INTERNATIONAL MONETARY FUND

Financial Transactions Plan—Temporary Modification of Guidelines for Allocation of Currencies Used for Transfers

Prepared by the Finance Department

(In consultation with the Legal Department)

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March 18, 2011

1. This paper proposes a temporary modification of the current guidelines for allocation of currencies used for transfers in the Financial Transactions Plan (FTP). This temporary modification is designed to promote fair burden sharing between NAB participants that have bilateral borrowing agreements or note purchase agreements (hereafter referred to as "bilateral agreements") and participants that do not have such agreements, and would result in a change from the current approach only for those FTP members that are NAB participants. It is proposed that the current guidelines for allocation of currencies used for transfers be reinstated automatically for all FTP members when all pre-NAB bilateral agreements have been terminated and when any imbalances in NAB positions resulting from the folding in of claims under bilateral agreements have been eliminated, or at an earlier date as decided by the Executive Board.

I. Current Guidelines for Allocation of Currencies

2. **The current guidelines for allocation of currencies were adopted in November 1998.**[1] The guidelines aim to balance members' positions in the Fund over time relative to quotas. Under the guidelines, transfers are allocated across FTP members solely in proportion to quotas, but receipts are allocated to FTP members so as to take into account both their (quota-based) reserve tranche positions (RTP) and GAB/NAB borrowing. Specifically, receipts are allocated to members with above average "positions in the Fund," defined as the sum of a member's RTP plus any outstanding loans to the Fund by the member understanding borrowing agreements such as the GAB/NAB.

3. **The guidelines have worked well in reaching and maintaining balanced positions in the Fund.** The 1998 guidelines were last reviewed in November 2000 and

[1] *Operational Budget—Review of Guidelines for Allocation of Currencies*, Decision No. 11837-(98/121), adopted November 30, 1998 (reproduced in Annex I).

were found to have worked effectively in narrowing the large differences in members' Fund positions in relation to quota that had developed under the earlier reserve-based system.[2] The Executive Board decided that the guidelines remained appropriate at that time.[3] Subsequently, the application of the current guidelines kept members' positions broadly balanced.

4. **The allocation mechanism is effective at maintaining balance, but requires time to reduce imbalances.** The allocation of transfers in proportion to quotas keeps the system in balance once such balance has been reached but is slow in reducing imbalances such as those that will result from folding into the NAB of claims related to pre-NAB commitments. This is because such rebalancing under current guidelines is done mainly through the allocation of receipts and the speed with which imbalances are reduced depends on their size as well as the amount of receipts available for allocation. With the folding into the NAB of claims related to pre-NAB commitments, the bulk of receipts going forward will be allocated to bilateral creditors, which will go some way to reducing imbalances in positions. However under the current repayment schedule, receipts are relatively small until 2012, and thus imbalances will persist for some time.

II. Proposed Modification

5. **To promote fair burden sharing among NAB participants, it is proposed to modify temporarily the rule governing the allocation of transfers.**[4] As discussed below, under the modified rule transfers would be allocated to the entire group of FTP members that are NAB participants in proportion to quotas, but the allocation within the group would take into account imbalances in NAB positions (i.e., drawn balances in relation to NAB credit arrangements). All other FTP members would continue to be subject to the existing rule and have transfers allocated to them in proportion to quotas (as a group and individually). No change is proposed to the rule for allocating receipts. Receipts would continue to be allocated to FTP members with above average positions in the Fund.

6. **Under the proposed approach, the higher NAB positions of participants with bilateral agreements in comparison with participants without such agreements would be compensated through lesser use of their currencies for transfers in the FTP.**[5] To accomplish this, transfers in the FTP would initially be allocated with the aim

[2] *Financial Transactions Plan for the Quarterly Period December 2000-February 2001* (11/14/00) http://www.imf.org/external/np/tre/ftp/2001/eng/022801.htm.

[3] *Financial Transactions Plan—Review of Guidelines for Allocation of Currencies*, Decision No. 12334-(00/116), adopted November 22, 2000.

