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June 21, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Official Adoption of the Term "SDR"

The attached paper on the official adoption of the term "SDR" has been tentatively scheduled for Executive Board discussion on Wednesday, July 13, 1983. If Executive Directors have technical or factual questions relating to this subject prior to the Board discussion, they should contact Mr. Rea (ext. 77117) or Mr. Coats (ext. 76508).

Att: (1)

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INTERNATIONAL MONETARY FUND

Official Adoption of the Term "SDR"

Prepared by the Legal Department and the Treasurer's Department

Approved by George P. Nicoletopoulos and Walter O. Habermeier

(In consultation with the Bureau of Language Services)

June 21, 1983

In the staff memorandum on "Possible Further Improvements in the Existing SDR" (SM/82/92), which was discussed by the Executive Board on June 7, 1982, it was suggested that in all official references the term "SDR" be adopted by the Fund in place of the full expression "special drawing right". This memorandum examines this suggestion more fully, and proposes a new Rule which, if adopted, would give official sanction to the shorter expression.

1. Background

When the SDR scheme was being developed in the late 1960s, one of the issues was the name to be given to the proposed new supplement to reserve assets. Although other possibilities were considered, the term "special drawing right" was eventually accepted and incorporated in the First Amendment to the Articles of Agreement. This name tended to emphasize the similarities with drawing rights in the Fund. However, as the SDR scheme has evolved the term has become progressively less accurate as a description of the nature of the asset. Uses of SDRs have been prescribed that have nothing to do with drawing rights in the Fund, including use in loans, pledges, grants, swaps and settlement of financial obligations, and the right to hold and deal in SDRs has been extended to a number of official entities that are not members and have no drawing rights in the Fund. These developments have expanded the dimensions and emphasized the character of the SDR as a monetary asset rather than some form of drawing right. In addition, the SDR has come to serve an important function as a unit of account, both within and outside the Fund. The term "special drawing right" has no descriptive value when applied to the SDR as a unit of account.

Although the present official name is unsatisfactory, there would seem to be little advantage in reviving at this stage the search for a totally new name for the SDR. Even if agreement could be reached within the Fund on the subject, a new name could not come into official use for all purposes without an amendment of the Articles of Agreement. Adoption of a new name would also add to confusion outside the Fund and much of the effort in the past decade to make the SDR concept known to the outside world might have to be repeated.

In view of this, one way to proceed would be for the Fund to give official status and recognition to the term "SDR" itself. This term is already widely used in journals and publications, whether published within or outside the Fund, in international capital markets and in international loan documentation. Increasingly it is coming to be regarded as a name in its own right rather than merely as an abbreviation, and use of the full expression "special drawing right" is restricted primarily to formal documents relating to or promulgated by the Fund itself, such as the Articles of Agreement, the Fund's Rules and Regulations and some (though not all) decisions of the Executive Board.

Official recognition could appropriately take the form of a new rule under Section B of the Fund's Rules and Regulations, which deals with terms and definitions, formally adopting the term "SDR" as standard usage in Fund documents, correspondence and publications where a reference to special drawing rights is intended. This standard usage would not be mandatory for all purposes: the alternative term "special drawing rights" could continue to be used where there are special reasons for doing so--for example, when referring to the text of the Articles or to avoid ambiguity in certain contractual contexts. Similarly, in the case of Fund documents and publications in languages other than English a different usage could be retained, including the acronym which precedes figures, where a strong tradition supporting such usage already exists. The Fund usage would not, of course, be binding on entities other than the Fund itself. However, adoption of the rule would serve to simplify and standardize the practice of the Fund and, in a modest way, would help to promote the SDR as a universal and familiar concept.

2. Recommendation

The following new rule is proposed for adoption by the Executive Board:

B-6. SDR refers to the special drawing right of the Fund. The term "SDR" (or "SDRs", as appropriate) shall be adopted as standard usage in Fund documents, correspondence and publications where a reference to special drawing rights is intended, provided that if they are in a language in which a different usage has become established, that usage may be retained.

If this rule is adopted, the text of the other Rules will be changed in the next issue of the Rules and Regulations as necessary to incorporate the new term.