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EBD/83/196

July 21, 1983

To: Members of the Executive Board

From: The Acting Secretary

Subject: Decisions on the SDR Interest Rate and Related Matters,  
and on Adoption of the Term "SDR"

In accordance with the discussion at Executive Board Meetings 83/102 and 83/103, there are attached draft decisions relating to the SDR interest rate and related matters, and on adoption of the term "SDR." It is not proposed to bring the subject to the agenda of the Executive Board for discussion unless an Executive Director so requests by noon on Tuesday, July 26, 1983. In the absence of such a request, the draft decisions will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Att: (1)

Other Distribution:  
Department Heads

INTERNATIONAL MONETARY FUND

Decisions on the SDR Interest Rate and Related Matters,  
and on Adoption of the Term "SDR"

Prepared by the Legal Department and the Treasurer's Department

Approved by George P. Nicoletopoulos and W. O. Habermeier

July 21, 1983

At its meeting on July 13, 1983, the Executive Board accepted the recommendations in SM/83/137 on "The SDR Interest Rate and Related Matters" and SM/83/139 on "Official Adoption of the Term 'SDR'".

Attached to this memorandum are two proposed Decisions. The first would implement the recommendations in SM/83/137, by amending the Rules relating to the determination and payment of interest and charges on SDRs (Rule T-1) and of remuneration (Rules I-9 and I-10). For convenience, the specific changes proposed in the existing Rules are identified in the Appendix to this memorandum. It will be noted that the decision to retain Rule I-10(b) in its present form, while amending Rule T-1(b) to provide for the new weekly method of determining the interest rate, implicitly constitutes a decision that the new method of determination will apply also to remuneration. Since all the amendments to the Rules, including those changing the method of rate determination, are proposed for adoption together, the decision adopting these amendments requires a 70 per cent majority of the total voting power.

The second Decision attached to this memorandum is that adopting a new Rule B-6, which will give official sanction to the standard use of the term "SDR". As noted in SM/83/139, when the next edition of the Rules is printed all references to "special drawing rights" elsewhere in the Rules will be revised to read "SDRs", in conformity with the new Rule B-6.

Draft Decisions

I. Amendments to Rules I-9, I-10, and T-1

Rules I-9, I-10, and T-1 of the Rules and Regulations of the Fund shall be amended to read as set forth below. The amended Rules shall apply with effect from August 1, 1983, provided that interest and charges on holdings of SDRs and remuneration accrued during the current financial quarter ending on July 31, 1983 shall be paid as of the commencement of the next financial year.

I - CHARGES IN RESPECT OF GENERAL RESOURCES ACCOUNT  
TRANSACTIONS AND REMUNERATION

I-9 (a) Remuneration shall accrue daily. The amount that has accrued during each quarter of the financial year of the Fund shall be paid as of the beginning of the following quarter.

(b) A member that wishes to receive in its own currency the whole or a specified portion of the remuneration payable to it shall so notify the Fund.

I-10 (a) The rate of remuneration shall be equal to 85 per cent of the rate of interest on holdings of SDRs under Rule T-1(b), rounded to the two nearest decimal places.

(b) The Fund shall review the rate of remuneration on the occasion of the annual review of the rate of interest on holdings of SDRs under Rule T-1(d).

T - INTEREST, CHARGES AND ASSESSMENTS IN RESPECT OF SDRs

T-1 (a) Interest and charges in respect of SDRs shall accrue daily at

the rate referred to in (b) below. The amount that has accrued during each quarter of the financial year of the Fund shall be paid promptly as of the beginning of the following quarter. The accounts of participants shall be credited with the excess of interest due over charges or debited with the excess of charges over the interest due. The accounts of holders that are not participants shall be credited with the interest due.

- (b) The rate of interest on holdings of SDRs for each weekly period commencing each Monday shall be equal to the combined market interest rate as determined by the Fund at the beginning of the period in the manner described in (c) below.
- (c) The combined market interest rate shall be the sum, rounded to the two nearest decimal places, of the products that result from multiplying each yield or rate listed below, expressed as an equivalent annual bond yield, for the preceding Friday by the value in terms of the SDR on that Friday of the amount of the corresponding currency specified in Rule 0-1, as determined pursuant to Rule 0-2(b). If a yield or rate is not available for a particular Friday, the calculation shall be made on the basis of the latest available yield or rate.

