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## NEW ARRANGEMENTS TO BORROW (NAB)— PROPOSED RENEWAL OF AND MODIFICATIONS TO THE NAB DECISION

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## NEW ARRANGEMENTS TO BORROW (NAB)—PROPOSED RENEWAL OF AND MODIFICATIONS TO THE NAB DECISION

Approved By  
**Andrew Tweedie and  
Sean Hagan**

Prepared by Finance and Legal Departments in consultation with the Strategy, Policy, and Review Department

### INTRODUCTION

- 1. The Fund’s decision on the New Arrangements to Borrow (the “NAB”), as amended, (the “NAB Decision”) is subject to renewals not later than 12 months before the end of each NAB period, with the current period set to expire on November 16, 2017.** The NAB Decision was last renewed for a five-year period in November 2012. Pursuant to paragraph 19(a) of the NAB Decision, the Executive Board is to take a decision on the renewal no later than twelve months before the end of the NAB Decision, i.e., by November 16, 2016.<sup>1</sup> Once a decision on renewal is taken, the new NAB period would become effective on November 17, 2017. In renewing the NAB Decision, the Fund and NAB participants are to review the functioning of the NAB Decision and, in particular, the experience with the procedures for activation. Modifications of the NAB Decision could be made at the time of renewal.
- 2. NAB participants discussed the proposed renewal of the NAB Decision for another five years, and proposals for modifications to the NAB Decision at their meeting on October 8, 2016.** There was broad support among participants for the proposed renewal and modifications.
- 3. The paper is organized as follows.** The next section reviews experience to date with the functioning of the NAB Decision. The subsequent section discusses the proposal to renew the NAB Decision for another five-year period and the modifications to the NAB Decision proposed by staff. The final section includes staff’s recommendation for the approval of the proposed renewal and modifications, and describes relevant procedural steps applicable to NAB participants.

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<sup>1</sup> Renewal does not require the formal consent of NAB participants. However, pursuant to Paragraph 19(b) of the NAB Decision, any participant may advise the Fund not less than six months before the end of the current NAB period that it will withdraw its adherence to the NAB Decision.

## REVIEW OF THE FUNCTIONING OF THE NAB

**4. The NAB continues to fulfill its role effectively as the key backstop to the Fund's quota resources, notwithstanding its recent rollback and deactivation.** The NAB has been activated ten times, from April 1, 2011 to February 25, 2016, including six times since the last renewal of the NAB on November 17, 2012. Each activation was approved for the maximum available amounts and for the maximum period of six months, providing substantial resources to supplement quota resources under a 3:1 NAB to quota financing ratio. On all occasions, the Managing Director's proposal received unanimous or very close to unanimous support of participants, and the associated decisions of the Fund's Executive Board were adopted on a lapse of time basis. Following the quota payments under the 14<sup>th</sup> Review, the NAB was rolled back in February 2016 from SDR 370 billion to SDR 182 billion as agreed under the Board of Governors' Resolution No. 66-2 (Table 1). The last NAB activation period was subsequently terminated early on February 25, 2016. NAB resources are currently not used to finance new commitments, but they continue to be used to finance existing NAB-eligible commitments with a 1:1 NAB to quota resources financing ratio.

**5. Staff believes that the procedures for activation have functioned well and have been streamlined to address concerns raised during the last renewal.** In particular, staff has sought to accommodate participants' and Executive Directors' requests to provide them a longer time period to consider the Managing Director's activation proposals.<sup>2</sup> Also, the process of informal consultations has been streamlined to reduce multiplicity of meetings; in the new process an informal consultation meeting is held with the representatives of NAB participants, and a written note constitutes the consultation process with Executive Directors, without a meeting unless one is requested by a Director.

**6. At the time of the last NAB renewal, the NAB Decision was modified to extend the maximum maturity of NAB claims from five years to 10 years.** The extension of the maximum maturity helped to address the potential maturity mismatches that arose from the maximum repurchase obligations schedule for GRA purchases under extended arrangements of 10 years.<sup>3</sup> However, the modification did not apply to bilateral loan claims used to finance purchases under a limited number of Extended Arrangements approved prior to the activation of the expanded NAB. Such claims have a maximum maturity of five years and were folded into the

<sup>2</sup> The time period is measured by the number of days between the Managing Director's proposal for activation and the deadline for vote by participants. For the first activation in April 2011, it was initially four days, which was subsequently extended to 10 days. Under the subsequent activations, longer time periods were established, about four weeks for the last three activations.

<sup>3</sup> At the time of the agreement on enlargement of the NAB in 2010, it was not expected that there would be significant use of the extended arrangements.

(continued)

NAB with their original maximum maturity.<sup>4</sup> The resulting maturity mismatches first arose in January 2016 and are expected to arise intermittently until the first quarter of FY 2018. In consultation with the relevant NAB participants, maturing claims arising in the context of these mismatches, which may not be fully repaid with pass through repayments of Fund credit funded with NAB resources, are being covered by quota resources.

