

General Account) would continue to be in the currencies of member countries. Thus, a member in need of reserve credit from the IMF could secure it by drawing dollars, sterling, marks, francs, lire, guilders or other currencies, as it does now. Repurchases would also be made as now, in any currencies which the IMF holds in an amount less than 75 percent of the quota. Repurchases would be made in CRUs, however, in those instances in which they would otherwise be made in gold. Similarly, charges which are now paid in gold would be paid in CRUs. When the IMF finds it necessary to replenish its holdings of any currency in the General Account, it would acquire that currency by the transfer of CRUs, in much the same way as it now does through the sale of gold.

*Foreign exchange.*—Every participating country would agree with the IMF what currency holdings should be included in its foreign exchange reserves. These reserves would be divided into two categories—foreign exchange retained as working balances and foreign exchange placed on earmark with the Reserve Settlement Account for which they would be credited with an equivalent amount in CRUs. The foreign exchange placed on earmark would become fixed fiduciary reserves that could not be increased in the future. The working balances would be retained by the member's central bank. While changes in such holdings would occur in connection with the operations of the monetary authorities, accumulations in excess of appropriate working balances would have to be converted into CRUs. Similarly, countries that run down their working balances could restore them by acquiring the needed currency through transfers of CRUs. No actual transfers would be made from the earmarked foreign exchange reserves except at the time of final settlement, when a member withdraws. At that time, all of the foreign exchange would be returned to the withdrawing country, in the same currencies as it earmarked, subject to the obligation to settle its cumulative deficit, if it has one, *pro rata* in each type of foreign exchange and other reserve assets.

In order to avoid disturbances in the money and capital markets of the reserve centers, the participating countries would earmark their foreign exchange reserves in precisely the form in which they are held. The Reserve Settlement Account would transfer these deposits and securities to the country whose liability they are, receiving in return a non-negotiable interest-bearing obligation of that country with an exchange value guarantee at the present gold parity. The reserve centers would have to make some arrangements to prevent a deflation of their banking system through the withdrawal of foreign official deposits. For example, in the United States, the Federal Reserve could make the same amount of banking reserves available to the same banks in which the foreign official deposits were held, on terms that would permit the same access to bank credit by foreign countries as they now have.

There are a number of questions in connection with the foreign exchange to be earmarked with the Reserve Settlement Account. It would not be desirable to treat as eligible foreign exchange reserves the balances in bilateral payments agreements. Similarly, foreign exchange balances acquired through reciprocal currency arrangements are reserve credit and should not be earmarked with the Reserve Settlement Account. On the other hand, special issues of securities held by the monetary authorities, whether denominated in dollars or their own currencies, are reserves and should be included in foreign exchange earmarked with the Reserve Settlement Account. The U.S. Treasury bills held by the IMF as a gold investment involve special problems. They should be earmarked with the Reserve Settlement Account, the IMF retaining the right to buy this amount of gold from the U.S. Treasury in the future. The IMF would receive CRUs for these Treasury bills.

The foreign exchange earmarked with the Reserve Settlement Account would be fixed fiduciary reserves, the amount of which could not be increased in the future. Thus, aggregate reserves would no longer be affected by the surplus or deficit of the reserve centers, as they would settle their payments in the same way as other countries, through transfers of CRUs or the conversion of their currencies in CRUs. Of course, the limitation on the holding of dollars and other currencies would apply only to official holdings, and would not affect present private balances or their future increase.

Provision could be made for the retirement of a part of the foreign exchange reserves earmarked with the Reserve Settlement Account and their replacement by SDRs whenever this would help strengthen the international monetary system. For example, if the United States should have a large and persistent surplus at some time in the future, so that there would be a threat of a renewed shortage