U.S. dollar	Market yield for three-month U.S. Treasury bills
Deutsche mark	Three-month interbank deposit rate in Germany
French franc	Three-month interbank money rate against private paper in France

Japanese yen

Discount rate on two-month  
(private) bills in Japan

Pound sterling

Market yield for three-month  
U.K. Treasury bills

(d) The Fund will review the rate of interest on holdings of SDRs at the conclusion of each financial year.

II. Adoption of New Rule B-6

The following new Rule shall be included in the Rules and Regulations of the Fund as Rule B-6:

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 the text is in a language in which a different usage has become established, that usage may be retained.

Text Showing Changes  
Proposed in Rules I-9, I-10, and T-1

I - CHARGES IN RESPECT OF GENERAL RESOURCES ACCOUNT  
TRANSACTIONS AND REMUNERATION

- I-9 (a) Remuneration shall accrue daily ~~and shall be paid as~~  
~~of the end of each financial year of the Fund.~~ The  
amount that has accrued during each quarter of the financial  
year of the Fund shall be paid as of the beginning of the  
following quarter.
- (b) A member that wishes to receive in its own currency the  
whole or a specified portion of the remuneration payable  
to it shall so notify the Fund ~~by rapid means of communication~~  
~~not later than the end of a financial year.~~
- I-10 (a) The rate of remuneration shall be equal to 85 per cent  
of the rate of interest on ~~the special drawing right~~ holdings  
of SDRs under Rule T-1(b), rounded to the two nearest decimal  
places.
- (b) The Fund shall review the rate of remuneration on the  
occasion of the annual review of the rate of interest on  
holdings of ~~special drawing rights~~ SDRs under Rule T-1(d).

T - INTEREST, CHARGES AND ASSESSMENTS IN RESPECT OF ~~SPECIAL~~  
~~DRAWING RIGHTS~~ SDRs

- T-1 (a) Interest and charges in respect of ~~special drawing rights~~  
SDRs shall accrue daily at the rate referred to in (b)  
below ~~and shall be paid promptly as of each financial~~

~~year of the Fund.~~ The amount that has accrued during each quarter of the financial year of the Fund shall be paid promptly as of the beginning of the following quarter.

The accounts of participants shall be credited with the excess of interest due over charges or debited with the excess of charges over the interest due. The accounts of holders that are not participants shall be credited with the interest due.

- (b) The rate of interest on holdings of ~~special drawing rights for each calendar quarter~~ SDRs for each weekly period commencing each Monday shall be equal to the combined market interest rate as determined by the Fund at the beginning of the period in the manner described in (c) below.

- ~~(c) The combined market interest rate shall be the sum of the average yield or rate on each of the respective instruments listed below for the fifteen business days preceding the last two business days of the last month before the calendar quarter for which interest is to be calculated, with each yield or rate multiplied by the number of units of the corresponding currency listed in Rule 0-1 and the value in terms of the special drawing right of a unit of that currency as determined by the Fund under Rule 0-2(a) and (b), providing that the combined market interest rate shall be rounded to the two nearest decimal places. The yields and rates for this calculation are:~~

(c) The combined market interest rate shall be the sum, rounded to the two nearest decimal places, of the products that result from multiplying each yield or rate listed below, expressed as an equivalent annual bond yield, for the preceding Friday by the value in terms of the SDR on that Friday of the amount of the corresponding currency specified in Rule 0-1, as determined pursuant to Rule 0-2(b). If a yield or rate is not available for a particular Friday, the calculation shall be made on the basis of the latest available yield or rate.

U.S. dollar

Market yields for three-month U.S. Treasury bills

Deutsche mark

Three-month interbank deposit rate in Germany

French franc

Three-month interbank money rate against private paper in France

Japanese yen

Discount rate on two-month (private) bills in Japan

Pound sterling

Market yields for three-month U.K. Treasury bills

(d) The Fund will review the rate of interest on holdings of ~~special drawing rights~~ SDRs at the conclusion of each financial year.