

EUROPEAN MONETARY CO-OPERATION FUND

SIXTH DIRECTIVE FROM THE BOARD OF GOVERNORS

TO THE AGENT, DATED 10TH JUNE 1985¹

This Directive, based on 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" of the "EMCF") of 14th May 1973, as amended on 13th March 1979 and 10th June 1985,

- governs, in the context of the Fund's operations, the relations between the Agent, on the one hand, and the Board, the central banks represented on the Board (hereinafter referred to as the "central banks") and Other holders of ECUs, on the other; and
- sets out the tasks entrusted to the Agent by the EMCF pursuant to the Agreement of 13th March 1979 between the Central Banks of the Member States of the European Economic Community (hereinafter referred to as the "EEC") laying down the operating procedures for the European Monetary System (hereinafter referred to as the "Agreement" and the "EMS") and in accordance with
 - . Decision No. 12/79 of the Board, dated 13th March 1979, as amended by Decision No 17/85 of 10th June 1985 and Decision No. 20/87 of 10th November 1987, and
 - . the Agreement concerning short-term monetary support, dated 9th February 1970.

With the entry into force of the present Directive on 1st July 1985, the Fourth and Fifth Directives to the Agent dated 13th March 1979 shall lapse.

1 Text incorporating the amendments made by Decision No. 21/87 of 10th November 1987 and Decision No. 24/91 of 9th April 1991.

I. GENERAL PROVISIONS

Article 1 - Functions of the Agent

1.1 Conclusion of swap operations in ECUs

(see Sections III of the Agreement and of the present Directive)

In the name and for the account of the Fund, the Agent shall conclude with the central banks the swap operations referred to in Articles 2 and 3a of Decision No. 12/79.

1.2 Management contract

Whenever any swap operation as referred to in Article 17.3 of the Agreement is concluded or renewed, the Agent shall, in the name of the Fund, entrust the central banks concerned with the management of the reserve assets transferred to the Fund.

1.3 Accounting procedures in the books of the EMCF

The Agent shall keep the Fund's accounts, in ECUs as defined by Article 1 of Council Regulation (EEC) No. 3180/78 of 18th December 1978 as amended from time to time, intended for recording:

- in connection with the very short-term intra-Community facilities and under the short-term monetary support arrangements, the central banks' debts and claims arising from operations in member countries' currencies,
- in connection with the creation of ECUs, the claims, and liabilities arising from the swap operations,
- the positions arising from ECU mobilisation operations,
- the positions arising from operations between central banks and Other holders of ECUs,
- the periodic settlements of principal and payments of interest in respect of these various debts and claims,
- transfers of ECUs between the central banks, on the one hand, and between the central banks and Other holders of ECUs, on the other, and
- the payment of interest on net ECU positions.

In the case of transactions effected

- in member countries' currencies under certain swap operations in connection with the mobilisation of ECUs, and
- in currencies of non-EEC countries under the short-term monetary support arrangements and swap operations in connection with the mobilisation of ECUs,

the accounts of the Fund shall be kept in the currencies actually involved in the borrowing or swap operations.

Article 2 - Responsibility of the Agent

2.1 Limitation of the Agent's responsibility

The Agent shall be responsible only for the proper and faithful performance of the functions described in Articles 1, 3.3, 4, 14, 17.5 and 25 of the present Directive and of the instructions it receives for this purpose from the Board or the Chairman of the Board.

2.2 Further instructions

The Agent may at any time, in particular if there is any doubt as to the extent of its obligation, ask for further instructions from the Board or, if it is a matter of urgency, from the Chairman of the Board.

2.3 Discharge of the Agent

Receipt by the Board of any report and any statement of account submitted by the Agent shall discharge the latter from liability in respect of the operations described in the respective documents; this discharge shall be automatic if no reservations are expressed by the Board or by one of its members at the next Board meeting following that during which the documents in question were presented.

2.4 Further instructions from the Board

After receiving the documents referred to in Article 2.3 above the Board or, if it is a matter of urgency, the Chairman of the Board shall be responsible for giving the Agent any further instructions that may be required in that connection.

Article 3 - Communications

3.1 Communications by cable, telex or telefax

All communications between the Agent and the central banks or Other holders of ECUs shall be in English, French or German and shall be transmitted by duly numbered and authenticated cable, telex or telefax.

3.2 FECOM numbering

A special system of numbering shall be reserved for these messages, the serial number of each of them being immediately preceded by the word "FECOM", to ensure that they are delivered solely to those persons responsible for transactions with the Fund.

3.3 Accounting communications

The Agent shall

- send the central banks or Other holders of ECUs concerned confirmation of the execution of every accounting operation, indicating at the same time the balance on the accounts affected by the operations in question, and
- at the beginning of each month send them by mail a statement of their accounts as at the last working day of the previous month.

Article 4 - Reports by the Agent

4.1 Administrative report and statement of account

In the first week of each month the Agent shall submit to the Board a report on the operations recorded by the Fund in the course of the preceding month, together with a statement of the accounts as at the end of that month.

4.2 Half-yearly summary report on the Fund's operations

With a view to the preparation of the half-yearly reports submitted by the Board of the Fund to the Council and to the Commission of the European Communities (hereinafter referred to as the "CEC"), the Agent shall provide the Secretariat of the Board, before 15th January and 15th July each year, with a summary of the operations recorded by the Fund during the preceding six months.

