOREIGN EXCHANGE			Reserve Position in IMF			OTHER		
	Gold (1)	Foreign exchange (2)	Subtotal (1) + (2) (3)	Gold 2/ tranche	GAB	Total (4)	Special U.S. bonds (5)	Swaps used by other party (6)
The Eight:								
1963	13.62	9.58	23.20	1.80	—	1.80	.61	.16
1964	14.73	9.78	24.51	2.24	.41	2.65	.86	.19
Change	+ 1.11	+ .20	+ 1.31	+ .44	+ .41	+ .85	+ .25	+ .03
Switzerland:								
1963	2.82	.25	3.07			—	.05	.08
1964	2.72	.40	3.12			—	.10	0
Change	− .10	+ .15	+ .05				+ .05	− .08
The Eight and Switzerland:								
1963	16.44	9.83	26.27	1.80	—	1.80	.66	.24
1964	17.45	10.18	27.63	2.24	.41	2.65	.96	.19
Change	+ 1.01	+ .35	+ 1.36	+ .44	+ .41	+ .85	+ .30	− .05
United Kingdom:								
1963	2.48	.17	2.65	.49	—	.49	0	0
1964	2.14	.18	2.32	0	0	0	0	0
Change	− .34	+ .01	− .33	− .49	0	.49	0	0
United States:								
1963	15.60	.21	15.81	1.04	—	1.04	—	.05
1964	15.47	.43	15.90	.76	0	.76	—	.20
Change	− .13	+ .22	+ .09	.28	0	.28	—	+ .15
Reserve Countries:								
1963	18.08	.38	18.46	1.53	—	1.53	0	.05
1964	17.61	.61	18.22	.76	0	.76	0	.20
Change	− .47	+ .23	− .24	.77	0	.77	0	+ .15
Group of Ten:								
1963	31.70	9.96	41.66	3.33	—	3.33	.61	.21
1964	32.34	10.39	42.73	3.00	.41	3.41	.86	.39
Change	+ .64	+ .43	+ 1.07	.33	+ .41	+ .08	+ .25	+ .18
Group of Ten and Switzerland:								
1963	34.52	10.21	44.73	3.33		3.33	.66	.29
1964	35.06	10.79	45.85	3.00	.41	3.41	.96	.39
Change	+ .54	+ .58	+ 1.12	.33	+ .41	+ .08	+ .30	+ .10
Rest of World:								
1963	5.71	11.84	17.55	.61		.61	.05	0
1964	5.81	12.48	18.29	.75		.75	.05	0
Change	+ .10	+ .64	+ .74	+ .14		+ .14	0	0
All Countries:								
1963	40.23	22.05	62.28	3.94		3.94	.71	.29
1964	40.87	23.27	64.14	3.75	.41	4.16	1.01	.39
Change	+ .64	+ 1.22	+ 1.86	− .19	+ .41	+ .22	+ .30	+ .10
BIS:								
1963	− .28	0	− .28				0	.15
1964	− .05	0	− .05				.07	.10
Change	+ .23		+ .23				+ .07	− .05
Other International Organiz.:								
1963	2.36	0	2.36					
1964	2.21	0	2.21					
Change	.15		− .15					

1/ Data for other reserves and credit facilities are incomplete and partly estimated.
2/ Including super gold tranche.
3/ Beyond the gold tranche.
4/ Including standbys subject to policy performance.
n.a. Not available.

REDIT FACILITIES 1/

ecember 31, 1964

ollars equivalent)

