

INTERNATIONAL MONETARY FUND

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The Executive Board of the International Monetary Fund has adopted two Decisions on the SDR interest rate and related matters, effective from August 1, 1983. The general purpose of the decisions on the SDR interest rate is to further enhance the role of the SDR as an international reserve asset by bringing its yield closer in line with yields on other reserve assets included in the SDR interest basket.

The first Decision amends the Fund's 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). Starting on July 29, 1983 the rate of SDR interest and charges, and the rate of remuneration, which the Fund pays on creditor positions in the General Department, will be calculated weekly instead of quarterly, as is the case at present. The combined market interest rate used to determine the SDR interest rate will be calculated on Friday, enter into effect the following Monday, and will apply until the end of the following Sunday. This change in the frequency with which the SDR interest rate is calculated will help to improve the liquidity of the SDR among participants and prescribed holders of the asset. With a weekly determination of the SDR interest rate, the 15-day reference period used to calculate the combined market interest rate will be replaced with a single reference day.

Furthermore, SDR interest and charges, as well as remuneration, will be paid quarterly instead of annually as at present. The more frequent payment of interest on SDR holdings will make the yield on the SDR more comparable with the return on reserve assets which are held for three-month maturity.

The second Decision introduces a new Rule B-6 to be included in the Rules and Regulations of the Fund, which adopts usage of the term "SDR" as standard procedure in Fund documents, correspondence, and publications where a reference to the special drawing right is intended. Rule B-6 allows for retention of a different usage of the term if the text is in a language in which that usage has been established.

Net interest is received by Fund members on their holdings of SDRs exceeding allocations, and by prescribed holders of SDRs and the Fund's General Department on their SDR holdings. Net charges, at the same rate, are paid by Fund members with holdings below their allocations.

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Under the Fund's rules, the SDR interest rate is equal to the combined market interest rate derived as a weighted average of yields or rates on certain short-term instruments in the United States, the Federal Republic of Germany, France, Japan and the United Kingdom. The rate of remuneration on members' creditor positions in the General Department is 85 per cent of the SDR interest rate and both rates are rounded to two decimal places.

The weekly SDR interest rate and the rate of remuneration may be obtained from the Fund each Friday after 6:00 p.m. Washington D.C. time, by calling the Fund's SDR telephone service: (202)473-7171. This service will become operational this coming weekend.