

**MINISTERIAL STATEMENT
OF THE GROUP OF TEN
AND
ANNEX PREPARED BY DEPUTIES**

*“ . . . examination of the outlook
for the functioning of the inter-
national monetary system and
of its probable future needs for
liquidity.”*

10th August 1964

M. Valéry GISCARD D'ESTAING, Ministre des Finances et des Affaires Economiques of France, acting as Chairman of the Ministers and Governors of the Group of Ten countries participating in the General Arrangements to Borrow, today issued the following Statement. There is included with this Statement an Annex prepared by Deputies of the Group of Ten.

MINISTERIAL STATEMENT

1. The Ministers and Governors of the ten countries participating in the General Arrangements to Borrow have, over the past year, examined, with a long-range perspective, the wider implications of the obligations which they have accepted for helping to assure the stability and adequacy of the international payments system. They have reviewed the functioning of the international monetary system and its probable future needs for liquidity. The necessary studies were entrusted to a Group of Deputies, to be carried out in cooperation with the International Monetary Fund and with the participation of representatives of the staffs of the International Monetary Fund, the Organization for Economic Cooperation and Development, and the Bank for International Settlements, as well as of an observer of the Swiss National Bank. The conclusions and decisions of the Ministers and Governors were greatly assisted by these studies, the results of which are described in the accompanying Annex.

2. In reviewing the functioning of the international monetary system, the Ministers and Governors reaffirmed their conviction that a structure based, as the present is, on fixed exchange rates and the established price of gold, has proved its value as a foundation on which to build for the future. They further agreed that increasingly close cooperation among monetary authorities was an essential element supporting the system. As concerns liquidity, the Ministers and Governors are agreed that, for the international monetary system as a whole, supplies of gold and reserve currencies are fully adequate for the present and are likely to be for the immediate future. These reserves are supplemented by a broad range of credit facilities. 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.

3. The smooth functioning of the international monetary system depends on the avoidance of major and persistent international imbalances and on the effective use of appropriate policies by national governments to correct them when they occur. The Ministers and Governors have therefore decided to initiate a thorough study of the measures and instruments best suited for achieving this purpose compatibly with the pursuit of essential internal objectives. In view of the experience it has already acquired in this field, Working Party 3 of the O.E.C.D. is being invited to take charge of this study.

4. A significant development in the evolution and strengthening of the system has been the emergence of a wide range of bilateral and multilateral credit facilities, notably to cope with speculative movements and sudden pressures. There has at the same time been increasing recognition of the fact that the way in which balance of payments deficits and surpluses are financed has implications for countries other than those directly concerned. The Ministers and Governors have consequently agreed on the usefulness of participating, through the international institutions which are already concerned with these problems, in a "multilateral surveillance" of the ways and means of financing balance of payments disequilibria. To this end, they have approved arrangements which will give the monetary authorities of countries participating in them a more comprehensive and up-to-date view of major trends and will afford them a better basis for strengthening their policy cooperation in the international monetary sphere. This should help them to avoid excesses or shortages in the means of financing surpluses or deficits in the balance of payments, as well as to discuss measures appropriate for each country in accordance with the general economic outlook. The Ministers and Governors of the Group will meet from time to time to survey current developments in this field.

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 over-all 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 I.M.F. or otherwise.

6. Finally, the Ministers and Governors have exchanged views on the adequacy of international credit arrangements. The International Monetary Fund, with large resources of credit and a code of obligations, occupies a central position. In order to further the Fund's capabilities and while recognizing that the responsibility for decisions concerning the provision of additional resources rests with the competent authorities of the I.M.F., itself, the Ministers and Governors, for their part, are agreed that they will, in the forthcoming quinquennial review of Fund quotas during 1965, support a moderate general increase in member quotas. At the same time, they will support rela-

tive adjustments of those individual quotas which are clearly out of line. In addition, the Deputies are instructed to study the questions related to the renewal of the General Arrangements to Borrow and to make recommendations to the Ministers and Governors before September, 1965.

7. The Ministers and Governors believe that the review of the international monetary system conducted during the past year has helped to clarify the fundamental considerations which underlie the various national points of view and has brought a fuller recognition of common interests. They believe that the spirit and practice of cooperation that have now been achieved warrant confidence that fully adequate, but not excessive, resources will be made available to meet the liquidity requirements of the world as a whole. This readiness of their countries to work together in meeting unexpected developments or longer range requirements will strengthen the capacity of the international monetary system to support and sustain the objectives of growth, employment, and price stability that are shared among all people.

ANNEX PREPARED BY DEPUTIES

This document presents the main results of the studies of the Deputies, which led to the report presented by them to the Ministers and Governors at their meeting in Paris on June 15-16, 1964.

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Introduction

1. Our Group was established by Ministers and Governors, as recorded in their communiqué of 2nd October 1963, in the following terms:

In reviewing the longer-run prospects, the Ministers and Governors agreed that the underlying structure of the present monetary system—based on fixed exchange rates and the established price of gold—has proven its value as the foundation for present and future arrangements. It appeared to them, however, to be useful to undertake a thorough examination of the outlook for the functioning of the international monetary system and of its probable future needs for liquidity. This examination should be made with particular emphasis on the possible magnitude and nature of the future needs for reserves and for supplementary credit facilities which may arise within the framework of national economic policies effectively aiming at the objectives mentioned in paragraph 2. The studies should also appraise and evaluate various possibilities for covering such needs.

The objectives mentioned in paragraph 2 of the communiqué were as follows:

The Ministers and Governors reaffirmed the objective of reaching such balance at high levels of economic activity with a sustainable rate of economic growth and in a climate of price stability.

We have also regarded certain passages in the same communiqué as relevant to our studies:

The Ministers and Governors noted that the present national reserves of member countries, supplemented as they are by the resources of the IMF, as well as by a network of bilateral facilities, seemed fully adequate in present circumstances to cope with possible threats to the stability of the international payments system.

The Ministers reviewed the "General Arrangements to Borrow" in the International Monetary Fund and reiterated their determination that these resources would be available for decisive and prompt action.

The Ministers and Governors believe that such an examination of the international monetary system will further strengthen international financial cooperation, which is the essential basis for the continued successful functioning of the system.

Our instructions were that:

Any specific suggestions resulting from the studies by the Deputies will be submitted to the Ministers and Governors for consideration.

2. In accordance with these instructions a number of meetings were held during the past year and close relations were maintained with the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD) and the Bank for International Settlements (BIS). The staffs of these institutions have been represented in our discussions and have made valuable contributions to the work of the Group. The discussions also benefited from the presence of representatives of the Swiss National Bank, as decided by Ministers following completion of the legislation looking to Swiss cooperation with the General Arrangements to Borrow.

3. A review was made of the major proposals put forward in recent years for reform of the existing international payments system, ranging from a restoration of the former gold standard to the setting up of an international central bank with supra-national authority. While no single plan appeared to meet the requirements in a way fully consistent with the general political, economic and social environment in which international payments and arrangements must operate, we have found much in the analysis underlying these various approaches that has been useful and stimulating for our discussions and appraisal.

4. Our report, after examining the broader economic and financial structure within which the international monetary system must operate, surveys briefly the major aspects of the system as it has evolved in the postwar world, makes an appraisal of the present system, explores lines of future development and, finally, sets forth and explains our major conclusions and recommendations.

I. The Importance of International Balance and the Process of Adjustment

5. The smooth functioning of the international monetary system depends on the avoidance of major and persistent imbalances and on the effective use of appropriate policies by national governments to correct them when they occur. The process of adjustment and the need for international liquidity are closely interrelated. If there is not enough liquidity, countries may not

have time to make adjustments in an orderly fashion, and may be forced into measures that are disruptive both to their domestic economies and to international economic relationships. If, on the other hand, there is too much liquidity, the adjustment mechanism may function too slowly, and a delay in taking measures necessary to restore balance will in the end be harmful at home as well as abroad. In view of this close interdependence, we have thought it right, before proceeding to examine the international monetary system itself, to look into the processes and procedures for maintaining balance of payments equilibrium, and for correcting imbalances when they occur.

6. The objectives of economic policy in a free society are broad and complex. They include healthy and sustainable economic growth, full and efficient employment, together with goals in the fields of social development, defense policy, and foreign aid. But continuing success in the pursuit of these objectives demands reasonable price stability and equilibrium in the over-all balance of international payments. Countries will nevertheless from time to time find themselves showing a tendency toward a sustained deficit or a sustained surplus on their over-all balance of payments, and in order to counteract this tendency they will find it necessary to make use of an appropriate combination of the following instruments of economic policy:

- Budgetary and fiscal policies;
- Incomes policies;
- Monetary policies;
- Other measures relating to international capital transactions (e.g., measures designed to affect capital movements, advance repayments of inter-governmental debts, etc.);
- Commercial policies (e.g., temporary unilateral tariff reductions and similar measures);
- Selective policies directed to particular sectors of the economy (e.g., housing or hire purchase, governmental transactions affecting the balance of payments, etc.).

