ANNEX 16-A

THRESHOLD CALCULATION

1. On the date of entry into force of this Agreement, the threshold referred to in Article 16.13.5 shall be 300 million Special Drawing Rights (SDRs).

2. The amount of the threshold shall be adjusted at three-year intervals with each adjustment taking effect on 1 January. The first adjustment shall take place on the first 1 January following the entry into force of this Agreement, in accordance with the formula set out in this Annex.

3. The threshold shall be adjusted for changes in general price levels using a composite SDR inflation rate, calculated as a weighted sum of cumulative per cent changes in the Gross Domestic Product (GDP) deflators of SDR component currencies over the three-year period ending 30 June of the year prior to the adjustment taking effect, and using the following formula:

$$T_1 = (1 + (\Sigma\, w_i^{SDR}\ .\ \Pi_i^{SDR}))T_0$$

where:

T_0 = threshold value at base period;

T_1 = new (adjusted) threshold value;

w_i^{SDR} = respective (fixed) weights of each currency, i, in the SDR (as at 30 June of the year prior to adjustment taking effect); and

Π_i^{SDR} = cumulative per cent change in the GDP deflator of each currency, i, in the SDR over the three-year period ending 30 June of the year prior to adjustment taking effect.

4. Each Party shall convert the threshold into national currency terms where the conversion rates shall be the average of monthly values of that Party's national currency in SDR terms over the three-year period to 30 June of the year before the threshold is to take effect. Each Party shall notify the other Party of their applicable threshold in their respective national currencies.

5. For the purposes of this Chapter, all data shall be drawn from the International Monetary Fund's *International Financial Statistics* database.

6. The Parties shall consult if a major change in a national currency *vis-à-vis* the SDR were to create a significant problem with regard to the application of this Chapter.