4.3 Supplementary report

The Agent shall have the right to send a supplementary report to the Board or to its Chairman any time it deems this necessary for the proper performance of its functions as set out in the present Directive.

Article 5 - Exchange rates

5.1 Central rates of the ECU

The Secretariat of the Committee of Governors of the Central Banks of the Member States of the EEC shall notify the Agent of the central rates of the ECU vis-à-vis the currencies of the EEC countries.

5.2 Daily rates for the ECU

The Agent shall receive from the CEC the daily rate for the ECU in each of the EEC currencies and also in other currencies.

Article 6 - Remuneration

(see Article 8 (amended) and Article 19 of the Agreement)

6.1 Representative interest rates

Each central bank shall notify the Agent on the last working day of the month of the monthly average of its most representative domestic money-market interest rate, calculated to two decimal places.

6.2 Calculation and notification of the interest rate by the Agent

On the first working day of each month, the Agent shall

- on the basis of the interest rates reported by the central banks, calculate and
- inform the central banks and Other holders of ECUs of

the interest rate applying for the whole of that month to accounts representing very short-term financing operations, to the net positions in ECUs and to the "ECU reserves" accounts of Other holders of ECUs.

6.3 Formula for the interest rate calculation

The rate of interest applying to the accounts mentioned in Article 6.2 above shall be equal to the arithmetic mean of the rates referred to in the same Article, weighted in accordance with the weights of the respective currencies in the basket making up the ECU and rounded down to the nearest 1/4 per cent.; these weights shall be calculated on

the basis of the central rates of the ECU ruling at the end of the previous month.

6.4 Interest rates applying to ECU mobilisation operations

On the occasion of ECU mobilisation and conversion operations in EMS currencies (see Section IV below), the Agent shall

- ascertain the US dollar interest rate used by the International Monetary Fund to calculate the rate of remuneration of the SDR,
- request the central banks or central banks concerned to notify the Agent of the interest rate or rates referred to in Article 6.1 above and ruling two days prior to the value date of the swap transaction.

6.5 Interest rate applying to short-term monetary support

The interest rate applying to accounts representing short-term monetary support operations shall be reported to the Agent by the Secretariat of the Committee of Governors.

II. VERY SHORT-TERM INTRA-COMMUNITY FACILITIES
(see Section II of the Agreement)

Article 7 - Very short-term financing operations

7.1 Notification by the central banks

Very short-term financing operations arising from interventions in EEC currencies shall be notified by the central bank carrying them out:

- to the Agent, and
- to the central bank whose currency is involved.

Such notification shall be given in accordance with Article 3 above.

7.2 Form of the notification²

Such notification shall cover:

- the nature of the intervention, i.e.
 - . buying or selling,

2 Article 7.2 as amended by Decision No. 21/87 of 10th November 1987.

- . compulsory at the intervention rates or intramarginal,
- the amount expressed in the currency of the partner,
- the ECU countervalue of this amount, calculated at the ECU conversion rate referred to in Article 5.2 of the present Directive ruling on the day on which the operation is concluded,
- the spot operation value date, and
- the initial settlement date of the very short-term financing (last working day preceding the sixteenth day of the third month following the month in which the value date of the intervention falls, hereinafter referred to as "monthly settlement date" - see Article 9.2 below).

7.3 Confirmation of the operation

The central bank issuing the currency involved in the intervention 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 - Accounts in respect of very short-term financing operations (see Article 7 of the Agreement)

The Agent shall open in the books of the Fund the following categories of accounts denominated in ECUs:

- (a) initial debtor accounts, to record debts arising out of financing operations with an initial settlement date in accordance with Article 9 of the Agreement; these accounts shall be kept separately according to initial settlement date of the financing;
- (b) renewed debtor accounts, to record debts that have been renewed automatically in accordance with the provisions of Article 10 of the Agreement; these accounts shall be kept separately according to extended settlement date of the financing;
- (c) creditor accounts, to record the claims forming the counterpart of the debts entered in the categories of accounts mentioned under (a) and (b) of the present Article; these

accounts shall be kept separately according to the month in which the value date of the intervention falls; no central bank may simultaneously hold claims on a creditor account and debts on an initial or renewed debtor account;

- (d) "mutual agreement" accounts, to record both debit and credit entries in respect of financing operations that have been extended in accordance with Article 11 of the Agreement; these accounts shall be kept separately according to the contractual settlement date of the financing.

All accounts mentioned under (a) to (d) above shall be kept separately according to the origin of claims and liabilities, i.e. whether they have arisen from compulsory or intramarginal interventions (see Article 7.2, first indent).³

Article 9 - Remuneration

(see Article 8 of the Agreement)

9.1 Basis for calculating interest

Interest on the overall balances on each of the categories of ECU-denominated accounts referred to in Article 8 above shall be calculated, as appropriate, as at the last working day of each month, the monthly settlement date or the date on which an account is liquidated in advance, on the basis of the rate referred to in Article 6.3 of the present Directive, the exact number of days and 365 days a year.

9.2 Monthly settlement date

"Monthly settlement date" shall be taken to mean the actual maturity date of a debtor account (initial account, renewed account, "mutual agreement" account); the settlement date in respect of interest payable by the debtor shall determine the date on which the creditor shall collect it.