7. Such instruments must be employed with proper regard for obligations in the field of international trade and for the IMF obligation to maintain stable exchange parities which are subject to change only in cases of fundamental disequilibrium. A "mix" of policies appropriate to both internal and external objectives has to be found and applied by national governments. It falls to each

government to ensure that it is fully equipped with the various policy instruments necessary to its task, to be alert to the dangers of delay in making use of these instruments, and to put appropriate weight on the maintenance of external equilibrium without neglecting internal objectives. It is thus for each government individually to find means of reconciling its own social priorities, institutional practices and general economic performance with the ever-present need for external equilibrium. It is for governments collectively to consider how the actions of each may affect others and whether additional standards for improving external balance and new forms of consultation and cooperation to that end may be called for.

8. The growing recognition of common interest in the smooth flow of international trade and payments has already greatly promoted the practice of international consultation in the field of finance and trade, which at first tended to be mainly concerned with the fulfillment of, or occasional derogation from, specific obligations, but has more recently developed into a broader cooperation, to ensure so far as possible, that adjustment measures adopted by national authorities take adequate account of the interest of other countries.

9. Much, however, remains to be done in clarifying the measures and instruments which are best adapted to avoiding imbalance and to correcting it as early and as smoothly as possible when it occurs. This is so relevant to the functioning and liquidity needs of the international monetary system that, subject to the review and approval of the Ministers and Governors, we have suggested that Working Party 3 of OECD, which already has gained experience in this field, might be invited to study how member countries, individually and collectively, and compatibly with the pursuit of their essential internal objectives, could in the future preserve a better balance of payments equilibrium and achieve a faster and more effective adjustment of imbalance.

10. Working Party 3 would conduct studies of the interrelationship between internal liquidity and the balance of payments as well as how measures in the field of fiscal, trade, incomes and other policies can be used by both surplus and deficit countries, in combination with monetary policy, to achieve internal and external objectives, particularly when there is some possibility of conflict between the two. These studies would explore

whether standards could be formulated on the contribution of monetary and related policies to balance of payments equilibrium, against which the performance of countries could be appraised. The studies would also cover the relationship of different types of liquidity to the adjustment process, the role of capital movements and capital markets in the adjustment process under conditions of widespread convertibility, and means of improving the process of continuing international consultation and cooperation.

II. Functioning of the Present System

11. The international monetary system is, and doubtless will always be, in a state of evolution, with elements both old and new. Rather than attempt a summary of the whole working of the system as it now is, we set out below the elements which have proved most relevant to the questions referred to us.

12. Gold remains the basic reserve asset of the system and the common measure of par values. But other elements have been added. Much use is made of foreign currencies (particularly the dollar) for intervention by monetary authorities in the exchange markets, as a reserve holding, and in the greatly enlarged international credit facilities now available.

13. The enlargement of the currency element was not the result of any deliberate plan but a gradual process growing out of the spontaneous practices, first of individual traders and bankers, and later of central bankers and national monetary authorities. Under the former gold standard, the maintenance of exchange parities involved passive purchases or sales of gold by central banks in response to initiatives by traders in the markets. But, even under the gold standard, central banks had, on occasion, bought or sold foreign currency to keep the exchange rate away from the gold points. Official intervention in the foreign exchange markets has now become the general practice for keeping the exchange rate within the agreed parity limits. If only for obvious reasons of convenience, intervention is conducted in a currency widely dealt in by traders and bankers throughout the world. Many monetary authorities have seen advantage in accumulating, as a reserve asset, balances of the operating currency which accrue to them in time of surplus.

14. In this way an important supplement to gold has developed in the form of reserve currency hold-

ings (see Appendices I and II). In the decade 1954-63, nearly \$6 billion of new gold found its way into official reserves and about \$6.5 billion was transferred from the gold holdings of the United States to the reserves of other countries. These additions and transfers were accompanied by an increase of nearly \$8 billion in foreign exchange holdings, principally in dollars, during the decade. The practices of individual monetary authorities vary as to the proportion of gold and foreign exchange held in their reserves, but dollars and other foreign exchange accounted for nearly 40 percent of the total reserves of the non-reserve members of our Group (including Switzerland), while the rest of the world held nearly 70 percent of their reserves in the form of foreign exchange.

15. A further distinctive and important feature of the present system lies in the development, since the war, of international monetary cooperation, not only in international organizations, such as the IMF, the OECD, the BIS, and the European Economic Community, but also in smaller or less formal groups. A central role in this cooperation is played by the International Monetary Fund, not only through its large fund of credit but also through its code of obligations. To preserve a framework within which mutual trade and investment can grow freely, member countries undertake to maintain convertibility and stable exchange rates—which does not, however, preclude adjustment to a new stable rate in case of fundamental disequilibrium. The credit element is designed to allow these obligations to be observed, while a country is in deficit, “without resorting to measures destructive of national or international prosperity” (IMF Article I).

16. In view of the importance of the International Monetary Fund in the functioning of the system, it may be useful at this point to recall, in broad outline, its purposes, operating principles and procedures:

(a) As mentioned above, the Fund, under its Articles of Agreement, combines (i) a code of international good behaviour in the field of exchange rates and exchange arrangements and (ii) a central pool of resources available to members, in the form of short- or medium-term loans, in order to help them to observe this code and to shorten the duration and lessen the degree of disequilibrium in international payments.

(b) Each of the 102 member countries has a "quota" determined by reference to such factors as his trade, national income and international payments. Quotas serve three purposes: (i) they determine the amount of the member's subscription; (ii) they measure his borrowing possibilities; (iii) they provide the basis for calculating his voting rights.

(c) Of the quota, 25% is normally subscribed in gold and 75% in the member's currency. Members "draw" from the Fund by purchasing other currencies from it against further payments of their own currency into the Fund. Up to the equivalent of the 25% subscribed in gold (the "gold tranche"), the Fund permits a member to purchase other currencies virtually at will. When transactions flow in the opposite direction and a member's currency is drawn by other members, his position in the Fund improves. If the drawing reduces the Fund's holding of his currency below the original 75% of his quota subscription, his rights to draw virtually at will are *pro tanto* enlarged by what is sometimes called a "super gold tranche" or a "net creditor position in the Fund". Rights to draw from the Fund virtually at will have many of the qualities of a reserve asset; and they are, in fact, so recorded by the Fund itself in its statistics on members' total reserves, as well as by some individual members in their own reserve statements.

(d) A member's drawing rights in his "credit tranches" are normally equal to his quota and can be exercised only in accordance with the Fund's policies. While drawings in the "credit tranches" are subject to stricter requirements as the amount drawn rises, a member may undertake in advance to meet certain conditions laid down by the Fund and so obtain a "standby arrangement" assuring access to the Fund over a limited period of time and for a specified amount. It is the Fund's rule that all drawings be repaid as soon as the drawer's position allows, and, in any event, within a 3- to 5-year period at most.

(e) At any given time, only some of the currencies held by the Fund will be suitable to be drawn. Other currencies will be relatively unsuitable, because the level of reserves of the country concerned is low or because its

balance of payments is weak, either temporarily or, as is often the case with less developed countries, for prolonged periods.

(f) Under the General Arrangements to Borrow of 1961-62, our 10 countries have entered into an undertaking to lend the Fund amounts of their currencies up to a total of \$6 billion, so as to reinforce the Fund's ability to grant drawings to participants in the Arrangements in order to forestall or cope with an impairment of the international monetary system.

(g) All members' claims on, or liabilities to, the Fund are expressed in terms of a constant gold value as provided by the maintenance-of-value provisions of the Articles of Agreement or of the General Arrangements to Borrow.

17. Since the Fund's creation, its members have drawn a total of \$7.5 billion, of which \$5.8 billion has been repaid. Drawings have been made by many countries, including among them eight of the members of the Group, three of which have standby arrangements outstanding. In the first 10 years, drawings were made almost exclusively in U.S. dollars with a consequent increase of the super gold tranche rights of the United States. In recent years, however, the balance of payments of the United States being in deficit, drawings have been mainly directed toward other currencies—those of the European countries, Japan and Canada. But repurchases have continued to be made primarily in U.S. dollars, and thus have served to finance part of the U.S. deficit. As a result of these two developments, the U.S. net creditor position ("super gold tranche") of about \$1.3 billion which existed at the end of 1958 has largely been replaced by net creditor positions of about \$1.1 billion of other members of the Ten. The increased number of countries whose Fund positions have moved into credit during recent years has drawn attention to the fact that, as explained above, countries' gold tranche and creditor positions in the Fund may be regarded as part of their international reserve assets. There are indeed recent examples, besides the United States, in which such a previously accumulated asset in the Fund has been utilized to assist in financing newly-incurred deficits.

