

ARTICLE XIX, SECTION 2

**Special Drawing Rights: Additional Uses**

USE OF SDRs IN SETTLEMENT OF FINANCIAL OBLIGATIONS

A. In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may use SDRs to settle a financial obligation to the other participant, if

(a) the obligation is denominated in

- (i) SDRs, or
- (ii) the currency of a member, or
- (iii) the currency of a nonmember or another unit of account that is composed of currencies and is applied under an intergovernmental agreement, in respect of which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(a) and Rule O-2; and

(b) the amount of SDRs to be used in the settlement of an obligation referred to in (a)(ii) or (a)(iii) above is equal in value, in terms of the SDR, at the time of settlement, to the amount of the obligation.

2. The calculations under 1(b) above shall be made at the exchange rate of the third business day preceding the value date or of the second business day preceding the value date if agreed between the parties.

3. Participants intending to use or acquire SDRs under 1(a) above shall inform the Fund of the denomination and amount of the obligation and the intended value date of the operation. As required by Rule P-7 the lender and the borrower shall declare that the intended use of SDRs will be in accordance with this prescription.

4. Transfers of SDRs under this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

B. The Fund shall record operations under this prescription in accordance with Rule P-9.

C. The Fund shall review this decision prior to June 30 of each year.

*Decision No. 6000-(79/1) S  
December 28, 1978, as amended by  
Decision No. 6438-(80/37) S  
March 5, 1980*

#### USE OF SDRs IN LOANS

A. In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may make a loan of SDRs to the other participant, if:

- (a) the principal amount of the loan is denominated in
  - (i) SDRs, or
  - (ii) the currency of a member, or
  - (iii) the currency of a nonmember or another unit of account that is composed of currencies and is applied under an intergovernmental agreement, in

respect of which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(a) and Rule O-2; and

(b) the amount of SDRs used in a loan referred to in (a)(ii) or (a)(iii) above is equal in value, in terms of the SDR, at the time of the use, to the amount of the loan; and

(c) the borrower has undertaken the following obligations under the loan agreement:

- (i) if the loan is denominated in SDRs, to repay with the same amount of SDRs, or the equivalent, at the time of repayment, in the currency of a member on the basis of Article XIX, Section 7(a) and Rule O-2, or in the currency of a nonmember or another unit of account under (a)(iii) above in accordance with the arrangements for valuation referred to therein;
- (ii) if the loan is denominated in the currency of a member and is to be repaid in SDRs, to repay with the equivalent in SDRs, at the time of repayment, on the basis of Article XIX, Section 7(a) and Rule O-2;
- (iii) if the loan is under (a)(iii) above and is to be repaid in SDRs, to repay with the equivalent in SDRs, at the time of repayment, in accordance with the arrangements for valuation referred to in (a)(iii) above.

2. The calculations under 1(b) and (c) above shall be made at the exchange rate of the third business day preceding the value date or of the second business day preceding the value date if agreed between the parties.

3. Repayment and the payment of interest with SDRs shall be made in accordance with the prescription of the use of SDRs in the settlement of financial obligations.

4. Participants intending to lend or borrow SDRs under this prescription shall inform the Fund of the amount and value date of the loan, the denomination, rate of interest, maturity, and means of repayment agreed between the parties. As required by Rule P-7 the lender and the borrower shall declare that the intended use of SDRs will be in accordance with this prescription.

5. Transfers of SDRs under this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

B. The Fund shall record operations under this prescription in accordance with Rule P-9.

C. The Fund shall review this decision prior to June 30 of each year.

*Decision No. 6001-(79/1) S  
December 28, 1978*

#### USE OF SDRs IN PLEDGES

In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may pledge SDRs to secure the performance of a financial obligation to the other participant, if the obligation is denominated in

- (i) SDRs, or
- (ii) the currency of a member, or
- (iii) the currency of a nonmember or another unit of account that is composed of currencies and is applied under an intergovernmental agreement, in respect of which arrangements have been completed for determination by the

Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(a) and Rule O-2.

