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DEBT MANAGEMENT AND
FINANCIAL ANALYSIS SYSTEM

Debt and DMFAS GLOSSARY

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ACCELERATION CLAUSE

A clause in a loan agreement which requires the borrower to pay part or all of the balance sooner than the date specified for payment when a given event, specified in the acceleration clause, occurs. See *acceleration of maturity*.

ACCELERATION OF MATURITY

Declaration by a lender that the outstanding principal is due and payable immediately, together with the interest due, following non-compliance with loan covenants. See *acceleration clause*.

ACCOUNTANT

The unit that records into the accounts a disbursement or a payment order that it has received from the system. For other than direct payments, this unit forwards the payment order to the "cashier". If the cashier makes the payment, the payment order is returned with an accompanying payment voucher. If the payment was not made, only the payment order is returned. Finally the accountant notifies the system of what has happened by returning the payment order and a possible payment voucher (now including, for instance, effected currency, exchange rates used, etc.). See *cashier*, *payment order* and *effected currency*.

ACCOUNTANT REPLY DATE

The date of the accountant's reply to a payment order.

ACCOUNTING UNIT

Synonymous for "accountant". See *accountant*.

ACCRUED INTEREST

In the DMFAS, accrued interest is the interest that has accumulated between the date of application of the interest rate and a date fixed by the user. For example, if the interest rate application date is 1/11/1999 and the payment date 1/04/2000, the user might be willing to know the amount of accrued interest between 1/11/1999 and 31/12/1999.

Many countries have undertaken a reform of their government accounting system. These reforms have been supported by several international authorities such as the IMF, the OECD and the International Federation of Accountants (IFAC). One element of the reform is to record as debt (and as an expense) accrued interest that has not yet fallen due, without taking into account the date of the actual payment.

ACTIVE LOAN

Signed and activated loan where all prerequisites for disbursements have been met and which is still in the predisbursement, disbursement or repayment stage.

ADJUSTED AMOUNT

It refers to the currency pool system and is defined as the nominal amount multiplied by the adjustment factor. It is applied to principal repayments and interest and commission payments. See *currency pool*.

ADJUSTED OUTSTANDING

This refers to the currency pool system and is defined as the nominal principal outstanding multiplied by the adjustment factor. See *currency pool*.

ADVANCE

Also called *disbursement* or *draw-down*.

The amount which each bank actually lends when a portion of the loan is dispensed to the borrower. In most cases a loan is not advanced all at once, but rather through a series of tranches or instalments over a period of time (the availability period). The advance procedures are usually specified in the loan agreement. See *disbursement*.

AGENT BANK

A bank handling the administration of a loan in a syndication. Most of the time, it is the lead bank which holds this function, against payment. See *lead bank*, *syndicated loan* and *agent bank's fee*.

AGENT BANK'S FEE

Also called *agency fee*.

In a syndicated loan, this fee is paid to the bank which acted as the agent bank of the syndicate, as a compensation for its administrative work (interest distribution, etc.). See *agent bank*.

AGGREGATED ON THE LAST CRITERIA

See *detail level*.

AGREED MINUTE

A framework agreement or document which embodies all the main elements of the rescheduling agreed between the creditors of the Paris Club and a debtor country, except for the moratorium interest rate. It is signed by representatives of the creditor government who are obliged to recommend to their government that these terms be incorporated into bilateral agreements. See *Paris Club*, *moratorium interest rate*, *special account* and *bilateral agreements*.

AGREEMENT PARTICIPATION

Defines the role of a participant in relation to a composite agreement, for example, whether the participant is the main creditor or debtor. See *participant* and *composite agreement*.

AGREEMENT TYPE

See *financing type*.

ALLOCATED AMOUNT

In the DMFAS, this is a field which corresponds to the amount allocated for onlending. This amount refers to the funds which are allocated to third parties (e.g. parastatals, projects, etc.) as determined by the needs and the priorities of the government. For this reason, although the total amount to be onlent will usually be specified in the loan/grant agreement, its allocation will not. See *on-lending*.

ALLOCATION OF A TRANCHE

All or part of a loan/grant tranche assigned to finance a project or programs. See *tranche*, *loan agreement* and *project allocation*.

ALPHANUMERIC (DATA TYPE)

An alphanumeric data type may contain both alphabetical letters and numbers.

AMORTIZATION

Amortization refers to the repayment of principal of a loan spread out over a period of time. See *debt outstanding and disbursed*.

ANNUITY

A set of periodical payments at equal intervals of time and usually equal in amount. An annuity has the particularity that the sum of principal repayments plus interest payments is constant through the whole amortisation period. Although the term "annuity" means annual payments, the meaning has been extended to apply to payments at any regular intervals. Payments, which represent the rent of the annuity, can be made at the beginning or at the end of the payment intervals (i.e. the duration of time between consecutive payments). The latter

case is called an ordinary annuity whereby the first payment is made at the end of the first period and the last payment is made at the end of the last period. A so-called “annuity certain” is an annuity for which payments begin and end at fixed dates.

ARAB MONETARY FUND (AMF) CREDITS

AMF credits include an Inter-Arab Trade Facility to encourage and facilitate trade among member countries and four types of loans:

- *Automatic loan*: it enables the member to draw the equivalent of a maximum of 3 quarters of its subscription to the capital of the Fund in convertible currencies. It has a maturity of 3 years.

- *Ordinary loan*: it is available for cases where the member’s requirements to finance its overall balance of payments deficit exceed the maximum limits permissible under the automatic facility. The access to this type of loan necessitates the adoption by the member of a one-year stabilization programme designed in collaboration with the Fund which monitors its implementation. Under this facility, each repayment falls due five years after its disbursement.

- *Extended loan*: it is intended for cases where the recipient member faces a large and chronic deficit in its balance of payments which is attributable to a structural imbalance in its economy. This loan requires that the beneficiary adopts a financial and economic programme covering a period of at least two years. Under this facility, repayments fall due seven years after their respective disbursements.

- *Compensatory loan*: it is designed to address unforeseeable balance of payment deficits arising from a decline in exports of goods and services or a large increase in agricultural imports due to bad harvests. This loan is repayable within a maximum period of three years from the date of the first disbursement.

See *trade facility*.

ARBITRAGE

A financial operation which involves buying or borrowing in one market and selling or lending in another market in order to take advantage of the price differences.

ARREARS

The amount of scheduled debt service payments that have fallen due but have not been paid to the creditor(s). In the context of the Paris Club, arrears are the unpaid amounts that fall due before the starting date of the consolidation period. See *Paris Club, consolidation period* and *debt service operation*.