18. The sources of credit are not limited to the facilities of the IMF. After the termination of

the European Payments Union (and the transition to the European Monetary Agreement), central bank support operations played a more important part, e.g., the Basle arrangements of 1961 and 1963 and the swap and other arrangements established between the United States and other members of the Ten. The Fund's own resources have been enlarged by the 50 percent general increase in quotas in 1959 and reinforced by the General Arrangements to Borrow of 1961-62 which were the origin of the Group of Ten.

19. While our report focuses on official liquidity, private liquidity is also of importance to the international monetary system and to official liquidity. Traders' credits and working balances in foreign exchange are an indispensable part of the day-to-day transactions of private traders and investors; and foreign exchange held by commercial banks as working balances plays a role as a secondary reserve asset along-side official reserves in many national banking systems. Temporary shifts between private and official liquidity can be either equilibrating or disequilibrating but, over time, the probable need for growth of private liquidity should be taken into consideration along with the needs for official resources.

20. Statistical Appendix II shows that, during the decade 1954-63, gold reserves of the Group of Ten and Switzerland rose by about \$4¾ billion and their foreign exchange holdings by over \$5 billion, while other forms of reserve assets, resulting from transactions with the IMF or from the extension of credits, increased by approximately \$2½ billion. These countries as a group also had substantial unused short-term credit facilities in the form of swaps and IMF standbys (about \$3½ billion), as well as other short- or medium-term facilities in the IMF.

21. In this connection, it should be noted that credits which monetary authorities extend to one another to finance balance of payments fluctuations normally produce an increase in total gross reserve assets.

22. In sum, a country's liquidity is no longer measured solely by the level of its reserves in the form of gold and reserve currency balances (primary reserves). There is now a variety of ways in which monetary authorities can, at need, replenish their balances of the currencies used for operations. Primary reserves are thus supplemented by a broad spectrum of other resources

and facilities (see statistical Appendix II). At one end of this range come "other reserves" of only slightly less liquidity but of unquestioned availability; at the other end of the range are negotiated credits, including those which will only be available when an international institution is satisfied that the borrower will employ effective adjustment processes to correct his deficit.

III. Appraisal of the Present System and Lines of Future Development

23. The system, as it has evolved up to this point, has shown a great capacity for adapting itself to growth and change, has facilitated the remarkable economic progress achieved since the war, and has withstood with success periods of political and other strain, although many countries are still faced with inflationary pressures and others still have unemployed resources. In these circumstances, it appears to us prudent, 20 years after Bretton Woods, to inquire whether the amount and the character of future liquidity may call for any significant further changes.

24. We find no new considerations which would qualify the view expressed by the Ministers and Governors in their communiqué of 2d October 1963 that "the over-all liquidity of the system seemed fully adequate in present circumstances to cope with possible threats to the stability of the international payments system". Although we know of no satisfactory quantitative formula for the measurement of liquidity needs, we believe that some comments are possible. On the one hand, the fact that some individual countries find themselves short of external liquidity is not *prima facie* evidence of a general shortage of international liquidity. On the other hand, the existence of a general shortage, in its extreme form, might be accompanied by widespread deflationary developments or restrictions on trade and payments resulting from the efforts of governments to defend or restore their reserves. The aggregate needs for liquidity are presumably in some way related to such factors as the growth of world trade and capital movements, and the amplitude and duration of imbalances in international payments, taking into account the efficacy of adjustment policies in correcting such imbalances; they are also affected by psychological attitudes toward minimum or desired levels of national reserves, toward reserve movements, and toward the use of available credit

facilities. While there appears to be no convincing evidence that imbalances will be longer-lasting or more intractable than hitherto in the postwar period, a rising turnover of current and capital payments is likely to entail some increase in the size of fluctuations. Moreover, we have noted that a concern for domestic objectives such as growth, employment and price stability, or for international political, monetary and economic responsibilities, may sometimes lead to wider swings in the balance of payments.

25. With regard to the provision of liquidity in the future, the Group has established broad agreement on the following points:

(a) Gold will continue to be the ultimate international reserve asset and common denominator of par values. But, while recent developments lead us to anticipate some continuing increase in world gold production and to expect that the continued success of the gold pool arrangements and other measures will channel a substantial proportion of it into official reserves, we cannot prudently expect new gold production to meet all liquidity needs in the future.

(b) The rise in dollar holdings has contributed somewhat more than monetary gold to the growth of international liquidity in the last decade. The deficit in the U.S. balance of payments now appears to be shrinking and the contribution of dollar holdings to the growth in international liquidity seems unlikely to continue as in the past.

(c) There is no immediate prospect of any other currency assuming the function of an international reserve currency. Indeed, at the present juncture such a development could raise problems without substantially strengthening the system.

(d) 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.

(e) Credit facilities—both through the IMF and of a bilateral character—will continue to play an essential part in financing imbalances. Particularly for medium-term credit, the IMF fulfills a valuable and unique function and should continue in its central role.

(f) The recently developed bilateral facilities for swaps and *ad hoc* support operations have already, in periods of stress, been effective in maintaining orderly conditions for international payments in the exchange markets. They should, within a suitable framework for “multilateral surveillance” (see pars. 35–37) continue to play an essential role for short-term purposes.

(g) There is no single, unique manner in which the growing requirements for liquidity have to be met. Past experience shows that, at different times, countries have relied on gold, reserve currencies and credit facilities in different amounts and proportions. Their relative importance may vary from period to period in the evolution of the monetary system, as in the past, but a combination of primary reserves, other reserves, and credit facilities should provide for a needed growth in world liquidity in the future. Viewed from the point of view of the holder, these components of liquidity are, depending on the circumstances, substitutable for one another over a more or less wide margin. In any case, when credits provided by monetary authorities are availed of by the debtor, a form of reserve asset is created in the process.

(h) In view of our increased economic and financial interdependence, the present consultative machinery, whether provided under the IMF, the various bodies of OECD, the BIS, or under other auspices, should be fully utilized by their members and, wherever necessary, provision should be made for closer coordination between the international organizations concerned. The need being to supply sufficient liquidity to finance temporary payments imbalances without frustrating the required processes of international adjustment in individual countries, it is desirable to bring under multilateral review and appraisal the various means of financing surpluses or deficits. Such a “multilateral surveillance”, exercised through existing international consultative bodies, would represent a strengthening of the arrangements for international monetary cooperation that have been developed in recent years. This development of a common approach to international monetary matters may well be the main distin-

guishing feature of the present phase of evolution of the international monetary system.

26. Given the complexity of the problem referred to us, it is not surprising that a number of views were expressed as to the areas which most deserve further study or action for the longer run improvement and strengthening of the international monetary system. Some Deputies considered that it was mainly in the field of the provision of owned reserves under the gold exchange standard that changes and improvements were desirable. They noted that the present system might imply a reliance on a continuing accumulation of reserve currency holdings, and they stressed the disadvantage of depending for the creation of reserves on the balance of payments deficits of a reserve currency country rather than on the needs of the international monetary system as a whole. Other Deputies stressed the primary desirability of building upon the accomplishments and flexibility of the present system. They noted that reserve currencies were unlikely to make the same contribution as in the past to the growth of international liquidity and believed that principal reliance should be placed on strengthening the international credit component of the present system, and on the increase in reserve assets created when official credits are extended either through the Fund or in some other form.

27. In spite of these differences regarding the best means of meeting adequately the world's future requirements for liquidity, we agreed on the issues of immediate practical concern, and also on the areas in which the development of the international monetary system calls for further study.

28. We have agreed on three main lines of advance: (1) strengthening the international monetary system through the multilateral surveillance of the means of financing both deficits and surpluses; (2) giving support, during the forthcoming quinquennial review of IMF quotas, to an enlargement, by means of a general quota increase, of the credit facilities provided through the International Monetary Fund, and to a relative adjustment of those individual quotas which are clearly out of line; and (3) investigating whether, how, and under what conditions it might be advantageous in the longer run to supplement the existing system by a new type of reserve asset.

29. The practical recommendations on these and other agreed matters, as well as the arrangements

for further elaboration on certain questions, are set forth in the remainder of our report.