³ Last paragraph added by Decision No. 21/87 of 10th November 1987.

9.3 Terms and conditions for the settlement of interest

Upon repayment of a debt at the monthly settlement date or upon advance liquidation of a debtor account, the interest shall be added to the amounts of principal repaid and shall be settled in the same way.

9.4 Settlement of interest in ECUs at the monthly settlement date

If a debtor central bank does not make any repayment of principal at a monthly settlement date, the interest payable by it at that date shall be settled in ECUs by means of a transfer carried out by the Agent from the "ECU reserves" account of the debtor to that of the creditor.

Article 10 - Accounting procedures
(see Article 12 of the Agreement)

10.1 Transfers of currencies

Upon conclusion of a new very short-term financing operation or upon advance repayment by transfer in a creditor's currency, the creditor and debtor central banks shall, on the agreed value date, themselves execute the transfers of the currencies in question direct.

10.2 ECU accounting procedures

The Agent shall book the operations referred to in Article 10.1 above on their spot value date in ECUs using the conversion rate for the day on which the operation was concluded, as referred to in Article 5.2 of the present Directive, and according to the following procedures:

- by debiting the creditor accounts, in decreasing order of seniority and, if the balance on these accounts is nil, by debiting initial debtor accounts,
- by crediting the renewed debtor accounts, in the order of proximity of their settlement dates; if the balance on these accounts is nil, by crediting the initial debtor accounts, in the order of proximity of their settlement dates; and if the balance on the latter accounts is nil, by crediting creditor accounts.

10.3 Derogation

With the consent of all the creditor and debtor parties, the Agent may, notwithstanding the provisions of Article 10.2 above, debit or

credit a "mutual agreement" account by way of voluntary offsetting, making the appropriate transfer where necessary.

Article 11 - Automatic renewal and renewal by "mutual agreement"
(see Articles 10 and 11 of the Agreement)

11.1 Notification of renewal

A debtor central bank shall notify the Agent at least five working days before the initial settlement date of its intention to make use of the automatic renewal facility provided for in Article 10 of the Agreement; similarly, any agreement concluded with a view to renewal by mutual agreement in accordance with Article 11 of the said Agreement shall be notified to the Agent at least five working days before the settlement date on which it is to take effect.

11.2 Conformity with the Agreement

The Agent shall verify that the renewal requested or agreed upon is in conformity with the provisions of the Agreement; in case of doubt, it shall inform the Chairman of the Board.

11.3 Transfers in the books of the Fund

The Agent shall make the necessary transfers in the books of the Fund to give effect to the renewal on the relevant monthly settlement date.

Article 12 - Confirmation of accounting operations

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 each category of accounts, as well as giving a breakdown according to accounting periods.

Article 13 - Reserves of the central banks

13.1 Notification of the Agent by the central banks

13.1.1 Before the 5th of each month, the central banks shall send the Agent a statement as at the end of the previous month of their gross assets, excluding contributions of US dollars to the EMCF, in

- IMF reserve positions,

- special drawing rights,
- US dollars,
- other currencies,

expressed in ECUs and US dollars; conversion of these assets into ECUs and US dollars shall be effected at the rates or values obtaining on the third last working day of the month to which the statement refers.

13.1.2 This statement shall also include mention of the assets held by the central banks in gold, expressed in thousands of fine ounces and in fine kilogrammes, likewise excluding contributions to the EMCF.

13.2 Summary statement sent by the Agent

As soon as it is in possession of the notifications in question, the Agent shall send each central bank, before the 10th of each month, a summary statement of these reserves which shall also mention the balances on "ECU reserves" accounts and any positions in the books of the EMCF in respect of very short-term financing and short-term monetary support, all expressed both in ECUs and in US dollars.

Article 14 - Settlement of debts in reserve assets at the monthly settlement date
(see Article 16 of the Agreement)

14.1 Method of repayment chosen by the debtor

Not later than five working days before the monthly settlement date, each central bank in debt to the Fund at that settlement date shall inform the Agent of the breakdown between ECUs and other reserve assets for the settlement that it proposes to make, subject to any advance repayments that might still be made under Article 10.2 of the present Directive.

14.2 Allocation of means of settlement to creditors

The Agent shall provisionally allocate to the creditor central banks the means of settlement furnished by the debtor central banks in accordance with the following principles:

- means of settlement furnished on "mutual agreement" accounts shall be used to repay claims on "mutual agreement" accounts with the same settlement date, and

- means of settlement furnished on "initial account" or "renewed debtor account" shall be used first to repay claims regarded as being of longest seniority on creditor accounts; with claims of equal seniority, these means of settlement shall be distributed among creditor central banks in proportion to the amount of their creditor balances.

14.3 Notification by the Agent of the method of repayment

14.3.1 The Agent shall notify each debtor central bank as soon as possible of:

- the amount in ECUs that will be debited to its "ECU reserves" account, and
- the breakdown of the other reserve assets the said debtor central bank will have to transfer for account of the Fund to each creditor central bank,

at the relevant monthly settlement date.

14.3.2 At the same time, the Agent shall inform each creditor central bank of:

- the amount in ECUs that will be credited to its "ECU reserves" account, and
- the composition of the other reserve assets that will be transferred to the said creditor central bank for account of the Fund by each debtor central bank,

at the relevant monthly settlement date.