ASSET

Something of value that is owned such as: a current asset which is of temporary nature and will be changed into cash within a short period; a fixed asset which is durable and can be used repeatedly; a floating asset which can be quickly converted into cash at or near its book value; an intangible asset which has no material substance like goodwill; a liquid asset which can very easily be converted into cash without appreciable loss in value as opposed to a frozen asset which may be difficult to sell quickly without loss in value. See *book value*.

ASSOCIATED

A type of loan creditor participation. For instance, associated creditors participate in a syndicated loan. See *syndicated loan* and *associated creditor*.

ASSOCIATED CREDITOR

The associated creditor in a syndicated loan is a creditor who holds a share of the loan but who is not the main creditor. See *associated* and *syndicated loan*.

AUTOMATIC LOAN (AMF)

See *Arab Monetary Fund credits*.

BAKER PLAN

The Baker plan was proposed in 1985 by U.S. Treasury Secretary James Baker as a tool to reduce the debt service obligations of developing countries. The Plan contained three key elements: 1) a debtor country adjustment programme, 2) increased bank lending to support these policy efforts, and 3) continued monitoring by the IMF along with enhanced lending by multilateral development banks. See *Brady Plan, Houston Terms, Toronto Terms and Trinidad Terms*.

BALANCE OF PAYMENTS

A record of a country's international transactions of its residents with non-residents. But it also includes other types of transactions such as the monetization of gold. The concept of balance of payments may be further broadened to include such movements as changes in the value of reserve assets resulting from fluctuations in the value rather than from transactions themselves. See *current account, capital accounts and gap of the balance of payments*.

BANKER'S DRAFT

A draft payable on demand and drawn by or on behalf of a bank upon itself. See *draft*.

BASE RATE

A recognized and published interest rate, for example LIBOR, used to determine the rate to be used for variable interest rate loans. The rate for the loan is determined by adding the spread to the base rate, e.g. LIBOR + 1/8. See *LIBOR, spread and variable interest rate*.

BASIC BALANCE

The balance of current and long term capital transactions. The basic balance is intended to measure long term tendencies in the balance of payments and to show a balance that is not distorted by fluctuating, easily reversible, or speculative factors.

BENEFICIARY

The entity that benefits from the disbursement (loans and grants) without necessarily having any debt service obligation. See *disbursement*.

Note: this term is also used with his general meaning as regards commercial bills, letters of credit, on-lent loans and loans covered by the state.

BILATERAL (FINANCING SOURCE)

Financing whose source is a foreign government or its agencies (including Central Bank), an autonomous public body or an official export credit agency. See *financing source*.

BILATERAL AGREEMENTS

Agreements reached bilaterally between the debtor and each creditor country or its agencies in the Paris Club context, in order to establish the legal basis of the debt restructuring as set out in the agreed minute. Bilateral agreements specify, inter alia, the moratorium interest rate which is agreed between the debtor and the creditors. See *Paris Club, agreed minute, moratorium interest rate and exchange of information clause*.

BILATERAL LOANS

See *official credits*.

BILL OF EXCHANGE

A written payment order by the person drawing it (the drawer) to another person (the drawee) to pay on demand or at a definite future time a specified sum of money to or to the order of either the bearer of the bill or to a third party (the payee). See *payment order*.

BILL OF LADING

A document signed by the master of a ship or his agent as a receipt for goods loaded on his ship which he undertakes to deliver to the consignee. The bill is not a negotiable instrument but it can be used to transfer the ownership of goods.

BOND

A document which, when signed, makes an obligation to pay a specified sum in the future. It is a certificate of indebtedness and it is classed as debts owed by a government, public body or company. A bond carries details of the interest rate payable on it as well as the dates and conditions of repayment. Bonds can be issued to the general public or via private placement.

BOOK VALUE

The value of assets as they are stated in the books of the firm which usually is the value at which they were acquired. See *asset*.

BORROWER

The organization or the entity defined as such in the loan contract which usually is responsible for servicing the debt. See *debt servicing* and *loan agreement*.

BRADY PLAN

The Brady plan was developed in the late 1980s, to reduce debt and debt service owed to commercial banks by a number of emerging market countries. The plan offered a menu of options to creditors including some combination of a debt buyback at a significant discount and the issuance of so-called "Brady bonds" by the debtor country in exchange for the banks' claims. Such an approach complemented countries' efforts to restore external viability through the adoption of medium-term structural adjustment programmes supported by the IMF and other multilateral and official bilateral creditors. See *Baker Plan*, *Houston Terms*, *Toronto Terms* and *Trinidad Terms*.

BROKER

A person who acts as a go-between in a transaction involving two or more people or institutions. There are several kinds of brokers dealing in stocks, insurance and property for instance.

BROKERAGE COMMISSION

Also called *brokerage*, *brokerage fee*.

The commission that is paid to a broker for his services and is usually expressed as a percentage of the amount involved. See *commission* and *broker*.

BUDGET ALLOCATION

Amount allocated in the budget to a specific budget line for a given fiscal year. There is a specific budget line for principal, for interest and for commissions/fees. The budget line allocation can be to a loan or a group of loans.

BURDEN SHARING

Also called *principle of comparable treatment*.

Used to refer to the Paris Club rule that all participating creditors in Paris Club rescheduling negotiations must agree to equitably share in any burden arising out of a debt restructuring agreement. See *Paris Club* and *debt rescheduling*.

BUYERS CREDIT

Export credit or finance provided to the buyer by an entity other than the exporter. A loan extended by a bank to finance the purchase of an exporter's goods and/or contractual services. The difference between this case and a normal supplier's credit is that the financing operation is borne by the supplier's bank and not by the supplier himself. Note: for the World Bank a buyer's

credit is bilateral only after the guarantee has become effective. See *export credit* and *supplier credit*.

BUYING DATE

The date on which a share of a loan is bought. See *creditor loan share*.

BUYING PERCENTAGE

Percentage of shares of a loan that are bought. See *creditor loan share*.

BY LOAN AND BY TRANCHE

See *detail level*.

BY LOAN, CONSOLIDATED TRANCHES

See *detail level*.

CANCELLATION

A decrease of the undisbursed amount. Sometimes the term is used as a synonym for write-off. See *write-off*.

CANCELLED LOAN

A loan that has been cancelled without any disbursement.

CAPITAL

In general capital can be in the form of money or goods including intangible goods and forms which possess economic usefulness into the future: namely the main characteristic of capital is its productiveness.

CAPITAL ACCOUNT

Part of the balance of payments which includes public and private borrowing and lending; investment; loan repayments and covers the net acquisition of financial assets. See *asset* and *balance of payments*.

CAPITALIZATION

See *interest capitalization*.

CASHIER

A unit in charge, among other things, of debt service payments and the reception of drawings. See *accountant* and *disbursement*.