IV. Conclusions and Recommendations

30. Our recommendations concern:

- A—The monetary use of gold
- B—Multilateral surveillance of bilateral financing and liquidity creation
- C—Further needs for reserve assets
- D—International short-term credit facilities
- E—Long-term lending
- F—The International Monetary Fund

A. The monetary use of gold

31. We have reviewed the world situation with respect to gold production and the monetary uses of gold in the light of the statement of the Ministers and Governors quoted at the outset of our report ("... the underlying structure of the present monetary system—based on fixed exchange rates—and the established price of gold—has proven its value as the foundation for present and future arrangements."). While any projection of the future supplies of monetary gold would be hazardous, we do not believe that the flow of new gold into official reserves can be relied on in fact to meet fully the liquidity needs of the future.

32. In connection with the use of gold for monetary purposes, we have noted with satisfaction the successful coordination, through London, among a number of central banks, of their purchases and sales of gold in the international market. Partly as a result of this there was, during 1963, a marked increase in the flow of gold into official reserves.

33. We consider that leading countries should, according to circumstances, make every practicable effort to discourage speculation in gold and to ensure that as much as possible of the world's new gold supply not required for industrial uses be available to augment official reserves. Full account of this principle should be taken in considering any internal arrangements with respect to gold uses and gold transactions.

34. Moreover, the gold held by monetary authorities should be readily available for use in international settlements, and it is important in this respect that statutory or conventional relationships of gold to the domestic money supply should not prevent gold from playing its proper role in the international monetary system.

B. Multilateral surveillance of bilateral financing and liquidity creation

35. We have noted that the development in recent years of new techniques—discussed more fully later in our report—for providing countries with various forms of credit facilities to supplement reserves has brought with it a considerable increase in international monetary cooperation and better knowledge of the workings of the international payments mechanism. Thus, the central banks participating in reciprocal support operations for meeting short-term payments strains have evolved, through the Bank for International Settlements, facilities for the regular confidential exchange of information and views on such operations. Likewise, various groups within OECD, notably Working Party 3, have provided a forum wherein officials directly concerned with formulation of national policies can review from time to time the balance of payments positions of the various participating countries, the measures taken to adjust imbalances, and the means of financing them. The arrangements put into effect by the International Monetary Fund for consultations with the “Article VIII countries”—that is, those countries with convertible currencies—have also reinforced the fabric of international cooperation.

36. In the course of developing these techniques of consultation and cooperation, the participating countries have been made aware not only of the great gains to be drawn from such an exercise but also of the still remaining shortcomings in their endeavors. Their exchanges of information and the mutually reinforcing actions they have taken have led them to the conclusion that these processes should be continued and intensified. They feel, in particular, that the initiative already taken toward strengthening the multilateral character of the international monetary system should be further developed by bringing within the review and appraisal processes of multilateral surveillance the various elements in international liquidity—whether of a private or official character—available or created for the financing of surpluses and deficits. The object would be to give the monetary authorities of countries participating in the Arrangements a more comprehensive and up-to-date view of major trends and afford them a better basis for strengthening their policy cooperation in the international monetary sphere.

37. We therefore propose that all countries in our Group should provide to the Bank for Interna-

tional Settlements statistical data bearing on the means utilized to finance surpluses or deficits on their external account. These statistical data, combined by the BIS, would be supplied confidentially to all participants and to Working Party 3 of OECD. Any supplementary data would be reported in such detail and form as the Central Bank Governors may advise. Information would also be exchanged among Central Bank Governors of the Group at the earliest practicable stage on undertakings between members of the Group for new or enlarged credit facilities, with due regard to the recognized need for flexibility in such arrangements. The data and other information would give an indication of trends, leading to a full exchange of views in Working Party 3 of the OECD. This would provide a basis for multilateral surveillance of the various elements of liquidity creation, with a view to avoiding excesses or shortages in the means of financing existing or anticipated surpluses and deficits in the balance of payments, and to discussing measures appropriate for each country in accordance with the general economic outlook.

C. Further needs for reserve assets

38. Taking a longer view, we have discussed various methods of meeting possible future needs for an expansion of reserve assets, apart from new accruals to existing gold and currency balances. A suggestion was made, but not extensively discussed, that the composition of reserves might also be considered in this context, with a view to a gradual harmonization of members' practices.

39. Our discussions mainly concerned two types of proposal: one for the introduction, through an agreement among the member countries of the Group, of a new reserve asset, which would be created according to appraised over-all needs for reserves; and the other based on the acceptance of gold tranche or similar claims on the Fund as a form of international asset, the volume of which could, if necessary, be enlarged to meet an agreed need.

40. Proposals of this kind, which imply a common approach to the process of reserve creation, involve complex questions as to their compatibility with the evolution of the existing system, their merits as a contribution to a greater stability of the international monetary system, their ability to direct liquidity to the point of greatest legitimate need at any given time, their ability to adapt the

volume of reserves to global needs as opposed to individual shortages, the acceptability and soundness of the claims they offer as a reserve asset, their effect on relations of the Group with the rest of the world, the machinery required for controlling the volume and distribution of reserves created, and the desirability of a group approach as opposed to a worldwide approach.

41. These questions could not be covered in detail in the course of our meetings and no judgment could be reached on the proposals until their details had been more fully spelled out and their implications had been further clarified. We have, therefore, established a Study Group on the Creation of Reserve Assets. This Study Group would, in appropriate consultation with the IMF and other international bodies, assemble the elements necessary for evaluation of the various proposals, and report to us as Deputies. It should be clear that a long-run view is involved and that the decision to embark upon the study implies no commitment on the part of the participating countries as to its findings.

42. In view of the adequacy of the supplies of gold and reserve currencies in the present and in the near future, there is no immediate need to reach a decision as to the introduction of a new type of reserve asset. The studies can therefore be pursued without undue haste. But, having recognized the uncertainties concerning the future supplies of monetary reserves, we agreed that such studies are timely and should be put in hand without delay.

D. International short-term credit facilities

43. Official short-term bilateral credit facilities have proved their value in the working of the international monetary and credit system:

- Swaps and networks of standby swap arrangements are primarily designed to compensate short-term swings, and, being reciprocal by nature, are capable of providing mutual benefits.
- Ad hoc* support operations, such as have been arranged from time to time in Basle, have similarly been effective in arresting heavy movements of funds in special circumstances.

These demonstrations of close central bank cooperation are themselves an effective deterrent to speculative movements. Their informality, speed and flexibility make them especially suitable as a

first line—and short-term—defense against sudden balance of payments pressures. Over the past several years, they have mobilized massive resources in a short time to combat and limit speculative and crisis situations. Their success has greatly reduced the threat to official reserves from disequilibrating movements of private short-term capital. Such central bank support operations appear to be particularly appropriate to deal with speculative and other movements of funds which are not the outcome of, and do not significantly influence, demand and prices in the countries concerned, and are therefore inherently reversible. While we agreed that the facilities must be sufficiently flexible to supply the funds without delay when needed, we recognize the need for arrangements for exchange of information and review of such operations, as proposed under B, above.

44. We also reviewed the special bonds developed by the United States which are often denominated in the creditor's currency and are redeemable in case of need. Within the consultative framework proposed under B, above, opportunities might be found for discussion on the relationship of this method of financing to other types of credit availabilities, the role of medium-term bonds as a supplementary reserve asset in the portfolio of the lender, and the appropriate maturity for bonds of this nature, as well as possibilities for adapting this type of bond to wider uses among holders.

45. Although we were mainly concerned with credit facilities derived from official sources, we did not overlook certain recent tendencies in the field of private credit. Since the restoration of external convertibility, there has been a general increase in the volume and volatility of private and banking funds. We have no doubt that a growing volume of private credit is indispensable to a further growth in international trade and payments and that action to foster national and international money and capital markets is desirable. Movements of private funds, however, have often been of a disequilibrating kind, requiring policy instruments to be developed and special defenses to be built by international monetary cooperation, to prevent such flows from straining the international monetary system and, if possible, to direct them in an equilibrating direction. A particularly striking development has been the so-called Euro-Currency market, which has helped to channel liquid funds internationally from lenders to borrowers and may at times have had a

compensating effect on reserves. On the other hand, too large borrowing of such funds in a situation of basic external deficit may, in taking the strain from the monetary reserves, camouflage the seriousness of a development, offset the self-correcting forces of adjustment and delay deliberate action toward reestablishing external equilibrium.

46. Recourse to foreign short-term credit by commercial banks that takes place under the influence of official action may in certain cases be valuable, but it should not be relied upon generally to reduce the needs for international liquidity available to monetary authorities. In any event, it would be desirable that the members of the Group inform each other, to the extent practicable and within the consultative framework proposed in B, above, as to the scope and character of relevant private movements, especially as they may be influenced by official actions.

