

## INTERNATIONAL MONETARY FUND

### **Note on Procedures for Consent and Payment for Proposed Ad Hoc Increases in Quotas Under the Reform of Quota and Voice in the International Monetary Fund**

*This note provides an overview of the procedures to be followed by eligible members in consenting to the increase in their quotas and in making their quota increase payments in accordance with the provisions of Resolution No. 63-2.*

#### **Proposed Ad Hoc Quota Increases**

1. On April 28, 2008, the IMF's Board of Governors adopted Resolution No. 63-2 on the Reform of Quota and Voice in the IMF ("Resolution No. 63-2"). As part of the package of reforms, Resolution No. 63-2 proposes ad hoc increases in the quotas of 54 Fund members (**Attachment I**). The increase in a member's quota will not become effective unless the eligible member has consented in writing to the increase within the time period prescribed in Resolution 63-2 and has paid the full amount of the increase. Furthermore, no increase in quota shall become effective before the entry into force of the proposed amendment of the Articles of Agreement approved by Resolution No. 63-2 (the "Proposed Voice and Participation Amendment").<sup>1</sup>

#### **Consent to Quota Increase**

2. Now that Resolution No. 63-2 has been adopted, a member for whom a quota increase is proposed may consent to the proposed increase. Upon the entry into force of the Proposed Voice and Participation Amendment, detailed instructions for payment of quota increases (along the lines described below) will be sent by SWIFT to each eligible member that has consented to its proposed quota increase.

3. Each member shall consent to the proposed increase of its quota no later than **October 31, 2008**; provided that the Executive Board may extend this period as it may determine, taking into account, in particular, the need of members to obtain domestic legislative approval.

4. The notice of consent has to come from an official who is duly authorized to sign the notice on behalf of the member and should be addressed to the Secretary of the Fund. A draft notice of consent that a member may use for this purpose is provided in **Attachment II**.

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<sup>1</sup> On May 2, 2008, the Secretary of the Fund sent a letter to members asking whether they accept the Proposed Voice and Participation Amendment. As specified in this letter, the Proposed Voice and Participation Amendment will enter into force as of the date on which the Fund certifies, by a formal communication addressed to all members, that three-fifths of the Fund's members, having eighty-five percent of the total voting power, have accepted that amendment. See also "Note on Procedure for Adoption of the Proposed Voice and Participation Amendment and the Proposed Investment Authority Amendment of the Articles of Agreement of the International Monetary Fund" (Secretary's Circular No. 08/48, June 4, 2008).

### **Timing and Media of Payment**

5. Each member shall pay to the Fund the increase in its quota **within 30 days of the later of** (a) the date on which it notifies the Fund of its consent or (b) the date on which the requirement for the effectiveness of the increase in quota is met (i.e., the date of entry into force of the Proposed Voice and Participation Amendment); provided that the Executive Board may extend the payment period as it may determine. All members will be notified promptly by the Secretary of the Fund about the entry into force of the Proposed Voice and Participation Amendment.

6. The quota increases provided for in Resolution 63-2 are to be paid as follows:

(a) **Twenty-five percent of the quota increase must be paid in reserve assets**, i.e., in SDRs or in the currencies of other members specified by the Fund, with their concurrence, or in any combination of SDRs and such currencies. It is generally expected that a member will, to the extent feasible, pay the reserve asset portion of its quota increase in SDRs. To effect this payment, a member can (i) use its own reserves (e.g., its own SDRs or reserve currency holdings, including to acquire SDRs from another willing member arranged by the Fund); or (ii) if it lacks sufficient reserves, request the Fund to arrange for an intra-day interest-free SDR bridge loan from a willing creditor. To repay the bridge loan, a member would then immediately draw down its newly created reserve tranche position of same amount.

(b) **The remainder of the quota increase (75 percent) is payable in a member's own currency** to either the IMF No.1 Account or through issuance of a promissory note held in the Fund's Securities Account with the member's designated IMF depository, typically its Central Bank.

