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June 5, 1984

To: Members of the Executive Board

From: The Secretary

Subject: Charges on Holdings Outstanding Under the Policy on Enlarged Access - Amendment of Rule I-6(5)

The attached decision is being reissued to show a change in the format of paragraph 5(ii).

Att: (1)

Other Distribution:  
Department Heads

INTERNATIONAL MONETARY FUND

Charges on Holdings Outstanding under the  
Policy on Enlarged Access - Amendment of Rule I-6(5)

Executive Board Decision - May 30, 1984

Rule I-6(5) shall be amended as indicated below:

"(5) The rate of charge on holdings of a member's currency acquired as a result of the member's purchases of borrowed currency under the Policy on Enlarged Access to the Fund's Resources (Executive Board Decision No. 6783-(81/40)) during a six-month period ending June 30 or December 31 shall be equal to the total, expressed as a percentage per annum, of:

- (i) the net cost of borrowing by the Fund under that Policy for the period, calculated in accordance with (a), (b) and (c) below and
- (ii) the imputed borrowing cost of the amount of the ordinary resources being used to finance purchases of borrowed currency calculated in accordance with (d) below,

plus 0.2 percent per annum.

- (a) The net cost of borrowing for a six-month period ending June 30 or December 31 shall consist of the actual gross cost of borrowing to finance purchases under the Policy assignable to the period less net income during the period from the temporary employment of the borrowed funds.
- (b) Actual gross costs of borrowing shall comprise:
  - (i) interest paid or accrued to lenders on the average daily amount of balances borrowed; and
  - (ii) fees, commissions, and any other primary costs directly payable to lenders or incurred in order to secure the borrowed funds, prorated for six-month periods ending June 30 and December 31 in proportion to the duration of the borrowing arrangements to which such costs relate, or to the period covered by these costs.
- (c) Net income from temporary employment of borrowed funds pending disbursement shall be determined by taking into account:
  - (i) income received and income accrued from investments or other operations to secure a rate of return;

- (ii) operational expenses (paid and accrued) incurred directly by the Fund in order to obtain this income, prorated over the period to maturity of the investment; and
  - (iii) any net gain or loss, calculated to the end of each six-month period ending June 30 or December 31, resulting from exchange valuation adjustments of currency balances and investments representing the undisbursed proceeds of borrowing in terms of the SDR.
- (d) (i) The imputed borrowing cost of the use of ordinary resources being used to finance purchases of borrowed currency shall be the product of the daily amount of such resources as determined in accordance with (ii) below multiplied by the rate of interest for the weekly period commencing each Monday calculated in accordance with the method set forth in Rule T-1(b) and (c) for determining the rate of interest on holdings of SDRs except that, in place of the rates or yields for the preceding Friday on the instruments listed in Rule T-1(c), the yields for the preceding Wednesday on the instruments specified under paragraph 3(b) of Annex A to the letter referred to in Executive Board Decision No. 6843-(81/75) adopted May 6, 1981, shall be used.
- (ii) The amount of ordinary resources being used to finance purchases of borrowed currency is equal to the amount of the Fund's holdings of currency resulting from members' purchases of borrowed currency under the Policy on Enlarged Access less the outstanding amount of currency borrowed by the Fund to finance such purchases after deducting the amounts of currency held in the Borrowed Resources Suspense Accounts."