The International Financial Architecture

Old Issues and New Initiatives

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Introduction

The ongoing effort to reform the international financial system – what we now describe as the international financial architecture – began shortly after the Mexican crisis of 1994-95, which was resolved with the aid of $50 billion in short-term credits from the International Monetary Fund (IMF) and US Treasury. The architecture exercise has gone through several phases, focused on different issues, as the official community has sought to apply the lessons learned from the many crises that followed the Mexican crisis – the Asian crisis of 1997, the Russian crisis of 1998, the Brazilian and Ecuadorian crises of 1999 and, most recently, the Turkish and Argentine crisis of 2001-02. I have indeed described the architecture exercise as "reform on the run" (Kenen 2001).

Descriptions and assessments of the architecture exercise usually distinguish between two goals – reducing the frequency of crises (crisis prevention) and reducing the costs of crises (crisis resolution). The two efforts overlap. Measures to strengthen financial systems in emerging-market countries can perhaps reduce the frequency of crises but may also reduce the severity of crises. The recent move toward more flexible exchange rates will likewise reduce the vulnerability of emerging-market countries to speculative attacks on their currencies. But it may also reduce the temptation of banks and firms to take on large amounts of foreign-currency debt and would then diminish their vulnerability to the devastating balance-sheet effects of large exchange-rate changes, the resulting damage to their creditworthiness, and the implosion of domestic credit flows that was a chief cause of the sharp contraction in domestic output that characterized the Asian crisis.

Much has been already been done about crisis prevention. The IMF has developed and promulgated standards for the compilation and dissemination of economic and financial data, enabling market participants, as well as the Fund and other official institutions, to assess more readily the problems and prospects of individual countries. Standards and codes have also been drafted to aid in assessing the quality of national financial systems: *Core Principles for Banking Supervision* prepared by the Basel Committee on Banking Supervision, *Objectives and Principles of Securities Regulation* prepared by the International Organization of Securities Commissions, *Insurance Core Principles* prepared by the International Association of Insurance Supervisors, and *Principles of Corporate Governance* prepared by the

Organisation for Economic Cooperation and Development (OECD), as well as accounting and auditing standards and codes designed to foster transparency in the conduct of monetary and fiscal policies.

Some emerging-market countries have expressed reservations about the applicability of these standards to the conditions and arrangements prevailing in their countries, because most of the standards describe "best practice" and draw heavily on the experience of the industrial countries. Hence, they have insisted that compliance with those standards must be voluntary, and they have opposed attempts to devise incentives or penalties aimed at promoting compliance. At one point, for example, the Basel Committee on Banking Supervision proposed that national supervisors require banks to hold larger amounts of capital against their loans to banks in countries that have not subscribed to the Basle *Core Principles*, but they were obliged to back off. Nevertheless, many countries have signed up for intensive reviews of their financial systems under the Financial Sector Assessment Program (FSAP) conducted by the IMF and World Bank, and though the results of those assessments remain confidential, they serve as the basis for summary assessments of countries' compliance with the relevant standards and codes – the Reports on the Observance of Standards and Codes (ROSCs), which appear on the IMF's website and are therefore available to private-sector investors for use in judging country risk .

It is sometimes proposed that the IMF issue public warnings when economic and financial conditions in a particular country suggest that it is heading for a crisis. There are two objections. First, we do not have very good ways of predicting crises. Much work has been done on models designed to forecast crises, and while they have helped us to highlight conditions that make for vulnerability, they are less successful in predicting the actual onset of crises. That is not surprising, because crises are often triggered by political shocks – the assassination of a presidential candidate in Mexico, the refusal of a Brazilian state governor to honor his state's debts to the central government, or a furious quarrel between two Turkish politicians, Second, errors in forecasting crises could be very costly. Forecasting a crisis could trigger one that might not otherwise erupt. Failing to forecast a crisis that did then erupt could cause private investors to blame the IMF for the losses they then faced, putting the Fund under pressure to "bail out" the crisis country so as to rescue the investors. The *threat* to issue a public warning could perhaps be useful. Long before the onset of the Thai crisis in 1997, the IMF sent confidential warnings to the Thai government, but those warnings were ignored. A threat by the Fund to go public might have caused the Thai government to sit up and take notice. The Fund cannot threaten to go public, however, unless it is ready to do so when its warnings are ignored, and that would be risky for the reasons I have given.