**7. The changed practice for implementing the proportionality principle has reduced the administrative burden on the Fund and NAB participants.** In the context of the last NAB renewal, staff set out that going forward the maximum threshold for small individual purchases not subject to strict proportionality would be increased from SDR 100 million to SDR 1 billion.<sup>5</sup> From an operational perspective, this change allowed the Fund to finance a greater number of purchases using fewer participants than would have otherwise been required.<sup>6</sup> NAB participants not called upon to finance these relatively small purchases were assigned to subsequent transactions, so as to bring the ratio of their available commitment to their NAB credit arrangement into line with the common ratio of other NAB participants.

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<sup>4</sup> In accordance with Paragraph 23 of the NAB Decision, NAB claims resulting from the folding in of bilateral loan claims have the maturity date of the bilateral loan claims that are folded into the NAB, i.e., a maximum maturity of five years.

<sup>5</sup> The NAB Decision requires that calls on participants be made “with due regard to the objective specified in paragraph 6(a) of achieving available commitments of participants that are of equal proportion relative to their credit arrangements”. Deviations were nevertheless seen as warranted in some circumstances, including where it would be administratively inefficient to draw on all participants to fund a small purchase.

<sup>6</sup> A total of 59 purchases exceeding SDR 100 million were disbursed using NAB resources since the maximum threshold was increased to SDR 1.0 billion. Of these, 42 purchases were below the new SDR 1.0 billion maximum threshold and thus no longer subject to strict proportionality.

**Table 1. NAB Participants and Credit Arrangements 1/**  
(in millions of SDRs)

<b>Current Participants</b>	<b>Amount</b>
Australia	2,220.45
Austria	1,818.49
Banco Central de Chile	690.97
Banco de Portugal	783.50
Bangko Sentral ng Pilipinas	340.00
Bank of Israel	340.00
Belgium	3,994.33
Brazil	4,440.91
Canada	3,873.71
China	15,860.38
Cyprus	340.00
Danmarks Nationalbank	1,629.76
Deutsche Bundesbank	12,890.02
Finland	1,133.88
France	9,479.16
Hong Kong Monetary Authority	340.00
India	4,440.91
Italy	6,898.52
Japan	33,508.50
Korea	3,344.82
Kuwait	341.29
Luxembourg	493.12
Malaysia	340.00
Mexico	2,537.66
National Bank of Poland	1,285.40
Netherlands	4,594.80
New Zealand	340.00
Norway	1,966.69
Russian Federation	4,440.91
Saudi Arabia	5,652.74
Singapore	648.55
South Africa	340.00
Spain	3,405.14
Sveriges Riksbank	2,255.68
Swiss National Bank	5,540.66
Thailand	340.00
United Kingdom	9,479.16
United States	28,202.47
Total	180,572.58
<b>New Participants</b>	
Greece	840.60
Ireland	957.97
Total after adherence by new participants	182,371.15

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

## PROPOSED RENEWAL AND MODIFICATIONS

**8. Given its important role as a standing backstop for quota resources, staff sees a strong case for renewing the NAB Decision for a further five-year period through November 2022.** Amidst ongoing structural shifts in the global economy, diminished policy buffers and lower medium-term growth prospects, the membership continues to face elevated risks of large and potentially systemic economic and financial crises. Against this backdrop of unusually high uncertainty and financial vulnerabilities, renewal of the NAB is a key element in providing confidence in the Fund’s capacity to meet its members’ potential resource needs, thereby helping to preserve global financial stability.<sup>7</sup> Staff views the five-year renewal period as consistent with past practice and critical in assuring that supplemental resources would be available for extended periods should the need arise.<sup>8</sup> Should the proposal for renewal be approved, the next NAB period would expire on November 16, 2022.

**9. The proposed renewal of the NAB would be consistent with the staff analysis on the adequate size of the Fund.** Earlier this year, based on a broad assessment using a variety of quantitative methods, staff recommended that the Fund’s current overall lending capacity at least be maintained.<sup>9</sup> This would entail retaining the Fund’s access to borrowed resources, including the NAB as a backstop to quota resources. G20 Leaders in early September expressed their support for maintaining access to bilateral and multilateral borrowing agreements between members and the IMF, in line with the objective of preserving the IMF’s current lending capacity.

**10. The NAB has been functioning well and staff proposes only two technical amendments, as well as a number of minor drafting changes.** Appendix I summarizes procedures for modifying the NAB Decision. The technical changes to the NAB Decision are shown in Box 1. In addition, staff has proposed a number of minor drafting changes, mainly to eliminate provisions that are no longer relevant going forward, with all proposed changes shown in Appendix II in red-line. The two technical changes are:

- **Periodicity requirement for Resource Mobilization Plans (RMPs).** An RMP approved by the Board specifies the maximum amount for which calls may be made under each participant’s credit arrangement to finance purchases from the NAB. Under paragraph

<sup>7</sup> The Fund’s Forward Commitment Capacity (FCC) currently stands at about SDR 220 billion. Activation of the NAB could potentially add about SDR 100 billion in uncommitted resources. Moreover, activation of the NAB serves as a precondition for use of other borrowed resources.