TABLE IV

			CREDIT FACILITIES							
			ASSURED				SUBJECT TO NEGOTIATION			
Miscellaneous (7)	Subtotal (4)-(7) (8)	Total reserves (3)+(8) (9)	Swaps unactivated (10)	IMF standbys 3/ (11)	Other credit lines (12)	Subtotal (10, 11, 12) (13)	Other IMF 4/ tranches (14)	Potential credit lines (15)	Subtotal (14)+(15) (16)	Total credit facilities (13)+(16) (17)
n.a.	2.57	25.77	.95	0		.95	3.74		3.74	4.69
n.a.	3.70	28.21	1.11	.13		1.24	3.90		3.90	5.14
n.a.	+ 1.13	+ 2.44	+ .16	+ .13		+ .29	+ .16		+ .16	+ .45
n.a.	.13	3.20	.08	—		.08	—		0	.08
n.a.	.10	3.22	.15	—		.15	—		0	.15
n.a.	— .03	+ .02	+ .07			+ .07			0	+ .07
n.a.	2.70	28.97	1.03	0		1.03	3.74		3.74	4.77
n.a.	3.80	31.43	1.26	.13		1.39	3.90		3.90	5.29
n.a.	+ 1.10	+ 2.46	+ .23	+ .13		+ .36	+ .16		+ .16	+ .52
n.a.	.49	3.14	.50	.51	0	1.01	1.44		1.44	2.45
n.a.	0	2.32	.55	0	1.69	2.24	1.43		1.43	3.67
n.a.	— .49	— .82	+ .05	— .51	+ 1.69	+ 1.23	— .01		— .01	+ 1.22
n.a.	1.09	16.90	1.58	0		1.58	4.12		4.12	5.70
n.a.	.96	16.86	1.91	0		1.91	4.12		4.12	6.03
n.a.	— .13	— .04	+ .33	0		+ .33	0		0	+ .33
n.a.	1.58	20.04	2.08	.51	0	2.59	5.56		5.56	8.15
n.a.	.96	19.18	2.46	0	1.69	4.15	5.55		5.55	9.70
n.a.	— .62	— .86	+ .38	— .51	+ 1.69	+ 1.56	— .01		— .01	+ 1.55
n.a.	4.15	45.81	3.03	.51	0	3.54	9.30		9.30	12.84
n.a.	4.66	47.39	3.57	.13	1.69	5.39	9.45		9.45	14.84
n.a.	+ .51	+ 1.58	+ .54	— .38	+ 1.69	+ 1.85	+ .15		+ .15	+ 2.00
n.a.	4.28	49.01	3.11	.51	0	3.62	9.30		9.30	12.92
n.a.	4.76	50.61	3.72	.13	1.69	5.54	9.45		9.45	14.99
n.a.	+ .48	+ 1.60	+ .61	— .38	+ 1.69	+ 1.92	+ .15		+ .15	+ 2.07
n.a.	.66	18.21	.05	0		.05	4.18		4.18	4.23
n.a.	.80	19.09	.04	0		.04	4.43		4.43	4.47
n.a.	+ .14	+ .88	— .01	0		— .01	+ .25		+ .25	+ .24
n.a.	4.94	67.22	3.16	.51	0	3.67	13.48		13.48	17.15
n.a.	5.56	69.70	3.76	.13	1.69	5.58	13.88		13.88	19.46
n.a.	+ .62	+ 2.48	+ .60	— .38	+ 1.69	+ 1.91	+ .40		+ .40	+ 2.31
n.a.	.15	— .13	.01			.01				.01
n.a.	.17	.12	.05			.05				.05
n.a.	+ .02	+ .25	+ .04			+ .04				.04
n.a.	0	2.36								
n.a.	0	2.21								
n.a.	0	— .15								

OFFICIAL RESERVES AND

December 31, 1959 -

(in billions of U.S.