Less progress has been made on the second front – crisis resolution. Soon after the Mexican crisis, a working group was convened to distil the lessons learned from the Mexican crisis and seek better ways of resolving future crisis. Its report (Group of 10 1996) was issued a full year before the Asian crisis and formally endorsed by the governments of the major industrial countries. Known as the Rey Report, after its Chairman, Jean-Jacques Rey of Belgium, it served as the point of departure for much the subsequent architecture exercise. Although it did not rule out large-scale official financing for a crisis-stricken country, the strategy adopted in the Mexican case, it warned against using it frequently. The use of official financing to repay private-sector claims, it said, is inconsistent with the principle of equitable burden-sharing and with the need to conserve official financial resources. Furthermore, routine recourse to large-scale financing would give rise to moral hazard on the part of both debtors and creditors. It would insulate debtors from the costs of imprudent borrowing and would insulate creditors from the costs of inadequate risk assessment.

The report rejected radical innovations, such as the proposal by Jeffrey Sachs (1995) for an international bankruptcy regime to meet the needs of sovereign debtors, partly because of the legal and practical problems involved, but also it found fault with the implicit analogy between an insolvent country and an insolvent firm. I will return to this issue. The report also recognized, however, that the problems of dealing with sovereign debt – the key issue in the Mexican case – are more difficult now than they were in the 1980s, when the debt problems of developing countries reflected their previous borrowing from large foreign banks. Today, the debts of sovereign borrowers consist largely of bond issues, not bank loans, and many investors hold those bonds, including investors that have no close links with the debtor countries. Nevertheless, the report concluded that debt workouts will be needed in order to avoid routine recourse to large-scale official financing. That, indeed, was its main message:

> [It is essential to maintain the basic principle that the terms and conditions of all debt contracts are to be met in full and that market discipline must be preserved. However, in exceptional cases, a temporary suspension of debt payments by the debtor may be unavoidable as a part of the process of crisis resolution and as a way of gaining time to put in place a credible adjustment program.

> [N]either debtor countries nor their creditors should expect to be insulated from adverse financial consequences by the provision of large-scale official financing in the event of a crisis. Markets are equipped, or should be equipped, to assess the risks involved in lending to sovereign borrowers and to set the prices and other terms of the instruments accordingly. There should be no presumption that any type of debt will be exempt from payments suspensions or restructurings in the event of a future sovereign liquidity crisis. (Group of 10 1996, i)

The Rey Report, however, dealt mainly with sovereign debt, not private-sector debt. In fact, it cautioned again interrupting debt payments by private-sector debtors. Trade credits and interbank credits, it said, are crucial links between a country and the world economy and should not be disrupted. Furthermore, a suspension of private-sector payments could require the use of exchange controls, which might impair a country's access to international capital markets and induce market participants to rush for the exits before controls could be imposed.

Nevertheless, the report made two recommendations aimed at promoting the resolution of sovereign debt problems. First, it proposed the inclusion in bond documentation of so-called collective-action clauses. These aim at organizing the representation of creditors and curbing the ability of dissident creditors to block a debt-restructuring agreement acceptable to the majority of creditors. Such clauses are routinely included in bonds issued under UK law but not bonds issued under US law. Indeed, US law requires that changes in the terms of payment of a bond issue be approved unanimously by the bondholders. Second, the report proposed that the IMF "lend into arrears" to a crisis-stricken country (i.e., provide financing to a country that has suspended its debt payments) if the IMF concludes that the country's government is following appropriate policies and making a good-faith effort to reach agreement with its private creditors. Such lending, it said, would tell private creditors that the country's policies deserve their support, and it would improve the debtor country's bargaining position by making it impossible for dissident creditors to block the country's access to IMF financing.

The Fund has adopted that recommendation, but very little has been done to promote the use of collective-action clauses. Emerging-market countries have been reluctant to adopt them on their own, believing that their use might raise the cost of borrowing, and the official community has declined to pull or push the emerging-market countries to employ those clauses.