<sup>8</sup> The period of renewal is not specified in the NAB Decision; previous renewals since the launch of the NAB in 1998 were for five years, except the 2007 renewal which was subsequently shortened to four years to allow for an earlier review following the outcome of the Fourteenth General Review of Quotas (14<sup>th</sup> Review). The five-year renewal period builds on the practice with the General Arrangements to Borrow, which has been renewed ten times since its inception in 1962, and for periods of five years since 1988.

<sup>9</sup> The methods used in the assessment included traditional metrics of the size of the Fund, past patterns of access, scenarios of potential resource needs in a global crisis and model-based econometric analysis.

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6(a) of the NAB Decision, an RMP is normally prepared on a quarterly basis in conjunction with quarterly financial transactions plans (FTPs). When the NAB is not activated, i.e., when any new commitments are not eligible to be financed with NAB resources, calls on NAB resources would likely be less frequent and more predictable compared to when NAB activation periods are in effect. To facilitate streamlining in such circumstances, the proposed amendment to the NAB Decision gives the Managing Director the discretion to propose RMP periods of up to six months.<sup>10</sup> There would be no change for the quarterly length of RMPs during activation periods.

- **Reference to the Fourteenth General Review of Quotas.** In considering renewal of the NAB, paragraph 19(a) of the NAB Decision requires the Fund and participants to review the impact of the Fourteenth General Review of Quotas on the overall size of quotas. The proposed modification replaces this reference with the “Fifteenth General Review of Quotas.”

### Box 1. Technical Changes to the NAB Decision

**Paragraph 6(a), first sentence:** “To fund outright purchases during an activation period and commitments under arrangements approved during an activation period, calls under individual arrangements of participants may be made on the basis of resource mobilization plans approved by the Executive Board ~~normally on a quarterly basis~~ in conjunction with the ~~quarterly~~-financial transactions plan for the General Resources Account, ~~normally on a quarterly basis for periods where the New Arrangements to Borrow is activated and for periods up to six months when the New Arrangements to Borrow is not activated.~~”<sup>1</sup>

**Paragraph 19(a), second sentence:** “When considering a renewal of this decision for any period following the period referred to in this paragraph 19(a), the Fund and the participants shall review the functioning of this decision and, in particular, (i) the experience with the procedures for activation and (ii) the impact of the ~~Fourteenth-Fifteenth~~ General Review of Quotas on the overall size of quotas, and shall consult on any possible modifications.”

<sup>1</sup> Corresponding changes to other provisions in the NAB Decision regarding the periodicity of the financial transactions plans are shown in Appendix II.

<sup>10</sup> In the context of the Executive Board’s consideration of the FY2016-2018 medium-term budget, it was proposed that FTPs and RMPs will move to semi-annual frequency once the 14<sup>th</sup> General Review of Quotas is effective and the Fund is no longer reliant on borrowed resources to finance new commitments. See [FY2016-2018 Medium-Term Budget](#). To preserve the alignment of the FTP and RMP, a corresponding change to the Fund’s Rule O-10 to allow for FTPs for periods of up to six months could be considered by the Fund’s Executive Board.

**11. The proposed change to the periodicity for the RMPs would not change the periodicity and current practice of the Fund’s repayments to NAB participants under paragraph 11(a) of the NAB Decision.** Specifically, for a repurchase related to and made on a date earlier than ten years after a NAB-funded purchase, paragraph 11(a) requires the Fund to repay NAB participants an amount equivalent to such original NAB funding amount during the same “quarterly period” when the repurchase is made. When the FTP/RMP is set on a quarterly basis, the “quarterly period” under paragraph 11(a) would be the same as the quarterly FTP/RMP period. When the FTP/RMP period is established for a longer period of up to six months (i.e., when the NAB is not activated), the “quarterly period” under paragraph 11(a) would be (i) the first three months of the relevant FTP/RMP period or (ii) the remaining period after the first three months of the relevant FTP/RMP period. Thus, if a repurchase is made during the first three months of such an FTP/RMP period, the related repayment to NAB participants would be made during these same three months; and if a repurchase is made during the remaining time in such an FTP/RMP period after the first three months, the related repayments to NAB participants would be made during this same remaining time.<sup>11</sup>

## CONCLUSION

**12. Staff recommends that the Executive Board approve the proposed renewal of, and modifications to, the NAB Decision.** If approved, the renewal of the NAB Decision with the modifications will take effect on November 17, 2017. Pursuant to paragraph 19(b) of the NAB Decision, any participant may advise the Fund no less than six months before the end of the period (i.e., May 16, 2017) that it will withdraw its adherence to the NAB Decision as renewed. In the absence of such notice, a participant shall be deemed to continue to adhere to the NAB Decision as renewed.

