

**IMMEDIATE
ATTENTION**

EBS/03/179

CONFIDENTIAL

December 30, 2003

To: Members of the Executive Board

From: The Acting Secretary

Subject: **East African Development Bank—Termination of Status as a Prescribed Holder of SDRs**

Attached for consideration by the Executive Directors is a paper on East African Development Bank—termination of status as a prescribed holder of SDRs. It is not intended to publish this paper on the Fund's external website.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by **noon on Thursday, January 8, 2004**. In the absence of such a request, the draft decision that appears on page 3 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Questions may be referred to Mr. P. Ross (ext. 38973) and Mr. Gershenson (ext. 39318) in FIN.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

East African Development Bank—Termination of Status as a Prescribed Holder of SDRs

Prepared by the Finance Department

In consultation with the Legal Department

Approved by Bert E. Keuppens

December 29, 2003

1. In a communication dated November 4, 2003 (Attachment I), the East African Development Bank (EADB) notified the Fund that it wished to terminate its status as a prescribed holder of SDRs. The EADB was prescribed as a holder of SDRs on December 15, 1983.¹ That prescription was governed by the terms and conditions specified by Decision No. 6467-(80/71) S, adopted on April 14, 1980 (Attachment III).
2. The provision for termination of the prescription of a holder is specified in paragraph 9 of Decision No. 6467-(80/71)S which states that “the prescription of a holder of SDRs may be terminated by the Fund by a decision of the Executive Board or by a notice from the prescribed holder in writing to the Fund at its principal office. Termination shall become effective on the date specified in the decision of the Executive Board but not earlier than the date of the decision, or when notice from the prescribed holder is received by the Fund at its principal office.” Therefore, as an authenticated notice from the EADB was received by the Fund on December 10, 2003, in accordance with Paragraph 9(a) of Decision No. 6467-(80/71)S, the termination of the EADB’s status as a prescribed holder of SDRs became effective on that date, i.e., December 10, 2003.²
3. Paragraph 9(b) of Decision No. 6467-(80/71)S provides that a prescribed holder whose status as such has been terminated may continue to hold the SDRs it held on termination and to receive SDRs as interest on its holdings. However, such a prescribed

¹ Decision No. 7582-(83/174) S, reproduced in Attachment II.

² It took more than a month for the original notice to be delivered to the Fund; no electronic communication had been received.

holder shall make arrangements, with the concurrence of the Fund, to dispose of its holdings of SDRs as expeditiously as possible.

4. The EADB plans to sell its SDR holdings in a transaction by agreement by the end of 2003. However, a small amount of SDR interest that has accrued in the Fund's current financial quarter will be paid to the SDR account of the EADB on February 1, 2004. The EADB has agreed, in consultation with the Fund staff, to effect the disposal of its SDR holdings on February 5, 2004 by a sale of SDRs in a transaction by agreement.³ Therefore the SDR account of the EADB will be closed on February 5, 2004 after the completion of this sale.

Attachments

³ February 1, 2004 is a Sunday.

PROPOSED DECISION

In light of the above, the following draft decision on a matter pertaining exclusively to the SDR Department is proposed for adoption by the Executive Board:

“The Fund notes that the status of the East African Development Bank as a prescribed holder of SDRs has been terminated as of December 10, 2003, and concurs in the arrangement made by the East African Development Bank to sell its SDR holdings in a transaction by agreement on February 5, 2004.”

EAST AFRICAN DEVELOPMENT BANK



Head Office

Ref: FR/12/53/V

4 November 2003

International Monetary Fund
Financial Operations and Reporting Division
WASHINGTON, DC 20431

Dear Sir/Madam

EAST AFRICAN DEVELOPMENT BANK SDR ACCOUNT

The East African Development Bank has decided to close the SDR account with yourselves and sell its SDR holdings into United States dollars at an appropriate time in the near future, but before the end of year 2003.

Kindly inform us the procedures necessary to effect the closure of the account and the contact person in case further clarification is sought.

Yours faithfully

EAST AFRICAN DEVELOPMENT BANK


Peter Opande
DIRECTOR OF FINANCE


Mary E Gumisiriza (Mrs)
MANAGER, CORPORATE FINANCE

3. EAST AFRICAN DEVELOPMENT BANK - HOLDER OF SDRs

1. Prescription as a Holder

The East African Development Bank is prescribed, in accordance with Article XVII, Section 3(i) of the Articles of Agreement, as a holder of SDRs.