[4] Drawings under the NAB and under bilateral agreements (for those members that will be folding those claims into the NAB) will be done with a view to promoting balanced positions relative to NAB credit arrangements.

[5] See Annex II for a more detailed description of the approach.

of creating "excess reserve tranche positions" for those NAB participants without pre-NAB bilateral agreements in an amount equivalent to the "NAB shortfall" of this group. For this purpose:

- The *NAB shortfall* is defined as the additional amount in SDRs needed to bring the borrowing ratio (defined as the ratio of NAB claims outstanding to NAB credit arrangements) of the group of NAB participants without bilateral agreements to the same level as that of the group of NAB participants with bilateral agreements assuming that all outstanding bilateral claims of the latter group have been folded into the NAB.[6]

- The *excess RTP* of NAB participants without bilateral agreements is defined as the difference between the RTP of this group and the RTP of NAB participants with bilateral agreements (after the allocation of transfers but before the allocation of receipts),[7] adjusted for the relative quota sizes of the two groups.

Within the two groups of NAB participants, transfers would be allocated among members in proportion to their NAB credit arrangements.

7. **Once the NAB shortfall of NAB participants without bilateral agreements is compensated by an excess RTP, transfers would be allocated with a view to reducing the excess RTP as differences in NAB positions narrow** (i.e., the NAB shortfall declines)**.** This would imply a shift in the allocation of transfers to NAB participants with bilateral agreements.

8. **After the temporary modification of transfer allocations has lapsed, the current rule would once again apply to all FTP members (including NAB participants).** The operation of the temporary modification to the rule will be kept under review. After positions in the NAB have converged, imbalances in NAB positions would reemerge if drawings under the outstanding FCLs were made. Accordingly, it may be necessary to keep the modified rule in place until the pre-NAB bilateral agreements have been terminated and any imbalances in NAB positions resulting from the folding-in of claims under bilateral agreements have been eliminated. Nevertheless, the Executive Board could decide to terminate the modification and revert to the current guidelines at an earlier date.

9. **The application of the modified rule for transfers is illustrated in Table 1.[8]** It is assumed that total transfers financed under the FTP in the period late March-July 2011

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[6] For purposes of the proposed guidelines, the NAB position of a participant would include claims that a particular participant obtained under a voluntary transfer from another NAB participant.

[7] This is in line with current FTP guidelines which also provide for a two-step approach—transfers are allocated first and receipts are allocated taking into account projected new RTPs after transfers.

[8] It is assumed that there are no repurchases during the period in question as no change is proposed in the allocation of receipts.

amount to SDR 5.5 billion.[9] This results from SDR 10 billion under pre-NAB commitments which would be financed by borrowed and quota resources in a ratio of 1:1 plus SDR 3 billion under post-NAB commitments which would be financed using a ratio of 3:1 of borrowed and quota resources. This implies a total of SDR 5.5 billion in transfers to be allocated to FTP members.[10] Under the current rule, this total would be allocated to all FTP members in proportion to their quotas. This outcome is shown in column (7) of Table 1. Under the modified rule (column (8)), no transfers would be allocated to NAB participants with bilateral agreements and the allocation of transfers to the group of NAB participants without bilateral agreements would be in proportion to their NAB credit arrangements. The allocation would be unchanged for other FTP members, i.e. an amount proportional to their share in the total quotas of all FTP members would be allocated to these members in proportion to individual quotas (bottom panel of Table 1).

10. **In the illustrative scenario, the application of the modified rule would compensate about half of the NAB shortfall through excess RTP by the end of the period (Table 2).** At that point, the NAB shortfall for NAB participants without bilateral agreements ("other NAB participants") would be about SDR 10 billion. This is the amount of additional borrowing these members would have to provide (on top of their projected end-period claims of about SDR 2.2 billion)[11] to bring their ratio of outstanding NAB claims to NAB credit arrangements to 10 percent (the corresponding ratio for NAB participants with bilateral agreements). The starting point in terms of RTPs (see Table 1) is an excess RTP for NAB participants with bilateral agreements (but not other NAB participants) of about SDR 182 million.[12] The application of the current rule for allocating purchases in proportion to quotas does not create excess RTP for other NAB participants. However, allocating purchases of about SDR 5.2 billion under the modified rule to other NAB participants[13] creates an excess RTP for this group of about SDR 5 billion which compensates about half of the NAB shortfall.

