

A noteworthy feature of the Monetary Fund proposal is that, besides providing for certain requirements and limitations which are necessary to make the Fund workable, it provides also for a good measure of flexibility, thereby ensuring that the rules of the Fund are sufficiently adaptable to deal with special circumstances and vicissitudes affecting member countries.

QUOTAS

Each country which elects to join the Fund will be required to lodge with the Fund the amount of its quota (as specified in Appendix B of this report). The aggregate of these quotas for the forty-four countries represented at the Conference is \$8,800,000,000, which is equivalent to £(N.Z.)2,750,000,000. The quota assigned to New Zealand is \$50,000,000, or £(N.Z.)15,625,000.

Though at the outset the quotas representing the subscription to be deposited in the Fund are limited to a fixed figure for each member, there is a provision for review and adjustment where appropriate, but always subject to the consent of the member concerned.

The following table sets out the composition of the New Zealand quota subscription on present indications:—

	£(N.Z.)
(a) Subscription in gold—(i.e., 10 per cent. of official holdings of gold and U.S.A. dollars)	Approx. 750,000
(b) Subscription in New Zealand currency	14,875,000
	15,625,000

The method of making the subscription available to the Fund would be as follows:—

- (a) The portion payable in gold would be delivered to the Fund and held in a depository designated by the Fund in accordance with Article XIII Section 2 (b) of the Fund Agreement:
- (b) The balance of the subscription would be credited to the Fund's account, in New Zealand currency, in the books of the Reserve Bank of New Zealand.

TRANSACTIONS WITH THE FUND

The procedure according to which transactions between member countries and the Fund would take place may be illustrated by the following example:—

- (a) The New Zealand Government, through the medium of the Reserve Bank or otherwise, informs the Fund that sterling to the value of £(N.Z.)2 million is needed to meet payments to (say) the United Kingdom in respect of current trading transactions:
- (b) The Reserve Bank credits the Fund's account at the Reserve Bank with £(N.Z.)2 million—in return for which the Fund authorizes the Bank of England to debit the Fund's account at that Bank with the sterling equivalent of £(N.Z.)2 million, and pay the amount to the Reserve Bank's ordinary working account in London.

The results of this operation are as follows:—

- (1) (a) The Fund's holding of New Zealand currency has increased by £(N.Z.)2 million:
- (b) The Fund's holding of sterling has decreased by the equivalent of £(N.Z.)2 million.

These transactions balance each other in the books of the Fund.

- (2) (a) The Reserve Bank's deposit liabilities in New Zealand are increased by £(N.Z.)2 million:
- (b) The Reserve Bank's sterling assets (held outside the Fund) are increased by the equivalent of £(N.Z.)2 million.

These transactions balance each other in the books of the Reserve Bank.

Conversely, if, not having other resources available, another member desired to acquire from the Fund New Zealand currency to enable it to make payment for goods purchased from New Zealand, it could lodge its own currency with the Fund in exchange for New Zealand currency, and with the New Zealand currency so acquired it could make payment for New Zealand exports.

The effect of such a transaction would be to decrease the Fund's holding of New Zealand currency, and correspondingly increase the Fund's holding of the currency of the member which initiated the transaction.

From the nature of these transactions it will be seen that the Fund is intended, not as a clearing-house for international transactions, but as a means whereby the foreign exchange resources of members may be supplemented if and when the need arises.

In order to safeguard both the effectiveness of the Fund and the interests of its members as a whole, there are limitations on the extent to which a member can lodge its own currency with the Fund in exchange for the currencies of other members.

This applies both to the amount which can be availed of in any one year (namely, 25 per cent. of the amount of the member's quota) and to the maximum cumulative amount over a period of years (namely, 100 per cent. of the amount of the member's quota).