# China Agrees to Buy as Much as $50 Billion in Notes From IMF

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By Sandrine Rastello and Timothy R. Homan

Sept. 3 (Bloomberg) -- China signed an agreement to buy as much as $50 billion of International Monetary Fund notes, the first purchase of its kind, to help increase the Washington- based group's resources.

The note-purchase deal enables China to take part in a $500 billion increase in the IMF's coffers to which the Group of 20 industrial and emerging nations agreed in April.

"The agreement offers China a safe investment instrument," the IMF said in an e-mailed statement yesterday. "It will also boost the fund's capacity to help its membership -- particularly the developing and emerging market countries -- weather the global financial crisis, and facilitate an early recovery of the global economy."

The securities, the culmination of months of talks between the fund and its **members**, offer the largest emerging-market nations a new way of making IMF contributions while they seek greater say at the fund. China, Brazil and Russia have favored the bonds instead of regular contributions as they wrangle with other members over redistributing the IMF's voting power.

"This is a very clear step taken to make a point they are willing to contribute to the IMF at this time of need but not to a permanent increase of the IMF resource base until it's accompanied by a reform of the board that gives more of a voice" to emerging economies, **Eswar Prasad**, a senior fellow at the Brookings Institution in Washington, said in an interview.

Global Currency

The notes will be denominated in Special Drawing Rights, or SDRs, the unit of account that China has said should have a greater role in the global economy over time to reduce the U.S. dollar's dominance.

The notes can be issued over **a maximum period** of three years and will have a three-month maturity that the IMF can extend for as many as five years.

The accord was signed by IMF Managing Director **Dominique Strauss-Kahn** and **Yi Gang**, deputy governor of China's central bank, according to the fund.

In July the IMF's board of directors approved the issuance of bonds to the lender's 186 members for the first time as a means to seek additional sources of money to lend during the global recession. The board did not place a limit on the **note sales**. The bonds are part of a wider effort to seek new funding as the lender helps countries from Iceland to Pakistan combat the global financial crisis.

Russia, Brazil

Russia and Brazil said in June that they would each buy $10 billion of bonds from the IMF. India also has indicated it would contribute to an IMF bond program. The three nations plus China make up the so-called BRICs.

SDRs represent a basket of currencies consisting of the U.S. dollar, the euro, the yen and the British pound. They were created by the IMF in 1969 to support the **Bretton Woods** exchange-rate system that collapsed in 1971. They act as a unit of account rather than a currency. The cash is disbursed in proportion to the money each member nation pays into the fund.

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