[9] The illustrative example corresponds to the "expected drawings under pre-NAB and post-NAB arrangements" in *Financial Transactions Plan and NAB Resource Mobilization Plan for the Period Late March-July 2011* (forthcoming).

[10] The total to be financed with non-borrowed resources (SDR 5.75 billion) is reduced by SDR 250 million which will be covered by the use of SDRs in line with standard practice under the FTP.

[11] These end-period claims correspond to the use of SDR 2.2 billion of borrowed resources for post-NAB commitments totaling SDR 3 billion. Similarly, the borrowing figures for bilateral creditors take into account new borrowing of about SDR 5 billion related to the financing of pre-NAB commitments totaling SDR 10 billion.

[12] This figure is a result of uneven RTP positions as of late-March 2011, mainly as a result of the transfer of profits from gold sales and payments for ad hoc quota increases under the 2008 Reform by some FTP members.

[13] The remaining SDR 275 million is allocated to other FTP members.

Table 1. Allocation of Currencies in Transfers under Current and Modified Rule
Hypothetical Budget of SDR 5.5 Billion for Late-March-July 2011

(In million of SDRs, unless otherwise indicated)

	Current Quota	NAB credit arrangement	RTP 1/	NAB Borrowing 1/	Fund Position 1/	NAB Borrowing May-July 2011	Transfers Under Current Rule	Transfers Under Modified Rule	End of Period RTP Under Current Rule 2/	End of Period RTP Under Modified Rule 2/
	(1)	(2)	(3)	(4)	(5) = (3) + (4)	(6)	(7)	(8)	(9)	(10)
NAB Participants with Bilateral Agreements										
Austria	2,114	3,579	567	223	790	-	60	-	627	567
Belgium	4,605	7,862	1,310	485	1,795	261	130	-	1,440	1,310
Brazil	3,036	8,741	782	750	1,532	80	86	-	868	782
Canada	6,369	7,624	1,630	741	2,371	-	180	-	1,810	1,630
China	9,526	31,217	2,539	3,700	6,239	-	269	-	2,808	2,539
Denmark	1,891	3,208	488	191	679	113	53	-	542	488
Finland	1,264	2,232	359	113	473	-	36	-	395	359
France	10,739	18,657	2,886	1,056	3,942	715	303	-	3,190	2,886
Germany	14,566	25,371	3,917	1,532	5,449	877	411	-	4,328	3,917
Italy	7,882	13,578	2,214	-	2,214	1,289	223	-	2,436	2,214
India	4,158	8,741	1,116	750	1,866	80	117	-	1,234	1,116
Japan	15,629	65,953	4,554	7,070	11,625	-	441	-	4,996	4,554
Netherlands	5,162	9,044	1,469	543	2,012	316	146	-	1,614	1,469
Norway	1,884	3,871	488	351	839	17	53	-	541	488
Portugal	1,030	1,542	208	64	272	82	29	-	237	208
Spain	4,023	6,702	1,111	361	1,471	276	114	-	1,224	1,111
Sweden	2,396	4,440	610	221	831	201	68	-	678	610
United Kingdom	10,739	18,657	3,314	1,126	4,440	646	303	-	3,617	3,314
NAB Participants without Bilateral Agreements										
Australia	3,236	4,370	831	-	831	80	91	187	922	1,018
Chile	856	1,360	226	-	226	25	24	58	251	284
Cyprus 3/	158	340	51	-	51	6	4	15	56	66
Israel	1,061	500	275	-	275	9	30	21	305	296
Korea	2,927	6,583	755	-	755	121	83	281	838	1,036
Kuwait	1,381	341	354	-	354	6	39	15	393	369
Luxembourg	279	971	79	-	79	18	8	41	87	120
Malaysia	1,774	340	453	-	453	6	50	15	503	468
Mexico	3,153	4,995	803	-	803	92	89	214	892	1,017
New Zealand	895	624	232	-	232	11	25	27	258	259
Philippines 3/	880	340	228	-	228	6	25	15	253	243
Russia	5,945	8,741	1,401	-	1,401	160	168	374	1,569	1,775
Saudi Arabia	6,986	11,126	1,827	-	1,827	204	197	475	2,024	2,302