E. Long-term lending for monetary purposes

47. While very effective facilities have been developed for short- and medium-term credit between the larger countries, both bilaterally and through the Fund, there has so far been little provision for long-term lending between them for monetary purposes. This reflects the fact that a country that needs credit facilities for overcoming balance of payments difficulties is ordinarily expected—in the interest of international equilibrium and stability—to overcome its difficulties within a reasonably short period of time. It has, however, been suggested by some Deputies that there may be exceptional cases where longer-term lending for monetary purposes between members of the Group might be in the general interest—for example, where a temporary transfer of reserves to the low-reserve country can strengthen it in anticipation of a permanent increase in its reserves to be achieved over a longer period by moderate balance of payments surpluses.

48. There was agreement that no general arrangements for such longer-term lending should be laid down, since this might unjustifiably lessen the pressure for adjustment of existing imbalances. Exceptional cases could therefore be treated on an *ad hoc* basis, after Group appraisal of the concrete case. Some Deputies suggested that, in such cases, it might be useful for a number of countries of the Group to act together on the lend-

ing side and, if approved by the Group, there might be some collective understanding that, should a lender subsequently suffer serious reserve losses, others whose reserves were then strong would be prepared to take his holding over, with or without the IMF being associated with the transaction. The consultation and common appraisal within the Group might both lessen the risks and enhance the liquidity of any such lending; at the same time, it might ensure that the adjustment process between deficit and surplus countries of the Group would not be weakened by such lending.

F. International Monetary Fund

49. The quinquennial review of IMF quotas by the Executive Directors of the Fund is due to take place in 1965. The Fund's resources could be enlarged either by a general increase of quotas, in uniform proportions for all members, or by selective increases for some members only, or by some combination of the two, with or without an increase in the General Arrangements to Borrow (GAB). While decisions in this field rest with the competent authorities of the Fund itself, we thought it appropriate, because of the important position of the IMF in the monetary system and because of the special obligations of our countries under the GAB, to explore thoroughly the possible attitude of the members of our Group on the questions regarding the size, timing and manner of providing, if necessary, additional resources to the Fund.

50. The following points were raised during our discussions:

- Adequacy of the Fund's quotas in present and foreseeable circumstances.
- The actual use of Fund facilities by members of the Ten and other Fund members in recent years.
- Disparities in size of quota among members.
- Payment in gold of 25% of new subscriptions.
- Comparative merits of a general increase in quotas, of selective increases, or of enlargement of the GAB.
- Effect of the above on the liquidity of the Fund.

51. We are all agreed that appropriate credit facilities, particularly through the IMF, provide an element of strength to the international mone-

tary system through financing imbalances while assisting in the process of adjustment. In order, therefore, to provide resources for the Fund in the years ahead, which will no doubt bring a further growth of the world economy, we suggest that the Ministers and Governors of the Group may wish to give their support to an appropriate general increase in quotas during the quinquennial review of the adequacy of Fund resources. We also suggest that there may be some cases in which the quotas of individual members may need to be adjusted on a selective basis.

52. We considered the place of gold in the IMF. Over its whole history, the Fund has had gold receipts of \$4.2 billion from subscription payments, repurchases, and charges. The Fund has used \$1.1 billion of gold to replenish its holdings of currencies, of which \$500 million was used for this purpose in 1961, leaving \$3.1 billion. Of this, the Fund has invested \$800 million, the remainder of \$2.3 billion being the Fund's present gold holdings.

53. Various functions have been attributed to quota subscriptions in gold:

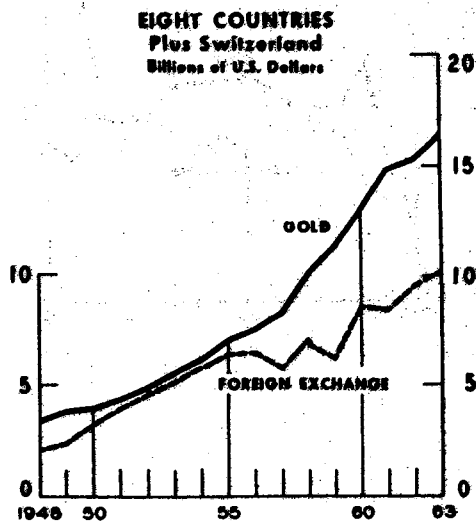
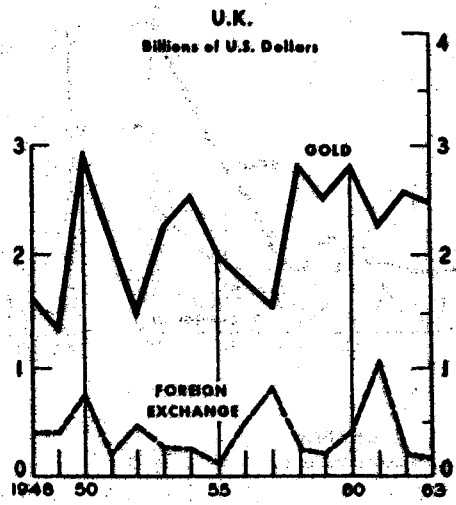
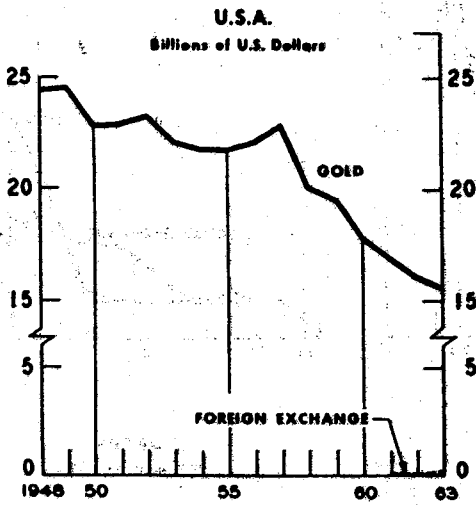
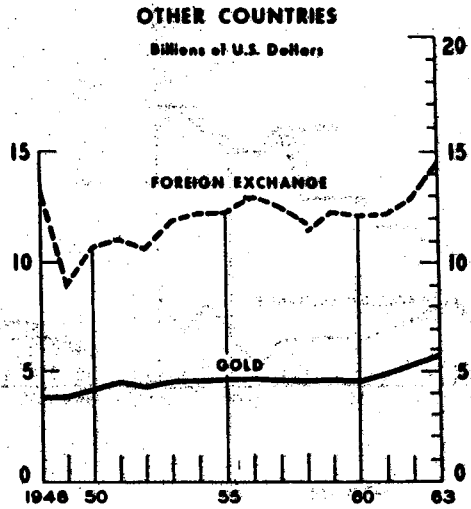
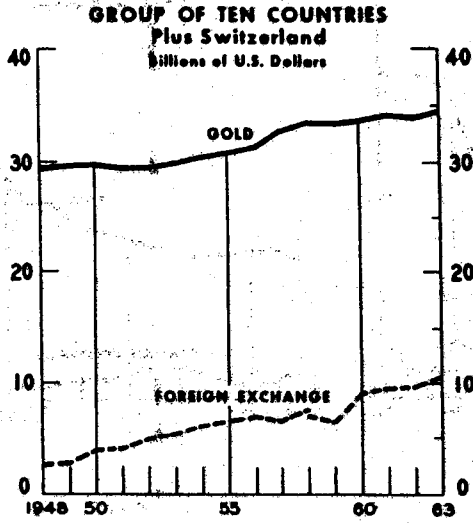
- (a) to provide the Fund with a liquid resource available, if needed, to acquire appropriate currencies necessary for its operations;
- (b) to measure the initial amount of drawing rights to which it is the Fund's policy to allow members access virtually at will; and
- (c) in some cases, to help moderate any

