# INTERNATIONAL MONETARY FUND

**Acceptance by the United Kingdom of the obligations of Article VIII**

On the 15th February 1961 the United Kingdom, in company with Belgium, France, the Federal Republic of Germany, the Republic of Ireland, Italy, Luxembourg, the Netherlands, Peru and Sweden, notified the International Monetary Fund of its acceptance of the obligations of Article VIII of the I.M.F. Agreement.

Under the obligations of Article VIII members are required not to impose exchange restrictions on payments for current international transactions without the approval of the I.M.F.; they are also required not to engage in discriminatory currency arrangements or multiple currency practices without the I.M.F.'s approval and, subject to certain provisos, they are required to maintain the convertibility of their currencies. (Member countries may, however, by virtue of Article VI, apply controls to capital movements provided that these do not restrict current payments.)

Until the 15th February 1961 the obligations of Article VIII had been accepted only by Canada, the United States and certain countries in Central America. All other members of the I.M.F. were still availing themselves of the provisions of Article XIV. With the acceptance on the 15th February of the obligations of Article VIII by certain other members almost all currencies used to finance international trade and payments are now regarded by the I.M.F. as formally convertible.

Although the transitional provisions of Article XIV permit a member country to maintain and adapt its existing exchange restrictions to changing circumstances, they also require it to remove such restrictions as soon as its balance of payments permits, and to consult regularly with the I.M.F. about those that remain. Moreover, permission for the introduction of new restrictions or, once restrictions have been removed under Article XIV, for their reintroduction, is required under Article VIII whether the obligations of that Article have been formally accepted or not.

So far as the United Kingdom is concerned the move to Article VIII was a formal recognition of a stage which had already been reached. The process of removing exchange controls has been going on for some years but the decisive step was taken in December 1958 when sterling was made convertible for non-resident holders. Since then the United Kingdom has taken further measures to reduce restrictions. There are now no exchange restrictions on payments for current transactions, and the purpose of the only remaining exchange control procedure in relation to current transactions is to ensure that unauthorised capital transfers are not carried out under the guise of current payments.

The United Kingdom was thus able to accept Article VIII without having to submit to any more severe discipline in the use of exchange restrictions than that which existed already and without seeking approval for any derogation from the requirements of Article VIII.