



INSTRUCTION CIRCULAR
NUMBER..... 069

SUBJECT

SDR DEPOSITS

PAGE

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DATE

February 23, 1981

QUERIES TO:

Systems & Operations
Division - C.S.O.

We are pleased to inform you that, with a view to assisting you in your marketing efforts, we have decided to accept fixed term deposits denominated in Special Drawing Rights (SDR's) of the International Monetary Fund (IMF) at competitive rates of interest. This can be of great assistance for customers with large surplus funds and who wish to spread their exchange risk among five leading currencies. The SDR deposits will initially be accepted only by the Leadenhall Street Branch. Our basic conditions are as follows:

1. Exchange Rate

Payment will be made by depositors in U.S. Dollars at the U.S. Dollar value of an SDR fixed by the IMF two working days (which are days upon which banks are open for business in both London and New York City) before the date of delivery. Similarly, the principal amount will be repaid to the depositor with interest on maturity in U.S. Dollars at the U.S. Dollar value of an SDR fixed by the IMF two working days before the maturity date. An SDR at present consists of the following component currencies fixed by the IMF:

U.S. Dollar	0.54
Deutsche Mark	0.46
Japanese Yen	34.00
French Franc	0.74
Pound Sterling	0.071

An example of the basis of calculation of the US\$/SDR rate and the interest rate on SDR's is shown on the annexure to this Circular.

The amounts of the component currencies on the date of acceptance of any SDR Deposit will remain unchanged during the term of the deposit notwithstanding any changes made by the IMF after the date of acceptance. If the IMF does not fix the U.S. Dollar value of an SDR two working days before the maturity date of the deposit, payment of each SDR deposit will be made in component currencies and amounts fixed on the date of acceptance of the deposit, and payment of interest on each such amount will be made in such respective currencies.

Alternatively, we are prepared to quote our own market related U.S. Dollar/SDR Rate based on the current exchange rate of the component currencies. Whichever method is used (IMF value or our own market related rate), the same basis will be used for repayment on maturity. If any depositors wish to deposit currencies other than U.S. Dollars, we can arrange for their conversion into U.S. Dollars on their behalf at current rate.

2. Time Limits for Fixing Interest and Exchange Rates

The IMF fixed U.S. Dollar value of an SDR will be applicable only if the agreement to place an SDR Deposit is concluded not later than 12 noon London time, after which the U.S. Dollar equivalent of an SDR Deposit will only be based on our own market related rate.

3. Mode of Payment

All payments will be made by telegraphic transfer on New York City or in the case of a payment in any currency other than U.S. Dollars, on the principal



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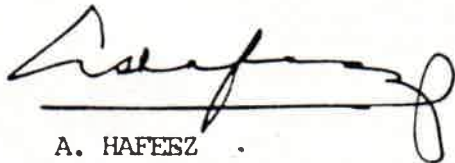
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financial centre applicable to such other currency.

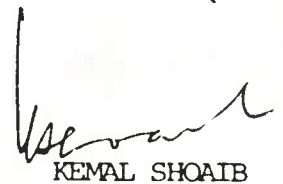
4. Amount and Period of Deposits

The minimum amount of deposit acceptable is SDR's 5 million or US\$ 5 million. SDR Deposits will only be accepted at our Leadenhall Street Branch, London for fixed periods of 1,3,6 and 12 months.

Further enquiries and requests for quotations may please be addressed to our Foreign Exchange Dealers in the London Dealing Room, Telex No. 886291 or should preferably be routed through the respective Regional Office or Main Branch in the Region.



A. HAFESZ



KEMAL SHOAITB



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Example of the basis of calculation of the US\$/SDR Rate
and the rate of interest on SDR's

1. The U.S. Dollar value of an SDR is arrived at as follows (taking the middle exchange rates ruling in London on 26.1.81 value 28.1.81 to illustrate the calculation):-

US\$ 0.54		US\$ 0.54
DM 0.46 at 2.0345		US\$ 0.2261
Yen 34.00 at 202.62		US\$ 0.1678
F.Fcs 0.74 at 4.7012		US\$ 0.1574
Stg. 0.071 at 2.4166		US\$ 0.1716
		US\$ 1.2629
		US\$ 1.2629

2 The interest rate on SDR deposits is arrived at through the weighted average of interest rates on deposits in component currencies and adjusting the rate so calculated to allow for the other costs (e.g. forward cover cost) and our margin of profit. The following example illustrates the calculation, taking into account the 12 months' Inter-Bank rates ruling in London on 26.1.1981 value 28.1.1981 and approximate "weights".

US\$	15 ¹⁵ / ₁₆ %	i.e. 15.9375	x 42%	= 6.69375	
D.M.	9%		9 x 19%	= 1.71	
Yen	8 ³ / ₈ %	i.e. 8.375	x 13%	= 1.06875	
F.Fcs	12 ³ / ₈ %	i.e. 12.75	x 13%	= 1.6575	
Stg.	13 ³ / ₈ %	i.e. 13.125	x 13%	= 1.70625	
					12.85625% say 12 ¹³ / ₁₆ %