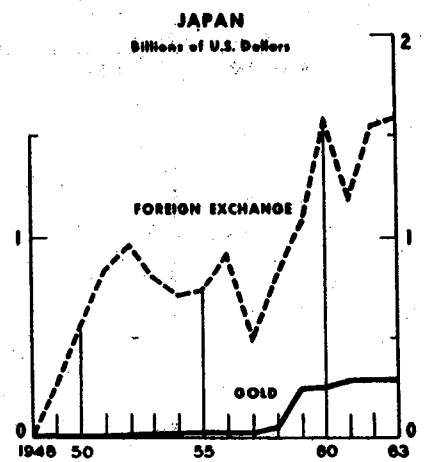
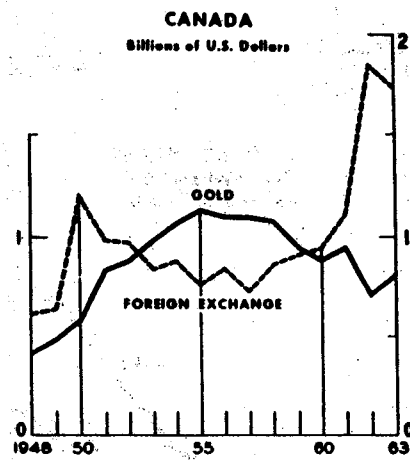
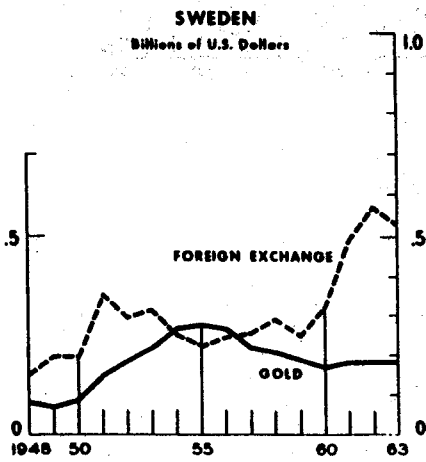
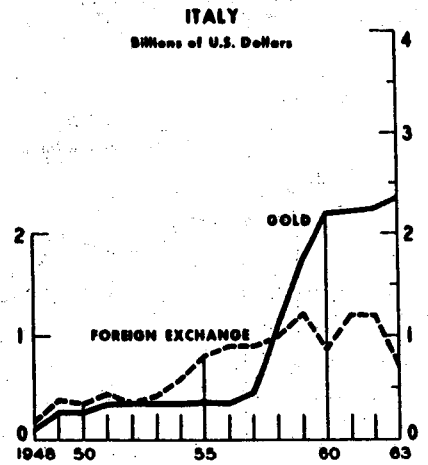
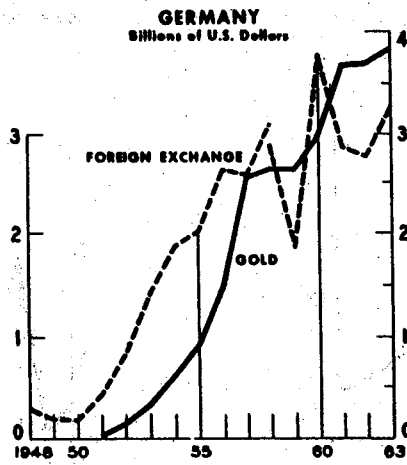
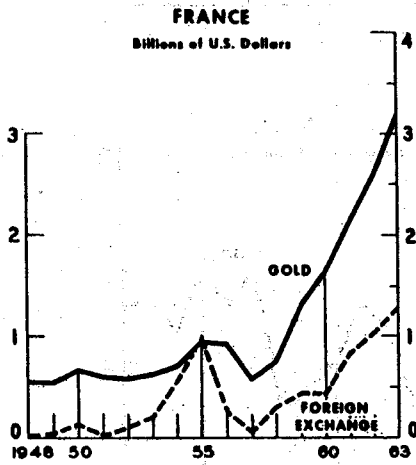
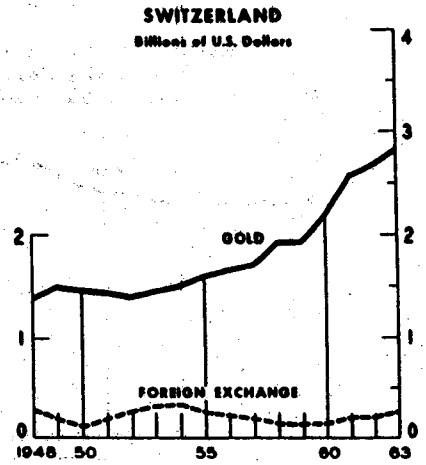
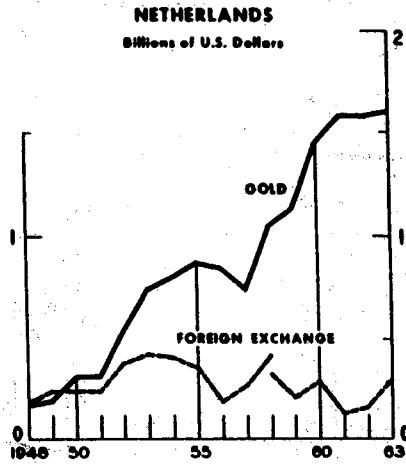
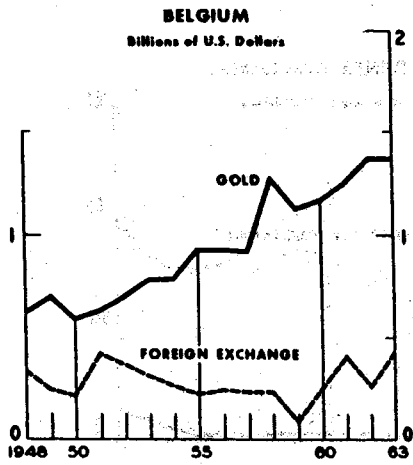
propensity to ask for larger quotas than might be justified.

54. While payments of gold subscriptions to the Fund can reduce a country's gold reserves, its overall reserve position may be said to remain unchanged if it counts the gold tranche drawing rights which it acquires as part of its reserves. But contributions of gold to the IMF made by non-reserve countries who acquire gold from a reserve currency country can reduce the gold holdings of the reserve center and, in that way, can actually diminish world reserves in the aggregate. In view of these considerations, although we are agreed on maintaining the established principle of payment in gold, attention should be given during the quinquennial review to methods of minimizing the impact, particularly on reserve currency countries, of transfers to the Fund of gold from national reserves.

55. The General Arrangements to Borrow, to which reference has already been made, expire in October, 1966. Any decision on renewal or modification must be taken not later than October, 1965, and will no doubt be related to any increases in IMF quotas, general or selective, that may be agreed. We therefore suggest that a study of this subject should be made over the coming months, in the light of possible action concerning quotas in the Fund, and that a report be made to the Ministers and Governors well in advance of October, 1965.

GOLD AND FOREIGN EXCHANGE HOLDINGS





APPENDIX II—Page 1
TABLE I—OFFICIAL RESERVES AND CREDIT FACILITIES¹

December 31, 1963–December 31, 1963
 [In billions of U.S. dollars equivalent]

	RESERVES										CREDIT FACILITIES								
	GOLD AND FOREIGN EXCHANGE					OTHER					ASSURED			SUBJECT TO NEGOTIATION					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
The Eight and Switzerland:																			
1963.....	5.49	5.05	10.54	.28	0	0	n.a.	.26	10.80	0	0	0	0	1.48	1.48	1.48	1.74	12.88	
1962.....	16.44	10.13	26.57	1.80	.66	.24	n.a.	2.70	29.87	1.03	0	1.03	1.03	3.74	3.74	3.74	7.47	34.04	
Change.....	+10.95	+5.08	+16.03	+1.54	+1.66	+1.24	n.a.	+2.44	+18.47	+1.03	0	+1.03	+1.03	+2.26	+2.26	+2.26	+5.73	+21.76	
Group of Ten and Switzerland:																			
1963.....	29.85	5.33	36.18	1.75	0	0	n.a.	1.75	36.93	0	0	0	0	5.53	5.53	5.53	7.98	48.46	
1962.....	34.52	10.51	45.03	3.33	.66	.29	n.a.	4.28	49.51	3.11	.51	3.62	3.62	9.30	9.30	9.30	17.20	62.23	
Change.....	+4.67	+5.18	+8.85	+1.58	+1.66	+1.29	n.a.	+2.53	+12.88	+3.11	+1.51	+3.62	+3.62	+3.77	+3.77	+3.77	+9.22	+19.77	
Rest of World:																			
1963.....	4.47	11.78	16.25	.14	0	0	n.a.	.14	16.39	0	0	0	0	1.61	1.61	1.61	1.75	18.00	
1962.....	5.66	14.56	20.22	.61	.05	0	n.a.	.66	20.90	.05	0	.05	.05	4.18	4.18	4.18	4.89	26.15	
Change.....	+1.21	+2.78	+3.99	+1.47	+1.05	0	n.a.	+1.52	+4.51	+1.05	0	+1.05	+1.05	+2.57	+2.57	+2.57	+3.14	+7.15	
All Countries:																			
1963.....	34.32	17.11	51.43	1.89	0	0	n.a.	1.89	53.39	0	0	0	0	7.14	7.14	7.14	9.03	60.46	
1962.....	40.20	25.07	65.27	3.94	.71	.29	n.a.	4.94	76.81	3.16	.51	3.67	3.67	13.48	13.48	13.48	22.09	87.56	
Change.....	+5.88	+7.96	+13.84	+2.05	+1.71	+1.29	n.a.	+3.05	+16.89	+3.16	+1.51	+3.67	+3.67	+6.34	+6.34	+6.34	+13.06	+26.90	

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.