	RESERVES						
	GOLD AND FOREIGN EXCHANGE			OTHER			
	Gold (1)	Foreign exchange (2)	Subtotal (1) + (2) (3)	Gold 2/ tranche (4)	Special U.S. bonds (5)	Swaps used by other party (6)	Miscellaneous (7)
The Eight:							
1959	9.34	6.11	*15.45*	.86	0	0	n.a.
1963	13.62	9.58	*23.20*	1.80	.61	.16	n.a.
Change	+ 4.28	+ 3.47	*+ 7.75*	+ .94	+ .61	+ .16	n.a.
Switzerland:							
1959	1.93	.13	*2.06*	0	0	0	n.a.
1963	2.82	.25	*3.07*	0	.05	.08	n.a.
Change	+ .89	+ .12	*+ 1.01*	0	+ .05	+ .08	n.a.
The Eight and Switzerland:							
1959	11.27	6.24	*17.51*	.86	0	0	n.a.
1963	16.44	9.83	*26.27*	1.80	.66	.24	n.a.
Change	+ 5.17	+ 3.59	*+ 8.76*	+ .94	+ .66	+ .24	n.a.
United Kingdom:							
1959	2.51	.22	*2.73*	.07	0	0	n.a.
1963	2.48	.17	*2.65*	.49	0	0	n.a.
Change	— .03	— .05	*— .08*	+ .42	0	0	n.a.
United States:							
1959	19.51	0	*19.51*	2.00	0	0	n.a.
1963	15.60	.21	*15.81*	1.04	0	.05	n.a.
Change	— 3.91	+ .21	*— 3.70*	— .96	0	+ .05	n.a.
Reserve Countries:							
1959	22.02	.22	*22.24*	2.07	0	0	n.a.
1963	18.08	.38	*18.46*	1.53	0	.05	n.a.
Change	— 3.94	+ .16	*— 3.78*	— .54	0	+ .05	n.a.
Group of Ten:							
1959	31.36	6.33	*37.69*	2.93	0	0	n.a.
1963	31.70	9.96	*41.66*	3.33	.61	.21	n.a.
Change	+ .34	+ 3.63	*+ 3.97*	+ .40	+ .61	+ .21	n.a.
Group of Ten and Switzerland:							
1959	33.29	6.46	*39.75*	2.93	0	0	n.a.
1963	34.52	10.21	*44.73*	3.33	.66	.29	n.a.
Change	+ 1.23	+ 3.75	*+ 4.98*	+ .40	+ .66	+ .29	n.a.
Rest of World:							
1959	4.59	10.12	*14.71*	.32	0	0	n.a.
1963	5.71	11.84	*17.55*	.61	.05	0	n.a.
Change	+ 1.12	+ 1.72	*+ 2.84*	+ .29	+ .05	0	n.a.
All Countries:							
1959	37.88	16.58	*54.46*	3.25	0	0	n.a.
1963	40.23	22.05	*62.28*	3.94	.71	.29	n.a.
Change	+ 2.35	+ 5.47	*+ 7.82*	+ .69	+ .71	+ .29	n.a.
BIS:							
1959	— .13	0	*— .13*		0	0	n.a.
1963	— .28	0	*— .28*		0	.15	n.a.
Change	— .15	0	*— .15*		0	+ .15	n.a.
Other International Organiz.:							
1959	2.45	0	2.45		0	0	n.a.
1963	2.36	0	2.36		0	0	n.a.
Change	— .09	0	— .09		0	0	n.a.

1/ Data for other reserves and credit facilities are incomplete and partly estimated.
2/ Including super gold tranche.
3/ Beyond the gold tranche.
4/ Including standbys subject to policy performance.
n.a. Not available.

CREDIT FACILITIES 1/
December 31, 1963
dollars equivalent)