2. Participants intending to engage in an operation involving the pledge of SDRs as pledgor or pledgee shall inform the Fund of the terms of the pledge relating to the amount and denomination of the obligation to be secured by the pledge, the amount of SDRs to be pledged, the effective date of the pledge, and the party or other entity designated by the parties to the operation to give instructions to the Fund to terminate the pledge in whole or in part or to transfer the pledged SDRs to the pledgee. As required by Rule P-7 the parties to the operation shall declare that the intended use of SDRs will be in accordance with this prescription.

3. The Fund shall record a pledge of SDRs under this prescription only upon receipt by the Fund of instructions from the parties to the operation. A change in the terms of the pledge referred to in 2 above, if consistent with this prescription, shall take effect upon receipt by the Fund of instructions from the parties to the operation. The amount of SDRs to be pledged shall be set aside and shall not be used during the period of the pledge except in accordance with instructions authorized by the terms of the pledge or in order to discharge an obligation of the pledgor under the Articles of Agreement.

4. The amount of SDRs to be transferred to the pledgee in accordance with instructions authorized by the terms of the pledge in satisfaction of the secured obligation shall discharge an equal amount, in terms of the SDR, of the secured obligation at the time of the transfer. Calculations for this purpose shall be made at the exchange rate of the third business day preceding the date of the transfer or of the second business day preceding the date of the transfer if agreed between the parties.

5. The Fund shall give adequate notice to the parties to an operation under this prescription before pledged SDRs are to be transferred

- (a) in accordance with the terms of the pledge; or
- (b) in order to discharge an obligation of the pledgor under the Articles of Agreement.

6. The notice under 5(b) above may include advice on the ways in which the obligation could be discharged without the use of pledged SDRs, or in which the pledge of SDRs could be restored.

7. The Fund shall record operations under this prescription in accordance with Rule P-9.

8. The Fund shall review this decision prior to June 30 of each year.

*Decision No. 6053-(79/34) S*  
*February 26, 1979, as amended by*  
*Decision No. 6438-(80/37) S*  
*March 5, 1980*

USE OF SDRs IN TRANSFERS AS SECURITY FOR THE  
PERFORMANCE OF FINANCIAL OBLIGATIONS

In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may transfer SDRs to the other participant in order to secure the performance of a financial obligations to the other participant, if the obligation is denominated in

- (i) SDRs, or
- (ii) the currency of a member, or
- (iii) the currency of a nonmember or another unit of account that is composed of currencies and is applied under an intergovernmental agreement, in respect of which ar-

rangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(a) and Rule O-2.

2. Participants intending to engage, as transferor or transferee, in an operation involving the transfer of SDRs as security shall inform the Fund of the terms of the security arrangement relating to the amount and denomination of the obligation to be secured, the amount of SDRs to be transferred, the effective date of the transfer, any agreement by the parties regarding SDRs received from the Fund as interest in respect of the transferred SDRs, and the party or other entity designated by the parties to the operation to give instructions to the Fund for the retransfer. As required by Rule P-7 the parties to the operation shall declare that the intended use of SDRs will be in accordance with this prescription.

3. The Fund shall record a transfer of SDRs under this prescription upon the receipt by the Fund of instructions from the parties to the operation. A change in the terms of the security arrangement referred to in 2 above, if consistent with this prescription, shall take effect upon receipt by the Fund of instructions from the parties to the arrangement. At the request of the parties, the amount of SDRs transferred as security shall be set aside and shall not be used during the period of the security arrangement except in accordance with instructions authorized by the terms of the arrangement or in order to discharge an obligation of the transferee under the Articles of Agreement.

4. The amount of SDRs transferred as security shall be retransferred in accordance with instructions authorized by the terms of the security arrangement, or retained in the absence of such instructions. The amount of SDRs retained shall discharge an equal amount, in terms of the SDR, of the secured obligation at the time of the retention. Calculations for this purpose shall be made at the exchange rate of the third business day preceding the date of retention or of the second business day preceding the date of retention if agreed between the parties.

5. The Fund shall give adequate notice to the parties to an operation under this prescription before the amount of SDRs held by the transferee as security are to be

- (a) retransferred in accordance with the terms of the arrangement; or
- (b) reduced in order to discharge an obligation of the transferee under the Articles of Agreement.