When the Asian crisis erupted in 1997, some of us expected the official community to follow the advice of the Rey Report – to withhold large-scale official financing and thus force Thailand to suspend its debt payments. But the relevant debt in this instance was interbank debt, not sovereign debt. Furthermore, there was concern that a suspension of debt payments would generate contagion – a flight by private creditors from other Asian countries. Recall that the Thai crisis was seen at first as a "glitch" unlikely to contaminate neighboring countries. Nevertheless, the strategy adopted to cope with the Thai crisis was different from the one adopted to cope with the Mexican crisis. The core of the problem in the Mexican case was the large stock of short-term dollar-indexed government debt, the so-called *tesobonos*. Mexico could not redeem them, given its small foreign-currency reserves, and could not roll them over, because foreign investors knew that Mexico could not redeem them. But the amount of official financing for Mexico was sufficiently large not only to redeem that debt but also to rebuild Mexico's reserves. In the Thai case, by contrast, the amount of official financing was smaller than the stock of short-term foreign-currency debt owed by the Thai banks – and that was also true in the Korean case. In this respect, indeed, the Mexican case was unique. It was only case in which the IMF acted in a manner resembling a lender of last resort seeking to stem a creditor panic. It supplied enough financing to convince nervous creditors that there was no need for them to rush for the exit.

How, then, did the IMF expect to restore investor confidence in the Asian case? It conditioned its assistance on a very long list of wide-ranging economic and financial reforms -- more than one hundred requirements in the Indonesian and Korean cases, some of them only remotely related to the immediate causes of those countries' problems. It believed that swift implementation of those reforms would lead to a rapid revival of confidence.[1] This was a precarious strategy, because it assumed implicitly that crisis conditions would dissipate domestic political resistance to the required reforms and thus obviate the need for larger amounts of official financing. In the event, obdurate political resistance blocked the speedy adoption of many financial-sector reforms, and some of other the reforms as well. Confidence was not restored, and the amounts of official financing proved therefore to be too small.

[1] For the Fund's own account and critique of its strategy, see Lane *et al* (1999).

There was only one important attempt to involve the private sector in the resolution of the Asian crisis. When Korea had run down its reserves and used up all of the financing available initially from the IMF, the governments of the major industrial countries called on their own countries' banks to roll over their claims on Korean banks. The banks agreed to do that and went on thereafter to convert their short-term claims into one- two- and three-year bonds. This episode is frequently cited by those who believe that private-sector creditors can be expected to assist voluntarily in resolving a debt-related crisis. There are, however, three objections to this interpretation of the Korean episode. First, the Korean government guaranteed the claims of the Korean banks. Second, the foreign banks did not volunteer; they were *told* to volunteer by their countries' government and were warned that Korea would have to default if they did not volunteer. Third, the banks had already run down their claims on Korean bank when they were asked to roll them over and could therefore agree to roll over the rest of their claims.[2]

Despite its special features, the Korean episode has also influenced official thinking about private-sector involvement in crisis resolution. In their report to the 2000 Okinawa Summit, the finance ministers and central bank governors of the G-7 countries identified three sorts of country cases:

> In some cases, the combination of catalytic official financing and policy adjustment should allow the country to regain full market access quickly. In some cases, emphasis should be placed on encouraging voluntary approaches as need to overcome creditor coordination problems. In other cases, the early restoration of full market access on terms consistent with medium-term external sustainability may be judged to be unrealistic, and a broader spectrum of actions by private creditors, including comprehensive debt restructuring, may be warranted to provide for an adequately financed program and a viable medium-term payments profile. (Group of 7 2000, annex II)

The first strategy is, of course, the one followed initially in the Asian case – with rather limited success. The second is the strategy followed belatedly in the Korean case. The third includes the approach discussed at length in the Rey Report – suspending debt payments to buy enough time to work out a restructuring of a country's debt.

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[2] This importance of this point is stressed by Eichengreen (1999, 2000), Giannini (1999) and the IMF (2000a); see also Boorman and Allen (2000) and Roubini (2000), who suggest that the IMF might have sought to engineer an earlier rollover of interbank claims, not only in the Korean case but also the Thai case. The importance of the Korean government's guarantee is emphasized by the IMF (2000b), which notes that the substitution of government-guaranteed debt for private-sector debt had the effect of reducing to zero the risk weighting of the foreign banks' claims on Korea.

This taxonomy is plausible but incomplete, and it ignores the important lesson taught by the Asian crisis: the combination of "catalytic official financing and policy adjustment" may not restore investor confidence quickly. A different taxonomy may be more appropriate.