CENTRAL BANK ADVANCES

Short term credit granted by the central bank to the central government to support the budget. See *central bank consolidated advances*.

CENTRAL BANK CONSOLIDATED ADVANCES

Medium and long term credit granted by the central bank to the central government, formed by the consolidation of previous advances. See *central bank advances*.

CENTRAL BANK CREDITS

Credits granted to the central government by the central bank and materialized in an agreement.

CENTRAL GOVERNMENT DOMESTIC ISSUES

Bonds issued by the central government on the domestic market.

CERTIFICATE OF DEPOSIT

Certificate for a time deposit in a bank, generally earning a given rate of interest. Certificates of deposit are generally negotiable and transferable instruments. See *deposits*.

CIRR

See *commercial interest reference rates*.

CODE

A way of identifying certain names of concepts, entities or places by using abbreviations such as numbers.

CO-FINANCING

Collaborative support given (e.g. by the World Bank) to borrowers to assist them in increasing the funds available to them by means of various external sources of investment finance appropriate to the country's particular borrowing situation and especially directed to the support of high priority projects. Funds come from government agencies administering bilateral development programmes; multilateral agencies such as regional development banks; Export Credit Agencies and from commercial banks. See *export credit*, *lead bank* and *co-loan*.

CO-LEAD MANAGER

Also called *co-manager*.

In securities issues, usually an invitee on an ad hoc basis either by the lead manager or at the request of the issuer of the securities. The lead manager(s) and the co-lead managers constitute the management group. The number of co-lead managers depends on the size of the issue. Usually between two and 10 co-managers share responsibility, chiefly for pricing and placement. As a rule co-lead managers make larger underwriting commitments than do syndicate participants. It also refers to the lender which ranks after the lead manager in a syndicated loan. See *lead bank*.

CO-LOAN

A co-financed World Bank loan. See *co-financing*.

COMMERCIAL BILL

A written instruction by a person drawing it (i.e. the drawer) to another (i.e. the drawee) to pay a particular sum either to the bearer of the bill or to the order of a specified person (i.e. the payee). A sight bill is payable on presentation. The bill is presented to the drawee who marks it "accepted" signs and dates it. This means that the drawee is the "acceptor" and the bill can be sold (i.e. discounted) so that the drawer can obtain funds earlier than the date the bill matures. A bank bill is like an advance (i.e. a loan) as a method of bank lending. See *discount*.

COMMERCIAL INTEREST REFERENCE RATES (CIRRS)

The OECD Arrangement on Guidelines for officially Supported Export Credits stipulates that minimum interest rates shall apply to official financing support (through direct credits/financing, refinancing or interest rate subsidy) for export credits. These minimum interest rates are called commercial interest reference rates (CIRRS). A CIRR is fixed for each currency of the Participants to the Arrangement and the CIRRS are set on the 15th of each month.. They correspond to the most favourable terms of fixed rates that a country is able to contract on the international financial market. This rate is used as the discount rate in the context of the HIPC Initiative to calculate the present value. See *present value of debt*.

COMMERCIAL LENDING

Lending which is at normal market conditions such as those relating to interest rate, maturity and reimbursement. See *soft loan window*.

COMMISSION

Generally it refers to the amount paid to an agent which may be an individual, a broker or a financial institution for conducting a transaction involving the sale or purchase of assets or services. In banking terms, agents and brokers are usually compensated by being allowed to retain a certain percentage of the premiums they produce known as a commission. Commission is synonymous with fee. See *fee*, *broker* and *premium*.

COMMISSION APPLICATION

The terms of and period during which the specific commission is applied to a tranche. See *commission* and *tranche*.

COMMISSION PAYMENT

A payment of commission or fees to an agent as stipulated in the loan contract and foreseen in the amortization table. See *commission*, *fee*, *loan agreement* and *amortization*.

COMMISSION SCHEDULE

An algorithm which defines how individual commission payments will be distributed over a given period of time. See *commission*.

COMMITMENT

A firm obligation expressed in an agreement or an equivalent contract and supported by the appropriation or the availability of funds, undertaken by a creditor to furnish a specified amount under specified financial terms and conditions and for specified purposes for the benefit of a debtor. Commitments are usually made at the date the loan or grant agreement is signed, but may also take the form of new (or additional) commitments. See *loan agreement* and *grant*.

COMMITMENT AUTHORITY

A financial institution which makes commitments to an authority based on the amount of resources it receives or on the resources that it has committed from donors. See *commitment* and *donor*.

COMMITMENT DATE

The date on which the commitment takes place. See *commitment*.

COMMITMENT FEE

Also called *commitment charge*.

This is the charge made by the lender to the borrower for holding available the undisbursed balance of a loan commitment. Typically it is a fixed rate charge calculated on the basis of the undisbursed balance. See *credit*.

COMPARABLE TREATMENT

See *burden sharing*.

COMPENSATORY AND CONTINGENCY FINANCING FACILITY (CCFF) - IMF

The export compensatory element of the CCFF provides financing to members experiencing a balance of payments need related to temporary shortfalls in export earnings. This element of the facility has been used particularly by commodity exporters.

- *The cereal element* compensates for the temporary excesses in cereal import costs attributable to factors largely beyond the member's control.

- *The contingency element* helps members with IMF arrangements keep their adjustment programmes on track when faced with unforeseen adverse external shocks largely beyond their control. The affected variables could include export earnings, import prices, and international interest rates; workers' remittances and tourism receipts may also be covered if they are a significant component in the member's current account.

COMPENSATORY LOAN (AMF)

See *Arab Monetary Fund credits*.

COMPOSITE AGREEMENT

An extension of credit which concerns the provision of resources requiring ratification before concrete financial arrangements are made. Note that one type of composite agreement is a frame agreement. See *line of credit*, *ODA* and *frame agreement*.

CONCESSIONAL (CREDIT TERMS)

Applies to any credit whose grant element is higher than 25%. The grant element reflects the credit terms of a credit operation: interest rate, the maturity and grace period. The grant element of a loan is measured by giving the loan a present value on the basis of an actualisation rate, conventionally fixed by the OECD at 10% for the whole period of the loan. See *soft window loan*, *ODA* and *grant element*.

CONDITION PRECEDENT

Condition precedent clauses in loan agreements lay down factors and/or events which determine the effectiveness or continuance of the agreement. Loan agreements can either have conditions precedent to the effectiveness of the agreement (also known as a condition) or conditions precedent to the disbursement of funds. In both cases, the conditions must be fulfilled before the loan can be utilized. See *loan agreement*.

CONSOLIDATED DEBT

Debt which is included in a reorganization process. See *debt rescheduling* and *debt refinancing*.

