EXPLANATORY MEMORANDUM TO

THE INTERNATIONAL MONETARY FUND (LIMIT ON LENDING) ORDER 2010

2010 No. [XXXX]

1. This explanatory memorandum has been prepared by HM Treasury and is laid before the House of Commons by Command of Her Majesty.

This memorandum contains information for the Select Committee on Statutory Instruments.

2. Purpose of the instrument

2.1 To increase the limit on the amount HM Treasury can lend to the International Monetary Fund (IMF).

3. Matters of special interest to the Select Committee on Statutory Instruments

3.1 None

4. Legislative Context

4.1 To implement agreement reached by G20 countries in April 2009 to provide additional resources for the IMF.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

The Chancellor of the Exchequer has made the following statement regarding Human Rights:

In my view the provisions of the International Monetary Fund (Limit on Lending) Order 2010 are compatible with the Convention rights.

7. Policy background

- ***What is being done and why***

7.1 Recent events have underscored the need to ensure the IMF has adequate resources to respond to requests for assistance. Swift implementation of the G20 agreement to increase the IMF's lending capacity is necessary.

7.2 In April 2009, the G20 agreed to triple the resources available to the IMF to $750 billion. The G20 chose to use the New Arrangements to Borrow (NAB) as the vehicle to deliver this commitment.[1] The G20 agreed to expand the NAB by $500 billion, and to make it more flexible.

7.3 The UK's $15 billion bilateral loan to the IMF, which came into effect in September 2009, will be rolled into the NAB. During G20 negotiations last year, the UK agreed to provide up to an additional $11 billion on top of existing credit lines to the IMF to the expansion of the NAB.

7.4 The expanded NAB will become effective once countries have completed domestic legislative procedures. For the UK, this requires an increase to the limit on lending to the IMF. This limit is set under the International Monetary Fund Act 1979.

7.5 The current limit on UK lending to the IMF is 12.47 billion Special Drawing Rights (SDRs). The SDR is a unit of account used by the IMF. Its value is calculated daily as a weighted average of the US dollar, euro, yen and pound sterling. The current limit is equivalent to approximately £12.4 billion.[2] A new limit of SDR 18.65738 billion (approximately £18.6 billion[3]) will enable an increased UK contribution to the NAB.

7.6 The IMF has amended its NAB Decision to reflect changes in credit arrangements and reforms to the NAB framework. Text of the amendments will be made available in the Library of the House on the date this SI is laid.

- ***Consolidation***

7.6 N/A

8. Consultation outcome

8.1 No consultation was held.

9. Guidance

9.1 N/A

10. Impact

10.1 There is no impact on business, charities, voluntary bodies or the public sector.

10.2 An Impact Assessment has not been prepared for this instrument.

---

[1] The NAB is a multilateral framework for borrowing between the IMF and a group of countries.
[2] On 22 June 2010. The SDR value is calculated daily and is available on the IMF's website (www.imf.org).
[3] On 22 June 2010.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 N/A

13. Contact

Timo del Carpio at HM Treasury (tel: 0207 270 5351 or email: timo.delcarpio@hmtreasury.gsi.gov.uk) can answer any queries regarding the instrument.