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CONFIDENTIAL

December 16, 1976

To: Members of the Executive Board

From: The Secretary

Subject: General Arrangements to Borrow: Proposal for  
Future Calls for Exchange Transactions  
Under Proposed Stand-by Arrangement for the  
United Kingdom

Attached for the information of the Executive Directors is the text of a communication from the Managing Director to all participants in the General Arrangements to Borrow. This communication was cabled on December 15, 1976.

The communication sets forth the Managing Director's proposal for future calls for exchange transactions under the proposed stand-by arrangement for the United Kingdom and includes explanatory comments on the proposal and on some other aspects of the financing of purchases under the proposed stand-by arrangement. In accordance with paragraph 14 of the General Arrangements to Borrow, the proposal was cabled to the fiscal agencies of Belgium, Canada, France, Japan, the Netherlands and the United States, and to the Deutsche Bundesbank and the Sveriges Riksbank.

Under paragraph 7(a) of the General Arrangements to Borrow, the proposal shall become effective only after its acceptance by the participants on whom calls will be made under the proposal and its approval by the Executive Directors. The text of the necessary decision by the Executive Directors will be circulated when the acceptances of the participants have been received. The proposed decision would be brought to the agenda immediately after the Executive Directors' discussion of the proposed stand-by arrangement for the United Kingdom.

Att: (1)

Attachment

Following is text of cable transmitted on December 15, 1976 to all participants in the General Arrangements to Borrow:

To: Participants in the General Arrangements to Borrow

From: H. Johannes Witteveen, Managing Director

Subject: Communication of Proposal for Future Calls  
for Exchange Transactions Under Proposed  
Stand-by Arrangement for the United  
Kingdom: Explanatory Comments

1. The following communication is being transmitted to all participants in the General Arrangements to Borrow.
2. Attached is a copy of the cable setting forth a proposal under the General Arrangements to Borrow for future calls totaling the equivalent of SDR 2,560 million for exchange transactions under the proposed stand-by arrangement for the United Kingdom. The proposal has been sent to the eight participants under whose credit arrangements calls would be made for acceptance by them in accordance with paragraph 7(a) and the procedure of paragraph 14 of the General Arrangements to Borrow. In accordance with paragraph 7(b) of the General Arrangements to Borrow, the amounts to be called from participants under the proposal are based on the present and prospective balance of payments and reserve positions of participants.
3. It is intended to finance the balance of the amount of the proposed stand-by arrangement for the United Kingdom, which is for a total equivalent to SDR 3,360 million, as follows: the equivalent of SDR 300 million with U.S. dollars borrowed by the Fund under an agreement with the Swiss National Bank currently under negotiation, and the equivalent of SDR 500 million from the Fund's holdings of currencies and SDRs. The Fund's holdings will be used to finance purchases under the proposed stand-by arrangement only after the Fund has utilized the total amount to be borrowed under the General Arrangements to Borrow pursuant to the proposal.
4. It is intended to make calls under the borrowing agreement with the Swiss National Bank when purchases are made by the United Kingdom under the proposed stand-by arrangement. The amount to be called under that borrowing agreement when a purchase is made will be in the same proportion as the purchase bears to the total amount of the proposed stand-by arrangement, provided that, if the total amount to be borrowed under a proposal for future calls approved by the Executive Directors pursuant to paragraph 7(a) of the General Arrangements to Borrow to

finance the proposed stand-by arrangement for the United Kingdom is reduced below the equivalent of SDR 2,560 million, the Swiss National Bank will have the option to reduce the total amount available under the borrowing agreement (SDR 300 million) by the same proportion.

5. The proposal for future calls is subject to all the provisions of paragraph 7 of the General Arrangements to Borrow that deal with such a proposal including paragraph 7(c) and (d). It will be effective for the period of the proposed stand-by arrangement for the United Kingdom but changes may be made in it in accordance with paragraph 7(c) and (d) of the General Arrangements to Borrow and paragraph 6 below. It has been established that under paragraph 7(d) the Managing Director has the authority, even in the absence of notice by a member, to propose that substitute amounts be made available if he believes that this is justified by paragraph 7(d).

6. When the total amount of purchases by the United Kingdom has reached SDR 1,950 million, but not later than January 16, 1978, the Managing Director intends to review, in consultation with participants and Executive Directors, the arrangements for the financing of purchases during the second year of the proposed stand-by arrangement in the light of the Fund's liquidity and the balance of payments and reserve position of each participant in the General Arrangements to Borrow. As a result of this review, and taking into account the views expressed in the consultations, the Managing Director may propose alternative arrangements for the financing of further purchases under the proposed stand-by arrangement, including a new proposal for future calls for a total amount that could be larger or smaller than the total amount to be borrowed under the original proposal.

7. The original proposal will remain effective until a new proposal, in accordance with paragraph 5 or paragraph 6 above, is approved under paragraph 7 of the General Arrangements to Borrow.

Attachment

To: Fiscal Agencies of Belgium, Canada, France, Japan  
The Netherlands and the United States, and the  
Deutsche Bundesbank and Sveriges Riksbank

In accordance with the provisions of the General Arrangements to Borrow, I hereby submit the following proposal for future calls under participants' credit arrangements for exchange transactions under the proposed stand-by arrangement for the United Kingdom.

1. The Fund will be entitled to make calls as follows:

- in Belgian francs equivalent to SDR 45,000,000 under the credit arrangement of Belgium;
- in Canadian dollars equivalent to SDR 55,000,000 under the credit arrangement of Canada;
- in deutsche mark equivalent to SDR 785,000,000 under the credit arrangement of the Deutsche Bundesbank;
- in French francs equivalent to SDR 50,000,000 under the credit arrangement of France;
- in Japanese yen equivalent to SDR 555,000,000 under the credit arrangement of Japan;
- in Netherlands guilders equivalent to SDR 105,000,000 under the credit arrangement of the Netherlands;
- in Swedish kronor equivalent to SDR 20,000,000 under the credit arrangement of the Sveriges Riksbank;
- in U.S. dollars equivalent to SDR 945,000,000 under the credit arrangement of the United States.

2. Calls under (1) above will be made on the occasion of each purchase by the United Kingdom under the proposed stand-by arrangement up to and including the purchase that brings the total of such purchases to the equivalent of SDR 2,860 million.

3. When calls are made, the proportion of the amount for each participant set out in paragraph 1, above, shall be the same as the total amount of the calls for that purchase bears to the amount of SDR 2,560 million.

4. The amount of a currency to be borrowed on each occasion shall be calculated on the occasion of each call in accordance with the value of that currency in terms of the special drawing right under Rule 0-3 of the Fund's Rules and Regulations in effect when the calculation is made.

5. I am submitting this proposal for acceptance by participants pursuant to paragraph 7(a) of the General Arrangements to Borrow.

6. In accordance with paragraph 14 of the General Arrangements to Borrow, this communication is sent to the fiscal agencies of Belgium, Canada, France, Japan, the Netherlands, and the United States, and the Deutsche Bundesbank and Sveriges Riksbank.

H. Johannes Witteveen  
Managing Director