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<sup>11</sup> The interpretation of “quarterly period” set out in this paragraph shall also apply to the use of “quarterly period” in Paragraph 11(c) of the NAB Decision regarding the repayments covered in this paragraph. It is also proposed that the language in paragraph 11(c) of the NAB Decision be adjusted consistent with this understanding.



## Proposed Decision

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

### **Renewal and Modifications of the Decision on the New Arrangements to Borrow**

1. Executive Board Decision No. 11428-(97/6), adopted January 27, 1997, on the New Arrangements to Borrow ("NAB Decision"), as amended, is hereby renewed for a period of five years from November 17, 2017.
2. Effective November 17, 2017, the NAB Decision shall be modified as follows:
  - a. The reference to "or of the effective date of the amendments to this decision set out in Executive Board Decision No. 14577-(10/35), April 12, 2010, whichever is later" in paragraph 3(c) of the NAB Decision shall be deleted.
  - b. Paragraph 6(a) of the NAB Decision shall be modified to read as follows: "To fund outright purchases during an activation period and commitments under arrangements approved during an activation period, calls under individual credit arrangements of participants may be made on the basis of resource mobilization plans approved by the Executive Board in conjunction with the financial transactions plan for the General Resources Account, normally on a quarterly basis for periods where the New Arrangements to Borrow is activated and for periods up to six months where the New Arrangements to Borrow is not activated. Such resource mobilization plans shall specify for each participant the maximum amount for

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

- c. The last sentence of paragraph 11(b) of the NAB Decision, which states: “At the request of a participant, the Fund shall repay, in accordance with this subparagraph (b), any claims resulting from calls under the participant’s credit arrangement that exceed the amount of the participant’s credit arrangement as changed in accordance with Executive Board Decision No. 15073 adopted December 21, 2011, provided that no such repayment shall be made until the quota increase for the relevant member under the Fourteenth General Review of Quotas has become effective”, shall be deleted.
- d. The reference to “a quarterly period covered by a financial transactions plan” in paragraph 11(c) of the NAB Decision shall be modified to read “a quarterly period”.
- e. The references to “November 16, 2012” and “the Fourteenth General Review of Quotas” in paragraph 19(a) of the NAB Decision shall be modified to read “November 16, 2022” and “the Fifteenth General Review of Quotas”, respectively.

- f. The reference to “SDR 367,467.36 million” in paragraph 21(b) of the NAB Decision shall be modified to read “SDR 180.572.58 million”.
  - g. The reference to “the effectiveness of the amendments to this decision set forth in Decision No. 14577-(10/35), April 12, 2010” in paragraph 23 of the NAB Decision shall be modified to read “March 11, 2011”.
  - h. The references to “quarterly financial transactions plan” in paragraph 1(vii), paragraph 6(b) and paragraph 7(a) in the NAB Decision shall be modified to read “financial transactions plan”.
3. The credit arrangements of current and new participants in the New Arrangements to Borrow set out in the Annex I to the NAB Decision shall be updated as set out in the Annex of EBS/16/103, (10/21/16) to reflect the effectiveness of the changes in credit arrangements following the implementation of the rollback of credit arrangements in accordance with Executive Board Decision No. 15073-(12/1), adopted December 21, 2011.

## Annex. NAB Participants and Amounts of Credit Arrangements

(in Millions of SDRs)<sup>1/</sup>

<b>Current Participants</b>	<b>Amount</b>
Australia	2,220.45
Austria	1,818.49
Banco Central de Chile	690.97
Banco de Portugal	783.50
Bangko Sentral ng Pilipinas	340.00
Bank of Israel	340.00
Belgium	3,994.33
Brazil	4,440.91
Canada	3,873.71
China	15,860.38
Cyprus	340.00
Danmarks Nationalbank	1,629.76
Deutsche Bundesbank	12,890.02
Finland	1,133.88
France	9,479.16
Hong Kong Monetary Authority	340.00
India	4,440.91
Italy	6,898.52
Japan	33,508.50
Korea	3,344.82
Kuwait	341.29
Luxembourg	493.12
Malaysia	340.00
Mexico	2,537.66
National Bank of Poland	1,285.40
Netherlands	4,594.80
New Zealand	340.00
Norway	1,966.69
Russian Federation	4,440.91
Saudi Arabia	5,652.74
Singapore	648.55
South Africa	340.00
Spain	3,405.14
Sveriges Riksbank	2,255.68
Swiss National Bank	5,540.66
Thailand	340.00
United Kingdom	9,479.16
United States	28,202.47
Total	180,572.58
<b>New Participants</b>	
Greece	840.60
Ireland	957.97
Total after adherence by new participants	182,371.15

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

## Appendix I. Changes to the NAB Decision

The NAB Decision can be changed under two sets of procedures: (i) modifications at the time of renewal, which become effective with the start of the next period, and (ii) amendments during an NAB period. This distinction is clarified in the Commentary to the original NAB Decision. For the issues under consideration for the upcoming review, only the first set of procedures is relevant.

