

(4) 7 5/6

December 15, 1976

Stand-By Arrangement--United Kingdom

1. Annexed hereto is a letter dated December 15, 1976, from the Chancellor of the Exchequer setting forth the objectives and policies which the authorities of the United Kingdom will pursue.
2. The International Monetary Fund grants this stand-by arrangement to support these objectives and policies.
3. The United Kingdom will remain in close consultation with the Fund during the period of the stand-by arrangement and, in particular, will consult with the Fund in accordance with paragraph 2.5 of the annexed letter and paragraph 6 below. These consultations may include correspondence and visits of officials of the Fund to the United Kingdom or of representatives of the United Kingdom to Washington, D.C. For the purposes of these consultations, the United Kingdom will keep the Fund informed of developments in the exchange, trade, credit and fiscal situation through reports at intervals or dates requested by the Fund.
4. For a period of two years from January \_\_, 1977, the United Kingdom will have the right, after making full use of any gold tranche that it may have, to purchase from the Fund the currencies of other members in exchange for its own currency in an amount equivalent to SDR 3,360 million provided that:
  - (i) Purchases under the stand-by arrangement shall not, without the consent of the Fund, exceed
    - the equivalent of SDR 870 million until May 15, 1977,
    - the equivalent of SDR 1,220 million until August 15, 1977,
    - the equivalent of SDR 1,570 million until November 15, 1977,
    - the equivalent of SDR 1,920 million until February 15, 1978,
    - the equivalent of SDR 2,310 million until May 15, 1978,
    - the equivalent of SDR 2,660 million until August 15, 1978, and
    - the equivalent of SDR 3,010 million until November 15, 1978.
  - (ii) The right of the United Kingdom to make purchases under the stand-by arrangement shall be subject to paragraph 5 below to the extent that such purchases would increase the Fund's holdings of sterling beyond the first credit tranche.

If at any time any limit in (i) above would prevent a purchase under the stand-by arrangement that would not increase the Fund's holdings of sterling beyond the first credit tranche, the limit will not apply to that purchase. The amounts available in accordance with this paragraph 4 shall be augmented by the amounts equivalent to repurchases in respect of purchases under the stand-by arrangement, unless when any such repurchase is made the United Kingdom informs the Fund that it does not wish the stand-by arrangement to be augmented by the amount of that repurchase.

5. During any period of the stand-by arrangement in which the limits specified in paragraphs 1 and 2 of the annex to the attached letter are not observed, or the intentions in paragraph 2~~4~~ of the attached letter are not being carried out, or understandings on the limits specified in paragraph 1 of the annex to the attached letter for the period of the stand-by arrangement after July 31, 1977, and paragraph 2 of the annex to the attached letter for the period of the stand-by arrangement after January 16, 1978, are not reached, the United Kingdom will not request any purchases under the stand-by arrangement which would raise the Fund's holdings of its currency beyond the first credit tranche, except after reaching understandings with the Fund regarding the circumstances in which such purchases may be made.
6. During the period of the stand-by arrangement, the United Kingdom will consult the Fund on the adoption of any measures that may be appropriate at the initiative of the United Kingdom or whenever the Managing Director requests consultation because any of the criteria referred to in paragraph 5 above are not being observed or because he considers that consultation on the program is desirable. In addition, after the period of the stand-by arrangement and while the Fund's holdings of sterling above the first credit tranche include currency resulting from purchases under the stand-by arrangement, the Government of the United Kingdom will consult the Fund from time to time, at the initiative of the Government or at the request of the Managing Director, concerning the United Kingdom's balance of payments policies.
7. The United Kingdom will pay charges for this stand-by arrangement in accordance with Executive Board Decision Nos. 270-(53/95), adopted December 23, 1953; 876-(59/15), adopted April 27, 1959; and 1345-(62/63), adopted May 23, 1962.
8. Subject to paragraph 4 above, the United Kingdom will have the right to engage in the transactions covered by this stand-by arrangement without further review by the Fund. This right can be suspended only with respect to requests received by the Fund after (a) a formal ineligibility, or (b) a decision of the Executive Board to suspend transactions, either generally (under Article XVI, Section 1(a)(ii) or in order to consider a proposal made by an Executive Director or the Managing Director, formally to suppress or to limit the eligibility of the United Kingdom. When notice of a decision of formal ineligibility or of a decision to consider a proposal is given pursuant to this paragraph 8, purchases under this stand-by arrangement will be resumed only after consultation has taken place between the Fund and the United Kingdom and understandings have been reached regarding the circumstances in which such purchases can be resumed.
9. Not later than three years after each purchase of exchange by the United Kingdom under this arrangement, the United Kingdom shall repurchase an equivalent amount of sterling from the Fund, provided that, if sterling held by the Fund as a result of transactions under this arrangement is reduced by repurchases under Article V, Section 7, or otherwise, such reductions shall be credited against the earliest amounts that become payable under this paragraph 9. Repurchases shall be made with the assets specified by the Fund at the time of the repurchase in accordance with the Fund's policies and practices at the time of the repurchase.

10. The rate of exchange at which the United Kingdom will purchase currencies from the Fund in exchange for sterling and at which the Fund will return sterling in repurchase operations and make all other computations involving sterling will be such rate as the Fund may from time to time determine under Article IV, Section 8, of the Fund Agreement.