

INTERNATIONAL MONETARY FUND

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The International Monetary Fund has determined the list of the currencies and their new weights in the basket used to calculate the value of the SDR. With effect from January 1, 1991, the list of currencies in the SDR valuation basket will remain the same and the weight of each to be used to calculate the amount of each of these currencies in the basket will be as follows:

<u>Currency</u>	<u>Weight</u> (in percent)
U.S. dollar	40
Deutsche mark	21
Japanese yen	17
French franc	11
Pound sterling	11

The revision of the amount of each currency is undertaken in accordance with the IMF decision of September 17, 1980 (Press Release No. 80/66) stipulating that the valuation basket of the SDR be revised with effect from January 1, 1986 and on the first day of each subsequent five-year period, unless the IMF's Executive Board decides otherwise. The new amounts of each of the five currencies to be included in the SDR valuation basket will be calculated on December 31, 1990 in accordance with the new weights indicated above. The calculation will be made on the basis of the average exchange rates for these currencies over the three months ending on that date in such a manner as to ensure that the value of the SDR in terms of these currencies will be the same on December 31, 1990 under both the revised valuation and present valuation baskets.

The SDR basket includes the currencies of the five member countries of the IMF with the largest exports of goods and services during the five-year period preceding the revision, which in the present case is the period 1985-89. The weights of the currencies in the basket reflect the relative importance of these currencies in international trade and finance during this period, and are based on the value of the exports of goods and services of the members issuing these currencies and the amount of their currencies officially held by members of the IMF.

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The previous weights based on 1980-84 data used to determine the amount of each currency in the current SDR basket, which was revised in 1986, were 42 percent for the U.S. dollar, 19 percent for the Deutsche mark, 15 percent for the Japanese yen, and 12 percent each for the French franc and the Pound sterling.

As a result of the unification of the SDR valuation and interest rate baskets in 1981, the currency amounts in the SDR interest rate basket are identical with those in the SDR valuation basket. The SDR interest rate is determined as a weighted average of interest rates on currencies, with weights reflecting the SDR values of the currency amounts in the basket.

The financial instruments included in the SDR interest rate basket have also been reviewed. With effect January 1, 1991 the two-month private bill currently used for the Japanese yen component is replaced with the rate on three-month certificates of deposit, and the rate on three-month interbank deposits used for the French franc component is replaced with the interest rate on three-month Treasury bills. The instruments for the United States dollar (market yield for three-month U.S. Treasury bills), the Pound sterling (market yield for three-month U.K. Treasury bills), and Deutsche mark (three-month interbank deposit rate in Germany) remain unchanged. The changes in the financial instruments are called for in light of the financial innovation and deregulation that has occurred within a broad restructuring of the financial markets and which bear on the representativeness of these instruments in their respective markets.