### **Modifications at the Time of Renewal**

Paragraph 19(b) of the NAB Decision provides that “This decision may be renewed for such period or periods and with such modifications, subject to paragraphs 4(b) [changes in credit arrangements], 15(b) [right of withdrawal in case of an amendment] and 16 [withdrawal of membership], as the Fund may decide.” Most modifications adopted at the time of renewal do not require the consent of NAB participants, except for the changes to paragraphs 4(b) [regarding changes in credit arrangements], 15(b) and 16, which are all subject to special consent requirements (Paragraph 15(a), last sentence, NAB Decision). Modifications adopted as part of the renewal become effective with the new period, provided that for those changes that require the consent of participants the required consents have been received. Participants have the right to withdraw from the NAB as renewed if they give notice six months before the end of the expiring NAB period (Paragraph 19(b) NAB Decision).

### **Amendments to the NAB Decision and Changes in NAB Credit Arrangements During a Period**

Paragraph 15(a) provides that the NAB Decision may be amended during a period by a decision of the Fund and with the concurrence of participants representing 85 percent of total credit arrangements, except as provided in paragraphs 4(b), 15(b), and 16.

For its part, paragraph 4(b) of the NAB Decision provides that individual credit arrangements may be reviewed from time to time in light of developing circumstances. Changes require the agreement of the Fund, i.e., an Executive Board decision with the majority of the votes cast, and of participants representing 85 percent of total credit arrangements, including each participant whose credit arrangement is changed.

## Appendix II. Redlines over the NAB Decision

### NEW ARRANGEMENTS TO BORROW

#### *Preamble*

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

#### Paragraph 1. *Definitions*

(a) As used in this decision the term:

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

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

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

(i) loans by the HKMA and payments by the Fund to the HKMA under this decision shall be made in the currency of the United States of America, unless the currency of another member is agreed between the Fund and the HKMA;

(ii) the references to balance of payments and reserve position in paragraphs 5(c), 6(b), 6(c), 7(a), and 11(e) shall be understood to refer to the balance of payments and reserve position of Hong Kong. The HKMA shall not be eligible to vote on a proposal for activation under paragraph 5(c), included in a resources mobilization plan under paragraph 6(b), or subject to calls under paragraph 7(a), and shall be excluded from calls in accordance with paragraph 6(c), if, at the time of voting on any such proposal, approval of any such resource mobilization plan, or making of any such call, the HKMA notifies the Fund that Hong Kong’s present and prospective balance of payments and reserve position does not allow it to meet calls under its credit arrangement; and

(iii) the HKMA shall have the right to request early repayment in accordance with paragraph 13(c) with respect to claims transferred to the HKMA if at the time of the transfer the balance of payments position of Hong Kong is, in the opinion of the Fund, sufficiently strong to justify such a right.

#### Paragraph 2. *Credit Arrangements*

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

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

Paragraph 3. *Adherence*

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

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

(c) A member or institution shall adhere to this decision by depositing with the Fund an instrument setting forth that it has adhered in accordance with its law and has taken all steps necessary to enable it to carry out the terms and conditions of this decision. On the deposit of the instrument the member or institution shall be a participant as of the date of the deposit ~~or of the effective date of the amendments to this decision set out in Executive Board Decision No. 14577-(10/35), April 12, 2010, whichever is later.~~\*

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 \* NOTE – Revision to Paragraph 3(c) is proposed to eliminate obsolete language regarding the effectiveness of a new member or institution's participation in the New Arrangements to Borrow. The original text would prevent any member or institution to become a new participant in the New Arrangements to Borrow prior to the effectiveness of the modification and expansion of the New Arrangements to Borrow as provided in the amendments set out in Executive Board Decision No. 14577. As these modification and expansion of the New Arrangements to Borrow already became effective on March 11, 2011, this provision in paragraph 3(c) is no longer relevant.  
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Paragraph 4. *Changes in Amounts of Credit Arrangements*

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

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

Paragraph 5. *Activation Period*

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

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

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

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

Paragraph 6. *Resource Mobilization Plans and Calls*

(a) To fund outright purchases during an activation period and commitments under arrangements approved during an activation period, calls under individual credit arrangements of participants may be made on the basis of resource mobilization plans approved by the Executive Board ~~normally on a quarterly basis~~ in conjunction with the ~~quarterly~~ financial transactions plan for the General Resources Account, ~~normally on a quarterly basis~~ for periods where the New Arrangements to Borrow is activated and for periods up to six months where the New Arrangements to Borrow is not activated. Such resource mobilization plans shall specify for each participant the maximum amount for which calls may be made during the applicable period. The Executive Board may at any time amend such a plan to change the maximum amounts and period for calls. With respect to the allocation of the maximum amounts among participants, the resource mobilization plan shall normally establish an allocation that would result in the available commitments of participants being of equal proportion relative to their credit arrangements.

