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EBS/99/231

CONFIDENTIAL

December 20, 1999

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

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

Mrs. Ecevit (ext. 37582) 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—Mexico**

Prepared by the Treasurer's Department

(In consultation with the Legal Department)

Approved by Eduard Brau

December 20, 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 second sale and subsequent acceptance of gold in payment of a repurchase obligation was undertaken with Mexico.<sup>1</sup>
2. On December 17, 1999, the Fund sold 655,578.188976 troy ounces of fine gold to Mexico against payment of US\$183,758,566.37 to the Fund. On the same day, the Fund accepted the same gold in payment for a repurchase obligation equivalent to SDR 134,257,500 due that day. These transactions are summarized below:

| Ounces of gold sold | Price of gold <sup>2</sup> | U.S. dollar equivalent | SDR/U.S. dollar rate <sup>2</sup> | Repurchase (in SDRs) |
|---------------------|----------------------------|------------------------|-----------------------------------|----------------------|
| 655,578.188976      | 280.30                     | 183,758,566.37         | 0.730619                          | 134,257,500          |

3. Immediately following the sale of gold on December 17, 1999 the Fund placed an amount equivalent to SDR 22,945,237 (i.e., the value of the gold at SDR 35 per ounce) to the General Resources Account (GRA). The excess, equivalent to SDR 111,312,263, was held in

<sup>1</sup> The first sale conducted with Brazil was reported in EBS/99/228, 12/15/99.

<sup>2</sup> The price of gold of US\$280.30 per troy ounce of fine gold was based on the London morning fixing price on December 14, 1999, three business days prior to the value date of the transaction. The SDR/U.S. dollar rate of the same day was used.

the Special Disbursement Account (SDA) and invested with the Bank for International Settlements (BIS).<sup>3</sup>

4. After completion of these two transactions, the Fund has sold a total of 7.7 million ounces out of the 14 million ounces of gold authorized by Decision No. 12063 (99/130) and generated SDR 1.302 billion of the target of SDR 2.226 billion.

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<sup>3</sup> As noted in EBS/99/228, in accordance with the requirements of Article V, Section 12 (h), the United States has concurred with the use of the U.S. dollar to make this investment.