

DOCUMENT OF INTERNATIONAL MONETARY FUND
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**FOR
AGENDA**

EBS/75/191

CONFIDENTIAL

June 3, 1975

To: Members of the Executive Board
From: The Secretary
Subject: Iran - Borrowing in Connection with the Oil Facility

Attached for consideration by the Executive Directors is a paper on the proposed communication for the borrowing agreement with the Central Bank of Iran in connection with the oil facility.

This subject will be brought to the agenda for discussion on a date to be announced.

Att: (1)

INTERNATIONAL MONETARY FUND

Borrowing in Connection with the Oil Facility
Central Bank of Iran

Prepared by the Legal and Treasurer's Departments
(In consultation with the Middle Eastern Department)

Approved by Joseph Gold and W.O. Habermeier

June 2, 1975

The attached draft letter from the Managing Director sets forth the terms and conditions on which the Fund would propose to borrow from the Central Bank of Iran the equivalent of four hundred ten million special drawing rights (SDR 410,000,000). The terms and conditions follow those set out in the letter annexed to Executive Board Decision No. 4242-(74/67) of June 13, 1974, as amended by Executive Board Decision No. 4635-(75/47) of April 4, 1975, and the letter sent last year (EBS/74/231).

The Iranian authorities have stated that as Iran's foreign exchange receipts are anticipated to be lower in 1975 than previously forecast, they are prepared at the present time to undertake a commitment to lend the equivalent of four hundred ten million special drawing rights (SDR 410,000,000) to finance the facility. A commitment for additional loans that would raise the total up to the limit of eight hundred twenty million special drawing rights (SDR 820,000,000) would be subject to a review during the second half of the year of Iran's balance of payments situation for 1975.

The Fund would borrow only Iranian rials, as indicated in the preamble, but would be able to use either Iranian rials or United States dollars, or both, to make payments of interest and to repay if agreement on other means is not reached under paragraph 6.

The borrowing of Iranian rials from the Central Bank of Iran is subject to the approval of Iran.

The following decision is recommended for the consideration of the Executive Directors:

"The letter from the Managing Director to The Honorable Mohammed Yeganeh, Governor of the Central Bank of Iran, proposing the terms and conditions on which the Fund would borrow from the Central Bank of Iran, annexed to EBS/75/191 is approved."



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

MANAGING DIRECTOR

CABLE ADDRESS
INTERFUND

Sir:

In accordance with Article VII, Section 2(i) of the Articles of Agreement of the International Monetary Fund, hereinafter referred to as "the Articles," and pursuant to Executive Board Decisions No. 4241-(74/67) and No. 4242-(74/67), adopted June 13, 1974, Executive Board Decisions No. 4634-(75/47) and No. 4635-(75/47), adopted April 4, 1975, and Executive Board Decision No.

I have been authorized to propose on behalf of the International Monetary Fund, hereinafter referred to as "the Fund," that the Central Bank of Iran, hereinafter referred to as "the Bank," agree to lend to the Fund at call during the period ending March 31, 1976 Iranian rials in amounts that in total do not exceed the equivalent of four hundred ten million special drawing rights (SDR 410,000,000) on the following terms and conditions:

1. All amounts under this agreement shall be expressed in terms of special drawing rights. For all the purposes of this agreement, the value of a currency in terms of special drawing rights shall be calculated at the rate for the currency as determined by the Fund in accordance with Rule 0-3 of the Fund's Rules and Regulations in effect when the calculation is made, unless Paragraph 7 applies.

2. (a) Calls under this agreement shall be made only (i) in respect of purchases under the facility established by Executive Board Decision No. 4241-(74/67), adopted June 13, 1974, hereinafter referred to as "the facility," or (ii) in order to repay a borrowing by the Fund from another lender in connection with the facility when repayment is requested by that lender because of a balance of payments need.