The analytic literature on financial crises draws heavily on the distinction between liquidity crises and solvency crises. The Rey Report and others have rightly expressed reservations about the applicability of this distinction to sovereign states, because it is easier to identify conceptually an insolvent company than to identify an insolvent country. An insolvent company has liabilities larger than the sum of its assets and the present value of its future earnings. An insolvent country is one that cannot pay its debts, not because it has insufficient assets but because it cannot mobilize the revenues required to service its debts without imposing great pain on its citizens, jeopardizing the survival of its government, and threatening the social and political stability of the country itself. (The point is sometimes made by distinguishing between a country's willingness to pay and a company's ability to pay, but I dislike that formulation. Willingness is easily confused with wilfulness, and governments that default on their debts rarely do so wilfully. On the contrary, they do so very reluctantly. Opportunistic defaults are rare.)

It is also hard to distinguish sharply between a liquidity crisis and a solvency crisis, not only in the case of a country but also in the case of a firm or bank. A liquidity crisis can by provoked by fears of a solvency crisis, and a liquidity crisis turn quickly into a solvency crisis when an illiquid firm or bank is forced sell off long-term assets at bargain prices. It is still useful, however, to distinguish between a debt crisis that would not occur if creditors did not panic and the country involved was thus given the time to cope with its problems in an orderly, low-cost way, and a debt crisis that cannot be resolved by any feasible change in a country's policies or any plausible change in its economic prospects – a large improvement, for example, in its terms of trade.[3]

Why is this dichotomous distinction more useful than the tripartite distinction drawn by the G-7 ministers and governors? Because it suggests resort to rather different remedies. A country confronting a liquidity crisis – a creditor panic -- can perhaps resolve its problem with the aid of large-scale official financing – enough to

[3]Tirole (2002) provides a thoughtful critique of the literature based on this distinction and of the other distinctions and concepts mentioned briefly in the text

buy time to make policy changes aimed at restoring investor confidence. But it can also cope with a creditor panic by suspending its debt payments – those of the government itself or those of the private sector, whichever may be at issue in a particular case – and using the time bought by the suspension to calm down its creditors by altering its policies or furnishing evidence to prove that their fears were unfounded. Suspensions of debt payments need not be reserved exclusively for the resolution of debt problems that call for debt rescheduling or outright debt reduction. Furthermore, the intermediate case in the tripartite taxonomy, the one that the G-7 ministers and governors paired with voluntary approaches to overcome creditor coordination problems, may be rather rare. I have already explained why. The prototypical example, the Korean episode, cannot be readily reproduced.

A country halting its debt payments, those of the government or private sector, runs the risk of litigation. It is therefore unrealistic to contemplate the use of debt suspensions without asking how crisis-stricken countries can fend off litigation. This brings me to the proposal launched three months ago in a speech by Anne Krueger, the First Deputy Managing Director of the IMF. Her proposal was designed to deal with the third type of problem in the list set out by the G-7 ministers and governors – the case of a government having an unsustainable debt burden. It bears a resemblance to the proposal made by Jeffery Sachs for an international bankruptcy regime, but it has been given a different name – the Sovereign Debt Restructuring Mechanism (SDRM) – and it would build on existing arrangements instead of requiring the creation of wholly new institutions.

I base my summary of Krueger's proposal on the text of her speech (Krueger 2002). Documents containing more detail have been distributed within the IMF but are not yet available to outsiders. The speech listed seven steps for involving private-sector creditors in the resolution of a sovereign debt problem:

(1) A government believing that it has an unsustainable debt burden will ask the IMF to confirm the government's own assessment.
(2) If the IMF agrees, it will authorize a standstill – a suspension of debt payments combined with a stay of litigation.
(3) The government will then impose exchange controls to protect its official reserves from capital flight, and the stay of litigation will be made to cover the country's private-sector debtors who cannot make their own debt payments because of the exchange controls.

(4) Interim financing for the country would be elicited from private foreign lenders by assigning seniority to their new claims. There is no mention in the speech of interim financing from the IMF, but I find it hard to believe that Krueger would want to rescind the Fund's existing policy – lending into arrears during a debt suspension, especially one that the IMF has endorsed explicitly.

(5) The debtor country's government and its private creditors would negotiate a restructuring of the government's own debt; the IMF would not impose the terms of the debt restructuring. The IMF could prolong the standstill and the stay of litigation if the parties were deemed to be negotiating in good faith but needed more time to reach an agreement.

