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EBD/87/102

April 8, 1987

To: Members of the Executive Board  
From: The Secretary  
Subject: United States - Exchange System

There is attached for the information of the Executive Directors a paper on the exchange system of the United States.

Mr. Quirk (ext. 8520) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:  
Department Heads



INTERNATIONAL MONETARY FUND

United States--Exchange System

Prepared by the Western Hemisphere and Exchange  
and Trade Relations Departments

(In consultation with the Legal Department)

Approved by E. Wiesner and C. David Finch

April 8, 1987

On December 16, 1985, members of the Executive Board were notified of measures taken by the United States concerning South Africa (EBD/85/315). Copies of regulations and the Executive Order prohibiting financial institutions in the United States from making loans to the South African Government or its controlled entities, or entering into other financial arrangements, were circulated to the Executive Board at that time. It was stated in that communication by the Executive Director for the United States, Mr. Dallara, that the prohibition was imposed for the purposes set forth in Executive Board Decision No. 144-(52/51). The prohibition of normal short-term trade financing for goods and services involved a restriction on payments for current international transactions subject to Article VIII, Section 2(a), which was approved by the Fund in accordance with the procedure under Decision No. 144-(52/51).

In 1986, the Comprehensive Anti-Apartheid Act of 1986 was enacted by the United States, stipulating the policy of the United States with respect to ending apartheid, and prohibiting a variety of transactions by U.S. nationals with the Government of South Africa or entities owned or controlled by it. The U.S. Treasury Department issued implementing regulations effective November 16, 1986, amending the previous South African Transactions Regulations (31 CFR Part 545) that were the basis of the notification referred to in the first paragraph above.

Section 305 of the Comprehensive Anti-Apartheid Act of 1986 prohibits the making of loans to the Government of South Africa or to any entities owned or controlled by it, and Section 545.304 of the new Regulations defines loans as follows:

(b) the term "loan" does not include normal short-term trade financing for goods or services having a maturity not exceeding one year, as by commercial letters of credit, bankers' acceptances eligible for discount by a Federal Reserve Bank pursuant to para. 7 of section 13 of the Federal Reserve Act (12 U.S.C. 372), or similar trade credits; sales on open account in cases where such sales are normal business practice; or the rescheduling of existing loans, if no new funds or credits are thereby transferred or extended to a prohibited borrower or recipient.

Under the law and amended regulations, 1/ therefore, the United States does not now maintain restrictions on payments and transfers for current international transactions with respect to South Africa that are subject to Article VIII of the Fund Agreement.

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1/ Copies of these documents are available from the Secretary, Room 12-100.