

EUROPEAN MONETARY CO-OPERATION FUND

FIRST DIRECTIVE OF THE COMMITTEE OF GOVERNORS
TO THE AGENT, DATED 14th MAY 1973

These directives, issued under Decision No. 1/73 of the Board of Governors of the European Monetary Co-operation Fund (hereinafter referred to as the "Board" and the "Fund") dated 14th May 1973:

- govern, in the context of the Fund's operations, the relations between the Agent on the one hand and the Board or the central banks represented on the Board on the other;
- set out the technical tasks relating to the execution of certain operations of the Fund that are entrusted to the Agent.

I - GENERAL PROVISIONS

Article 1

The Agent shall keep the Fund's accounts intended for recording:

- the Community central banks' debts to and claims on the Fund arising from intervention in member countries' currencies or from financing operations under the short-term monetary support arrangements;
- the periodic settlements of these debts and claims.

To this end the necessary accounts shall be opened for each central bank in the Fund's books.

Article 2

The accounts opened for the central banks in the Fund's books by the Agent shall be kept as follows:

- in the case of operations in member countries' currencies:
in European monetary units of account (hereinafter EMUAs) as defined in Article 5 of the Fund's Statutes;

- in the case of gold operations: in gold units of account;
- in the case of operations effected, under the short-term monetary support arrangements, in currencies of non-member countries of the EEC: in the currencies actually lent and borrowed.

Article 3

- (1) Each central bank shall notify the Agent of the rate for the conversion of its currency into EMUAs that will be applied to all operations recorded by the Agent.

This rate, resulting from the respective definitions of the EMUA and each currency, shall run to six significant figures, the last being rounded to the nearest unit, and shall indicate the value of one EMUA expressed in units of each currency.

Any changes in these conversion rates shall be communicated to the Agent by each central bank concerned.

The Agent shall forward the list of these conversion rates to all the central banks of the member countries as well as any changes in these rates communicated to the Agent.

- (2) For the purpose of establishing the uniform Community rate for the dollar in EMUAs applicable at the time of settlements, the Agent shall each month request the EEC central banks which are maintaining a fixed margin between their currencies to notify it of the "representative rate" for the dollar on their market on the 2nd working day preceding the day of settlement. The Agent will then establish the uniform rate for the dollar (arithmetic mean of the representative rates expressed in EMUAs on the basis of the rate referred to under (1) above for conversion of the EMUA into each of the currencies), which will run to 6 significant figures, the last being rounded to the nearest unit. The Agent will immediately communicate this rate to the central banks involved in the settlements.

Article 4

Each central bank shall communicate any changes in its discount rate to the Agent.

At the beginning of each month the Agent shall calculate on the basis of the discount rates in force on the last working day of the previous month, and shall communicate to the central banks concerned, the rates of interest that will be applied during the current month to the overall balances on EMUA accounts and on gold accounts.

The rate of interest applicable to EMUA account balances shall be equal to the arithmetic mean - rounded to the $\frac{1}{4}\%$ below - of the discount rates of the Community central banks maintaining a fixed fluctuation margin between their currencies.

The interest rate applicable to gold accounts shall be half that for EMUA accounts.

The interest rate applicable to accounts in third-country currencies shall be communicated to the Agent by the central banks concerned at the time the short-term support operation is entered into.

Article 5

The Agent shall make a report to the Chairman of the Board of Governors in the first week of each month concerning the operations recorded by the Fund in the course of the previous month and shall furnish the Secretariat, for use at the Board meeting, with a statement of the Fund's accounts and of the accounts opened for the central banks in its books.

Article 6

All communications between the Agent and the participant central banks shall be in German, English or French; they will be transmitted by telex or by telegram duly numbered and authenticated.

A special system of numbering will be reserved for these messages; the serial number of each of them will be immediately preceded by the code word FECOM, to ensure that on arrival it is delivered to the sole persons responsible for transactions with the Fund.

The notifications to the Agent provided for by this Directive shall be drawn up in accordance with specimens devised by the Agent, in agreement with the central banks.

II - VERY SHORT-TERM INTRA-COMMUNITY FACILITIES

Article 7

Financing operations called for by intervention in EEC currencies shall be notified on the day they are entered into by the central bank carrying them out:

- to the Agent;
- to the central bank whose currency is involved.

Such notification shall cover:

- the nature of the intervention (buying or selling),
- the amount of the intervention expressed:
 - . in each of the currencies concerned,
 - . in EMUAs on the basis of the conversion rate of the creditor's currency,
- the spot operation value date,
- the normal maturity date of the financing (last working day of the month following that in which the intervention was value-dated).

The central bank issuing the currency for which the intervention takes place shall acknowledge receipt of the notification to the central bank that has intervened and shall confirm its agreement to the Agent in the same form as the initial notification.

Article 8

- (1) Transfers between the creditor and debtor central banks of their respective currencies shall be effected direct on the agreed value date.

The Agent shall book financing operations on their spot value date in the EMUA account opened in the Fund's books for each of the central banks concerned corresponding to the normal financing maturity notified by the parties.

- (2) The Agent shall give confirmation of the execution of the accounting operations to the central banks concerned and inform them of the overall balance on their accounts in the Fund's books resulting therefrom together with a breakdown by maturity.

