EXPLANATORY MEMORANDUM TO

THE INTERNATIONAL MONETARY FUND (INCREASE IN SUBSCRIPTION) ORDER 2011

2011 No. 1766

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

2. Purpose of the instrument

2.1 This Order will authorise an increase in the United Kingdom's subscription to the International Monetary Fund (the "IMF").

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

3.1 None.

4. Legislative Context

4.1 The IMF is an international organisation constituted under Articles of Agreement. Each member country is represented by a Governor on the Board of Governors of the IMF. The voting rights of each member depend to a large extent on that member's quota. Each member is allocated a quota based broadly upon the size of its economy.

4.2 Resolution 66-2 of the Board of Governors of the IMF proposes an increase in the United Kingdom's quota. In order to obtain an increase in the United Kingdom's quota, the Government must increase the United Kingdom's subscription to the IMF. By this Order the Treasury will authorise the payment of the additional subscription from the National Loans Fund.

4.3 Copies of Resolution 66-2 will be made available in the Libraries of Parliament on the day after the date on which this Order is laid in draft. Copies of the Resolution and the Articles of Agreement of the IMF are also available on the IMF's website (www.imf.org).

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 (Increase in Subscription) Order 2011 are compatible with the Convention rights.

7. Policy background

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

7.1 In November 2010, the Group of Twenty (G20) countries agreed to increase the lending capacity of the IMF through a doubling of quotas. This was part of a wider package of governance reforms intended to deliver greater quota and board representation to the dynamic emerging and developing countries. This agreement was followed on 15 December 2010 by a resolution of the Board of Governors of the IMF proposing a general increase in quotas. This will increase the total quota size from approximately 238.4 billion Special Drawing Rights (SDR) to approximately SDR 476.8 billion.[1]

7.2 The current United Kingdom share of IMF quotas is SDR 10,738.5 million. This is equivalent to approximately £10.54 billion.[2] The agreed increase in total IMF quota will take the United Kingdom's contribution to SDR 20,155.1 million (approximately £19.77 billion[3]).

7.3 The United Kingdom must accept, and pay for, the increase in its quota before the increase can become effective. This Order will authorise the payment of the additional subscription.

7.4 Recent events in the global economy have underscored the need to ensure the IMF has adequate resources to respond to requests for assistance from its members. Given the current economic climate, swift implementation of the G20 agreement to increase the IMF's lending capacity is necessary. This will enable the IMF to continue playing a central role in the international financial system.

- ***Consolidation***

7.5 N/A

8. Consultation outcome

8.1 No consultation was held.

9. Guidance

9.1 N/A

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[1] 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.
[2] On 24 May 2011. The SDR value is calculated daily and is available on the IMF's website (www.imf.org).
[3] On 24 May 2011.

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.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 N/A

13. Contact

Azin Pourghazi at HM Treasury (tel: 0207 270 5172 or email: azin.pourghazi@hmtreasury.gsi.gov.uk) can answer any queries regarding the instrument.