TABLE V

		CREDIT FACILITIES							
		ASSURED				SUBJECT TO NEGOTIATION			
Subtotal (4)-(7) (8)	Total reserves (3) + (8) (9)	Swaps unactivated (10)	IMF Stand-bys 3/ (11)	Other credit lines (12)	Subtotal (10, 11, 12) (13)	Other IMF 4/ tranches (14)	Potential credit lines (15)	Subtotal (14) + (15) (16)	Total credit facilities (13) + (16) (17)
.86	*16.31*	0	0		0	3.80		3.80	*3.80*
2.57	*25.77*	.95	0		.95	3.74		3.74	*4.69*
+ 1.71	*+ 9.46*	+ .95	0		+ .95	− .06		− .06	*+ .89*
0	*2.06*	0	0		0	0		0	*0*
.13	*3.20*	.08	0		.08	0		0	*.08*
+ .13	*+ 1.14*	+ .08	0		+ .08	0		0	*+ .08*
.86	*18.37*	0	0		0	3.80		3.80	*3.80*
2.70	*28.97*	1.03	0		1.03	3.74		3.74	*4.77*
+ 1.84	*+10.60*	+ 1.03	0		+ 1.03	− .06		− .06	*+ .97*
.07	*2.80*	0	0		0	1.95		1.95	*1.95*
.49	*3.14*	.50	.51		1.01	1.44		1.44	*2.45*
+ .42	*+ .34*	+ .50	+ .51		+ 1.01	− .51		− .51	*+ .50*
2.00	*21.51*	0	0		0	4.12		4.12	*4.12*
1.09	*16.90*	1.58	0		1.58	4.12		4.12	*5.70*
− .91	*− 4.61*	+ 1.58	0		+ 1.58	0		0	*+ 1.58*
2.07	*24.31*	0	0		0	6.07		6.07	*6.07*
1.58	*20.04*	2.08	.51		2.59	5.56		5.56	*8.15*
− .49	*− 4.27*	+ 2.08	+ .51		+ 2.59	− .51		− .51	*+ 2.08*
2.93	*40.62*	0	0		0	9.87		9.87	*9.87*
4.15	*45.81*	3.03	.51		3.54	9.30		9.30	*12.84*
+ 1.22	*+ 5.19*	+ 3.03	+ .51		+ 3.54	− .57		− .57	*+ 2.97*
2.93	*42.68*	0	0		0	9.87		9.87	*9.87*
4.28	*49.01*	3.11	.51		3.62	9.30		9.30	*12.92*
+ 1.35	*+ 6.33*	+ 3.11	+ .51		+ 3.62	− .57		− .57	*+ 3.05*
.32	*15.03*	0	0		0	3.03		3.03	*3.03*
.66	*18.21*	.05	0		.05	4.18		4.18	*4.23*
+ .34	*+ 3.18*	+ .05	0		+ .05	+ 1.15		+ 1.15	*+ 1.20*
3.25	*57.71*	0	0		0	12.90		12.90	*12.90*
4.94	*67.22*	3.16	.51		3.67	13.48		13.48	*17.15*
+ 1.69	*+ 9.51*	+ 3.16	+ .51		+ 3.67	+ .58		+ .58	*+ 4.25*
0	*− .13*	0			0	0		0	*0*
.15	*− .13*	.01			.01	0		0	*.01*
.15	*0*	+ .01			+ .01	0		0	*.01*
0	*2.45*	0			0	0		0	*0*
0	*2.36*	0			0	0		0	*0*
0	*− .09*	0			0	0		0	*0*

OFFICIAL RESERVES AND

December 31, 1953 -

(in billions of U.S.

	RESERVES						
	GOLD AND FOREIGN EXCHANGE			OTHER			
	Gold (1)	Foreign exchange (2)	Subtotal (1) + (2) (3)	Gold 2/ tranche (4)	Special U.S. bonds (5)	Swaps used by other party (6)	Miscella-neous (7)
The Eight:							
1953	4.02	4.81	*8.83*	.26	0	0	n.a.
1963	13.62	9.58	*23.20*	1.80	.61	.16	n.a.
Change	+ 9.60	+ 4.77	*+14.37*	+ 1.54	+ .61	+ .16	n.a.
Switzerland:							
1953	1.46	.31	*1.77*	0	0	0	n.a.
1963	2.82	.25	*3.07*	0	.05	.08	n.a.
Change	+ 1.36	− .06	*+ 1.30*	0	+ .05	+ .08	n.a.
The Eight and Switzerland:							
1953	5.48	5.12	*10.60*	.26	0	0	n.a.
1963	16.44	9.83	*26.27*	1.80	.66	.24	n.a.
Change	+10.96	+ 4.71	*+15.67*	+ 1.54	+ .66	+ .24	n.a.
United Kingdom:							
1953	2.26	.28	*2.54*	.12	0	0	n.a.
1963	2.48	.17	*2.65*	.49	0	0	n.a.
Change	+ .22	− .11	*+ .11*	+ .37	0	0	n.a.
United States:							
1953	22.09	0	*22.09*	1.37	0	0	n.a.
1963	15.60	.21	*15.81*	1.04	0	.05	n.a.
Change	− 6.49	+ .21	*− 6.28*	− .33	0	+ .05	n.a.
Reserve Countries:							
1953	24.35	.28	*24.63*	1.49	0	0	n.a.
1963	18.08	.38	*18.46*	1.53	0	.05	n.a.
Change	− 6.27	+ .10	*− 6.17*	+ .04	0	+ .05	n.a.
Group of Ten:							
1953	28.37	5.09	*33.46*	1.75	0	0	n.a.
1963	31.70	9.96	*41.66*	3.33	.61	.21	n.a.
Change	+ 3.33	+ 4.87	*+ 8.20*	+ 1.58	+ .61	+ .21	n.a.
Group of Ten and Switzerland:							
1953	29.83	5.40	*35.23*	1.75	0	0	n.a.
1963	34.52	10.21	*44.73*	3.33	.66	.29	n.a.
Change	+ 4.69	+ 4.81	*+ 9.50*	+ 1.58	+ .66	+ .29	n.a.
Rest of World:							
1953	4.49	10.16	*14.65*	.14	0	0	n.a.
1963	5.71	11.84	*17.55*	.61	.05	0	n.a.
Change	+ 1.22	+ 1.68	*+ 2.90*	+ .47	+ .05	0	n.a.
All Countries:							
1953	34.32	15.56	*49.88*	1.89	0	0	n.a.
1963	40.23	22.05	*62.28*	3.94	.71	.29	n.a.
Change	+ 5.91	+ 6.49	*+12.40*	+ 2.05	+ .71	+ .29	n.a.
BIS:							
1953	.08	0	*.08*	0	0	0	n.a.
1963	− .28	0	*− .28*		0	− .15	n.a.
Change	− .36	0	*− .36*	0	0	+ .15	n.a.
Other International Organiz.:							
1953	1.86	0	*1.86*	0	0	0	n.a.
1963	2.36	0	*2.36*				n.a.
Change	+ .50	0	*+ .50*				n.a.

