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Supplement 4

December 30, 1985

To: Members of the Executive Board

From: The Acting Secretary

Subject: SDR Valuation Basket - Guidelines for the Calculation of the  
Currency Amounts

The attached note regarding the calculation of the currency amounts is circulated for the information of the Executive Directors.

Att: (1)

Other Distribution:  
Department Heads

INTERNATIONAL MONETARY FUND

SDR Valuation Basket--Guidelines for the  
Calculation of the Currency Amounts

Prepared by the Legal and Treasurer's Departments

Approved by James G. Evans, Jr. and Thomas Leddy

December 27, 1985

The Executive Board's decision on December 23, 1985 to adopt the "uniform significant digit" approach for determining the currency amounts to be included in the new SDR valuation basket is regarded as a legal matter to constitute a change in the method of valuation of the SDR. Accordingly, it is necessary to consult with the Fund's lenders under the Supplementary Financing Facility and certain of the Fund's lenders under the Enlarged Access Policy on options contained in their loan agreements with respect to the method of valuation. <sup>1/</sup> The staff is in contact with the lenders to inform them of this modification, and is indicating also that it is not expected to have any material consequence. The staff has no reason to expect that lenders will wish to exercise these options. The Board will be advised of the results of the consultations in due course.

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<sup>1/</sup> The SFF loan agreements provide that in the event of a change in the method of valuation, the lenders may require immediate repayment of outstanding amounts on the basis of the method of valuation in effect before the change. The relevant loan agreements under enlarged access specify that in the event of a change in the method of valuation, the lender has an option to require the previous method of valuation to continue to apply to loans outstanding at the time of the change. If the lender exercises this option (which must be notified to the Fund not later than 14 days after the change becomes effective), the Fund is then entitled to repay in advance of maturity all amounts with respect to which the option has been exercised.