Article 9

Interest on the overall balances on EMUA accounts shall be calculated on the basis of the uniform monthly rate, the exact number of days and 365 days a year.

Its amount will be entered on the respective EMUA accounts of the creditor and debtor central banks on the maturity date of these accounts or at any time that they may be liquidated in advance.

Article 10

In order to facilitate to the maximum the voluntary offsetting of the central banks' account balances with differing maturity dates, the Agent shall inform the central banks concerned of the scope that exists for offsetting.

If the parties agree, the Agent shall carry out the offsetting operations envisaged and notify the central banks concerned of the new balances on their accounts after offsetting.

Voluntary offsetting operations may take place between the normal settlement dates.

Article 11

A central bank that is in debt to the Fund and wishes to reduce its liabilities to the Fund by advance repayment in currencies of Fund creditors must ask the Agent, in good time, to let it know what currencies the Fund is likely to accept, i.e. the currencies of central banks that will have claims on the Fund on the maturity date in question.

If the operation envisaged is carried out, the currency applied to repayment by the debtor central bank shall be booked in EMUAs on the basis of the fixed conversion rate for that currency and shall involve the accounts of the two central banks concerned with the earliest common maturity.

Unless the central banks concerned decide otherwise, advance settlements shall normally be booked before the 20th of the month in which their maturity falls.

Article 12

When a central bank that is in debt to the Fund asks to avail itself of the three-month prolongation of financing provided for by the agreement of 10th April 1972 it must inform the Agent in good time.

The Agent shall obtain the agreement of the central banks with accounts in credit for that maturity and shall, on that maturity date, make the necessary transfers proportionately, as regards the creditor accounts affected by the operation, to the balances standing on them.

When at the maturity to be prolonged one of the creditor central banks does not agree to the prolongation requested, the rolled-over balance shall be reduced accordingly by an amount corresponding to the balance of the creditor central bank in question.

Article 13

Before the 5th of each month, the central banks of the EEC countries shall notify the Agent of the composition of their gross reserves as shown in the monthly statistics sent to the Committee of EEC central-bank Governors.

This notification shall take the form of a statement as at the last day of the previous month showing the composition of the gross reserves in EMUAs and in percentages with a breakdown into:

- gold, including sight gold account balances with the Fund;
- IMF reserve position;
- holdings of SDRs;
- US dollars;
- other currencies.

Settlements in the Fund will take place, normally on the basis of this composition of the gross reserves, at the end of the month following that in which they are established.

As soon as it is in possession of the statements of the gross reserves of all the central banks, and in any event before the 10th of each month, the Agent shall send back to each of the banks a summary statement.

Article 14

- (1) Settlements shall be effected in proportion to the gross reserve holdings of the debtor central banks at the end of the month preceding the settlement. These holdings are split into two categories:
 - (a) gold or gold-linked holdings
 - gold, including sight gold account balances with the Fund;
 - IMF reserve position;
 - SDRs.
 - (b) currency holdings
 - US dollars;
 - EEC currencies participating in the maintenance of fixed margins among themselves;
 - other currencies.
- (2) In settlements - unless the agreement of all the parties concerned is obtained by or signified to the Agent - the proportion of reserve holdings of each category transferred must be identical to that in the debtor central bank's reserves, this bank having the right to choose which reserve elements of each category it will deliver.

Article 15

- (1) Before the 15th of the month, each central bank in debt to the Fund at the end-month maturity shall furnish the Agent with the split between reserve elements for the settlement that it proposes to make, subject to any advance settlements that might be made in accordance with Article 11.
- (2) The Agent, after checking that what is intended accords with the provisions of Article 14 above, with allowance for planned advance settlements or roll-overs, shall before the 20th of the month inform each debtor central bank of the split between the reserve holdings to be transferred, for account of the Fund, to each creditor central bank in proportion to their respective credit balances at the maturity in question.

The Agent shall simultaneously notify each creditor central bank of the composition of the reserve holdings to be transferred to it for account of the Fund by each debtor central bank at the end-month maturity.

The amounts of the holdings to be transferred shall be expressed in EMUAs.

Article 16

(1) Gold settlements shall be effected by the central banks concerned and booked by the Agent in accordance with the provisions laid down by the Committee of EEC central-bank Governors or the Fund's Board of Governors, these provisions being the subject of special directives.

(2) Since the transfers of gold-linked reserve elements have to be effected by the International Monetary Fund, it shall be for the debtor and creditor central banks to make the necessary approaches to the IMF with a view to having the transfers carried out on the right date and to notify the Agent of their execution.

On receipt of notification that transfers of gold-linked elements have been carried out, the Agent shall make squaring entries on the corresponding accounts in the Fund's books.

(3) In the case of settlements, conversion into EMUAs of the reserve holdings of category (b) as defined in Article 14(1) above shall be effected in accordance with the rules of the Agreement of 10th April 1972 and subsequent decisions of the Committee of EEC central-bank Governors or the Fund's Board of Governors.

(4) It shall be for the central banks with claims on or debts to the Fund to advise the Agent of the execution of settlements effected between them direct on the agreed date.

On receipt of these confirmations, the Agent shall in the Fund's books square the accounts of the central banks concerned and inform them of the overall balance on their accounts after settlement together with a break-down by maturity.