14.3.3 The amounts of the reserve assets to be transferred shall be expressed in ECUs.

Article 15 - Means of settlement
(see Article 16 of the Agreement)

15.1 Transfer of ECUs

On the relevant date the Agent shall automatically effect the settlement in ECUs by transfer between the creditor and debtor central

banks' "ECU reserves" accounts; at the same time, the Agent shall make the balancing entries on the ECU-denominated accounts in the Fund's books referred to in Article 8 above.

15.2 Transfer of assets denominated in SDRs

Debit balances to be settled by means of assets denominated in SDRs shall be converted into these assets on the basis of the rate for the ECU in US dollars, as referred to in Article 5.2 of the present Directive, and the rate for the US dollar in SDRs ruling on the third working day before the settlement day; since transfers of these reserve assets have to be effected by the IMF, it shall be the responsibility of the creditor and debtor central banks to make the necessary approaches to that institution with a view to having these transfers carried out in time and to notify the Agent of their execution.

15.3 Transfer of currency assets

In the case of the settlement in currency assets, conversion of these assets into ECUs shall be effected at the rates ruling on the second working day before the settlement day.

15.4 Balancing entries on accounts

It shall be the responsibility of 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.

Upon receipt of the confirmations from the central banks concerned regarding the execution of the transfers of SDR-denominated assets and of the settlements in currencies effected directly between the central banks on the agreed date, the Agent shall make the balancing entries on the accounts opened in the Fund's books for the central banks concerned.

15.5 Notification of balances

When the accounting entries referred to in Articles 15.1 to 15.4 above have been effected, the Agent shall notify the central banks concerned of the overall balance on their accounts in each relevant category, furnishing them also with a breakdown by maturity.

III. CREATION, UTILISATION AND REMUNERATION OF ECUs
(see Article 17 of the Agreement)

Article 16 - Conclusion of the swap operations

Acting in the name of for the account of the Fund, the Agent shall conclude with each of the central banks concerned the swap operations referred to in Article 2 of Decision No. 12/79, involving, on the spot side, the transfer of ECUs to the central banks against transfer by them to the Fund of the reserve assets defined in Article 17 below; these operations shall be in conformity with the standard contract contained in Annex I to the present Directive and shall be renewed for successive periods of three months on the terms and within the limits laid down in Articles 20 and 22 below.

Article 17 - Definition of the reserve assets involved in the swap operations

17.1 Percentage contributions

The weights of gold and the amounts of US dollars transferred in connection with the swap operations shall correspond to 20 per cent. of the gold assets and 20 per cent. of the gross US dollar assets of each central bank; these assets shall comprise

- the gold and US dollar reserves shown in the statement drawn up by each central bank as at the last working day of the month preceding the month in which the swap operations are concluded or renewed (see Article 13 of the present Directive) and
- the contributions to the Fund in accordance with Article 2.1 of Decision No. 12/79.

17.2 Gold assets⁴

The gold assets may include:

- a whole number of gold bars ranking as good delivery at the place of deposit;

4 Article 17.2 amended by Decision No. 24/91 of 9th April 1991.

- holdings on gold account with a central bank and with the BIS;
and
- holdings on gold account with any other financial institution, provided that the central bank concerned remains solely responsible vis-à-vis the EMCF in respect of any risk arising from this placement.

17.3 US dollar assets

The US dollar assets may include, at nominal value:

- balances on deposit with a central bank or with the BIS, or paper representing such deposits;
- Treasury bills and other securities issued by the US Treasury;
and
- certificates or other securities issued by US Federal agencies.

17.4 Portion of 20 per cent. transferred to the Fund

The total of each of the categories of reserve assets transferred to the Fund shall be as near as possible to, but not less than, the 20 per cent. portion referred to under Article 17.1 above.

17.5 Communications concerning the reserve assets

17.5.1 The Agent shall receive communication from the central banks concerning the nature and identification of the reserve assets transferred by them to the Fund in connection with the swap operations.

17.5.2 The Agent shall keep up to date the statement of the reserve assets involved in the swap operations, the management of which is entrusted to the central banks (list of gold bars and statement of securities, etc.)

Article 18 - Conversion rates to be applied

18.1 ECU/gold conversion rate

The ECU/gold conversion rate, to be communicated by the Agent to the central banks on the first working day of each month, shall be calculated by the Agent, to three decimal places, on the basis of the average of the daily gold prices, converted into ECUs, recorded at the two London fixings during the six calendar months immediately preceding the month in which the swap operation was concluded or renewed; however, the average

of the prices, converted into ECUs, at the two London fixings on the second last working day of the said period shall be used if it is lower than the above-mentioned average of the prices recorded throughout that period.

18.2 US dollar/ECU conversion rate

The US dollar/ECU conversion rate shall be the rate established by the staff of the CEC two working days prior to the value date of the spot transaction concluded in connection with the swap operation (see Article 5.2 above).

18.3 Swap operations at flat rates

The same rates shall be applicable for the spot and the forward component of each swap operation.

Article 19 - Management contracts

19.1 Standard contract

The management contracts concluded by the Agent with the central banks on behalf of the Fund in accordance with Article 1.2 above shall conform to the standard contract set out in Annex II to the present Directive.

19.2 Termination of contract

A management contract thus concluded shall expire upon maturity of the swap operations involving the assets which it covers.