(6) An independent tribunal would be established to adjudicate disputes between the debtor country and its private creditors, as well disputes between various classes of creditors; there might be disagreements, for example, about the valuation of various claims and about equitable treatment across groups of creditors.

(7) Dissident creditors would be bound in by majority voting, just as they would be under bond covenants containing collective-action clauses.

This is a bold proposal, long overdue, and some of my concerns about it will, no doubt, be resolved when details are filled in. The outline, however, has two gaps that cause me some concern.

First, the proposal would not have precluded the need for large-scale official financing in the Asian case, because it involved the liquidation of short-term foreign claims on private-sector entities – banks and firms – rather than the governments of the Asian countries. Putting the same point generally, suspensions of debt payments and stays of litigation – standstills, for short – may be needed in all sorts of debt-related crises, not merely those involving sovereign debt, if the official community is not prepared to provide large-scale financing routinely.[4]

Second, the proposal is oddly asymmetric. The IMF would be empowered to declare that a country's debt burden is unsustainable, but the plan as it stands would

[4] Private-sector debtors could be made to suspend their debt payments if their country's government imposed exchange controls, and Krueger's proposal provides for them to be protected against litigation if that should happen. But under her proposal, a government could not impose exchange controls and expect the IMF to protect its country's private-sector debtors by sanctioning a stay of litigation unless

not invite the IMF to issue a judgment concerning the sort of debt restructuring that would be required to reduce the country's debt to a sustainable level. In an ordinary bankruptcy proceeding, the liquidation value of the bankrupt firm sets an upper limit to the creditors' potential claims, and they may be prepared to settle for less in exchange for an equity claim on the firm's future revenues if they believe that the firm can return to profitability if it is allowed to survive. Under Chapter 9 of the US bankruptcy code, moreover, a bankrupt municipality cannot be made to earmark for its creditors the tax revenue it needs to pay for the provision of essential services, and the court is charged with the task of deciding how much tax revenue should be reserved for that purpose. Surely, the IMF should be expected to play an analogous role in the international context.

Krueger is right to say that the IMF must not seek to impose a debt settlement. The terms of a debt restructuring should be negotiated by the debtor government and its private creditors. Nevertheless, the IMF must provide the framework for that negotiation. Having said that the country's existing debt burden is unsustainable, it must be prepared to say what level of debt would be sustainable. At the very least, the IMF should be prepared to warn a debtor government that it cannot expect any more funding from the official sector, including the IMF itself, if it agrees to a debt rescheduling that does not come close to achieving medium-term sustainability. Otherwise, the agreement produced by the bargaining between a debtor government and its private creditors may merely defer the government's debt problem rather than resolve it. That has happened before. Last year, for example, Argentina engineered a debt exchange that lengthened the maturity of its existing debt but greatly raised the interest cost of servicing that debt.

There is another problem. The IMF cannot assume its responsibilities under the Krueger proposal without an amendment to the Articles of Agreement (the Fund's constitution) and no amendment can take effect until it is approved by three-fifths of the member countries having 85 percent of the total voting power. That means that the US Congress must approve it, because the United States has more than 15 percent of the total voting power.[5]

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the government itself had an unsustainable debt burden. That is the only case in which private-sector debtors would be covered by a stay of litigation sanctioned by the IMF.

[5] The good news is that US approval does not require a two-thirds vote of the US Senate, which is required for the United States to ratify a treaty. The United States endorsed the Articles of Agreement by adopting domestic legislation, the Bretton Woods Agreement Act of 1944, and it can endorse a

We have not yet heard from the Bush Administration – whether it will favor the Krueger proposal or oppose it. The Treasury Department may not make up its mind until the proposal has been refined. It is bound to look with favor on any sensible proposal that reduces the need for large-scale official financing. But it may oppose a huge increase in the powers of the IMF, especially when the powers at issue impinge directly on the interests of the private sector. More importantly, we cannot know whether the Bush Administration will be willing to invest the political capital required to mobilize congressional support for a scheme that has already been attacked by influential spokesmen for the private sector. US approval, moreover, many not guarantee adoption of the new proposal. Officials from several emerging-market countries have already expressed reservations, because they are worried about the impact of the scheme on their countries' market access.