6. The notice under 5(b) above may include advice on the ways in which the obligation could be discharged without the use of the SDRs held as security, or in which these holdings could be restored.

7. The Fund shall record operations under this prescription in accordance with Rule P-9.

8. The Fund shall review this decision prior to June 30 of each year.

*Decision No. 6054-(79/34) S  
February 26, 1979, as amended by  
Decision No. 6438-(80/37) S  
March 5, 1980*

#### USE OF SDRs IN SWAP OPERATIONS

In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may engage in an operation by which (a) one of the parties transfers to the other party SDRs in exchange for an equivalent amount of currency or another monetary asset, other than gold, in respect of which arrangements have been completed for determination by the Fund of equal value in terms of the SDR on the basis of Article XIX, Section 7(a) and Rule O-2, and (b) the parties undertake to reverse the exchange within a period and at an exchange rate agreed by them.



2. Calculations for the purpose of 1(a) above shall be made at the exchange rate of the third business day preceding the date of the transfer or of the second business day preceding the date of the transfer if agreed by the parties.

3. The parties may agree on the terms of the operation, and may modify those terms, provided that the terms and any modification of them would be consistent with this prescription.

4. The parties may agree on the payment of compensation in the event that, for any reason, the reversal of the transfer in accordance with 1(b) above is not carried out.

5. Participants intending to use or receive SDRs pursuant to this prescription shall inform the Fund of

- (a) the amount of SDRs and the period of the operation;
- (b) the monetary asset, the exchange rate and the value date for the exchange under 1(a) above;
- (c) the monetary asset, the exchange rate and the value date for the reversal of the exchange;
- (d) any agreement for the payment of interest, or compensation in accordance with 4 above; and
- (e) any modification of these terms.

6. As required by Rule P-7 the parties to an operation pursuant to this prescription shall declare that the intended use of SDRs will be in accordance with this prescription.

7. Transfers of SDRs pursuant to this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

8. If the Fund decides to change any of the terms and conditions of this prescription, any outstanding operation that is inconsistent with

the new terms and conditions shall be completed within 12 months from the date of the Fund's decision.

9. The Fund shall record operations pursuant to this prescription in accordance with Rule P-9.

*Decision No. 6336-(79/178) S  
November 28, 1979*

#### USE OF SDRs IN FORWARD OPERATIONS

In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, in agreement with another participant, may engage in an operation by which the participant undertakes to transfer to the other participant SDRs at a specified future date more than three business days after the date of the agreement, in exchange for an agreed amount of currency or another monetary asset, other than gold.
2. The parties may agree on the terms of the operation, and may modify those terms, provided that the terms and any modification of them would be consistent with this prescription.
3. Participants intending to use or receive SDRs pursuant to this prescription shall inform the Fund of
  - (a) the amount of SDRs and the period of the operation;
  - (b) the monetary asset, the exchange rate and the value date for the exchange; and
  - (c) any modification of these terms.
4. As required by Rule P-7 the parties to an operation pursuant to this prescription shall declare that the intended use of SDRs will be in accordance with this prescription.

5. Transfers of SDRs pursuant to this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

6. If the Fund decides to change any of the terms and conditions of this prescription, any outstanding operation that is inconsistent with the new terms and conditions shall be completed within 12 months from the date of the Fund's decision.

7. The Fund shall record operations pursuant to this prescription in accordance with Rule P-9.

*Decision No. 6337-(79/178) S  
November 28, 1979*

#### USE OF SDRS IN DONATIONS

In accordance with Article XIX, Section 2(c), the Fund prescribes that:

1. A participant, by agreement with another participant, may donate SDRs to the other participant.

2. Participants intending to donate or receive SDRs pursuant to this prescription shall inform the Fund of the amount of SDRs and the value date for the transfer.

3. As required by Rule P-7 the parties to an operation pursuant to this prescription shall declare that the intended use of SDRs will be in accordance with this prescription.

4. Transfers of SDRs pursuant to this prescription shall be made only upon the receipt by the Fund of instructions from the transferor and the transferee.

5. The Fund shall record operations pursuant to this prescription in accordance with Rule P-9.

*Decision No. 6437-(80/37) S  
March 5, 1980*