

Web Box 5.1

The IMF's gold holdings

Gold played a central role in the international monetary system until the collapse of the Bretton Woods system of fixed exchange rates in 1973. Since then, the role of gold has been gradually reduced. However, it is still an important asset in the reserve holdings of a number of countries, and the IMF remains one of the largest official holders of gold in the world.

The Fund acquired the majority of its gold holdings prior to the Second Amendment of its Articles of Agreement, through four main types of transactions: as part of initial quota subscriptions and subsequent quota increases, 25 percent of which originally had to be paid in gold (this is the largest source of the Fund's gold); members' payments of charges (i.e., interest on Fund financing), for which gold was also originally required; the sale of gold to the Fund by South Africa in 1970–71, in exchange for currencies of other members, which was an option formerly offered to Fund members; and members' repayments for the use of Fund resources, which could (and still can) optionally be made in gold. Outflows of gold from the Fund's holdings occurred under the original Articles of Agreement through sales of gold for currency and via payments of remuneration and interest.

The Second Amendment to the IMF's Articles of Agreement in April 1978 ended the obligatory use of gold in transactions between the IMF and its member countries and limited the use of gold in the IMF's operations and transactions. Under the Articles, as amended, the IMF may sell gold outright on the basis of prevailing market prices and may accept gold in the discharge of a member country's obligations (loan repayment) at an agreed price, based on market prices at the time of acceptance. Such transactions require Executive Board approval by an 85 percent majority of the total voting power. The IMF does not have the authority under its Articles to engage in any other gold transactions—such as loans, leases, swaps, or use of gold as collateral—nor does it have the authority to buy gold. The Second Amendment furthermore requires that the IMF, when dealing in gold, avoid managing its price or establishing a fixed price.

The Articles also provide for the restitution of the gold the Fund held on the date of the Second Amendment to those countries that were members of the Fund as of August 31, 1975. Restitution would involve the sale of gold to this group of member countries at the former official price of SDR 35 per ounce, with such sales made, to those members who agree to buy it, in proportion to their quotas on the date of the Second Amendment. A decision to make a restitution of gold would require support from an 85 percent majority of the total voting power. The Articles do not provide for the restitution of gold the Fund has acquired since the date of the Second Amendment.

The IMF held 95.4 million ounces (2,966.8 metric tons) of gold at designated depositories at end-April 2010. These gold holdings were valued on its balance sheet at SDR 4.2 billion (about US\$6.3 billion) on the basis of historical cost and at US\$112.5 billion at market prices as of end-April 2010. In September 2009 the Executive Board authorized the sale of the gold acquired after Second Amendment of the Articles of Agreement (12.97 million ounces or 403.3 metric tons) (see chapter text), and at end-April 2010, a total of 152.8 metric tons of this portion of gold remained on the Fund's books.

Key IMF gold transactions have included sales for replenishment of the IMF's currency holdings (1957–70); sales of South African gold (1970–71), in amounts roughly corresponding to those purchased from South Africa during this period; sales for investment in U.S. government securities (1956–72) to generate income to offset operational deficits, with subsequent reacquisition of this gold after a significant buildup of IMF reserves; and sales (1976–80) for restitution to member countries and to finance the Trust Fund supporting Fund concessional lending.¹

¹See "Factsheet: Gold in the IMF" (<http://www.imf.org/external/np/exr/facts/gold.htm>) for additional information about the IMF's gold holdings and transactions.