Article 20 - Quarterly renewals

20.1 Terms of renewal

Upon maturity, the swap operations and the corresponding management contracts shall be renewed on the same terms but at the rates applicable (see Article 18 of the present Directive) at the time of renewal and on the basis of a weight of gold and an amount of US dollars representing at least 20 per cent. of the corresponding reserves of the central bank concerned, including those reserve assets transferred to the Fund; the renewal shall be effected on the basis of the central bank's reserves as at the last working day of the preceding month.

20.2 Accounting operations on the occasion of renewal

On the occasion of renewal the Agent and the central banks shall effect the settlement of the differences in terms of ECUs, gold and US dollars resulting from the liquidation of the matured swap operations and the conclusion of the new swap operations.

20.3 Negative balances

If the Agent judges that the renewal of swap operations would produce a negative balance in ECUs, it shall immediately alert the central bank concerned in order that the latter may in good time take the necessary steps to prevent the emergence of such a balance.

Article 21 - Additional swap operations and termination in advance of maturity

21.1 Additional swap operations

At the request of a central bank giving two working days' notice, the Agent shall at any time conclude on behalf of the Fund additional swap operations for the amount specified by that central bank; the corresponding reserve assets shall represent equal proportions of the central bank's gold and US dollar assets as recorded in the statement of its reserves as at the last working day of the preceding month. These operations shall mature on the day of the following quarterly renewal and shall be renewable for successive periods of three months on the terms and within the limits laid down in Articles 20 and 22 of the present Directive; the other terms set out in Articles 16 to 19 of the present Directive shall apply to these operations.

21.2 Termination in advance of maturity

At the request of a central bank giving two working days' notice, the Agent shall at any time terminate part or all of the swap operations concluded with that central bank, on the sole condition that such termination does not cause the central bank to show a negative balance in ECUs; however, on the occasion of the next quarterly renewal fresh swap operations shall at all events be concluded in respect of at least 20 per cent. of the gold and US dollar reserves as laid down in Article 20 above.

Article 22 - Final termination

Save in the event of a unanimous decision to the contrary, the swaps of ECUs against gold and US dollars referred to in Article 17.3 of the Agreement shall be unwound at the end of the period for which the Governors of the central banks have extended the mechanism provided for in Article 17 of the said Agreement.

Article 23 - Accounting procedures

23.1 "ECU reserves" accounts

The Agent shall open for each central bank an "ECU reserves" account in the books of the Fund, which shall be credited with the ECUs issued by the Fund as the counterpart of the reserve assets involved in the swap operations; this account may not show a negative balance.

23.2 Transfers of ECUs

23.2.1 Matching instructions

Upon receipt of matching instructions from the central banks concerned indicating the amount and value date of the transfer, the Agent shall carry out transfers of ECUs in the books of the EMCF.

23.2.2 Intra-Community settlements

Within the framework of intra-Community settlements, the Agent shall also effect transfers of ECUs in the books of the EMCF in accordance with the provisions of Article 15 of the present Directive.

23.3 Payment of interest on net positions in ECUs

23.3.1 Net positions

The Agent shall establish daily, for each central bank, its net position in ECUs, which shall correspond to the difference, either positive (net creditor position) or negative (net debtor position), between its spot assets on "ECU reserves" account and forward ECU claims on the EMCF, on the one hand, and its forward ECU liabilities vis-à-vis the EMCF on the other hand.

23.3.2 Calculation of interest

The interest on the daily net positions of each central bank shall be calculated by the Agent as at the last working day of each month on the basis of the rate determined in accordance with the procedure set out

in Article 6 of the present Directive; the method to be applied shall be that of the exact number of days and 365 days a year.

23.3.3 Accounting procedures

On the last working day of each month the Agent shall make the accounting entries for purposes of settling the interest thus calculated by crediting and debiting the "ECU reserves" accounts of the central banks concerned; if it judges that this might produce a negative balance in ECUs, the Agent shall proceed in the manner laid down in Article 20.3 above.

IV. ECU MOBILISATION MECHANISM

Article 24 - Mobilisable portion of allocated ECUs

At the time of the quarterly renewal of the ECU allocation operations in accordance with Article 17 of the Agreement, the Agent shall calculate

- the mobilisable percentage (p) of allocated ECUs according to the following formula:

$$p = m \times \frac{\text{ECU equivalent of the EMCF's total US dollar holdings} \times 100}{\text{total volume of ECUs created by the EMCF}}$$

m being a variable multiplier set by the Governors of the central banks and notified to the Agent by the Secretariat of the Committee of Governors, and

- the theoretical mobilisable portion (TMP) of ECUs for each EMS central bank, defined as follows:

$$\text{TMP} = p \times \frac{\text{total volume of ECUs allocated to each central bank}}{100}$$

100

The Agent shall notify each central bank as soon as possible of the theoretical mobilisable portion of ECUs applicable in its case for the duration of the new ECU allocation operations.

Article 25 - Procedure to be followed in the event of a mobilisation request by a central bank

25.1 Notification of the mobilisation operation

At the latest by 2 p.m. (Brussels time) on the fourth working day before the value date of the mobilisation operation, the mobilising central bank shall notify the Agent of its wish to mobilise against US dollars part of its assets in ECUs, indicating

- the amount of ECUs to be mobilised,
- the value date of the transaction,
- where applicable, the portion of the proceeds of the mobilisation operation in question which it wishes to convert into one or more EMS currencies,
- the account or accounts to which the currency transfers are to be made.

