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CONFIDENTIAL

December 15, 1999

To: Members of the Executive Board
From: The Acting Secretary
Subject: **Off-Market Gold Sales—Brazil**

Attached for the information of the Executive Directors is a paper on off-market gold sales to Brazil.

Mr. Boese (ext. 37626) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Off-Market Gold Sales—Brazil

Prepared by the Treasurer's Department

(In consultation with the Legal Department)

Approved by Eduard Brau

December 15, 1999

1. Decision No. 12063 (99/130), adopted by the Executive Board on December 8, 1999, authorized off-market gold sales by the Fund of up to 14 million troy ounces to generate the equivalent of SDR 2.226 billion for the Special Disbursement Account to help finance the Fund's contribution to the HIPC Initiative. The first such sale and subsequent acceptance of gold in payment of a repurchase obligation with a cooperating member was undertaken on December 14, 1999.

2. On that day, the Fund sold 7,074,317.347318 troy ounces of fine gold to Brazil against Brazil's payment of US\$1,977,979,130.31 to the Fund. On the same day, the Fund accepted the same gold in payment for a repurchase obligation equivalent to SDR 1,438,155,000 due December 14, 1999. This set of transactions is summarized below:

Ounces of gold sold	Price of gold ¹	U.S. dollar equivalent	SDR/U.S. dollar rate ¹	Repurchase (in SDRs)
7,074,317.347318	279.60	1,977,979,130.31	0.727083	1,438,155,000

¹ The price of gold of US\$279.60 per troy ounce of fine gold was based on the London morning fixing price on December 9, 1999, three business days prior to the value date of the transaction, and the SDR/U.S. dollar rate of the same day was used.

3. Immediately following the sale of gold on December 14, 1999 the Fund placed an amount equivalent to SDR 247,601,107 (i.e., the value of the gold at SDR 35 per ounce) in the General Resources Account (GRA). The excess, equivalent to SDR 1,190,533,893, was held in the Special Disbursement Account (SDA) and invested with the Bank for International Settlements (BIS). Since the currency used to make the investment was the U.S. dollar, the concurrence of the United States was received for this investment (and for future investments of the proceeds of gold sales undertaken for the same purpose), in accordance with the requirements of Article V, Section 12 (h).

4. With the completion of these transactions, the Fund has sold somewhat more than one half of the 14 million ounces of gold authorized by Decision No. 12063 (99/130) and generated just over one half of the profit target of SDR 2.226 billion