

No. 18885

**UNITED STATES OF AMERICA
and
INTERNATIONAL MONETARY FUND**

**Exchange of letters constituting an agreement concerning a
supplementary financing facility. Washington, 5 and
12 January 1979**

Authentic text: English.

Registered by the United States of America on 30 May 1980.

**ÉTATS-UNIS D'AMÉRIQUE
et
FONDS MONÉTAIRE INTERNATIONAL**

**Échange de lettres constituant un accord relatif à une facilité
supplémentaire de financement. Washington, 5 et
12 janvier 1979**

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 30 mai 1980.

EXCHANGE OF LETTERS CONSTITUTING AN AGREEMENT¹
BETWEEN THE UNITED STATES OF AMERICA AND THE
INTERNATIONAL MONETARY FUND CONCERNING A SUP-
PLEMENTARY FINANCING FACILITY

I

INTERNATIONAL MONETARY FUND
WASHINGTON, D.C.
Managing Director

January 5, 1979

Dear Mr. Secretary,

In accordance with article VII of the Articles of Agreement of the International Monetary Fund,² hereinafter referred to as "the Articles", and pursuant to Executive Board Decision No. 5509-(77/127), adopted August 29, 1977, and Executive Board Decision No. 6005-(79/3), adopted January 5, 1979, I have been authorized to propose on behalf of the International Monetary Fund, hereinafter referred to as "the Fund", that the United States agree to make available to the Fund at call during the period of five years from the effective date of Executive Board Decision No. 5508-(77/127), adopted August 29, 1977, United States dollars in amounts that in total do not exceed one thousand eight hundred thirty-one million six hundred forty thousand United States dollars (US\$1,831,640,000) nor the equivalent of one thousand four hundred fifty million special drawing rights (SDR 1,450,000,000) in exchange for readily repayable claims on the following terms and conditions:

1. All amounts under this Agreement shall be expressed in terms of the special drawing right. For all purposes of this Agreement, the value of a currency in terms of the special drawing right shall be calculated at the rate for the currency as determined by the Fund in accordance with the Fund's Rules and Regulations in effect when the calculation is made, subject to paragraph 7(a).

2. (a) Calls under this Agreement shall be made only (i) in respect of purchases to be made with supplementary financing under the facility established by Executive Board Decision No. 5508-(77/127), adopted August 29, 1977, which is hereinafter referred to as "the facility", or (ii) by agreement with the United States, in order to enable the Fund to repay a claim under another agreement connected with the facility when repayment is made under that agreement because of a balance of payments need.

(b) The Fund shall give the United States as much advance notice as possible of the Fund's intention to make calls.

(c) The United States may represent that its balance of payments and reserve position does not justify calls or further calls under this Agreement. The Fund, in considering the representation, shall give the United States the overwhelming benefit of any doubt. After consultation with the United States, in which the Fund shall give the United States the overwhelming benefit of any doubt, the Fund may make calls or further calls at a later date when in the opinion of the Fund the balance of payments and reserve position of the United States improves sufficiently to justify calls or further calls.

¹ Came into force on 16 January 1979, the date of receipt of the letter in reply, in accordance with the provisions of the said letters.

² United Nations, *Treaty Series*, vol. 2, p. 39.

(d) When a call is made, the United States shall deposit to the Fund's account with the Federal Reserve Bank of New York, New York, within three business days after the call, an amount of United States dollars equivalent to the amount of the call at the rate for the currency as determined by the Fund in accordance with the Fund's Rules and Regulations.

3. The Fund shall issue to the United States on its request an instrument evidencing the amount, expressed in special drawing rights, that the Fund is committed to repay under this Agreement. Upon repayment of the amount of any instrument and all accrued interest, the instrument shall be canceled. If less than the amount of any such instrument is repaid, the instrument shall be canceled and a new instrument for the remainder of the amount shall be substituted with the same maturity dates as in the old instrument. If all or part of the amount of a claim is transferred under 8 below, a new instrument or instruments shall be substituted on request for the old instrument with the same maturity dates as in that instrument.

4. (a) The Fund shall pay interest on the amount that the Fund is committed to repay under this Agreement in accordance with the following provisions:

(i) The initial rate of interest on all outstanding claims shall be seven per cent per annum. This rate shall apply until June 30, 1978.

(ii) Six months after June 30, 1978, and at intervals of six months thereafter, the Fund shall calculate, in the manner set forth in (iii) below, the rate of interest to be paid on outstanding claims for the period of six months prior to the calculation.

(iii) The interest rate on outstanding claims for a period of six months shall be the average of the daily yields during that period on actively traded U.S. government securities, determined on the basis of a constant maturity of five years, as published each week by the Federal Reserve Board, Washington, D.C., in statistical release H-15 or any substitute publication, or if such publication shall cease, as certified by the U.S. Treasury, provided that this average shall be rounded up to the nearest one-eighth of one per cent.

(iv) Interest shall be paid promptly after June 30 and December 31 of each year on the average daily balances outstanding during the preceding six months of the amounts the Fund is committed to repay under this Agreement.

(b) No other fee, charge, or commission shall be imposed by the United States with respect to a deposit pursuant to a call under paragraph 2(d) or with respect to any other aspect of a call.

