Special Drawing Rights: IMF

Why in News

Recently, the **International Monetary Fund (IMF)** has made **an allocation of Special Drawing Rights (SDR) 12.57 billion** (equivalent to around $17.86 billion at the latest **exchange rate**) **to India.**

Now, the **total SDR holdings of India stand at SDR 13.66 billion.**

Key Points

- **Special Drawing Rights (SDR):**
  - The SDR is **neither a currency nor a claim on the IMF.** Rather, it is a **potential claim on the freely usable currencies of IMF members.** SDRs can be exchanged for these currencies.
  - The SDR serves as the **unit of account of the IMF** and some other international organizations.
  - The currency value of the SDR is determined by summing the values in US dollars, based on market exchange rates, of a SDR basket of currencies.
  - The SDR **basket of currencies** includes the **US dollar, Euro, Japanese yen, pound sterling** and **the Chinese renminbi** (included in 2016).
  - The SDR currency value is **calculated daily** (except on IMF holidays or whenever the IMF is closed for business) and the valuation basket is **reviewed and adjusted every five years.**
  - **Quota (the amount contributed to the IMF)** of a country is denominated in SDRs.
    - Members' **voting power is related directly** to their quotas.
    - IMF **makes the general SDR allocation to its members** in proportion to their existing quotas in the IMF.
  - **India's foreign exchange reserves** also incorporate SDR other than gold reserves, foreign currency assets and Reserve Tranche in the IMF.

- **International Monetary Fund (IMF):**
  - The IMF was **set up along with the World Bank after the Second World War** to assist in the reconstruction of war-ravaged countries.
    - The two organisations were agreed to be set up at a conference in Bretton Woods in the US. Hence, they are known as the **Bretton Woods twins.**
  - Created in 1945, the IMF is governed by and accountable to the 190 countries that make up its near-global membership. India joined in December 1945.
  - The IMF's primary purpose is to **ensure the stability of the international monetary system —** the system of exchange rates and international payments that enable countries (and their citizens) to transact with each other.
    - Its mandate was **updated in 2012 to include all macroeconomic and financial sector issues** that bear on global stability.
  - **Reports by IMF:**
    - **Global Financial Stability Report**
    - **World Economic Outlook.**

Source: IE