APPENDIX II—Page 2
 TABLE II—OFFICIAL RESERVES AND CREDIT FACILITIES¹

December 31, 1959—December 31, 1963
 [In billions of U.S. dollars equivalent]

	RESERVES										CREDIT FACILITIES							Grand total (9)+(17)	
	GOLD AND FOREIGN EXCHANGE					OTHER					SUBJECT TO NEGOTIATION								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)		(18)
The Eight and Switzerland:																			
1959	11.27	6.20	17.47	.86	0	0	n.a.	.86	18.53	0	0	0	0	3.80	3.80	3.80	5.80	4.66	22.15
1963	16.44	10.13	26.57	1.80	.66	.24	n.a.	2.70	29.87	1.03	0	1.03	0	3.74	3.74	3.74	4.77	7.47	54.04
Change.....	+5.17	+3.93	+9.10	+0.94	+0.66	+0.24	n.a.	+1.84	+10.94	+1.03	0	+1.03	+1.03	-.06	-.06	-.06	+0.97	+2.81	+11.91
Group of Ten and Switzerland:																			
1959	33.29	6.44	56.73	2.93	0	0	n.a.	2.93	48.66	0	0	0	0	9.87	9.87	9.87	9.87	12.80	62.55
1963	34.52	10.51	45.03	3.33	.66	.29	n.a.	4.28	49.31	3.11	.51	3.62	0	9.80	9.80	9.80	12.94	17.80	62.55
Change.....	+1.23	+4.07	+8.30	+0.40	+0.66	+0.29	n.a.	+1.35	+0.65	+3.11	+0.51	+3.62	+3.62	-.57	-.57	-.57	+3.07	+5.00	+0.70
Rest of World:																			
1959	4.59	12.66	17.25	.32	0	0	n.a.	.32	17.57	0	0	0	0	3.03	3.03	3.03	3.03	4.89	26.15
1963	5.68	14.56	20.24	.61	.05	0	n.a.	.66	20.90	.05	0	.05	0	4.18	4.18	4.18	4.83	4.89	26.15
Change.....	+1.09	+1.90	+2.99	+0.29	+0.05	0	n.a.	+0.34	+3.33	+0.05	0	+0.05	+0.05	+1.15	+1.15	+1.15	+1.80	+1.54	+4.53
All Countries:																			
1959	37.88	19.10	56.98	3.25	0	0	n.a.	3.25	60.83	0	0	0	0	12.90	12.90	12.90	12.90	16.16	73.15
1963	40.20	25.07	66.87	3.94	.71	.29	n.a.	4.94	70.21	3.16	.51	3.67	0	13.48	13.48	13.48	17.16	22.09	87.56
Change.....	+2.32	+5.97	+9.89	+0.69	+0.71	+0.29	n.a.	+1.69	+9.38	+3.16	+0.51	+3.67	+3.67	+0.58	+0.58	+0.58	+4.26	+5.94	+14.55

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.

APPENDIX II—Page 3
TABLE III—OFFICIAL RESERVES AND CREDIT FACILITIES¹
 December 31, 1953–December 31, 1963 [In billions of U.S. dollars equivalent]

	RESERVES										CREDIT FACILITIES							
	GOLD AND FOREIGN EXCHANGE					OTHER					SUBJECT TO NEGOTIATION							
	Gold Foreign exchange (1)+(2)	Sub-total (3)	Gold: tranche (4)	Special U.S. bonds (5)	Swaps used by other party (6)	Mis-cellaneous (7)	Sub-total (8)	Total reserves (9)+(3)	Swaps unacti-vated (10)	IMF stand-bys (11)	Other credit lines (12)	Sub-total (10, 11, 12)	Other IMF ² tranches (14)	Poten-tial credit lines (15)	Sub-total (14)+(15)	Total credit facilities (13)+(16)	Total (8)+(17)	Grand total (9)+(17)
The Eight:	4.03	8.77	.26	0	0	n.a.	.26	9.05	0	0	0	0	1.48	0	1.48	1.48	1.74	10.51
1953	13.62	9.88	1.80	.61	.16	n.a.	2.57	26.07	.95	0	.95	3.74	3.74	0	7.48	4.89	7.96	80.76
1963	+9.59	+5.14	+1.54	+61	+16	n.a.	+2.31	+17.04	+95	0	+95	+2.26	0	0	0	+3.21	+5.58	+80.85
Change:	1.46	.31	1.77	0	0	n.a.	0	1.77	0	0	0	0	0	0	0	0	0	1.77
Switzerland:	2.82	.25	3.07	.05	.08	n.a.	.13	3.20	.08	0	.08	0	0	0	0	0	.81	3.28
1953	+1.36	-.06	+1.30	+05	+08	n.a.	+13	+1.45	+08	0	+08	0	0	0	0	+08	+81	+1.51
1963	5.49	3.05	10.54	.26	0	n.a.	.26	10.80	0	0	0	0	1.48	0	1.48	1.48	1.74	18.28
The Eight and Switzerland:	16.44	10.13	26.67	.86	.24	n.a.	2.70	29.87	1.03	0	1.03	3.74	3.74	0	7.47	4.77	7.47	34.04
1953	+10.95	+5.08	+16.05	+1.54	+24	n.a.	+2.44	+18.47	+1.03	0	+1.03	+2.26	0	0	+2.26	+3.29	+5.75	+21.76
1963	2.26	.28	2.54	.12	0	n.a.	.12	2.66	0	0	0	1.30	1.30	0	1.30	1.30	1.42	8.96
Change:	2.48	.17	2.65	.49	0	n.a.	.49	3.14	.50	.51	1.01	1.44	1.44	0	2.46	2.46	2.94	6.89
United Kingdom:	+22	-.11	+1.1	+37	0	n.a.	+37	+48	+50	+51	+1.01	+1.4	+1.4	+1.4	+1.15	+1.58	+1.63	+1.63
1953	22.10	0	22.10	1.37	0	n.a.	1.37	23.47	0	0	0	2.75	2.75	0	2.75	2.75	4.12	26.22
1963	15.60	.21	15.81	1.04	.05	n.a.	1.09	16.90	1.58	0	1.58	4.12	4.12	0	4.12	5.70	6.79	22.60
Change:	-6.50	+21	-6.29	-.33	+05	n.a.	-.28	-6.57	+1.58	0	+1.58	+1.37	+1.37	+1.37	+2.95	+2.67	-3.62	-3.62
Reserve Countries:	24.36	.28	24.64	1.49	0	n.a.	1.49	26.15	0	.51	0	4.05	4.05	0	4.05	4.05	5.64	30.18
1953	18.06	.38	18.46	1.53	.05	n.a.	1.58	20.04	2.08	.51	2.59	5.56	5.56	0	5.56	8.15	9.75	28.19
1963	-6.26	+10	-6.16	+04	+05	n.a.	+09	-6.09	+2.08	+51	+2.59	+1.51	+1.51	+1.51	+4.10	+4.19	+4.19	-1.99
Change:	28.89	5.02	33.41	1.75	0	n.a.	1.75	36.16	0	0	0	5.53	5.53	0	5.53	5.53	7.28	42.65
Group of Ten:	31.70	10.26	41.96	3.33	.61	n.a.	4.15	46.11	3.03	.51	3.54	9.30	9.30	0	9.30	12.84	16.99	68.95
1953	+3.31	+5.24	+8.55	+1.58	+21	n.a.	+2.40	+10.95	+3.03	+51	+3.54	+3.77	+3.77	+3.77	+7.51	+9.71	+18.86	70.69
1963	29.85	5.33	35.18	1.75	0	n.a.	1.75	36.85	0	0	0	5.53	5.53	0	5.53	5.53	7.28	42.65
Change:	34.52	10.51	45.05	3.33	.66	n.a.	4.28	49.31	3.11	.51	3.62	9.30	9.30	0	9.30	12.92	17.80	62.85
Group of Ten and Switzerland:	+4.67	+5.18	+9.85	+1.58	+29	n.a.	+2.53	+12.58	+3.11	+51	+3.62	+3.77	+3.77	+3.77	+7.59	+9.92	+19.77	73.64
1953	4.47	11.78	16.25	.14	0	n.a.	.14	16.39	0	0	0	1.61	1.61	0	1.61	1.76	18.00	81.64
1963	5.68	14.56	20.24	.61	.05	n.a.	.66	20.90	.05	0	.05	4.18	4.18	0	4.18	4.83	26.15	88.79
Change:	+1.21	+2.78	+3.99	+47	+05	n.a.	+52	+4.51	+05	0	+05	+2.57	+2.57	+2.57	+2.62	+3.14	+7.15	90.43
All Countries:	34.32	17.11	51.43	1.89	0	n.a.	1.89	53.32	0	0	0	7.14	7.14	0	7.14	7.14	9.05	60.46
1953	40.20	25.07	65.27	3.94	.71	n.a.	4.94	70.21	3.16	.51	3.67	13.48	13.48	0	13.48	17.15	22.09	87.56
1963	+5.88	+7.96	+13.84	+2.05	+71	n.a.	+3.05	+16.89	+3.16	+51	+3.67	+6.34	+6.34	+6.34	+10.01	+13.06	+26.90	114.46
Change:	.08	0	.08	0	0	n.a.	0	.08	0	0	0	0	0	0	0	0	0	.08
1953	-.28	0	-.28	0	.15	n.a.	.15	-.15	.01	0	-.01	0	0	0	0	.01	.16	-.12
1963	-.20	0	-.20	0	+15	n.a.	+15	-.05	+01	0	+01	0	0	0	+01	+16	-.04	-.04
Change:	1.96	0	1.96	0	0	n.a.	0	1.86	0	0	0	0	0	0	0	0	0	1.86
Other International Organizations:	2.36	0	2.36	0	0	n.a.	0	2.36	0	0	0	0	0	0	0	0	0	2.36
1953	+1.50	0	+1.50	0	0	n.a.	0	+1.50	0	0	0	0	0	0	0	0	0	+1.50
1963	+1.50	0	+1.50	0	0	n.a.	0	+1.50	0	0	0	0	0	0	0	0	0	+1.50
Change:																		