25.2 Steps to be taken by the Agent

25.2.1 Upon receipt of such notification the Agent shall establish that the ECU holdings to be mobilised are not greater than

- the actual mobilisable portion (AMP) of ECUs available to the central bank in question, calculated according to the following formula for the value date concerned:

$$\text{AMP} = \text{TMP} \begin{array}{l} + \text{ net creditor position} \\ \text{or} \\ - \text{ net debtor position} \end{array} - \text{ ECUs already mobilised by that central bank}$$

- the financing resources available, i.e. the ECU equivalent of the US dollars transferred to the EMCF by all the EMS central banks with the exception of the mobilising central bank in accordance with Article 2 of Decision No. 12/79, minus the ECU equivalent of the US dollars already transferred in connection with outstanding mobilisation transactions.

25.2.2 Once it has established this, the Agent shall advise the mobilising central bank that its request conforms to the rules and that it (the Agent) will take the necessary steps to cover the request as far as possible.

25.2.3 The Agent shall calculate the ECU amounts of the other EMS central banks' individual cover contribution (CCs) in accordance with the following formula:

$$\text{CC} = \text{amount of ECUs mobilised} \times \frac{\text{commitment of the contributing central bank to provide US dollars to the EMCF}}{\text{total commitment of all EMS central banks with the exception of the mobilising central bank to provide US dollars to the EMCF}}$$

The commitment represents the net amount of US dollars transferred to the EMCF in accordance with Article 2 of Decision No. 12/79 (i.e. minus any amount which may have been withdrawn in accordance with Article 3.3 of that Decision), minus any US dollars already provided in connection with outstanding mobilisation transactions.

25.2.4 The Agent shall

- inform the other EMS central banks of the request for mobilisation and, if such is the case, for conversion into one or more EMS currencies, indicating their cover contributions (CCs) in ECUs,
- ask them to send it, not later than midday (Brussels time) three working days prior to the value date of the operation, confirmation of their participation in the mobilisation operation;

in the event of conversion into one or more EMS currencies, it shall also

- ask each central bank issuing a desired EMS currency
 - . whether it has any objection to conversion into its currency, and,
 - . if it has none, the amount, expressed in ECUs, up to which it is willing to furnish its currency in connection with the conversion operation, and
- ask the other EMS central banks the amounts, expressed in ECUs, in the EMS currencies up to which they would be willing to participate in the conversion operation in the event that the

central bank issuing the desired currency has no objection to the conversion.

25.2.5 As early as possible on the afternoon of the fourth working day prior to the value date of the mobilisation operation the Agent shall take all the steps provided for under Articles 25.2.1 to 25.2.4 above.

25.3 Opting-out of cover operations

If a contributing central bank decides to opt out of the cover operations, entirely or in part, it shall inform the Agent of its decision within the same deadline as that set in Article 25.2.4 above; in this event the Agent shall reallocate the cover contributions, notifying the contributing central banks, not later than 2 p.m. (Brussels time) on the third working prior to the value date of the operation, of the new amounts in ECUs of their contributions and requesting them to confirm their agreement that same afternoon.

25.4 Insufficient cover

To the extent that the mobilisation request cannot be met out of the commitments of the contributing central banks, it shall be automatically scaled down by the necessary amount by the Agent, which shall advise the mobilising central bank accordingly before the close of business on the third working day prior to the value date of the operation.

25.5 Notification by the Agent of the definitive amount of the cover contributions in ECUs

Before the close of business on the third working day prior to the value date of the mobilisation operation the Agent shall advise the participating central banks of the definitive amounts in ECUs of their contributions to covering the said operation.

Article 26 - Conversion into EMS currencies

If the mobilising central bank has requested the immediate conversion of all or part of the proceeds of the mobilisation operation, and each central bank issuing a desired currency has given the Agent confirmation of its consent to such conversion (see Article 25.2.4 above), the Agent shall allocate the EMS currency amounts among the participating central banks as follows:

- (a) if the total of the amounts offered for conversion is greater than the amount requested by the mobilising central bank, the amount offered by the central bank issuing the currency into which the conversion is to be made shall be reduced accordingly up to the point where it may be left out of account completely;
- (b) if there is still a balance available, the offers received from the other contributing central banks shall be reduced in proportion to the size of their offered contributions;
- (c) on the other hand, if the amount requested can only be met in part, it shall be reduced automatically by the Agent, which shall inform the mobilising central bank of this reduction before the close of business on the third working day prior to the value date of the operation.

Article 27 - Conclusion of mobilisation and conversion operations

27.1 ECU/US dollar (mobilisation) swaps

As soon as the exchange rates referred to in Article 5.2 above have been reported to it, in the course of the afternoon of the day mentioned under Article 27.5 below, the Agent, acting in the name and for the account of the Fund, shall conclude a swap operation with the mobilising central bank, selling spot US dollars against ECUs, and cover this transaction through simultaneous swap operations with the contributing central banks, buying spot US dollars against ECUs.