1/ Data for other reserves and credit facilities are incomplete and partly estimated.
2/ Including super gold tranche.
3/ Beyond the gold tranche.
4/ Including standbys subject to policy performance.
n.a. Not available.

CREDIT FACILITIES 1/

December 31, 1963

dollars equivalent)

TABLE VI

		CREDIT FACILITIES							
		ASSURED				SUBJECT TO NEGOTIATION			
Subtotal (4)-(7) (8)	Total reserves (3) + (8) (9)	Swaps unactivated (10)	IMF Stand-bys 3/ (11)	Other credit lines (12)	Subtotal (10, 11, 12) (13)	Other IMF 4/ tranches (14)	Potential credit lines (15)	Subtotal (14) + (15) (16)	Total credit facilities (13) + (16) (17)
.26	*9.09*	0	0		0	1.48		1.48	*1.48*
2.57	*25.77*	.95	0		.95	3.74		3.74	*4.69*
+ 2.31	*+16.68*	+ .95	0		+ .95	+ 2.26		+ 2.26	*+ 3.21*
0	*1.77*	0	0		0	0		0	*0*
.13	*3.20*	.08	0		.08	0		0	*.08*
+ .13	*+ 1.43*	+ .08	0		+ .08	0		0	*+ .08*
.26	*10.86*	0	0		0	1.48		1.48	*1.48*
2.70	*28.97*	1.03	0		1.03	3.74		3.74	*4.77*
+ 2.44	*+18.11*	+ 1.03	0		+ 1.03	+ 2.26		+ 2.26	*+ 3.29*
.12	*2.66*	0	0		0	1.30		1.30	*1.30*
.49	*3.14*	.50	.51		1.01	1.44		1.44	*2.45*
+ .37	*+ .48*	+ .50	+ .51		+ 1.01	+ .14		+ .14	*+ 1.15*
1.37	*23.46*	0	0		0	2.75		2.75	*2.75*
1.09	*16.90*	1.58	0		1.58	4.12		4.12	*5.70*
− .28	*− 6.56*	+ 1.58	0		+ 1.58	+ 1.37		+ 1.37	*+ 2.95*
1.49	*26.12*	0	0		0	4.05		4.05	*4.05*
1.58	*20.04*	2.08	.51		2.59	5.56		5.56	*8.15*
+ .09	*− 6.08*	+ 2.08	+ .51		+ 2.59	+ 1.51		+ 1.51	*+ 4.10*
1.75	*35.21*	0	0		0	5.53		5.53	*5.53*
4.15	*45.81*	3.03	.51		3.54	9.30		9.30	*12.84*
+ 2.40	*+10.60*	+ 3.03	+ .51		+ 3.54	+ 3.77		+ 3.77	*+ 7.31*
1.75	*36.98*	0	0		0	5.53		5.53	*5.53*
4.28	*49.01*	3.11	.51		3.62	9.30		9.30	*12.92*
+ 2.53	*+12.03*	+ 3.11	+ .51		+ 3.62	+ 3.77		+ 3.77	*+ 7.39*
.14	*14.79*	0	0		0	1.61		1.61	*1.61*
.66	*18.21*	.05	0		.05	4.18		4.18	*4.23*
+ .52	*+ 3.42*	+ .05	0		+ .05	+ 2.57		+ 2.57	*+ 2.62*
1.89	*51.77*	0	0		0	7.14		7.14	*7.14*
4.94	*67.22*	3.16	.51		3.67	13.48		13.48	*17.15*
+ 3.05	*+15.45*	+ 3.16	+ .51		+ 3.67	+ 6.34		+ 6.34	*+10.01*
0	*.08*	0	0		0	0		0	*0*
.15	*− .13*	.01			.01				*.01*
+ .15	*− .21*	+ .01			+ .01				*+ .01*
0	*1.86*	0	0		0	0		0	*0*
	2.36								
	+ .50								