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.

APPENDIX II—Page 4
TABLE IV—OFFICIAL RESERVES AND CREDIT FACILITIES¹
 December 31, 1969–December 31, 1963 [In billions of U.S. dollars equivalent]

CREDIT FACILITIES

	RESERVES										SUBJECT TO NEGOTIATION									
	GOLD AND FOREIGN EXCHANGE					OTHER					ASSURED					SUBJECT TO NEGOTIATION				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	
The Eight: 1969.....	9.34	6.07	15.41	88	0	0	n.a.	.86	16.87	0	0	0	3.80	3.80	3.74	3.80	4.66	80.07		
	13.62	9.88	23.50	1.80	.61	.16	n.a.	2.57	86.07	.95	0	0	3.74	3.74	3.74	4.69	7.85	50.76		
	1963.....	+4.28	+3.81	+8.09	+94	+61	+16	n.a.	+1.71	+8.80	+95	0	0	0	0	0	+8.89	+8.60	+10.69	
Switzerland: 1969.....	1.98	.13	2.06	0	0	0	n.a.	.13	2.06	0	0	0	0	0	0	0	0	2.06		
	2.82	.25	3.07	0	.05	.08	n.a.	.13	3.20	.08	0	0	0	0	0	0	.21	3.28		
	1963.....	+89	+12	+1.01	0	+0.05	+0.08	+1.13	+1.14	+0.08	0	0	0	0	0	0	+0.08	+1.22		
The Eight and Switzerland: 1969.....	11.27	6.20	17.47	86	0	0	n.a.	.86	18.93	0	0	0	3.80	3.80	3.74	3.80	4.69	82.13		
	16.44	10.13	26.57	1.80	.66	.24	n.a.	2.70	29.17	1.03	0	0	3.74	3.74	3.74	4.77	7.47	34.04		
	1963.....	+5.17	+3.93	+9.10	+94	+66	+24	n.a.	+1.84	+10.94	+1.03	0	0	0	0	0	0	+2.81	+11.91	
United Kingdom: 1969.....	2.51	.24	2.75	.07	0	0	n.a.	.07	2.82	0	0	0	1.95	1.95	1.95	1.95	2.08	4.77		
	2.48	.17	2.65	.49	0	0	n.a.	.49	3.14	.50	.51	0	1.44	1.44	1.44	2.45	2.94	3.50		
	1963.....	-.03	-.07	-.10	+42	0	0	n.a.	+42	+32	+50	+51	0	0	0	0	+50	+92	+82	
United States: 1969.....	19.51	0	19.51	2.00	0	0	n.a.	2.00	21.51	0	0	0	4.12	4.12	4.12	4.12	6.12	25.63		
	15.60	.21	15.81	1.04	0	.05	n.a.	1.09	16.90	1.58	0	0	4.12	4.12	4.12	6.70	6.79	22.80		
	1963.....	-3.91	+21	-3.70	-96	0	+0.05	-91	-4.61	+1.58	0	0	0	0	0	0	+1.58	+3.05		
Reserve Countries: 1969.....	22.02	.24	22.26	2.07	0	0	n.a.	2.07	24.33	0	0	0	6.07	6.07	6.07	6.07	8.14	30.40		
	18.08	.38	18.46	1.53	0	.05	n.a.	1.58	20.04	2.08	.51	0	5.56	5.56	5.56	8.15	9.73	28.19		
	1963.....	-3.94	+14	-3.80	-54	0	+0.05	-49	-4.89	+2.08	+51	0	0	0	0	0	+1.53	+3.05		
Group of Ten: 1969.....	31.36	6.31	37.67	2.93	0	0	n.a.	2.93	40.60	0	0	0	9.87	9.87	9.87	9.87	12.80	50.47		
	31.70	10.26	41.96	3.33	.61	.21	n.a.	4.15	46.11	3.03	.51	0	9.30	9.30	9.30	12.84	16.99	53.55		
	1963.....	+34	+3.95	+4.29	+40	+61	+21	n.a.	+1.22	+5.61	+3.03	+51	0	0	0	0	+2.97	+4.19	+8.48	
Group of Ten and Switzerland: 1969.....	33.29	6.44	39.73	2.93	0	0	n.a.	2.93	42.66	0	0	0	9.87	9.87	9.87	9.87	12.80	52.53		
	34.52	10.51	45.03	3.33	.66	.29	n.a.	4.28	49.37	3.11	.51	0	9.30	9.30	9.30	12.98	17.20	53.23		
	1963.....	+1.23	+4.07	+5.30	+40	+66	+29	n.a.	+1.35	+6.65	+3.11	+51	0	0	0	0	+3.05	+4.40	+9.70	
Rest of World: 1969.....	4.59	12.66	17.25	.32	0	0	n.a.	.32	17.57	0	0	0	0	0	0	0	3.03	20.60		
	5.68	14.66	20.34	.61	.05	0	n.a.	.66	20.90	.05	0	0	4.18	4.18	4.18	4.23	4.89	26.15		
	1963.....	+1.09	+1.90	+2.99	+29	+05	0	n.a.	+3.34	+3.35	+05	0	0	0	0	0	+1.15	+4.53		
All Countries: 1969.....	37.88	19.10	56.98	3.25	0	0	n.a.	3.25	60.23	0	0	0	12.90	12.90	12.90	12.90	16.15	73.13		
	40.20	25.07	65.27	3.94	.71	.29	n.a.	4.94	70.21	3.16	.51	0	13.48	13.48	13.48	17.15	22.09	87.96		
	1963.....	+2.32	+5.97	+8.29	+69	+71	+29	n.a.	+1.69	+9.98	+3.16	+51	0	0	0	0	+4.25	+6.94	+14.23	
BIS: 1969.....	-13	0	-13	0	0	0	n.a.	0	-13	0	0	0	0	0	0	0	0	-13		
	-28	0	-28	0	0	.15	n.a.	.15	-15	.01	0	0	0	0	0	0	.01	-.12		
	1963.....	-15	0	-15	0	0	+15	+15	0	+01	0	0	0	0	0	0	+01	+01		
Other International Organizations: 1969.....	2.44	0	2.44	0	0	0	n.a.	0	2.44	0	0	0	0	0	0	0	0	2.44		
	2.36	0	2.36	0	0	0	n.a.	0	2.36	0	0	0	0	0	0	0	0	2.36		
	1963.....	-.08	0	-.08	0	0	n.a.	0	-.08	0	0	0	0	0	0	0	0	-.08		

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

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Notes to Accompany Tables on Reserves and Credit Facilities

Table Column
No.

1. *Gold.* Figures are published data from *International Financial Statistics*.
2. *Foreign Exchange.* Figures are published in *IFS*.
3. Subtotal of (1) and (2) represents the sum of gold and foreign exchange (primary reserves).
4. *Gold Tranche*, including super gold tranche, is 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.
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.

Table Column
No.

9. *Total Reserves* represent the sum of primary and other reserves. Total may not be statistically exact since some countries treat special U.S. bonds as part of foreign exchange reserves and therefore there may be some element of double counting. This also applies to Columns 8, 18 and 19.
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; there was one of these in existence on December 31, 1963.
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.
18. *Total of Other Reserves and Credit Facilities.* This is the sum of all the items except gold and foreign exchange reserves.

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