(b) When a call is made, the Bank shall transfer to the Fund's account with the Bank within three business days after the call an amount of Iranian rials equivalent to the amount of the call at the rate for the currency as determined by the Fund in accordance with Rule 0-3 of the Fund's Rules and Regulations. On request, the Bank shall convert its currency when sold by the Fund into United States dollars at the rates for the two currencies as determined by the Fund in accordance with Rule 0-3 of the Fund's Rules and Regulations.

3. The Fund shall issue to the Bank on its request a non-negotiable instrument evidencing the amount, expressed in special drawing rights, that the Fund is committed to repay under this agreement. Upon repayment of the amount of any instrument and all accrued interest, the instrument shall be returned to the Fund for cancellation. If less than the amount of any such instrument is repaid, the instrument shall be returned to the Fund and a new instrument for the remainder of the amount shall be substituted with the same maturity date as in the old instrument.

4. The Fund shall pay interest quarterly at an annual rate of seven and one-quarter per cent on the amount it is committed to repay under this agreement. No other fee, charge, or commission shall be paid to, or imposed by, the Bank with respect to any aspect of a call under this agreement, including a transfer or a conversion pursuant to a call under Paragraph 2(b).

5. (a) Subject to the other provisions of this Paragraph 5, the Fund shall repay the Bank an amount equivalent to any transfer pursuant to a call under Paragraph 2 in eight equal semi-annual installments to commence after three years and to be completed not later than seven years after the date of the transfer.

(b) The Fund may repay the Bank in advance of the repayments required by Paragraph 5(a): (i) to the extent that (A) a repurchase is identified as made in respect of a purchase under the facility for which the Fund has borrowed from the Bank, or (B) repayment is necessary in the opinion of the Fund in order to enable repurchases to be made by members with currency, or (C) the Bank agrees to receive repayment; or (ii) before a decision to make uniform proportionate changes in the par values of the currencies of all members becomes effective.

(c) If at any time the Bank represents that there is a balance of payments need for repayment of part or all of the amount the Fund is committed to repay under this agreement and requests such repayment, the Fund, in deciding whether to make repayment, shall give the overwhelming benefit of any doubt to the representation.

(d) Repayments under Paragraph 5(b) and (c) shall discharge the installments prescribed by Paragraph 5(a) in the order in which they become due.

6. The Fund shall consult the Bank in order to agree the means in which payment of interest and repayment will be made, but, if agreement is not reached, the Fund shall have the option to make payment or repayment in Iranian rials or United States dollars, or both.

7. If the Fund decides to make a change in the way in which the value of the unit of special drawing rights is determined, (i) the Bank shall have the option to have the unit of value of the special drawing right in effect under Rule 0-3 before the change continue to apply for the purposes of this agreement; (ii) the Fund shall have the option to repay any amounts it is committed to repay, and to make repayment on the basis of the unit of value of the special drawing right in effect under Rule 0-3 before the change.

8. The Bank may transfer all or part of its claim to repayment under this agreement with the prior consent of the Fund and on terms and conditions acceptable to the Fund.

9. If Iran withdraws from the Fund, the Bank's agreement to lend shall terminate, and the amount that the Fund is committed to repay under this agreement shall be repaid in accordance with the terms of this agreement, provided that repayment shall be made, at the option of the Fund, in Iranian rials or in United States dollars, or in such other currency as may be agreed with the Bank.

10. In the event of liquidation of the Fund the amounts the Fund is committed to repay to the Bank shall be immediately due and payable as liabilities of the Fund under Paragraph 1 of Schedule E of the Articles. For the purpose of Paragraph 1(a) of Schedule E the currency in which the liability is payable shall be, at the option of the Fund, Iranian rials or United States dollars or any other currency agreed with the Bank.

11. Any question of interpretation of this agreement that does not fall within the purview of Article XVIII of the Articles shall be settled to the mutual satisfaction of the Bank and the Fund.

If the foregoing proposal is acceptable to the Bank, this communication and your reply shall constitute an agreement between the Bank and the Fund, which shall enter into force on the date on which the Fund receives your reply.

Very truly yours,

H. Johannes Witteveen
Managing Director

The Honorable
Mohammed Yeganeh
Governor
Central Bank of Iran
Teheran, Iran