Singapore	1,408	1,277	360	-	360	23	40	55	400	415
Switzerland	3,459	10,905	918	-	918	200	98	465	1,015	1,383
Thailand	1,441	340	371	-	371	6	41	15	411	386
United States	42,122	69,074	12,191	-	12,191	1,268	1,190	2,952	13,381	15,143
Other FTP Members										
Czech Republic	1,002	-	278	-	278	-	28	28	306	306
Malta	102	-	29	-	29	-	3	3	32	32
Slovakia	428	-	119	-	119	-	12	12	131	131
Slovenia	275	-	77	-	77	-	8	8	85	85
Algeria	1,255	-	327	-	327	-	35	35	362	362
Botswana	88	-	21	-	21	-	2	2	23	23
Brunei	215	-	14	-	14	-	6	6	20	20
Colombia	774	-	199	-	199	-	22	22	221	221
Libya	1,124	-	296	-	296	-	32	32	328	328
Mauritius	102	-	26	-	26	-	3	3	29	29
Oman	194	-	51	-	51	-	5	5	56	56
Peru	638	-	168	-	168	-	18	18	186	186
Poland	1,688	-	469	-	469	-	49	49	518	518
Qatar	303	-	79	-	79	-	9	9	88	88
Trinidad and Tobago	336	-	88	-	88	-	9	9	97	97
Tunisia	287	-	56	-	56	-	8	8	64	64
United Arab Emirates	612	-	155	-	155	-	17	17	172	172
Uruguay	307	-	80	-	80	-	9	9	89	89
Total	194,700	363,247	53,449	19,278	72,727	7,196	5,500	5,500	58,949	58,949
Bilateral Creditors	107,012	241,019	29,563	19,278	48,841	4,953	3,023	-	32,586	29,563
Other NAB participants	77,961	122,228	21,355	-	21,355	2,244	2,202	5,225	23,557	26,580
Other FTP members	9,727	-	2,531	-	2,531	-	275	275	2,806	2,806

1/ Projected at end-March 2011.
2/ Assuming no receipts.
3/ It is assumed that these members will adhere to the NAB shortly.

Table 2. Burden Sharing Among NAB Participants
Hypothetical Budget of SDR 5.5 Billion for Late-March-July 2011

(End of period; in million of SDRs)

	NAB participants with bilateral agreements	NAB participants without bilateral agreements
Quotas	107,012	77,961
NAB Credit Arrangement	241,019	122,228
Borrowing	24,231	2,244
RTP		
Current Rule	32,586	23,557
Modified Rule	29,563	26,580
Memorandum Items:		
NAB shortfall of other NAB participants 1/		10,045
Excess RTP of other NAB participants 1/		
Current Rule		(182)
Modified Rule		5,043

1/ As defined in paragraph 6.

III. Concluding Remarks

11. **The temporary modification of the current rule for allocating transfers in the FTP as described in Section II and further specified in Annex II would provide a potential way to address the issue of imbalances in the borrowing positions of those FTP members that are NAB participants.** It is proposed to introduce the modified rule with the next FTP adopted by the Executive Board after the effectiveness of the proposed decision. Adoption of the draft decision below would modify Decision No. 11837-(98/121) to introduce the modified rule on the allocation of transfers. Under the revised guidelines, the current rule for the allocation of transfers would be restored when the bilateral agreements are terminated and any imbalances in NAB positions resulting from the folding-in of claims under pre-NAB bilateral agreements have been eliminated.[14]

[14] In addition to the modification to the allocation-of-transfers rule, staff has made a number of technical changes, primarily to replace references to the "operational budget" with references to the "Financial Transactions Plan" or "FTP". A redline of the guidelines showing the changes under the proposed decision over the current guidelines can be found in Annex III.

