

Bretton Woods Agreements (Amendment) Bill

Bill No. 18/2016.

Read the first time on 9 May 2016.

A BILL

intituled

An Act to amend the Bretton Woods Agreements Act (Chapter 27 of the 2012 Revised Edition).

Be it enacted by the President with the advice and consent of the Parliament of Singapore, as follows:

Short title and commencement

1. This Act is the Bretton Woods Agreements (Amendment) Act 2016 and comes into operation on a date that the Minister appoints by notification in the *Gazette*.

5 Amendment of section 3

2. Section 3 of the Bretton Woods Agreements Act (called in this Act the principal Act) is amended by inserting, immediately after the definition of “Fund Agreement”, the following definitions:

“Fund arrangement” means —

- 10 (a) the credit arrangements provided pursuant to Decision No. 11428-(97/6), dated 27 January 1997, of the Executive Board of the Fund, as subsequently amended and renewed by the decisions of the Executive Board of the Fund; or
- 15 (b) any arrangement established by the Fund under section 1 of Article VII of the Fund Agreement;

“Fund program” means —

- 20 (a) the Poverty Reduction and Growth Trust established pursuant to Decision No. 8759-(87/176), dated 18 December 1987, of the Executive Board of the Fund and as subsequently amended and renewed by the decisions of the Executive Board of the Fund; or
- 25 (b) any program administered by the Fund in accordance with section 2 of Article V of the Fund Agreement;”.

Amendment of section 5

3. The principal Act is amended by renumbering section 5 as subsection (1) of that section, and by inserting immediately thereafter

30 the following subsection:

“(2) In addition, the Monetary Authority of Singapore may buy or sell the special drawing rights of the Government to enable

Singapore to carry out its obligations under any Fund arrangement or Fund program.”.

New section 6A

4. The principal Act is amended by inserting, immediately after section 6, the following section:

“Assistance in support of Fund arrangements or Fund programs

6A.—(1) Subject to subsections (2), (3) and (4), the Monetary Authority of Singapore may, on behalf of the Government, enter into an agreement (whether multilateral or bilateral) to lend, or give grants or other financial assistance, to support a Fund arrangement or Fund program.

(2) An agreement under subsection (1) to lend, or give grants or other financial assistance, may be entered into (or varied subsequently) only if —

(a) the Fund requests Singapore to provide assistance in support of a Fund arrangement or Fund program for the benefit of one or more countries;

(b) the Monetary Authority of Singapore is satisfied that at least one other government has provided, or intends to provide, financial assistance in response to a similar request from the Fund;

(c) the Minister has published in the *Gazette* a statement containing —

(i) a description of the nature of the agreement (or its subsequent variation); and

(ii) the maximum amount that the Monetary Authority of Singapore agrees to lend, or to give by way of grants or other financial assistance, to the Fund under the agreement (or its subsequent variation); and

(d) in the case of grants, Parliament has, by a resolution, fixed the maximum amount of grants to be given by the

Monetary Authority of Singapore under that agreement (or its subsequent variations).

5 (3) It is not lawful for the Monetary Authority of Singapore to give any amount of grant under any agreement under subsection (1) (or its subsequent variations) that is in excess of the maximum amount fixed by Parliament by resolution under subsection (2)(d) for that agreement.

10 (4) An agreement under subsection (1) to lend or give other financial assistance (even if subsequently varied) must provide for the Monetary Authority of Singapore to require early repayment or early recovery of moneys lent or given, as the case may be, in the event of the suspension, or premature termination, of the Fund arrangement or Fund program.”

EXPLANATORY STATEMENT

This Bill seeks to amend the Bretton Woods Agreements Act (Cap. 27) to expressly provide authority to the Monetary Authority of Singapore (MAS) to enter into agreements with the International Monetary Fund (IMF) to lend, or provide grants or other financial assistance, in excess of the standard membership contribution provided by Singapore to the IMF.

Clause 1 relates to the short title and commencement.

Clause 2 amends section 3 to introduce new definitions of “Fund arrangement” and “Fund program” which are integral to the other amendments.

A “Fund arrangement” refers to any arrangement established by the IMF using section 1 of Article VII of the Fund Agreement, and includes the longstanding multilateral credit arrangements (called the “New Arrangements to Borrow” or “NAB”) provided pursuant to Decision No. 11428-(97/6), dated 27 January 1997, of the Executive Board of the IMF, and as subsequently amended and renewed by the decisions of that Executive Board (such as Decision No. 14577-(10/35), dated 12 April 2010 or Decision No. 15014-(11/110), dated 16 November 2011).

The NAB is a voluntary set of credit arrangements between the IMF and a number of its members. It allows the IMF to borrow when extra resources are needed to supplement quota contributions of its member countries in order for the IMF to forestall or cope with an impairment of the international monetary system.

A “Fund program” refers to any program administered by the IMF in accordance with section 2 of Article V of the Fund Agreement, and has been defined to expressly include the Poverty Reduction and Growth Trust established pursuant to Decision No. 8759-(87/176), dated 18 December 1987, of the Executive Board of the IMF, as subsequently amended and renewed by the decisions of that Executive Board.

Clause 3 amends section 5 to empower the MAS to buy or sell special drawing rights (SDR) of Singapore in order to carry out its obligations under any Fund arrangement or Fund program. The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries’ official reserves. SDRs can be exchanged for freely usable currencies.

Clause 4 inserts a new section 6A which provides an explicit legislative basis under the Act for the provision of supplementary financial assistance by the MAS as requested by the IMF. This financial assistance is over and above the standard membership contribution provided by Singapore to the IMF.

The new section 6A empowers the MAS to enter into agreements with the IMF in the event of calls by the IMF to supplement its lending capacity or to help low-income countries, such as under the NAB and the Poverty Reduction and Growth Trust.

These agreements may be multilateral or bilateral. The MAS may enter into such an agreement with the IMF only in the conditions set out in the new section 6A. The same conditions apply even when the agreement is subsequently varied.

First, there must be a request by the IMF to Singapore to provide assistance in support of a Fund arrangement or Fund program for the benefit of one or more countries. Next, the MAS must be satisfied that at least one other government has provided, or intends to provide, financial assistance in response to a similar request from the IMF.

Second, in the interest of public accountability and transparency, the Minister in charge of the MAS must also have published in the *Gazette* a statement containing key information about the agreement. The information must be a description of the nature of the agreement, and the maximum amount that the MAS has agreed to lend, or to give grants or other financial assistance to the IMF.

A special condition applies if the MAS is to enter into an agreement with the IMF for the provision of grants. Parliament must, by a resolution, fix the maximum amount of grants to be given by the MAS to support the Fund arrangement or Fund program under that agreement. By the new section 6A(3), any grant given in excess of the maximum amount approved by Parliament is invalid.

Any loans to the IMF would represent monetary assets. Hence, there is no similar requirement for parliamentary approval with regard to loans or lending arrangements.

Any loan or grant to the IMF under these agreements will be paid out of the MAS' reserves, and not the Consolidated Fund.

Finally, the new section 6A(4) also provides that an agreement that the MAS enters into with the IMF must provide for Singapore to require early repayment or early recovery of loans made or other financial assistance given by Singapore in the event of suspension, or premature termination, of the Fund arrangement or Fund program. The requirement of early repayment or early recovery is not discretionary.

EXPENDITURE OF PUBLIC MONEY

This Bill will not involve the Government in any extra financial expenditure.