27.2 US dollar/EMS currency (conversion) swaps

To the extent that the US dollar proceeds are to be converted into one or more EMS currencies, the Agent shall conclude a swap of US dollars against the EMS currency or currencies with the mobilising central bank, buying spot US dollars from it, and cover this transaction by selling these US dollars to the contributing central banks against the EMS currency or currencies required under this swap operation.

27.3 Conversion rates

All the swap operations shall be concluded at flat rates, applying

- for the mobilisation swaps, the US dollar/ECU rate ruling two working days before the value date of the spot operation (see Article 5.2 of the present Directive), and
- for the conversion swaps, the US dollar/EMS currency conversion rates obtained by calculating the cross rate of the above US dollar/ECU rate against the ECU rate for the currency into which conversion is to be made, as notified by the CEC the same day.

27.4 Term

Each mobilisation or conversion swap operation shall be concluded for a term of three months, irrespective of the date of the quarterly renewal of the swaps concluded in accordance with Article 17 of the Agreement.

27.5 Notification of the details of the swap operations

As early as possible on the afternoon of the second working day prior to the value date of the mobilisation operation, the Agent shall advise the participating central banks of the details of these swap operations, asking them to send it confirmation of their agreement.

Article 28 - Transfers

28.1 Transfer of currency assets

The transfers of currency assets (US dollars and EMS currencies) necessitated by the mobilisation and conversion swaps with the Fund shall be executed direct by the participating central banks among themselves; the central banks concerned shall

- furnish each other with the details necessary for executing the transfers,
- send the Agent confirmation of receipt of the currencies in question.

28.2 Transfer of ECUs

The transfers of ECUs necessitated by the mobilisation operations shall be effected by the Agent by debiting and crediting the "ECU reserves" accounts of the central banks concerned once it has received confirmation of the receipt of the currency funds by the respective central banks.

Article 29 - Remuneration on mobilisation and conversion operations

29.1 Interest rates

Interest shall be paid on the forward currency liabilities and claims arising from the swap operations referred to in Article 27 above at the rates referred to in Article 6.4 above, which shall remain unchanged for the duration of the swap operations.

29.2 Calculation and notification by the Agent

29.2.1 The interest on the forward currency liabilities and claims of each central bank shall be calculated by the Agent at the maturity of the swap operations in questions or upon their termination in advance of maturity; the method to be applied shall be that of the exact number of days and 365 days a year. The Agent shall notify the central banks concerned of the amounts thus calculated.

29.2.2 The interest shall be added to the amounts transferred in respect of principal at the maturity of the swap operations in question or upon their termination in advance of maturity and shall be settled on the same terms.

Article 30 - Renewal of mobilisation and conversion operations

30.1 Conditions of renewal

At the request of the mobilising central bank the swap operations referred to in Article 27 of the present Directive may be renewed once for three months; in this event the Agent, together with the central banks participating in these new operations, shall renew the mobilisation and conversion operations, it being understood that:

- the new operations shall be concluded at the exchange rates and interest rates applying at the time of renewal (see Articles 27.3 and 29.1 of the present Directive);
- the amount of ECUs to be mobilised shall not exceed either the mobilising central bank's actual mobilisable portion (AMP) on the value date of the new swap operation or the ECU equivalent of the US dollar contributions made by the central banks under Article 3a.2 of Decision No. 12/79; if the amount in ECUs of the

matured operation exceeds these limits, it shall automatically be scaled down accordingly;

- the contributions of US dollars made by the central banks under Article 3a.2 of Decision No. 12/79 shall be adjusted both in proportion to and within the limits of the commitments defined there and to take account of exchange rate changes that have occurred since the initial conclusion of the maturing mobilisation swap; and
- the amounts of EMS currencies shall be adjusted to take account of exchange rate changes that have occurred since the initial conclusion of the maturing conversion swap.

30.2 Application of the provisions of Article 25

The provisions of Article 25 of the present Directive shall apply by analogy to the renewal operations.

30.3 Settlement of differences

At the time of these renewals, the Agent and the central banks concerned shall settle the differences resulting from the liquidation of the matured swaps and the conclusion of the new swaps.

Article 31 - Mobilisation of the balance of ECUs

A central bank which has mobilised ECUs up to its ceiling shall still be entitled to utilise its balance of ECUs on "ECU reserves" account for settlements or in voluntary transactions without being obliged to unwind the mobilisation operation before maturity; similarly, it shall still be entitled to unwind a swap operation in accordance with Article 3.3 of Decision No. 12/79.

Article 32 - Termination of mobilisation and conversion swap operations

32.1 Termination in advance of maturity

32.1.1 With at least three working days' notice given by the mobilising central bank, all or part of mobilisation and conversion operations may be terminated in advance of the initial settlement or renewal date.

32.1.2 Upon receipt of such notice the Agent shall inform the central banks participating in the operation of its termination in advance of maturity, giving them the details of the unwinding of the swap operations and the payment of interest due.

32.2 Termination arrangements

At the initial or extended settlement date of mobilisation and conversion operations, or upon their termination in advance of maturity, the Agent and the central banks shall liquidate these operations in accordance with the terms and conditions set out in Articles 27 and 28 of the present Directive.

V. OTHER HOLDERS OF ECUs CREATED BY THE EMCF

Article 33 - Opening of accounts in the name of Other holders of ECUs

The Agent shall open in the books of the EMCF an "ECU reserves" account in the name of each Other holder of ECUs of which it is notified by the Secretariat of the Committee of Governors.