2. Terms and Conditions for Acceptance, Holding, and Use of SDRs

The East African Development Bank is authorized to accept, hold, and use SDRs in transactions and operations in accordance with and on the terms and conditions specified in Executive Board Decision No. 6467-(80/71) S, adopted April 14, 1980. ("Terms and Conditions for the acceptance, holding, and use of Special Drawing Rights by other holders, prescribed under Article XVII, Section 3.").
(EBS/83/265, 12/8/83)

Decision No. 7582-(83/174) S, adopted
December 15, 1983

Article XVII, Section 3

Special Drawing Rights: Other Holders

SPECIAL DRAWING RIGHTS: OTHER HOLDERS

The terms and conditions on which other holders prescribed by the Fund may accept, hold or use SDRs are as follows:

1. Acceptance, Holding, and Use by Prescribed Holders

(a) Acceptance and use

A prescribed holder may accept or use special drawing rights (i) in exchange for an equivalent amount of a monetary asset other than gold in a transaction entered into by agreement with a participant, or another prescribed holder, or (ii) in an operation entered into by agreement with a participant or another prescribed holder in accordance with and on the same terms and conditions established at that time for participants by decisions of the Fund under Article XIX, Section 2(c).

(b) Holding

A prescribed holder may hold special drawing rights, subject to the provisions of this decision, accepted in accordance with (a) above or received as interest paid on its holdings of special drawing rights in accordance with Article XX, Section 1.

2. Acceptance and Use by Participants in Transactions and Operations with Prescribed Holders

Participants may enter into transactions and operations by agreement with a prescribed holder in accordance with the prescriptions in paragraph 1(a) of this decision.

SELECTED DECISIONS AND SELECTED DOCUMENTS

3. *Application of General Provisions*

The holding of special drawing rights and the acceptance and use of them in transactions and operations by a prescribed holder shall be governed by the provisions of the Articles, By-Laws, Rules and Regulations, and decisions of the Fund that apply from time to time to all holders of special drawing rights.

4. *Exchange Rates*

The Rules and Regulations and decisions of the Fund that determine the exchange rates applicable at the time of each use or acceptance of special drawing rights by a participant shall apply to each use or acceptance of them by a prescribed holder. A prescribed holder shall not levy any charge or commission in respect of a transaction involving special drawing rights.

5. *Information and Recording*

The Fund shall inform prescribed holders of matters relevant to the acceptance, holding, and use of special drawing rights by them. A prescribed holder shall inform the Fund promptly of the facts necessary to record any transactions or operations in which a prescribed holder accepts or uses special drawing rights.

6. *Consultation and Review*

(a) Consultation between the Fund and a prescribed holder shall be held at the request of the Fund or the prescribed holder with respect to the application of this decision or the decision prescribing the holder or with respect to transactions or operations entered into involving special drawing rights.

(b) The Executive Board shall review periodically this decision and decisions prescribing holders.

7. *General Undertaking*

Each prescribed holder shall collaborate with the Fund, participants, and other prescribed holders with respect to its

SPECIAL DRAWING RIGHTS: OTHER HOLDERS

acceptance, holding, and use of special drawing rights in order to facilitate the effective functioning of the Special Drawing Rights Department and the proper use of special drawing rights in accordance with the Articles and the terms and conditions prescribed by the Fund now or in the future for the acceptance, holding, and use of special drawing rights by prescribed holders.

8. *Suspension*

During any period in which a suspension is in effect under Article XXIII, Section 1 with respect to participants, the suspension shall apply to the same extent to prescribed holders.

9. *Termination*

(a) The prescription of a holder of special drawing rights may be terminated by the Fund by a decision of the Executive Board or by a notice from the prescribed holder in writing to the Fund at its principal office. Termination shall become effective on the date specified in the decision of the Executive Board but not earlier than the date of the decision, or when notice from the prescribed holder is received by the Fund at its principal office.

(b) A prescribed holder whose status as such has been terminated may continue to hold the special drawing rights it held on termination and to receive special drawing rights as interest on its holdings and may continue to use special drawing rights to dispose of them in transactions or operations in accordance with paragraph 1(a) above. A prescribed holder whose status has been terminated shall make arrangements, with the concurrence of the Fund, to dispose of its holdings of special drawing rights as expeditiously as possible, and shall exchange special drawing rights for a freely usable currency selected by the prescribed holder when requested by the Fund.

Decision No. 6467-(80/71) S
April 14, 1980