CONSOLIDATION PERIOD

The period during which debt service payments are to be “consolidated” or rescheduled. The beginning of the consolidation period may precede or coincide with the signature date of a Agreed Minute. The end of the consolidation period generally coincides with the end of the IMF arrangement. The consolidation period usually extends no more than 12 to 18 months into the future. See *agreed minute*.

CONTINGENT CREDIT LINES (IMF)

The IMF created the Contingent Credit Lines in April 1999 to help prevent crisis by building up market confidence in countries that, while pursuing strong economic policies, may be vulnerable to balance of payments problems stemming from financial contagion. See *balance of payments* and *International Monetary Fund credits*.

CONVERSION FACTOR

In the DMFAS, the conversion factor is related to the interest rate. It corresponds to the number of times an interest is calculated in a year.

COORDINATED FINANCE

A financing arrangement with a number of loans that are directed for different economic sectors or projects but that are co-ordinated by only one organization. See *loan agreement* and *economic sector*.

CORPORATION (FINANCING SOURCE)

This financing source refers to loans where foreign companies are lending to a country’s private companies for purposes like: investment financing (i.e. production capacity expanding), stock purchasing on the stock exchange or on the OTC market, etc. For loans of this category, participants (creditor and debtor) are recorded as private sector institutions. See *financing source*.

CORRESPONDENT BANK

A local bank acting on behalf of a foreign bank and vice versa.

CREDIT

Any amount which is tied to a specific obligation of repayment. This includes transfer agreements, such as loans, that necessitate repayment usually with interest. See *loan agreement* and *interest payments*.

CREDIT LINE (OVERDRAFT)

Credit line whose ceiling can be exceeded under certain conditions specified in the contract. See *line of credit*.

CREDIT TERMS

This DMFAS code allows to classify credits according to their level of concessionality.

CREDIT TRANCHES (IMF)

IMF credit is subject to different conditionality and phasing, depending on whether it is made available in the first credit “tranche” (or segment) of 25 percent of a member’s quota or in the upper credit tranches (any segment above 25 percent of quota).

- For drawings in the first credit tranche, members must demonstrate reasonable efforts to overcome their balance of payments difficulties.

- Drawings in the upper credit tranche are made in instalments, or phased, and are released when performance targets are met. Such drawings are normally associated with Stand-by or Extended Arrangements, which typically seek to resolve balance of payments difficulties and to support structural policy reforms where appropriate. Performance criteria and periodic reviews are used to assess policy implementation.

See *financing source* and *International Monetary Fund credits*.

CREDIT TYPE

This DMFAS code allows to classify credits according to the nature of the creditor.

CREDITOR

The organization or entity that provides money or resources and to whom payment is owed under the terms of a loan agreement. See *loan agreement*.

CREDITOR DISBURSEMENT ADVICE

The document with which the creditor informs the debtor of a disbursement made and whether it is a direct payment or a real disbursement. See *direct payment*, *disbursement* and *real disbursement*.

CREDITOR LOAN SHARE

Portion of a syndicated loan that belongs to a specific creditor. See *syndicated loan* and *creditor*.

CREDITOR REFERENCE

The reference assigned to the composite/loan agreement or to the grant by the creditor or donor. See *grant*, *loan agreement*, *creditor*, *donor* and *composite agreement*.

CREDITOR VALUE DATE

The date on which the creditor registers that the disbursement has been made effective and/or registers receipt of payment. This is the date from which the creditor will calculate the interest on a specific disbursement. See *disbursement*, *interest payments* and *creditor*.

CROSS-DEFAULT CLAUSE

It is a clause in a loan agreement which specifies that default on any other loans to the borrower shall be regarded as default on the loan containing such a clause. See *loan agreement*.

CURRENCY DEPOSIT BANK

The depository bank to which payments to a creditor in a certain currency are made. See *creditor*.

CURRENCY OF DENOMINATION OR CURRENCY OF A LOAN

The unit of account in which amounts of indebtedness are expressed in the composite/loan agreement. See *composite agreement* and *loan agreement*.

CURRENCY POOL

The World Bank and regional development banks have set up a system which equalizes the risk among all borrowers, at any one time, of fluctuations in the exchange rates of the currencies disbursed and repayable on all bank loans included in the system. Equalization results from pooling all the currencies disbursed and outstanding in the participating loans and from expressing the outstanding principal amount of every such loan as a share of the pool. Loan service obligations on each participating loan are therefore related to all amounts in various currencies disbursed and outstanding on all loans in the system. See *exchange arrangements*, *disbursement*, *loan agreement* and *principal*.

CURRENT ACCOUNT

Part of the balance of payments which includes transactions in goods, services and unrequited transfers and excludes transactions in financial liabilities and assets. At various times and in various countries it has been given narrower definitions: all or part of the category of unrequited transfers has been excluded; or investment income has been grouped with certain transfers and excluded from the current account; sometimes governmental transfers and official aid grants are excluded. See *balance of payments*, *asset*, *liability* and *grant*.

CURRENT MATURITIES

The principal and interest payments falling due within the consolidation period. See *consolidation period*, *principal repayment* and *interest payments*.

CUT-OFF DATE

This date is entered into the DMFAS on first installation. The DMFAS cut-off date gives the starting date for capturing individual ledger transactions into the DMFAS. All the loan balances on a schedule by schedule basis are loaded at this date, within this exercise conciliation of figures with the creditors can be undertaken. After this date the DMFAS becomes a dynamic system which means that it allows for the registration of real transactions and the calculation of real forthcoming and present real balances at a desegregated or aggregated level. For the Paris Club, this is the date before which loans must have been contracted in order for their debt service to be covered by the rescheduling. See *Paris Club*, *debt servicing* and *debt rescheduling*.

DATE AUTHORIZED

Also called *date of authorization*, *authorization date* and *approval date*.

Date when a financial agreement (e.g. loan, grant, agreed minute, etc.) is officially authorized. See *financial agreement*.

Also the date when the signature of the composite/loan agreement has been officially authorized (for instance by the Parliament). See *loan agreement* and *composite agreement*.

DATE EFFECTIVE

The date when a composite/loan agreement or a grant becomes effective. It also applies to the date on which any amendment to a loan or grant becomes effective. Also the starting date for the periods of the scheduled disbursement schedule. See *disbursement*.

DATE OF OPERATION

Also called *execution date*.

A date on which a financial operation is carried out.

DATE OF SIGNATURE/DATE SIGNED

The date when the composite/loan agreement or grant is signed. It also applies to the date on which any amendment to the loan or grant is signed. See *loan agreement, grant and composite agreement*.

DATE OF TRADE

Date on which the share of a loan is sold. See *creditor loan share*.