Article 34 - Terms and conditions governing transactions in and holdings of ECUs by Other holders of ECUs

34.1 ECU accounting procedures and notification of account balances by the Agent

Transfers of ECUs between a central bank and an Other holder of ECUs, or between two Other holders of ECUs, shall be entered in the books of the EMCF by the Agent on receipt of matching instructions from the institutions concerned, by analogy with Article 23.2.1 of the present Directive.

34.2 Payment of interest on holdings of ECUs

The Agent shall

- calculate, as at the last working day of each month, the accrued interest on the "ECU reserves" account of the Other holder of ECUs, notifying the holder accordingly, and
- credit this interest to the said account on the last working day of each month.

The provisions of Article 23.3 of the present Directive shall apply by analogy.

Article 35 - Closing of accounts held in the name of Other holders of ECUs

35.1 Closing of accounts on suspension of the status of Other holder of ECUs

The Secretariat of the Committee of Governors shall inform the Agent of any suspension of the status of Other holder of ECUs; in such a case the account of the Other holder of ECUs concerned shall be closed as soon as possible.

35.2 Closing of accounts in the event of the winding-up of the ECU creation mechanism

All accounts of Other holders of ECUs shall be closed upon the winding-up of the ECU creation mechanism.

Annexes

SWAP OPERATIONS

Telex from the central bank to the Agent
on the occasion of the quarterly renewal of swap operations

FECOM No.

1. Termination of swap operations maturing on

We confirm our agreement with the arrangements made in accordance with PRIMO of your FECOM No. of

2. Renewal of swap operations value date
(Article 20 of the Sixth Directive)

PRIMO

Our reserves as at (including contributions of reserves to the EMCF)

- thousand of ounces of gold 20 per cent.
- millions of US dollars 20 per cent.

SECUNDO

- (a) All value

We sell to the EMCF ounces of fine gold in bars, good delivery at the place of deposit, against ECU at a price of ECU per fine ounce and request that you credit the amount in ECUs to our "ECU reserves" account in the books of the EMCF.

[The gold bars comprise those already mentioned in the lists/letters/ telexes previously sent by us to the EMCF and additional bars, specifications of which will be given to you as soon as possible.]

These bars will be placed at the disposal of the EMCF and held in accordance with its instructions.

- (b) All value

We buy from the EMCF the same total weight of gold in fine ounces against ECU at a price of ECU per fine ounce and request that you debit our "ECU reserves" account in the books of the EMCF with the amount in ECUs.

Please place the corresponding gold bars at our disposal.

(c) This swap operation may at any time be wholly or partially unwound at our request, subject to two working days' notice.

TERTIO

(a) All value

We sell to the EMCF US\$ against ECU at a price of 1 ECU = US\$ and request that you credit the amount in ECUs to our "ECU reserves" account in the books of the EMCF.

[The US dollar assets in question comprise those sold to the EMCF under the previous swap operation and managed by us for its account, with the exception of those for which a detailed statement will be sent to the EMCF as soon as possible.]

The US dollar assets will be placed at the disposal of the EMCF and held in accordance with its instructions.

(b) All value

We buy from the EMCF US\$ against ECU at a price of 1 ECU = US\$ and request that you debit our "ECU reserves" account in the books of the EMCF with the amount in ECUs.

Please place the corresponding US dollar assets at our disposal.

(c) This swap operation may at any time be wholly or partially unwound at our request, subject to two working days' notice.

QUARTO

Please confirm agreement.

MANAGEMENT CONTRACT⁵

Telex from the Agent to the central bank
after the conclusion of the swap operations

FECOM No.

Article 19 of the Sixth Directive

PRIMO

We confirm agreement with your telex FECOM No. of

SECUNDO

Please manage on behalf of the EMCF the gold and US dollar assets sold to the EMCF pursuant to the swaps referred to in your telex under PRIMO until those swaps mature.

You are authorised to hold on gold account with financial institutions other than a central bank or the BIS the gold assets with whose management you are entrusted provided that any arrangement made by you for this purpose is undertaken at your own risk in accordance with the provisions of the third indent of Article 17.2 of the Sixth Directive.

TERTIO

You are hereby authorised to change the composition of the assets with whose management you are entrusted in accordance with SECUNDO above and which are set forth under SECUNDO (a) and TERTIO (a) of your telex mentioned under PRIMO, provided that

- the total weight of gold and the nominal value of the US dollar assets are not reduced by any such change,
- the composition of the total assets in question remains in conformity with the terms of Article 17 of the Sixth Directive,
- the effects of the aforementioned swaps automatically extend to any such replacement assets.

5 Second paragraph of SECUNDO added by Decision No. 24/91 of 9th April 1991.

Please advise us by telex as soon as possible of any such changes made in accordance with these conditions.

QUARTO

Whenever appropriate, it shall be for you to notify third-party holders of the assets entrusted to your management of their transfer to the EMCF, and any such notification shall be effected by you on your sole responsibility and without our having to take any action in the matter.

QUINTO

The income arising from the assets under your management shall be collected by and accrue to you. The present contract shall give rise to no other remuneration. The costs of managing the aforesaid assets, and likewise any taxes, duties or other charges relating thereto, shall be borne by you.

SEXTO

Please confirm agreement.

EMCF Agent