PROPOSED DECISION

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

The Guidelines for the Allocation of Currencies adopted under Decision No. 11837-(98/121), adopted November 30, 1998 shall be amended to read as follows:

FINANCIAL TRANSACTIONS PLAN—GUIDELINES FOR ALLOCATION OF CURRENCIES

1. (a) Currencies to be used for transfers under the Financial Transactions Plan (FTP) will be allocated in proportion to members' quotas, subject to subparagraph (b) below.

(b) For as long as the Fund has pre-NAB bilateral agreements with members that are participants in the New Arrangements to Borrow (NAB) or with the institutions of such members, or following the termination of such agreements for as long as any imbalances in NAB positions resulting from the folding in of claims under such agreements remain, currencies to be used for transfers under the FTP shall be allocated in accordance with the principles set out in paragraphs 5 - 7 and Annex II of EBS/11/41 (3/18/2011).

2. Currencies to be used for receipts under the FTP will be allocated in such a way as to promote over time-balanced positions in the Fund in relation to quotas. Receipts in currencies will be allocated to members with positions in the Fund above the average of all members included in the FTP. The amount allocated in each currency shall be in proportion to the difference between the member's position in the Fund and the projected average of all members included in the FTP, expressed as a percent of quota, at the end of the FTP period.

3. A member’s “position in the Fund” shall be defined as its reserve tranche position plus any outstanding loans to the Fund by the member or an institution of the member under credit arrangements that are judged by the Fund to provide it, on a continuing basis, with the ability to finance uses of its resources by members on terms comparable to those applicable to the Fund’s use of its currency holdings for this purpose.

4. The Fund’s holdings of a member’s currency in terms of quota resulting from allocations of currencies for transfers shall not be reduced below a floor of one-half of the projected average level, in percent of quota, of the Fund’s holdings of usable currencies at the end of the FTP period.

5. The Fund will seek to maintain adequate working balances of each member’s currency included in the FTP for transfers of not less than 10 percent of the quotas of these members.

6. These guidelines will enter into effect with the next FTP adopted by the Executive Board after the effectiveness of this decision. Their operation will be reported to the Executive Board in the context of the quarterly FTP.

ANNEX I

Current Guidelines for Allocation of Currencies in the Financial Transactions Plan

1. Pursuant to Decision No. 11386-(96/107), adopted December 2, 1996, the Fund has reviewed the guidelines for the use of currencies in the General Resources Account approved by Decision No. 10279-(93/19), adopted February 10, 1993. The Executive Board approves the new guidelines set out below:

2. Currencies to be used for transfers in the operational budget will be allocated in proportion to members' quotas.

3. Currencies to be used for receipts in the operational budget will be allocated in such a way as to promote over time-balanced positions in the Fund in relation to quotas. Receipts in currencies will be allocated to members with positions in the Fund above the average of all members included in the operational budget. The amount allocated in each currency shall be in proportion to the difference between the member's position in the Fund and the projected average of all members included in the operational budget, expressed as a percent of quota, at the end of the budget period.

4. A member's "position in the Fund" shall be defined as its reserve tranche position plus any outstanding loans to the Fund by the member or an institution of the member under credit arrangements that are judged by the Fund to provide it, on a continuing basis, with the ability to finance uses of its resources by members on terms comparable to those applicable to the Fund's use of its currency holdings for this purpose.

5. The Fund's holdings of a member's currency in terms of quota resulting from allocations of currencies for transfers shall not be reduced below a floor of one-half of the projected average level, in percent of quota, of the Fund's holdings of usable currencies at the end of the budget period.