DATE RECEIVED

The date when a particular transaction is received or when disbursements are received. See *debt service operation and disbursement*.

DEBT ACCOUNTS

This is the list of debt accounts used in the Debt Sustainability Model-Plus:

Account number	Name	Description
010	DOD	Debt outstanding and disbursed
200	PRA	Principal arrears
300	INA	Interest arrears
500	DIS	Disbursements
800	PRP	Principal repayment
900	INT	Interest payments

DEBT BUYBACK

A debt buyback is the purchase by a debtor of all or part of its own external debt, not at its nominal value but at a market value including a discount. See *discounted debt*.

DEBT CAPITALIZATION

Conversion of debt into equity. See *debt-equity swap*.

DEBT CONVERSION

See *debt swap*.

DEBT-EQUITY SWAP

Also called *debt capitalization*.

An arrangement which results in the conversion of a developing country foreign currency debt into local currency equity in a domestic firm. The investor may be the bank holding the loan or a company which buys the loan from a bank at a discount. The loan is typically sold at near face value to the central bank of the host country for local currency instruments, which in turn are used to make the equity investment. See *debt swap*.

DEBT FINANCING

The use of borrowed money to obtain finance.

DEBT-FOR-CASH SWAP

When a country's debt is sold for cash at a discount via the secondary market. See *debt swap* and *secondary market*.

DEBT-FOR-DEVELOPMENT SWAP

When a country's foreign currency debt is sold to a development agency in the local currency which then uses the funds to finance a development project in that country. See *debt swap*.

DEBT-FOR-EXPORT SWAP

When a portion of a country's debt obligations are offset by exports of domestic products. See *debt swap*.

DEBT-FOR-LOCAL CURRENCY SWAP

When a central bank issues a local currency debt obligation in exchange for a foreign debt claim. See *debt swap*.

DEBT-FOR-NATURE SWAP

A debt swap operation aims at promoting projects that improve the environment. Such an operation can involve, for example, a creditor country adversely affected by pollution caused within the debtor country. See *debt swap*.

DEBT OUTSTANDING AND DISBURSED - DOD

The amount that has been disbursed but has not, as yet, been paid back or forgiven or, in other words, the total real disbursements minus actual repayments of principal. See *real disbursement* and *principal repayment*.

DEBT OVERHANG

This can refer either to the total outstanding debt or to the total debt that cannot be readily covered by expected economic growth. See *debt outstanding and disbursed*.

DEBT REFINANCING

See *refinancing*.

DEBT RELIEF GRANTS

This may take the form of principal (whether due or not) cancellation or waiver of interest payments or reduction of interest rates. See *grant*, *principal*, *interest payments* and *cancellation*.

DEBT REORGANIZATION

An action taken jointly by a creditor and a debtor that results in a change of the debt service profile in order to ease the burden of that profile. This action may take the form of debt reorganization lending or debt relief grants. In the latter case the action may be taken unilaterally by the creditor. Debt reorganization includes debt forgiveness, rescheduling and refinancing operations. Currently, it is often used in the context of the Paris club or the London Club. See *debt relief grants* and *debt reorganization lending*.

DEBT REORGANIZATION COMMISSION

The commission charged in the context of a debt reorganization (e.g. London Club). See *debt reorganization*.

DEBT REORGANIZATION LENDING

This may be carried out in various ways falling under the broad headings of debt rescheduling and debt refinancing. See *debt rescheduling* and *debt refinancing*.

DEBT RESCHEDULING

The postponement of all or part of one or more debt service payments of one or more loans. This term is also used in a general sense for the outcome of negotiations on debt reorganization. See *debt reorganization*, *debt service payment* and *previously rescheduled debt*.

DEBT RESTRUCTURING

See *debt reorganization*.

DEBT SERVICE OBLIGATION

Any payment related to a loan. See *debt servicing* and *loan agreement*.

DEBT SERVICE OPERATION

Any financial operation related to principal repayments, interest payments, commission payments and, eventually, penalty interest payments. A type of debt service operation is a debt service payment. See *amortization* and *debt service payment*.

DEBT SERVICE PAYMENT

The actual repayment of principal, payment of interest and the payment of commission/fees and other charges as well as penalty interest. A debt service payment is a type of debt service operation. Furthermore, this value is used for the ratio: debt service to exports. See *principal*, *interest payments*, *commission*, *fee*, *debt servicing* and *debt service operation*.

DEBT SERVICE SCHEDULE

An algorithm which defines the dates on which debt service payments are to be made over a given period. These algorithms may be on a loan and tranche level and apply to all maturities. See *tranche*, *maturity* and *debt service payment*.

DEBT SERVICE TRANSACTION

See *debt service operation*.

DEBT SERVICING

Any payments made against a loan: principal repayments, interest and commission payments. "Actual" debt service is the amount actually paid to satisfy a debt, "scheduled" refers to a set of payments contractually required to be made during the life of a debt. See *debt service payment*, *principal*, *interest payments* and *commission*.

DEBT SUSTAINABILITY

A country may be considered to achieve external debt sustainability when it is able to meet its current and future external debt-service obligations in full, without recourse to debt relief, rescheduling, or the accumulation of arrears. Key indicators of external debt sustainability include the present value of debt-to-exports ratio and the debt-service ratio.

DEBT SWAP

Also called *debt conversion*.

Debt swaps are debt relief techniques which alter the original valuation or nature of loan instruments.

Initially, debt swap operations were used to promote private investments in developing countries and they have been particularly used in privatisation programmes. After, swaps have been extended to sustainable development projects but the financial mechanism remains the same: a charitable organisation acquires a hard currency sovereign debt at a discount, the debt is then cancelled in exchange for consideration paid by the debtor country in order to promote programmes for the protection of the environment, education, health, etc. If originally debt swaps were undertaken by private organisations, there have been an increasing number of public initiatives relating to swaps, either in debt cancellation programmes

launched by States which hold the debts, or under periodic swap operations initiated directly between governments. See *debt-equity swap*, *debt-for-cash swap*, *debt-for-development swap*, *debt-for-export swap*, *debt-for-local currency swap*, and *debt-for-nature swap*.

DEBTOR

The entity who pays the loan and may be the same as the borrower. If the debtor does not pay then, he is referred to as the beneficiary. The different types of debtors may include, *inter alia*: the central government administration; the central bank; public enterprises; mixed (public and private) companies; official development banks; local government administrations and private entities. See *borrower*, *beneficiary* and *debtor beneficiary*.

DEBTOR BENEFICIARY

An entity which is both the debtor and the beneficiary in a financial operation. See *debtor* and *beneficiary*.

DEBTOR GUARANTOR FEE

The fee charged by the guarantor for the risk of guaranteeing the payment of a loan. See *guarantor of the borrower*.

