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**IMMEDIATE  
ATTENTION**

EBD/82/6

January 12, 1982

To: Members of the Executive Board  
From: The Secretary  
Subject: Representative Rate for the European Currency Unit (ECU)

It is not proposed to bring the attached memorandum to the agenda of the Executive Board for discussion unless an Executive Director so requests by the close of business on Wednesday, January 13, 1982. In the absence of such a request, the draft decision will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Att: (1)

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Department Heads



INTERNATIONAL MONETARY FUND

Representative Rate for the European Currency Unit (ECU)

Prepared by the Treasurer's Department

(In consultation with the Legal Department)

Approved by W.O. Habermeier

January 12, 1982

Under a number of the decisions adopted by the Executive Board in connection with operations under Article XIX, Section 2(c) a participant or an other holder may use SDRs in operations that are denominated in a unit of account that is composed of currencies and is applied under an intergovernmental agreement (i.e., another international monetary asset), in respect of which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(a) and Rule 0-2. 1/

The ECU is a unit of account to which the above decision applies. 2/ The ECU is the unit of account used to denominate debtor balances with the European Monetary Cooperation Fund (FECOM). The staff has been informed that, value January 15, 1982, a member intends to include SDRs in the settlement of its debt vis-a-vis the FECOM. The staff and the FECOM have consulted as regards the method to determine a representative rate of the ECU in terms of the SDR that would be used for operations involving the ECU and the SDR. The FECOM have indicated their agreement to the method proposed below with respect to the intended transaction in SDRs. Further consultations will take place on the possibility of expanding the decision after further examination by the FECOM of the method proposed. The proposed method would apply not only to the intended transaction on January 15, 1982 but also to subsequent transactions involving the ECU until the Fund, after consultation with the FECOM, decides on any change in the method.

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1/ See Decision Numbers 6000-(79/1) S, 6001-(79/1) S, 6053-(79/34) S, 6054-(79/34) S, 6336-(79/178) S, as amended, reproduced in Selected Decisions, Ninth Issue, June 15, 1981, pages 249-258.

2/ The ECU is identical in definition and method of calculation to the European Unit of account used in the European Monetary Co-operation Fund (FECOM).

The ECU is defined as the sum of the following fixed amounts of currency:

Deutsche mark	0.828	Belgian francs	3.66
Pounds sterling	0.0885	Luxembourg francs	0.14
French francs	1.15	Danish kroner	0.217
Italian lire	109.00	Irish pounds	0.00759
Netherlands guilders	0.286		

The European Commission calculates daily exchange rates for the ECU on the basis of dollar rates announced at a 2:30 p.m. "concertation session" and immediately reported to the Commission by the National Bank of Belgium or, if the latter is closed, by the Chairman for the "concertation session". The Commission first calculates the U.S. dollar equivalent of the ECU. On the basis of the U.S. dollar equivalent, the equivalent of the ECU in each EEC currency is then calculated. The rates used in the calculation are the middle rates. 1/

Debit balances to be settled by means of assets denominated in SDRs shall be converted into these assets on the basis of the rate for the U.S. dollar in ECUs and the rate for the dollar in SDRs. 2/

Following consultations with the European Monetary Co-operation Fund (FECOM), it is considered that the representative rate for the ECU against the SDR is the rate obtained on the basis of the reciprocal of the U.S. dollar equivalent of the ECU as calculated and published by the Commission in accordance with the EEC agreement and the SDR value of one U.S. dollar as calculated and published by the Fund on the same day. If both these rates for the U.S. dollar are not available for the same day, the rates for the next preceding day on which both rates are available will be used.

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1/ Resolution of the Council of April 21, 1975, on the definition and conversion of a European unit of account (Official Journal of the European Communities No. L 104 of April 24, 1975) and the Announcement concerning the calculation of the equivalent of the European currency unit and the European unit of account as published by the Commission (Official Journal of the European Communities No. C 69 of March 13, 1979).

2/ Article 16-1 (Means of Settlement) of the Agreement between the central banks of the member states of the EEC laying down the operative procedures for the European Monetary System (3/13/79) reads as follows:  
"Debtor balances in ECUs settled by means of assets denominated in currencies and in SDRs shall be converted into such assets on the basis of the daily rates for the ECU established by the Commission's staff."

In light of the above, the following draft decision is proposed for adoption by the Executive Board:

After consultation with the European Monetary Co-operation Fund, the representative rate for the ECU in terms of the SDR under Article XIX Section 7(a) and Rule 0-2 shall be obtained by using the reciprocal of the U.S. dollar equivalent of the ECU as calculated and published by the European Commission and the SDR equivalent of one U.S. dollar as calculated and published by the Fund for the same day. If both these rates for the U.S. dollar are not available for the same day, the rates for the next preceding day on which both rates are available will be used. The rate determined by this method shall be applied in connection with a transfer of SDRs as part of the settlement of a member's debt with the European Monetary Cooperation Fund. The European Monetary Co-operation Fund and the Fund will consult concerning any change in the method of calculating the representative rate for the ECU in terms of the SDR.