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FOR
AGENDA

EBS/60/143

CONFIDENTIAL

December 21, 1960

To: Members of the Executive Board
From: The Secretary
Subject: Union of South Africa - Use of the Fund's Resources

There follows an advance copy of a request for a drawing by the Union of South Africa which the Executive Director representing South Africa has received by cable. A letter confirming the request should reach the Fund within the next few days.

This matter has been tentatively scheduled for Executive Board consideration on Wednesday, December 28. A staff paper will be circulated shortly.

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As fiscal agency for the Union Government we make application under Article V Section 3 to purchase from the International Monetary Fund sterling and deutsche marks each to an amount of United States dollars 18.75 million being the equivalent of our gold subscription to the Fund. The sterling and marks so purchased should be credited to the account of the South African Reserve Bank at the Bank of England, London and the Deutsche Bundesbank, Frankfurt, respectively in three equal instalments on the 30th December 1960, the 31st January 1961 and the 28th February 1961. We confirm that these currencies are presently needed for making payments which are consistent with the provisions of the Fund Agreement.

The equivalent in South African currency of the amounts of sterling and marks namely SA. £4,464,285.14. 3 on each of the above three purchasing dates will be credited to the Fund's No. 1 Account at the South African Reserve Bank on the days the respective amounts of sterling and marks are received. To the extent if any that the Union Government may at a later stage elect to substitute notes for these funds it will on the occasion of each substitution issue immediately to the debit of the Fund's No. 1 Account nonnegotiable noninterest-bearing notes of the Union Government in like amounts in favour of the Fund. These notes will be held by the South African Reserve Bank for account of the Fund.

The service charge payable on these purchases in terms of Article V, Section 8(a) of the Fund Agreement namely United States dollars 62,500 on each of the three purchases will be paid in gold to the Fund's account at the Federal Reserve Bank of New York on the days when the respective amounts of sterling and marks are received.

We state further that this request is made in accordance with the arrangements described in paragraph 2 of the decision of the Executive Board of the Fund at meeting No. 52/11 of 13th February, 1952 and that the Union Government will comply with the principles set forth in subparagraphs A, B, C and D of paragraph 2 of that decision.