NOTES TO ACCOMPANY TABLES ON RESERVES AND CREDIT FACILITIES

Table Column

(1) **Gold.** Figures are published data from International Financial Statistics.

(2) **Foreign Exchange.** Figures are published in IFS, adjusted to the extent feasible to eliminate special U.S. bonds (Column 5) treated by some countries as part of foreign exchange reserves. Some element of double counting may remain, which would be reflected in Columns 8 and 9, but it is believed that the magnitude is small and that the effect on changes from 1963 to 1964 is not significant.

Figures for 1963 and earlier years are revised, as shown in the May 1965 issue of IFS. The revisions result in some reductions in foreign exchange holdings from previously published figures, principally affecting "Rest of World".

(3) Subtotal of (1) and (2) represents the sum of gold and foreign exchange (primary reserves).

(4) **Reserve Position in IMF** consists of gold tranche, including super gold tranche, and, starting in 1964, GAB claims. In order to retain the same numbering as in Appendix II of the Deputies' Annex, the two columns on "Gold Tranche" and "GAB" have been left unnumbered, and the "Total" column has been numbered (4). These data are published in IFS.

(5) **Special U.S. Bonds** represent U.S. Government nonmarketable obligations payable in foreign currencies or in U.S. dollars, with an original maturity of more than one year, and convertible at the option of the holder into short-term Treasury obligations.

(6) **Swaps Used by Other Party** represent that part of a reciprocal swap arrangement that corresponds to a swing credit that has been drawn upon by the other party, and is therefore an asset of the drawee country. Where swaps have been activated and amounts are held in the form of foreign exchange, they appear under "foreign exchange". The total amounts for swaps included in the tables will always add up to twice the original amount available to one party in the case of a group of countries that includes both parties to the swap. These magnitudes have been derived from data on the U.S. swap network only.

(7) **Miscellaneous** includes, but is not limited to, forward or other availabilities, long-term mobilizable securities and other foreign assets that have been acquired by monetary authorities, such as IBRD notes, etc.

(9) **Total Reserves** represent the sum of primary and other reserves.

(10) **Swaps Unactivated.** This represents the standby facilities that have been established under swap agreements but not activated in the sense of reciprocal acquisition of foreign exchange.

(11) **IMF Standbys.** This column would include standby facilities that can be drawn upon without further policy review.

(12) **Other Credit Lines.** This column would include bilateral or other assured credit lines that may exist now or in the future.

(14) **Other IMF Tranches.** The amount shown in this column (together with the amount in column 11) represents for each country the undrawn portion of four credit tranches, which if drawn in full would bring the currency holdings of the IMF in that country's currency to 200 percent of quota.

(15) **Potential Credit Lines.** This column registers the potentiality of other credit facilities that may be negotiated, or may be available after negotiation under some kind of policy review.

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