7. Payments of both portions of the quota increase should be made on the same agreed value date.

8. After the entry into force of the Proposed Voice and Participation Amendment, detailed instructions for the payment of quota increases will be sent by SWIFT to each member that has consented to its proposed quota increase. No payments for quota increases should be made by members until such instructions are sent.

Finance Department  
International Monetary Fund  
June 16, 2008

Attachments (2)

## Attachment I

|                   | Proposed Quota<br>(In millions of SDRs) |                      | Proposed Quota<br>(In millions of SDRs) |
|-------------------|---|----------------------|---|
| Albania           | 60.0                                    | Malaysia             | 1,773.9                                 |
| Austria           | 2,113.9                                 | Maldives             | 10.0                                    |
| Bahrain           | 176.4                                   | Mexico               | 3,625.7                                 |
| Bhutan            | 8.5                                     | Norway               | 1,883.7                                 |
| Botswana          | 87.8                                    | Oman                 | 237.0                                   |
| Brazil            | 4,250.5                                 | Palau, Republic of   | 3.5                                     |
| Cape Verde        | 11.2                                    | Philippines          | 1,019.3                                 |
| Chad              | 66.6                                    | Poland               | 1,688.4                                 |
| China             | 9,525.9                                 | Portugal             | 1,029.7                                 |
| Costa Rica        | 187.1                                   | Qatar                | 302.6                                   |
| Cyprus            | 158.2                                   | San Marino           | 22.4                                    |
| Czech Republic    | 1,002.2                                 | Seychelles           | 10.9                                    |
| Denmark           | 1,891.4                                 | Singapore            | 1,408.0                                 |
| Ecuador           | 347.8                                   | Slovak Republic      | 427.5                                   |
| Equatorial Guinea | 52.3                                    | Slovenia             | 275.0                                   |
| Eritrea           | 18.3                                    | Spain                | 4,023.4                                 |
| Estonia           | 93.9                                    | Syrian Arab Republic | 346.8                                   |
| Germany           | 14,565.5                                | Thailand             | 1,440.5                                 |
| Greece            | 1,101.8                                 | Timor-Leste          | 10.8                                    |
| India             | 5,821.5                                 | Turkey               | 1,455.8                                 |
| Ireland           | 1,257.6                                 | Turkmenistan         | 98.6                                    |
| Israel            | 1,061.1                                 | United Arab Emirates | 752.5                                   |
| Italy             | 7,882.3                                 | United States        | 42,122.4                                |
| Japan             | 15,628.5                                | Vietnam              | 460.7                                   |
| Kazakhstan        | 427.8                                   |                      |   |
| Korea             | 3,366.4                                 |                      |   |
| Latvia            | 142.1                                   |                      |   |
| Lebanon           | 266.4                                   |                      |   |
| Lithuania         | 183.9                                   |                      |   |
| Luxembourg        | 418.7                                   |                      |   |

Source: Attachment I of Resolution 63-2.

**Attachment II: Consent to Quota Increase**

The following text should be sent (preferably via SWIFT or tested fax) by a duly authorized official to the Fund consenting to [insert the name of the member] quota increase.

TO: THE SECRETARY OF THE FUND

I AM DULY AUTHORIZED TO NOTIFY YOU THAT [INSERT THE NAME OF THE MEMBER] HEREBY CONSENTS TO THE INCREASE IN ITS QUOTA TO SDR [INSERT THE RELEVANT SDR AMOUNT SHOWN AGAINST THE MEMBER'S NAME IN ATTACHMENT I] IN ACCORDANCE WITH SECTION A OF THE BOARD OF GOVERNORS RESOLUTION NO. 63-2 ON REFORM OF QUOTA AND VOICE IN THE INTERNATIONAL MONETARY FUND.

[Name of Duly Authorized Official]