Minutes of the Sixth Meeting of Committee 1 of Commission I
(July 12, 1944, 2:30 p.m.)

At the request of the Drafting Committee of Commission I, the Chairman resubmitted to the Committee that portion of the language of Article II, Section 5, which reads as follows:

> "Each member shall pay in gold as a minimum either (a) twenty-five percent of its quota or (b) ten percent of its official holdings of gold and gold convertible exchange[1] as at ______________, whichever is smaller. If the holdings of any member are not ascertainable as at such date because its territories have been occupied by the enemy the Fund shall fix an appropriate alternative date."

The Committee was requested to fill in the date in this provision. After some discussion the Committee agreed to refer this question directly to Commission I solely on the ground that the various Delegations had not had time to consider the problems involved.

The Committee then, after consideration, agreed to drop Alternative F of Article I (p. 1(c) of SA/1), relating to the purposes of the Fund. It also considered Alternatives C and D under Article II, which provide for a payment of a portion of a Member's subscription in silver and referred them to Commission III. The Committee then considered Article IX, Section 8, Alternative A, which makes it an obligation of Member countries to cooperate with other Members in the control of international movements of capital. Since it appeared to the Committee that this objective was covered under new language to be proposed for Article IX, Section 3, paragraph (c), this Alternative was not pressed.

The Committee then received the third report of its Drafting, or language, Committee. It agreed to the recommendation to accept Section 4, Article I, which deals with the promotion of exchange stability and Section 2, Article IX (p. 38 of SA/1) which reads as follows:

> "The Fund shall prescribe for transactions in gold by member countries a permissible margin above and below the agreed parity. No member country shall buy gold at a price above the prescribed range, nor sell gold at a price below that range."

In accepting this language, the Committee felt that Member countries were not excluded thereby from giving special encouragement to their gold-mining industries for purely domestic reasons by means other than paying a higher price for gold.

1/ The phrase "gold and gold convertible exchange" is subject to definition and to such change in terminology as may be agreed upon.

The Committee received the recommendation of its Drafting Committee of the following language for Article IX, Section 3, paragraph (a):

"(a) The Fund shall prescribe a uniform maximum margin not exceeding ________% by which rates for transactions in the currencies of members may differ from parity. In exceptional circumstances the Fund may authorize a member country to establish a wider margin for transactions in its currency."

Since in the Committee's view this matter closely relates to problems in Committee 2, it referred the suggestion to Commission I for consideration by the appropriate ad hoc committee. It was pointed out in the discussion that the proposed language does not clearly provide that the margin fixed could not be changed from time to time by the Fund but was to be a maximum determined at this Conference. The points of substance referred to Commission I were the determination of the figure to be inserted and the question of whether the margin should apply to spot transactions only or also to futures.

The Committee considered Alternatives A and B of Article IX, Section 3, paragraph (c), pp. 39 and 39a, Document SA/1, and in addition new language proposed by the Drafting Committee reading as follows:

"(c) Exchange transactions in the territory of one member involving the currency of any other member which are outside the prescribed variation from parity set forth in (a) above shall not be enforceable in the territory of any member country.

"Each member agrees to cooperate with other members in their efforts to effectuate exchange regulations prescribed by such members in accordance with this Agreement."

The Delegation of the United Kingdom expressed ~~their~~ willingness to recede from Alternative B, providing Alternative A were accepted and the United States Delegate expressing a preference for the Drafting Committee language, requested more time for consideration. The Committee referred all three Alternatives to Commission I with the recommendation that they be worded in a manner similar to that proposed for paragraph (a).

This completed the work of the Committee on all the matters assigned to it for which material had been provided.