Is there, then, another way to achieve the main objectives of the new proposal? Let me outline a different approach. Members of the IMF would be encouraged to take two steps:

(1) Require the inclusion of collective-action clauses in all standardized debt contracts – those of the private sector as well as those of the government itself.

(2) Require the inclusion in all such debt contracts of a 90-day rollover option, which each and every debtor would be obliged to exercise in the event of a formal finding by their country's government that their country faced a financial emergency.[6]

One would, of course, exclude debt contracts involving small amounts of debt, and it might be sufficient to limit the coverage of private-sector debt to debts denominated in foreign currency. By including private-sector debt, one might obviate the need to impose exchange controls.[7] By writing the rollover option into individual debt contracts, one would forestall litigation. Having agreed to a debt contract containing

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change in the Articles of Agreement bu amending that law. The bad news is that a change in the Bretton Woods Agreement Act, like any change in any law, must be adopted by *both* houses of Congress – the House of Representatives and the Senate.

[6] A similar proposal was made by Buiter and Sibert (1999); under their plan, however, the decision to exercise the rollover option would reside with the individual debtor, not with the government, the implications of this difference are discussed at length in Kenen (2001).

[7] It should be noted, however, that a mere suspension of debt payments by the private sector, not backed exchange controls, would not furnish full protection for a country's currency. It would not prevent private-sector debtors from buying foreign currency before the end of the 90-day rollover period, in order to anticipate the need to resume debt payments after the end of the 90-day period..

the rollover option, whether by making a loan or buying a bond to which the rollover option was attached, a creditor would have agreed to the terms and conditions under which the option would be exercised and would have no standing whatsoever to seek redress in the courts when the option is actually exercised.

There are two ways to minimize abuse of the rollover option: (1) allowing the option to be exercised once and only once during the life of a debt contract, no matter how long the maturity of the debt involved, and (2) including in the framework legislation a clause requiring the government to obtain a finding of fact from the IMF, endorsing the government's judgment that the debtor country does indeed face a financial emergency justifying the mandatory exercise of the 90-day rollover option. A government could also look to the IMF to set the parameters for the negotiation of a debt restructuring when a restructuring is required to restore debt sustainability. The Fund could take on both of these tasks without an amendment to the Articles of Agreement.

Let me conclude by anticipating three questions:

Would the proliferation of rollover clauses induced foreign creditors to run at the first sign of trouble? It could perhaps have that effect – but creditors run pretty quickly now. The same problem would arise, moreover, under the procedure proposed by Anne Krueger. It is, in any case, hard to arrange a quasi-voluntary standstill or rollover of the Korean or Brazilian type before foreign creditors have run down their claims substantially, so rollover clauses are not likely to make matters worse.

What can be done to encourage countries to include collective-action clauses and rollover options in their large debt contracts? In my recent book (Kenen 2001), I suggested that countries that do so should be allowed to enjoy more liberal access to the IMF. But that is the wrong way to go, because the main purpose of my proposal, like that of the Krueger proposal, is to reduce reliance on large-scale official financing. It would therefore be better to go in the opposite direction. Countries that do *not* adopt the necessary legislation should suffer a *reduction* in their access to the IMF. After, say, a five-year period, countries that not begun to include collective-action clauses and 90-day rollover options in their own debt instruments and have not required their use by private-sector debtors should suffer a gradual cut in their *cumulative* access to IMF credit (the conventional ceiling is currently set at 300 percent of a country's Fund quota), and they should be denied any access whatsoever to the Supplementary Reserve Facility – the window opened by the Fund to furnish large-scale financing).[8] In addition, the main capital-market countries, the UK, US, and a few others, should agree to require the inclusion of collective-action clauses and 90-day rollover options in the documentation of all new foreign bonds issued on their markets.

As the two sorts of clauses I have mentioned can be added only to new debt instruments, not to old debt instruments, would it not take a long time to build them into the whole stock of emerging-market debt? Yes, but it might take an equally long time to amend the Articles of Agreement of the IMF in the manner required by the Krueger proposal. The Krueger proposal, suitably modified, may be the first-best way to go, but if it encounters the opposition I presently anticipate, not only from the private sector and the US Congress, but also from a number of emerging-market countries, my proposal may well be the most sensible second-best way to go.

[8] I am advised, I hope correctly, that a progressive tightening of access limits would not require an amendment to the Fund's Articles of Agreement.

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