DEBTOR VALUE DATE

The date on which a transaction is effectively registered into the debtor's ledger.

DECEMBER GROUPING

The Debt Sustainability Analysis model currently used by the IMF and World Bank for calculating the present value of the debt outstanding applies what can be called "December Grouping" of future debt service payments. This means that instead of considering the exact dates of instalments all instalments will be carried forward to December. For example, a principal instalment of USD 100 on 1 January and another instalment of USD 100 on 1 July will be added together and carried over to the following 31 December. The DMFAS offers an alternative method: the standard discounting. See *standard discounting*.

DEFAULT CLAUSE

This clause examines all covenants and gives the lender the right to terminate the agreement and/or accelerate the loan based on the breach of a covenant which has been defined, in the default clause, as a default. See *cross-default clause* and *default on payment*.

DEFAULT ON PAYMENT

The failure to meet debt service payments. More strictly, a default on payment occurs only when a creditor takes legal action over arrears in payment. The conditions that constitute a default are listed in the loan agreement. See *arrears* and *default clause*.

DEFERRED PAYMENT

A payment that has fallen due but where the delay is due to a pending resolution of some agreement such as a rescheduling agreement. In the context of the Paris Club this refers to debt service obligations that are not rescheduled under the terms of the agreed minute but whose payment is postponed until after the end of the consolidation period. See *Paris Club*, *debt rescheduling*, *debt servicing* and *agreed minute*.

DEFICIT

A deficit can refer to the deficit of the balance of payments or to a specific part of the balance of payments (such as the current and capital accounts). See *gap of the balance of payments*, *balance of payments*, *current account* and *capital account*.

DE MINIMIS CLAUSE

Clause in the Agreed Minutes of the Paris Club according to which the provisions set forth in the Minutes do not apply to creditor countries for which the total amount of principal and interest falling due during the reorganisation period on debts concerned is less than a specified amount. The debtor is expected to pay all claims excluded by this clause. Overdue claims are to be paid as soon as possible and by a date specified in the agreed minute. See *debt rescheduling* and *agreed minute*.

DEPOSITORY BANK

A bank in which payments made to a participant are to be deposited. See *participant*.

DEPOSITS, ESCROW ACCOUNT

After the signing of the agreed minute, it is sometimes the case that monthly deposits are made into the Central Bank of one of the creditor countries in amounts approximately equal to the moratorium interest that is expected to fall due on the rescheduled debt owed to all Paris Club creditors combined. The debtor then draws on the deposited funds to make moratorium interest payments as soon as the rates of interest are agreed bilaterally with the individual Paris Club creditors. See *Paris Club*, *debt rescheduling*, *moratorium interest rate* and *agreed minute*.

DERIVATIVE INSTRUMENT

Derivative financial instruments include a wide variety of financial assets and liabilities such as forwards, futures, and option contracts, swaps, swaptions, and hybrid securities including convertible bonds and other debt contracts with equity or income participation. In general, derivative instruments are financial assets whose value is derived from the value of another financial asset. A derivative instrument may be standardized and traded in secondary markets or it may be a custom-tailored contract between two parties.

The majority of derivatives can be classified as either forward contracts or option contracts. See *forwards*, *option contract* and *swaption*.

DETAIL LEVEL (USER-DEFINED REPORTS)

The following codes are available:

- *Aggregated on the last criteria:*

When this code is selected in the user-defined reports module, the resulting report presents aggregates for each one of the sorting criteria in the “Order by” clause of the query statement which has been used for the report.

- *By loan and by tranche:*

When this code is selected in the user-defined reports module, the resulting report presents aggregates for each tranche of a loan, i.e. the report presents all details related to individual tranches.

- *By loan, consolidated tranches:*

When this code is selected in the user-defined reports module, the resulting report consolidates the tranches of multi-tranches loans in two cases: (1) when all the tranches of the concerned loan are in the same currency; (2) when the tranches are in different currencies but the final report is to be expressed in dollars, SDR or in local currency. These loans will then be presented on one line, rather than a line per tranche. Tranches of a multi-tranches loan that could not be consolidated will appear in the report tranche by tranche, exactly as for the code “by loan and by tranche”. Therefore, if all the loans selected have tranches in different currencies and don’t match the case number (2), the final report will be similar to the report that would have been generated with the option by loan and by tranche.

DIRECT PAYMENT

The beneficiary or debtor beneficiary of a loan or grant may request the creditor or donor to pay a third party directly from the loan or grant funds. A direct payment is always communicated on the creditor's or donor's disbursement advice. See *loan agreement*, *grant*, *creditor*, *donor*, *disbursement*, *creditor disbursement advice*, *accountant*, *beneficiary* and *debtor beneficiary*.

DISBURSEMENT

The placement of resources such as goods, services or funds at the disposal of the borrower or guarantee country or multilateral agency and taken against a loan agreement. The terms "expended" and "disbursed" can be used interchangeably. A "drawing" is the same thing as a "disbursement" from the point of view of the borrower. In the DMFAS disbursements can be registered either in cash or in kind and the value of a disbursement is equal to the real disbursements plus the direct payments. See *advance, direct payment, creditor disbursement advice and real disbursement*.

DISBURSEMENT PROFILE

See *estimation method*.

DISBURSEMENT TRANSACTION

A type of disbursement operation whereby resources such as goods, services or funds are placed at the disposal of the borrower and taken against the loan or grant agreement. Specifically it refers to the registering of real disbursements, disbursements in cash and in kind as well as direct payments. See *loan agreement, grant, disbursement, real disbursement and direct payment*.

DISCOUNT

A deduction from a debt, from a price, or from the face value of something in consideration of prompt or early payment. With respect to securities when the price at which they are being bought and sold is less than their face value, the difference is said to be a discount. See *face value*.

DISCOUNTED DEBT

Debt acquired at a price below its nominal/par/face value.

DISTRESSED LOAN

When the repayment of principal and the payment of interest of a loan has been considerably delayed or completely suspended. See *principal and interest payments*.

DOMESTIC (TYPE OF LOAN)

It refers to the public domestic indebtedness of a nation. In its restricted sense, the domestic debt is represented by the aggregate of bonds, notes, certificates of indebtedness, bills, and other direct obligations issued by the government on the domestic market.

DONOR

The institution or entity which provides money or resources for which no repayment obligations exist for the beneficiary, i.e. provides a grant. See *grant and beneficiary*.

DRAFT

A written order relating to a certain sum of money that a creditor wishes paid by a debtor. It usually involves the creditor's banker who will present it to the debtor for his approval or acceptance. Some drafts are payable at once on presentation, these are called sight bills. Others are payable at a specific future date, these are called term drafts. See *bill of exchange*.

