

DOCUMENT OF INTERNATIONAL MONETARY FUND
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**IMMEDIATE
ATTENTION**

EBS/83/92

CONFIDENTIAL

May 11, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Payment of Net Charges and Assessment in the SDR
Department for the Financial Year Ended April 30, 1983

It is not proposed to bring the attached memorandum to the agenda of the Executive Board for discussion unless an Executive Director so requests by the close of business on Friday, May 13, 1983. In the absence of such a request, the draft decision will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Att: (1)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

Payment of Net Charges and Assessment in the SDR
Department for the Financial Year ended April 30, 1983

Prepared by the Treasurer's Department

(In consultation with the Legal Department)

Approved by W. O. Habermeier

May 11, 1983

At the end of each financial year, the Fund is required to pay to all holders of SDRs interest on holdings that has accrued during the year. At the same time, participants are required to pay charges that have accrued at the same rate on their net cumulative allocations. 1/ The obligation of the Fund to pay the net amount of interest due to each holder arises regardless of whether sufficient charges are received to cover the payment of interest. 2/ On April 30, 1983, the end of the financial year of the Fund, twelve participants--Comoros, Equatorial Guinea, Grenada, Guinea, Guinea-Bissau, Jamaica, Lao P.D.R., Liberia, St. Lucia, Senegal, Viet Nam, and Zaire--did not hold sufficient SDRs to pay the full amount of the net charges in the SDR Department. Since the total of interest credited on April 30, 1983 exceeded the total of charges debited, it has been necessary for the Fund to create SDRs in the amount of the unpaid charges, resulting in the total of SDR holdings being in excess of total allocations, to the extent that and as long as the SDR charges remain unpaid.

1/ Article XX, Sections 1, 2 and 3, and Rule T-1(a).

2/ Article XX, Section 1.

The SDR holdings and obligations of the above-mentioned participants as of April 30, 1983 were as follows:

<u>Participant</u>	<u>SDR Holdings</u>	<u>Obligations</u>		<u>Shortfalls</u>	
		<u>Assessment</u>	<u>Net Charges</u>	<u>Unpaid Charges</u>	<u>Unpaid Assessments</u>
Comoros	137	84	72,270	72,217	
Equatorial Guinea	20,802	678	579,757	559,633	--
Grenada	5,353	108	89,468	84,223	--
Guinea	49,354	2,053	1,770,450	1,723,149	--
Guinea-Bissau	9,408	141	119,628	110,361	--
Jamaica	6,774	4,737	4,039,133	4,037,096	--
Lao P.D.R.	28,510	1,097	939,846	912,433	--
Liberia <u>1/</u>	125,000	2,450	2,107,529	1,984,979	--
St. Lucia <u>1/</u>	0	87	73,185	73,185	87
Senegal <u>1/</u>	44,690	2,853	2,337,375	2,295,538	--
Viet Nam	4,820	5,559	5,023,823	5,023,823	739
Zaire <u>2/</u>	0	10,067	8,702,874	<u>8,702,874</u>	<u>10,067</u>
				25,579,511 <u>3/</u>	10,893

The failure of these participants to acquire sufficient SDRs to meet the full amount of assessment or net charges have been dealt with as follows:

(i) For those participants holding SDRs, assessments are collected first by debiting their respective SDR accounts to the extent possible. Any unpaid assessments will be carried as a receivable in the General Resources Account. If, after paying assessments, these participants still have positive SDR balances, these are applied to the payment of net charges.

1/ These members have since discharged their obligations in the SDR Department.

2/ Zaire has partially discharged its obligations to the extent of SDR 4,622,635.

3/ As a result of subsequent payments, SDR 8,976,337 has been cancelled and the balance of unpaid charges in the SDR Department is SDR 16,603,174 as at May 10, 1983.

(ii) The unpaid balance of net charges, SDR 25,579,511 will be shown separately in the balance sheet of the SDR Department as of April 30, 1983 under the caption "Charges due but not paid." As a result, total SDR holdings will exceed allocations by the amount of unpaid charges.

(iii) In accordance with Article XX, Section 5, when any of the above participants acquires SDRs, those SDRs will be applied against its unpaid charges and cancelled until all unpaid charges have been discharged.

The staff has made, and will continue to make every effort to ensure that these participants acquire SDRs to meet their overdue obligations at the earliest possible opportunity. Failure by these participants to obtain SDRs could lead to further action by the Managing Director under Rule S-1 and possible suspension under Article XXIII, Section 2. Such action is not proposed, pending the result of continuing efforts by the staff to make arrangements with the participants concerned to fulfill their obligations in the very near future. 1/

The procedures proposed are the same as followed on two past occasions when participants did not hold sufficient SDRs to meet the assessment and charges due. 2/ On both occasions the Executive Board formally noted the course of action taken, 3/ and it is considered appropriate that the Executive Board should again do so on this occasion. Accordingly, the following decision is proposed for adoption by the Executive Board:

The Executive Board notes the course of action set out in EBS/83/92.

1/ The current situation of these participants is as follows:

Comoros is expected to acquire SDR 80,000 in a transaction by agreement on May 16, 1983.

Grenada has informed the Fund that they will acquire SDR 90,000 in the near future.

Guinea is expected to make a reserve tranche purchase of SDR 1,450,000, the proceeds of which will be applied against unpaid charges, thereby cancelling 'created' SDRs to this extent. Guinea will be urged to acquire the balance of SDRs needed from the General Resources Account.

Jamaica is expected to acquire SDR 4,100,000 on May 11, 1983.

Lao, P.D.R. gave instructions to transfer the necessary amount of U.S. dollars on April 26, 1983 but, because of faulty instructions by their correspondent bank, these U.S. dollars could not yet be credited to the Fund's account.

Zaire acquired SDR 4.6 million from the General Resources Account on May 4, 1983 which partly discharged unpaid charges and is expected to acquire the balance by the end of May.

The remaining participants have been urged to acquire the necessary SDRs from the General Resources Account as soon as possible.

2/ EBS/78/210, April 26, 1978 and EBS/82/80, May 5, 1982.

3/ EBD 5747-(78/69)S, adopted April 28, 1978 and EBD 7116-(82/68)S, adopted May 7, 1982.