6. The Fund will seek to maintain adequate working balances of each member's currency included in the operational budget for transfers of not less than 10 percent of the quotas of these members.

7. These guidelines will enter into effect with the operational budget for the period December 1998-February 1999. Their operation will be reported to the Executive Board in the context of the quarterly operational budgets.

8. The guidelines will be reviewed by the Executive Board not later than December 31, 2000 (EBS/98/194, 11/17/98).

Decision No. 11837-(98/121), adopted November 30, 1998

ANNEX II

Modified Rule for the Allocation of Currencies for Transfers in the FTP

The modified rule for allocation of currencies for transfers allocates purchases to those NAB participant FTP members that do not have bilateral agreements ("other NAB participants") based on their NAB shortfall in relation to their excess RTP. After the NAB activation, creditors with bilateral agreements ("bilateral creditors") are expected to fold in their claims and acquire equivalent NAB positions, thus creating imbalances within the NAB. The imbalance at a group level is measured by the amount of additional claims other NAB participants would need to extend to reach the bilateral creditors' ratio of outstanding NAB claims to NAB credit arrangements. Specifically, the NAB shortfall of other NAB participants in SDR terms can be represented as

$$NABO^{BC} * \frac{NAB^{ONP}}{NAB^{BC}} - NABO^{ONP}, \qquad (1)$$

where NABO stands for NAB credit outstanding, NAB is the size of the credit arrangement and the superscripts "BC" and "ONP" denote NAB participants with bilateral agreements ("bilateral creditors") and other NAB participants, respectively.

The proposed approach to fair burden sharing implies that the NAB shortfall as defined by (1) needs to be compensated by allocating currencies for transfers to other NAB participants so as to increase their reserve tranche position (RTP) relative to bilateral creditors. In this context, the excess RTP of other NAB participants in SDR terms is defined as

$$RTP^{ONP} - \frac{Q^{ONP}}{Q^{BC}} * RTP^{BC}, \qquad (2)$$

where Q denotes quota. Fair burden sharing is achieved at the group level when the SDR amount of the excess RTP is equal to the SDR amount of the NAB shortfall of other NAB participants, in other words, when equality between (1) and (2) is achieved.

The feasibility of balancing the excess RTP and the NAB shortfall will depend critically on the amount of transfers that need to be financed by quota resources in a given time period. Let T denote the amount of total transfers in period τ and let t denote the amount of transfers allocated to other NAB participants during that period. It is then possible to express each group's RTP in the next period as:[15]

$$\mathrm{RTP}_{\tau+1}^{\mathrm{ONP}} = \mathrm{RTP}_{\tau}^{\mathrm{ONP}} + \mathrm{t} \qquad (3)$$

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[15] For simplicity it is assumed that no receipts will be allocated in period τ.

$$\mathrm{RTP}^{\mathrm{BC}}_{\tau+1} = \mathrm{RTP}^{\mathrm{BC}}_{\tau} + \mathrm{T} - \mathrm{t}, \tag{4}$$

A unique solution t^* is obtained when the NAB shortfall is equal to the excess RTP, i.e., equations (1)-(2) = 0. [16]

The following cases are possible:

(i) $0 < T < t^*$. In this case the required amount of transfers allocated to other NAB participants consistent with the equilibrium condition is higher than the total amount of transfers available. The rule then implies allocating all transfers to other NAB participants in partial compensation for their NAB shortfall. Such a situation will likely occur in the initial periods when the NAB shortfall will be large and purchases are not large enough to fully compensate the NAB shortfall through the build up of excess RTP of other NAB participants.

(ii) $0 \leq t^* \leq T$. If the solution t^* is non-negative and not greater than T, transfers in the amount of t^* will be allocated to other NAB participants and transfers in the amount of $(T\text{-}t^*)$ will be allocated to bilateral creditors. In this case, the NAB shortfall is fully compensated through excess RTP.