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

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

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

Paragraph 7. *Procedures for Special Calls*

(a) Calls pursuant to paragraph 11(e) may be made at any time with due regard to the objective specified in paragraph 6(a) of achieving available commitments of participants that are of equal proportion relative to their credit arrangements, provided that no such call shall be made on a participant, when, based on its present and prospective balance of payments and reserve position, the member is not included and is not being proposed by the Managing Director to be included in the list of countries in the ~~quarterly~~ financial transactions plan for transfers of its

currency or, if the member has been included in the financial transactions plan, when, at the time of such call, the member's currency is not being used in transfers under such plan because of the member's balance of payments and reserve position. Calls under this paragraph 7(a) shall not be subject to the procedures set forth in either paragraph 5 or paragraph 6.

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

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

Paragraph 8. *Nature and Evidence of Indebtedness*

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

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

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

Paragraph 9. *Interest*

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

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

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

Paragraph 10. *Use of Borrowed Currency*

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

Paragraph 11. *Repayment by the Fund*

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

(b) Before the date prescribed in paragraph 11(a), the Fund, after consultation with participants, may make repayment in part or in full to one or several participants in accordance with paragraph 11(d). The Fund shall have the option to make repayment under this paragraph 11(b)

in the participant's currency, in the currency borrowed, in special drawing rights in an amount that does not increase the participant's holdings of special drawing rights above the limit under Article XIX, Section 4 of the Articles unless the participant agrees to accept special drawing rights above that limit in such repayment, in freely usable currencies, or, with the agreement of the participant, in other currencies that are actually convertible. ~~At the request of a participant, the Fund shall repay, in accordance with this subparagraph (b), any claims resulting from calls under the participant's credit arrangement that exceed the amount of the participant's credit arrangement as changed in accordance with Executive Board Decision No. 15073 adopted December 21, 2011, provided that no such repayment shall be made until the quota increase for the relevant member under the Fourteenth General Review of Quotas has become effective.\*~~

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 \* NOTE – The last sentence in Paragraph 11(b) is proposed to be deleted as it is related to modalities for the rollback and is no longer relevant going forward. The rollback of the New Arrangements to Borrow in accordance with Executive Board Decision No. 15073 has been completed and no member had outstanding claims that exceeded its credit arrangement.  
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(c) Whenever a reduction in the Fund's holdings of a drawer's currency is attributed to a purchase of currency borrowed under this decision, the Fund shall promptly repay an equivalent amount to participants. If the Fund has used resources under this decision to finance a reserve tranche purchase by a drawer and the Fund's holdings of the drawer's currency that are not subject to repurchase are reduced as a result of net sales of that currency during a quarterly period ~~covered by a financial transactions plan~~, the Fund shall repay at the beginning of the next quarterly period an amount equivalent to that reduction to participants, up to the amount of the reserve tranche purchase. Payments under this paragraph 11(c) shall be allocated among participants in accordance with paragraph 11(d).

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

(e) Before the date prescribed in paragraph 11(a), a participant may give notice representing that there is a balance of payments need for repayment of part or all of the Fund's indebtedness and requesting such repayment. The participant seeking such repayment shall consult with the Managing Director and with the other participants before giving notice. The Fund shall give the overwhelming benefit of any doubt to the participant's representation. Repayment shall be made promptly after consultation with the participant in freely usable currencies or in special drawing rights, as determined by the Fund, or, with the agreement of the participant, in the currencies of

other members that are actually convertible. If the Fund's holdings of currencies in which repayment should be made are not wholly adequate, the Managing Director shall make calls on individual participants to provide the necessary balances under their credit arrangements subject to the limit of their available commitments. At the time of such call, and if so requested by the participant seeking early repayment, (i) a participant providing balances under its credit arrangement that are not balances of a freely usable currency shall ensure that such balances can be exchanged for a freely usable currency of its choice, and (ii) a participant providing balances under its credit arrangement that are balances of a freely usable currency, shall collaborate with the Fund and other members to enable such balances to be exchanged for another freely usable currency.

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

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

#### Paragraph 12. *Rates of Exchange*

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

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

#### Paragraph 13. *Transferability*

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

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

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

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

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

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

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

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

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

or to pay interest in special drawing rights in accordance with paragraph 9 if the Fund transfers an equivalent amount in special drawing rights to the account of the member in which the institution is established.

