UNIT 4 – BANKING - (INTERNATIONAL MONETARY FUND)

The International Monetary Fund (IMF) is an **organization of 189 countries**, working to foster global monetary cooperation, **secure financial stability, facilitate international trade**, **promote high employment and sustainable economic growth**, and reduce poverty around the world.

Created in 1945, the IMF is governed by and accountable to the 189 countries that make up its near-global membership. April 12, 2016 -- IMF Survey : **Nauru Joins the IMF as 189th Member**

Each country or region is represented by a member on the Fund's Executive Board and numerous staff members. The ratio of board members from each country is based on the country's global financial position, so that the **most powerful countries in the global economy have the heaviest representation**. The United States has the highest voting power, followed by Asian countries such as Japan and China and Western European countries such as Britain, Germany, France, and Italy

Headquarters -Washington, D.C., United States

Managing Director- Christine Lagarde

Main organ- Board of governors

Board of Governors

The Board of Governors consists of one governor and one alternate governor for each member country. Each member country appoints its two governors. The Board normally meets once a year and is responsible for electing or appointing executive directors to the Executive Board. While the Board of Governors is officially responsible for approving quota increases, Special Drawing Right allocations, the admittance of new members, compulsory withdrawal of members, and amendments to the Articles of Agreement and By-Laws, in practice it has delegated most of its powers to the IMF's Executive Board

Why the IMF was created and how it works

The IMF, also known as the Fund, was conceived at a UN conference in Bretton Woods, New Hampshire, United States, in July 1944. The 44 countries at that conference sought to build a framework for economic cooperation to avoid a repetition of the competitive devaluations that had contributed to the Great Depression of the 1930s.

The IMF's responsibilities:

The IMF's primary purpose is to **ensure the stability of the international monetary system**—the system of exchange rates and international payments that enables countries (and their citizens) to transact with each other. The Fund's mandate was updated in 2012 to include all macroeconomic and financial sector issues that bear on global stability.

The IMF vs. the World Bank

The IMF works hand-in-hand with the World Bank, and although they are two separate entities, their interests are aligned, and they were created together. While the **IMF provides only shorter-term loans** that are funded by member quotas, the **World Bank focuses on long-term** economic solutions and the reduction of poverty and is funded by both member contributions and bonds. **The IMF is more focused on economic policy solutions**, while the **World Bank offers assistance in such programs as building necessary public facilities** and preventing disease.

Special Drawing Right SDR

The SDR (**Also known as the Paper Gold**) was redefined as a basket of currencies. Currently, the SDR basket consists of the U.S. dollar, euro, Japanese yen, and pound sterling. Effective October 1, 2016, the basket will be expanded to **include the Chinese renminbi**.

The respective weights of the U.S. dollar, euro, Chinese renminbi, Japanese yen, and pound sterling are 41.73 percent, 30.93 percent, 10.92 percent, 8.33 percent, and 8.09 percent.1 These weights will be used to determine the amounts of each of the five currencies to be included in the new SDR valuation basket that will take effect on October 1, 2016

How a Country Can Join the IMF

Countries must apply to be a part of the IMF, although any country can apply. Over time, the stipulations of being a member have changed, with membership requirements being more relaxed when the Fund was in its early stages. Countries are required to make membership payments, or quotas, which are assigned to individual countries based on their economic size and stipulate how much they contribute. These quotas are larger for more powerful economies, and they form a pool from which countries in need can take loans. Member countries are also required to adhere to the Code of Conduct, and stricter regulations may be imposed on those countries who apply in hopes of financial aid.