DRAWING

The placement of resources such as goods, services or funds at the disposal of the borrower or guarantee country or multilateral agency and taken against a loan agreement. The terms "expended" and "disbursed" can be used interchangeably. A "drawing" is the same thing as a "disbursement" from the point of view of the borrower. In the DMFAS drawings can be registered either in cash or in kind and the value of a drawing is equal to the actual drawing plus the direct payments. See *direct payment and real disbursement*.

DRAWING COMMISSION

A commission that is related to individual drawings or the sum of drawings.

ECONOMIC SECTOR

A sector of the economy e.g. agriculture, mining, infrastructure etc., to which the loan, grant or project is directed. See *loan agreement* and *project*.

EFFECTED CURRENCY

The currency in which a transaction is effected, it may be the same or different from the currency of the tranche.

EFFECTIVE DATE

See *date effective*.

EFFECTIVE LIMIT DATE

Closing date for making a composite/loan agreement or a grant effective. See *grant, composite agreement* and *loan agreement*.

ELIGIBLE DEBT OR DEBT SERVICE

In the context of the Paris Club, it corresponds to the debt that can be rescheduled, namely, debt that is contracted before the cut-off date, with maturities of one year or longer. See *cut-off date, debt rescheduling* and *Paris Club*.

ENHANCED STRUCTURAL ADJUSTMENT FACILITY (ESAF) - FMI

Until September 1999, this facility was the principal means by which the IMF provided financial support, in the form of highly concessional loans, to low-income member countries facing protracted balance of payments problems. ESAF resources were intended to support strong medium-term structural adjustment programs. Eligible members seeking ESAF resources had to develop, with the assistance of the staffs of the IMF and the World Bank, a policy framework paper for a three-year adjustment programme which was intended to ensure a consistent framework for economic policies and to attract financial and technical assistance in support of the adjustment programme.

Monitoring under ESAF arrangements was conducted through quarterly financial and structural benchmarks. In addition, semi-annual performance criteria were set for key quantitative and structural targets. ESAF loans are disbursed semi-annually, initially upon approval of an annual arrangement and subsequently based on the observance of performance criteria and after completion of a midterm review. ESAF loans are repaid in ten equal semi-annual instalments, beginning 5 1/2 years and ending 10 years after the date of each disbursement. The interest rate on ESAF loans is 0.5 percent a year. This facility has been replaced by the Poverty Reduction and Growth Facility. See *Poverty Reduction and Growth Facility*.

EONIA (EURO OVERNIGHT INDEX AVERAGE)

The EONIA is an effective overnight rate computed as a weighted average of all overnight unsecured lending transactions in the interbank market, initiated within the Euro area by EURIBOR contributing panel banks. EONIA is calculated daily by the European Central Bank because of the confidentiality of the data and subsequently communicated to Bridge Telerate for publication. See *Euribor* and *Euro*.

ESTIMATION METHOD

Also called *disbursement profile*.

It refers to the method by which drawings are estimated. In the DMFAS the user can choose to enter drawings manually or to use the automatic calculation methods. DMFAS codes for the estimation method are the following:

- *Manual*: the amount and dates of estimated drawings will be entered manually.

- *Automatic annual*: the system will make a linear distribution of the committed undisbursed amount over the remaining part of the disbursement period. The interval between each estimated disbursement is a year.
- *Automatic semi-annual*: the system will make a linear distribution of the committed undisbursed amount over the remaining part of the disbursement period. The interval between each estimated disbursement is 6 months.
- *Automatic quarterly*: the system will make a linear distribution of the committed undisbursed amount over the remaining part of the disbursement period. The interval between each estimated disbursement is 3 months.
- *Automatic monthly*: the system will make a linear distribution of the committed undisbursed amount over the remaining part of the disbursement period. The interval between each estimated disbursement is one month.

EURIBOR (EURO INTERBANK OFFERED RATE)

The EURIBOR is the new European interbank base rate that replaced the national interbank rates (IBOR) in the countries participating in the European Monetary Union from 1 January 1999. It is the average rate at which euro interbank term deposits within the euro zone are offered by one prime bank to another. The rate is calculated by Bridge Telerate on the basis of the rates communicated by a sample of 57 banks and is published the same day at 11 a.m., Brussels time. EURIBOR is quoted for 12 terms going from 1 to 12 months as well as for one-week deposits. See *euro libor*, *eonia*, *euro* and *euro zone*.

EURO

The EURO is the new European currency launched on 1 January 1999. As a consequence, the currencies of the countries participating in the Monetary Union are no longer quoted on the foreign exchange markets: they only continue to exist in the form of subdivisions of the Euro and are called national currency units (NCU). The conversion rate between the euro and each national currency is fixed irrevocably. During the "transition period" (1/01/1999 to 31/12/2001), the national currency units (NCU) effectively become denominations of the EURO. As of January 2002, references to national currency units in contracts will be considered to be references to euros applying the respective conversion rates. See *eonia*, *euribor* and *euro zone*.

EURO LIBOR

The EURO LIBOR is calculated by the British Bankers' Association as an unweighted average of the money market rates for the euro provided by a panel of banks. See *euribor*.

EURO ZONE

The euro zone refers to the area which groups together the eleven countries that participate in the single European currency, i.e.: Austria, Belgium, Germany, Spain, Finland, France, Ireland, Italy, Luxembourg, Netherlands, Portugal. See *euro*.

EUROBOND

A bond denominated in U.S. dollars or other currencies and sold outside the country whose currency is used.

EURODOLLAR

Funds or deposits in U.S. dollars held in banks outside the United States.

EXCHANGE ARRANGEMENTS

A set of different exchange rates for the national currency, fixed by the administration of a country to finance its imports.

EXCHANGE OF INFORMATION CLAUSE

This clause of the Paris Club stipulates that the debtor country agrees to keep the Chairman of the Paris Club informed of its performance and status under its IMF credit facility. The creditors agree to inform the Chairman of the dates on which they sign their bilateral agreements with the debtor country. The creditors also agree to provide copies of their bilateral agreements with the debtor country on request to other participating creditors of the Paris Club. See *Paris Club and bilateral agreements*.

EXPORT CREDIT

Financing tied to cross-border purchase of specific goods. Export Credit Agencies (ECAs) provide this type of finance directly or guarantee other providers such as commercial banks and other financial intermediaries. ECAs promote national exports whilst contributing to the development of the recipient country. Export credits mainly take the form of supplier's credit and buyer's credit. Export credits are normally provided at fixed interest rates on the basis of internationally agreed terms under the OECD's (Organization for Economic Co-operation and Development) Export Credit "Consensus" arrangements. Where financing comes from commercial banks the government compensates them for the difference between the market interest rate at which banks fund themselves and the fixed interest rate at which export credit is usually provided including an agreed margin. Official export credit is finance supplied directly by government agencies. See *buyers credit* and *supplier credit*.

