EXPLANATORY MEMORANDUM TO

THE INTERNATIONAL MONETARY FUND (LIMIT ON LENDING) ORDER

2009 No. 1830

1. This explanatory memorandum has been prepared by HM Treasury and is laid before 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 the IMF can borrow from the UK

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

3.1 None

4. Legislative Context

4.1 To implement agreement reached at the Spring European Council and at the London Summit to provide immediate 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 2009 are compatible with the Convention rights.

7. Policy background

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

7.1 At the London Summit in April, there was agreement to triple the IMF's resources $750 billion. In the first instance, members are contributing to the Fund through bilateral loans to the IMF, i.e. individual states will enter into individual loan agreements with the IMF. These bilateral loan agreements will sum to at least $250 billion and will subsequently be incorporated in the IMF's reformed New Arrangements to Borrow (NAB). The NAB is an established multilateral framework for borrowing from a group of IMF member countries. This approach will ensure that the additional resources that have been pledged reach the IMF in the fastest possible way.

7.2 The UK has committed to provide a bilateral loan of $15 billion to the IMF, as the UK's share of the $250 billion immediate increase in the IMF's resources. This $15 billion forms part of the total $100 billion contribution put forward by EU Member States at the Spring European Council.

7.3 The current limit for IMF borrowing under the IMF Act 2.577 billion SDR (the SDR is a unit of account used by the IMF and its value is calculated daily as a weighted average of the US dollar, the euro, the yen and sterling). The current limit of 2.577 billion SDR is equivalent to approximately $3.9 billion[1]. An increase to the limit is being sought.

7.4 The increase will bring the limit to 12.47 billion SDR, which is equivalent to approximately $18.93 billion.[2] This combines the $15 billion bilateral loan as well as the UK's existing commitments under the New Arrangements to Borrow.

- ***Consolidation***

7.2 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.

11. Regulating small business

11.1 The legislation does not apply to small business.

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[1] On 15 May 2009 – the exchange rated is calculated daily and is available on the IMF's website (www.imf.org).

[2] Exchange rate on 15 May 2009.

12. Monitoring & review

12.1 N/A

13. Contact

Kate Atkinson at the HM Treasury (tel: 0207 270 6172 or email: kate.Atkinson@hm-treasury.x.gsi.gov.uk) can answer any queries regarding the instrument.