- (j) If requested, the Fund shall assist in seeking to arrange transfers.
- (k) The transferee of a claim may request at the time of transfer that a claim in the form of a loan be exchanged by the Fund for a Note on the same substantive terms subject to the GTC, or that a claim in the form of a Note be exchanged for a loan claim on the same substantive terms.
- (l) Derivative transactions in respect of any claim under this decision, and transfer of participation interests in any claim, are prohibited.

#### Paragraph 14. *Notices*

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

#### Paragraph 15. *Amendment*

- (a) Except as provided in paragraphs 4(b), 15(b), and 16, this decision may be amended during the period prescribed in paragraph 19(a) and any subsequent renewal periods that may be decided pursuant to paragraph 19(b) only by a decision of the Fund and with the concurrence of participants representing 85 percent of total credit arrangements. Such concurrence shall not be necessary for the modification of the decision on its renewal pursuant to paragraph 19(b).
- (b) If in its view an amendment materially affects the interest of a participant that voted against the amendment, the participant shall have the right to withdraw its adherence to this decision by giving notice to the Fund and the other participants within 90 days from the date the amendment was adopted. This provision may be amended only with the consent of all participants.

#### Paragraph 16. *Withdrawal of Adherence*

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



Paragraph 17. *Withdrawal from Membership*

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

Paragraph 18. *Suspension of Exchange Transactions and Liquidation*

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

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

Paragraph 19. *Period and Renewal*

(a) This decision shall continue in existence until November 16, ~~2012~~<sup>2022\*</sup>. When considering a renewal of this decision for any period following the period referred to in this paragraph 19(a), the Fund and the participants shall review the functioning of this decision and, in particular, (i) the experience with the procedures for activation and (ii) the impact of the ~~Fourteenth-Fifteenth~~ General Review of Quotas on the overall size of quotas, and shall consult on any possible modifications.

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\* NOTE – The change in date reflects the proposed new period of the New Arrangements to Borrower that would expire on November 16, 2022. While paragraph 19(a) was not formally amended in 2011 when the current NAB period was approved, staff proposes this change at this time to increase the clarity and transparency of the NAB Decision.  
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(b) This decision may be renewed for such period or periods and with such modifications, subject to paragraphs 4(b), 15(b), and 16, as the Fund may decide. The Fund shall adopt a decision on renewal and modification, if any, not later than twelve months before the end of the period prescribed in paragraph 19(a). Any participant may advise the Fund not less than six months before the end of the period prescribed in paragraph 19(a) that it will withdraw its

adherence to the decision as renewed. In the absence of such notice, a participant shall be deemed to continue to adhere to the decision as renewed. Withdrawal of adherence in accordance with this paragraph 19(b) by a participant shall not preclude its subsequent adherence in accordance with paragraph 3(b).

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

#### Paragraph 20. *Interpretation*

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

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

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

(b) Outstanding drawings and available commitments under the New Arrangements to Borrower and the General Arrangements to Borrow shall not exceed SDR ~~367,467.36~~180,572.58\* million, or such other amount of total credit arrangements as may be in effect in accordance with this decision. The available commitment of a participant under the New Arrangements to Borrower shall be reduced *pro tanto* by any outstanding drawings on, and commitments of, the participant under the General Arrangements to Borrow. The available commitment of a participant under the General Arrangements to Borrow shall be reduced *pro tanto* by the extent to which its credit arrangement under the General Arrangements to Borrow exceeds its available commitment under the New Arrangements to Borrower.

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\* NOTE – This change is proposed to reflect the current total credit amount under the New Arrangements to Borrow (after the recent completion of the rollback).  
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(c) References to drawings and commitments under the General Arrangements to Borrow shall include drawings and commitments under the Associated Borrowing Arrangements referred to in paragraph 23 of the General Arrangements to Borrow.

Paragraph 22. *Other Borrowing Arrangements*

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

Paragraph 23. *Transitional Arrangements for Amendments Adopted Pursuant to Decision No. 14577-(10/35)*

At the request of a participant that holds claims, either in the form of loans or notes, on the Fund under bilateral borrowing agreements entered into by the Fund prior to ~~March 11, 2011~~ ~~the effectiveness of the amendments to this decision set forth in Decision No. 14577-(10/35), April 12, 2010\*~~, the Managing Director shall make calls under the credit arrangement of such a participant to fund the repayment of such claims. Similarly, at the request of the relevant participant, calls shall be made on a participant that is a participating institution for the repayment of such claims held by the member of which it is an official institution or by the central bank or other fiscal agency designated by the member, or on a participant that is a member for the repayment of such claims held by the central bank or other fiscal agency designated by the member. Notwithstanding paragraph 11(a), the maturity date of claims under credit arrangements arising from such calls shall be the maturity date of the bilateral borrowing agreement claim for whose repayment the call was made.