5. (a) Subject to the other provisions of this paragraph 5, the Fund shall repay the United States an amount equivalent to any deposit pursuant to a call under paragraph 2 in eight equal semi-annual installments to commence three and one half years, and to be completed not later than seven years, after the date of the deposit.

(b) The Fund may repay the United States in advance of the repayments required by paragraph 5(a) to the extent that (i) a repurchase is attributed, in accordance with the Fund's practice, to a purchase under the facility for which the Fund has received resources from the United States under this Agreement or (ii) the United States agrees to receive repayment.

(c) If at any time the United States represents that there is a balance of payments need for repayment or part or all of the amount the Fund is committed to repay under this Agreement and requests such repayment, the Fund, in considering the representation and deciding whether to make repayment, shall give the United States the overwhelming benefit of any doubt.

(d) Repayments under paragraph 5(b) and (c) shall discharge the installments prescribed by paragraph 5(a) in the order in which they become due.

6. The Fund shall consult the United States in order to agree with it on the means in which payments of interest and repayment shall be made, but, if agreement is not reached, the Fund shall have the option to make payment or repayment in United States dollars, or special drawing rights, or any currency deemed by the Fund to be freely usable or any

currency that can be exchanged at the time of the payment or repayment for a freely usable currency at a rate of exchange that would yield value equal in terms of the special drawing right to payment or repayment in a freely usable currency, or any combination of these means of payment or repayment.

7. (a) If the Fund decides to make a change in the method of valuation of the special drawing right, the United States shall have the option to require immediate repayment of all outstanding claims on the basis of the method of valuation in effect before the change.

(b) If the United States exercises its option under paragraph 7(a), it shall have the further option to cancel this Agreement.

8. (a) For value agreed between transferor and transferee, transfers may be made at any time of all or part of a claim to repayment under this Agreement in accordance with the following provisions:

(i) Transfers may be made to any contracting party, any member, a member's national official financial institutions (hereinafter referred to as a member's "institution"), or any institution that performs functions of a central bank for more than one member.

(ii) Transfers may be made to transferees other than those referred to in (i) above with the prior consent of the Fund and on such terms and conditions as it may prescribe.

(b) The transferor of a claim shall inform the Fund promptly of the claim that is being transferred, the transferee, the amount of the transfer, the agreed value for the transfer, and the value date. The transfer will be registered by the Fund if it is in accordance with this Agreement. The transfer shall be effective for the purposes of this Agreement as of the value date agreed between the transferor and transferee.

(c) If all or part of a claim is transferred during a period of six months as described in paragraph 4, the Fund shall pay interest on the amount of the claim transferred for the whole of that period to the transferee.

(d) Subject to (c) and to any terms and conditions prescribed under (a) (ii), the claim of a transferee shall be the same in all respects as the claim of the transferor, except that paragraph 5(c) shall apply only if, at the time of the transfer, the transferee is a member, or the institution of a member, that is in a net creditor position in the Fund and in the opinion of the Fund the member's currency could be used in net sales in the Fund's currency budgets for the foreseeable future.

(e) If requested, the Fund shall assist in arranging transfers.

9. If the United States withdraws from the Fund, this Agreement shall terminate and the amount that the Fund is committed to repay under this Agreement shall be repaid in accordance with the terms of this Agreement, provided that repayment shall be made, at the option of the Fund, in United States dollars or in a currency deemed by the Fund to be freely usable, or in such other currency as may be agreed with the United States.

10. In the event of liquidation of the Fund the amounts the Fund is committed to repay to the United States shall be immediately due and payable as liabilities of the Fund under the provisions of the articles on liquidation of the Fund. For the purposes of these provisions the currency in which the liability is payable shall be, at the option of the Fund, United States dollars, or a currency deemed by the Fund to be freely usable, or any other currency agreed with the United States.

11. Any question of interpretation that arises under this Agreement that does not fall within the purview of the provisions of the articles on interpretation shall be settled to the mutual satisfaction of the United States and the Fund.

If the foregoing proposal is acceptable to the United States, this communication and your duly authenticated reply shall constitute an agreement

between the United States and the Fund, which shall enter into force on the date on which the Fund receives your reply.

Very truly yours,

[Signed]

J. DE LAROSIÈRE
Managing Director

The Honorable W. Michael Blumenthal
Secretary of the Treasury
Washington, D.C.

II

The Secretary of the Treasury

Washington, January 12, 1979

Dear Mr. de Larosière:

This is in reply to your proposal of January 5, for the United States to make available to the Fund, at call, United States dollars, in connection with the establishment of the Supplementary Financing Facility. The United States, in accordance with its law (P.L. 95-435 and P.L. 95-481), hereby agrees to make available to the Fund, on the terms and conditions stated in your letter of January 5, United States dollars in amounts that in total do not exceed \$1,831,640,000 nor the equivalent of SDR 1,450,000,000.

The United States further agrees that your letter dated January 5, 1979 and this reply constitute an agreement between the United States and the Fund, to take effect on the date you receive this reply.

Sincerely yours,

[Signed]

W. MICHAEL BLUMENTHAL

Mr. J. de Larosière
Managing Director
International Monetary Fund
Washington, D.C.