(iii) $t^* < 0$. Since purchases cannot be negative, all transfers will be allocated to bilateral creditors. This situation would occur at a time after balance has been reached and the excess RTP is being reduced in line with further reductions in the NAB shortfall. In this case, the excess RTP will exceed the NAB shortfall, because transfers are not large enough to reduce the excess RTP which has been build up in earlier period and is further increased through large receipts.[17]

Once the amounts of transfers have been determined at the group level for bilateral creditors and other NAB participants, allocations to individual NAB participants within those two groups are made in proportion to members' NAB credit arrangements.

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[16] As a first step, the NAB shortfall is calculated independently given the amounts of purchases under pre- and post-NAB commitments and the borrowing to quota ratios using the rules for drawings under the NAB. Next, (3) and (4) are substituted into (2) to obtain a linear equation with respect to t^*.

[17] Maintaining balance between the NAB shortfall and the excess RTP requires an unwinding of the excess RTP of other NAB participants by allocating more transfers to bilateral creditors to increase their RTP relative to that of other NAB participants. However, the amount by which the RTP of bilateral creditors may need to be increased to maintain balance could be greater than the total amount of transfers available, hence the result $t^*<0$. This situation would be more likely to occur if receipts are large, as they will tend to be allocated to bilateral creditors as their positions in the Fund (including borrowing) would tend to be above average.

Annex III

Redlined Version of the Current Guidelines for Allocation of Currencies in the Financial Transactions Plan

~~1. Pursuant to Decision No. 11386-(96/107), adopted December 2, 1996, the Fund has reviewed the guidelines for the use of currencies in the General Resources Account approved by Decision No. 10279-(93/19), adopted February 10, 1993. The Executive Board approves the new guidelines set out below:~~

1. (a) Currencies to be used for transfers ~~in the operational budget~~under the Financial Transactions Plan (FTP) will be allocated in proportion to members' quotas, subject to subparagraph (b) below.

(b) For as long as the Fund has pre-NAB bilateral agreements with members that are participants in the New Arrangements to Borrow (NAB) or with the institutions of such members, or following the termination of such agreements for as long as any imbalances in NAB positions resulting from the folding in of claims under such agreements remain, currencies to be used for transfers under the FTP shall be allocated in accordance with the principles set out in paragraphs 5 - 7 and Annex II of EBS/11/--_ (3/--/2011).

2. Currencies to be used for receipts ~~in~~under the ~~operational budget~~FTP will be allocated in such a way as to promote over time-balanced positions in the Fund in relation to quotas. Receipts in currencies will be allocated to members with positions in the Fund above the average of all members included in the ~~operational budget.~~FTP. The amount allocated in each currency shall be in proportion to the difference between the member's position in the Fund and the projected average of all members included in the ~~operational budget~~FTP, expressed as a percent of quota, at the end of the ~~budget~~FTP period.

3. A member's "position in the Fund" shall be defined as its reserve tranche position plus any outstanding loans to the Fund by the member or an institution of the member under credit arrangements that are judged by the Fund to provide it, on a continuing basis, with the ability to finance uses of its resources by members on terms comparable to those applicable to the Fund's use of its currency holdings for this purpose.

4. The Fund's holdings of a member's currency in terms of quota resulting from allocations of currencies for transfers shall not be reduced below a floor of one-half of the projected average level, in percent of quota, of the Fund's holdings of usable currencies at the end of the ~~budget~~FTP period.

5. The Fund will seek to maintain adequate working balances of each member's currency included in the ~~operational budget~~FTP for transfers of not less than 10 percent of the quotas of these members.

6. These guidelines will enter into effect with the ~~operational budget for the period December 1998–February 1999.~~next FTP adopted by the Executive Board after the effectiveness of this decision. Their operation will be reported to the Executive Board in the context of the quarterly ~~operational budgets~~FTP.

~~9. The guidelines will be reviewed by the Executive Board not later than December 31, 2000 (EBS/98/194, 11/17/98).~~