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\* NOTE – This change is proposed to reflect that March 11, 2011 is the date of the effectiveness of the amendments to the decision on the New Arrangements to Borrow (i.e., the modification and expansion of the New Arrangements to Borrow) as set forth under Decision No. 14577.  
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Paragraph 24. *Delay in Drawings*

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

**Participants and Amounts of Credit Arrangements**  
(in Millions of SDRs)<sup>1\*</sup>

	<b>Current</b>	<b>New<sup>2</sup></b>
<b>Current Participants</b>		<b>Amount</b>
Australia	4,370.41	2,220.45
Austria	3,579.24	1,818.49
Banco Central de Chile	1,360.00	690.97
Banco de Portugal	1,542.13	783.50
<u>Bangko Sentral ng Pilipinas</u>	<u>340.00</u>	<u>340.00</u>
Bank of Israel	500.00	340.00
Belgium	7,861.85	3,994.33
Brazil	8,740.82	4,440.91
Canada	7,624.43	3,873.71
China	31,217.22	15,860.38
Cyprus	340.00	340.00
Danmarks Nationalbank	3,207.78	1,629.76
Deutsche Bundesbank	25,370.81	12,890.02
Finland	2,231.76	1,133.88
France	18,657.38	9,479.16
Hong Kong Monetary Authority	340.00	340.00
India	8,740.82	4,440.91
Italy	13,578.03	6,898.52
Japan	65,953.20	33,508.50
Korea	6,583.44	3,344.82
Kuwait	341.29	341.29
Luxembourg	970.59	493.12
Malaysia	340.00	340.00
Mexico	4,994.76	2,537.66
National Bank of Poland	2,530.00	1,285.40
Netherlands	9,043.72	4,594.80
New Zealand	624.34	340.00
Norway	3,870.94	1,966.69
Russian Federation	8,740.82	4,440.91
Saudi Arabia	11,126.03	5,652.74
Singapore	1,276.52	648.55
South Africa	340.00	340.00
Spain	6,702.18	3,405.14
Sveriges Riksbank	4,439.74	2,255.68
Swiss National Bank	10,905.42	5,540.66
Thailand	340.00	340.00
United Kingdom	18,657.38	9,479.16
United States	69,074.27	28,202.47
<u>Total</u>		<u>180,572.58</u>
<b>Prospective New Participants**</b>		
Greece <sup>3</sup>	1,654.51	840.60
Ireland <sup>3</sup>	1,885.52	957.97
Philippines <sup>4</sup>	340.00	340.00
<b>Total after adherence by new participants***</b>	<b>369,997.36</b>	<b>182,371.14</b>
		<b>182,371.15</b>

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

<sup>2/</sup> If requested by a participant, the Fund may confirm the new credit arrangement to the participant effective the morning of the business day of the scheduled payment of the quota increase under the Fourteenth General Review of Quotas, on the condition that the quota payment of the relevant member is received later that day. The rollback would be reversed if the quota payment is not received.

<sup>3/</sup> Greece and Ireland may continue to adhere to the NAB with the credit arrangements approved in April 2010 (for purposes of this table "current amount") until the effectiveness of their respective quota increases under the Fourteenth General Review, after which they may adhere with the proposed new amount set forth in this table ("new amount"). If these members adhere with their current amount, the credit arrangements would be changed to the new amount on the day their respective quota increases under the Fourteenth General Review of Quotas become effective.

<sup>4/</sup> The Philippine authorities have requested a name change in Annex I of the NAB Decision from "Philippines" to "Bangko Sentral ng Pilipinas". Following Executive Board approval of the change and consent of NAB participants (on a non-objection basis), Annex I of the NAB Decision will be revised accordingly.

NOTES: \* Annex I is amended to eliminate the pre-rollback credit arrangements that are no longer relevant.

\*\* The revision is to align this term with the terminology used in Paragraph 3(a) of the NAB Decision.

\*\*\* The total amount is revised to reflect the exact amounts under arrangements with individual Participants. The revision does not affect the individual Participants' obligations.

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

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

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

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

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

Paragraph 2. *Form, Delivery and Custody of Notes.*

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

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

Paragraph 3. *Interest.*

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

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

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

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

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

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

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

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

Paragraph 5. *Rates of Exchange.*

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

Paragraph 6. *Transferability of Notes.*

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

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

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

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

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

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

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

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

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

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

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

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

#### Paragraph 7. *Notices*

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



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

Paragraph 8. *Interpretation.*

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

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

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

**Annex II, Appendix****Form of Registered NAB Note**

Number \_\_\_\_\_

SDR \_\_\_\_\_

## INTERNATIONAL MONETARY FUND

## REGISTERED NAB NOTE

Issue Date: \_\_\_\_\_

Maturity Date:

The INTERNATIONAL MONETARY FUND (“the Fund”), for value received, hereby promises to pay to \_\_\_\_\_, being the registered holder of this Note, an amount equivalent to \_\_\_\_\_ Special Drawing Rights (SDR \_\_\_\_\_) on the maturity date specified above and to pay interest thereon as set forth below.

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

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