EXPORT FINANCE

Facilities available to an exporter to help cover the risks involved in the possibility of non-payment by the buyer in another country. Therefore, it involves the concepts of insurance, banking and guarantees. The insurance guarantee provides credit insurance cover for the risk of non-payment; the banking aspect involves buyer's and supplier's credits and the guarantees comes from the Export Credit Agencies which provide "clean" financial guarantees to the banks which provide the funds for the export finance. See *export credit*, *buyers credit* and *supplier credit*.

EXTENDED FUND FACILITY (EFF) - IMF

The EFF provides assistance for adjustment programs over longer periods and with generally larger amounts of financing than under Stand-By Arrangements. Extended Arrangements, which normally run for three years (and can be extended for a fourth), are designed to rectify balance of payments difficulties that stem largely from structural problems and require a longer period of adjustment.

A member requesting an Extended Arrangement outlines its objectives and policies for the period of the arrangement and presents a detailed statement each year of the policies and measures to be pursued over the next 12 months. The phasing and performance criteria are comparable to those of Stand-By Arrangements, although phasing on a semi-annual basis is possible. Countries using EFF resources must repay the currencies they have drawn within 4 1/2 to 10 years of the drawing. See *financing source* and *stand-by arrangements*.

EXTENDED LOAN (AMF)

See *Arab Monetary Fund credits*.

EXTENSION FEE

An extra charge payable to a lender for extending the loan beyond the original period.

EXTERNAL DEBT

The amount, at any given time, of disbursed and outstanding contractual liabilities of residents in a country to non-residents to repay principal, with or without interest, or to pay interest, with or without principal. See *interest payments*, *principal* and *debt outstanding and disbursed*.

EXTERNAL DIRECT (TYPE OF LOAN)

It refers to the debts a state or central government owes directly to non-residents. See *external debt* and *public debt*.

EXTERNAL GUARANTEED (TYPE OF LOAN)

It refers to the debts of the private sector guaranteed by the government or other public institutions as well as the debts serviced by a public debtor other than the central government -such as parastatals- with or without guarantee, and due to non-residents. See *public guarantee*.

EXTERNAL LOAN

A legally binding document which obligates a lender of one country to make a specific amount of funds available for disbursement to the government or entity inside another country once certain preconditions have been met. The amount disbursed is repaid in accordance with the terms set out in a repayment schedule or in a promissory note. See *external debt* and *lender*.

EXTERNAL PRIVATE (TYPE OF LOAN)

It refers to debts not guaranteed by the state -or central government- or any of its entities that a private entity owes to non-residents. See *private non-guaranteed debt*.

FACE VALUE

Original amount of the loan as stated in the loan contract.

FACTORING

The management and the purchase of business debt. This involves: managing trade debts of a client company; providing credit protection whereby the factor assumes responsibility for the trade debts of the client company; financing whereby the factor advances a proportion of the value of its client's business debt and the balance on maturity of the debt; invoice discounting which is the purchase of the debt but, unlike factoring, does not imply control of a company's sales ledger and does not involve the purchase of the entire sales turnover of the client.

FEE

A payment for a service, for instance commitment fee, agent fee, management fee. The term fee is interchangeable with commission. See *commission*.

FINANCIAL AGREEMENT

An extension of credit which concerns the provision of resources made up, partially or totally, of ODA and which requires ratification before concrete financial arrangements are made. See *ODA*.

FINANCING ALLOCATION

The amount in a specific currency, provided within a composite agreement, for a particular financing category which can be either a loan or a grant. See *composite agreement* and *grant*.

FINANCING SOURCE

This DMFAS code is mostly used to describe the source of funds, for statistical purposes. See *financing type*.

FINANCING TYPE

Also *Agreement type*.

This DMFAS code allows the user to classify the type of financing or credit according to the financing or credit instrument used.

FIXED INTEREST RATE

An interest rate on a loan which remains constant throughout the duration of the loan. See *variable interest rate*.

FIXED-TERM STANDARD (AGREEMENT TYPE)

Applies to a loan with fixed-term reimbursements and with only one creditor.

FLOATING INTEREST RATE

A benchmark short term cost of capital which reflects the cost of capital and eventually the risk of lending to the best customer. An example of a floating interest rate is the LIBOR (London Interbank Offered Rate) or the prime rate. See *interest rate*, *LIBOR* and *prime rate*.

FLOATING RATE NOTE

A note issued for a period of 5 to 15 years with a fixed spread usually over the 6 month LIBOR and normally with a provision for a minimum interest rate. See *spread*, *LIBOR*, *interest rate*, *floating interest rate* and *note*.

F.O.B. (FREE ON BOARD)

The recommended method of recording merchandise for the balance of payments. Following the convention that exports and imports are valued at the customs frontier of the exporting country, all international freight and insurance beyond that point is excluded from the value of merchandise and included as "shipment" in the balance of payments. See *balance of payments*.

FORGIVENESS

See *write-off*.

FORWARDS

Forward contracts are agreements to either buy, sell or exchange assets at a future date. Since the price or exchange ratio is fixed at the origination of the forward contract, its value depends upon the future value of the underlying asset.

If a sufficient volume of forward contracts is standardized with respect to amounts of the underlying asset, price, and maturity, and the performance of the two parties is guaranteed by another (e.g. a clearing house), then the forward contract can be traded in a secondary market. Such traded forward contracts are called futures contracts. Futures markets exist for major currencies, commodities, debt instruments (interest rates) and stock indices. See *derivative instrument*.

FRAME AGREEMENT

An agreement which authorizes a series of individual loans up to a specified ceiling, which requires further individual contracts to be agreed upon and signed for each project to be financed within the frame agreement. A frame agreement also refers to a procedure which accelerates co-financing whereby an agreement is set out to register the details of how the co-financing will be carried out. Note that a frame agreement is a type of composite agreement. See *composite agreement* and *co-financing*.

FRONT-END FEE

In the context of euromarkets, it is a one-time fee charged on the borrower at the time of signature of the loan contract. See *borrower*, *loan agreement* and *processing fee*.

FULLY PAID LOAN

Loan with no further principal, interest, penalty interest or commission outstanding and where the creditor and the debtor mutually agree that all payments due to the creditor have been made.

FUTURES

See *forwards*.

GAP FINANCING

The amount of financing needed for which provision has not been made.

GAP OF THE BALANCE OF PAYMENTS

A situation when the current account balance plus the capital account balance minus the change in reserves is different from zero. A deficit in the balance of payments reflects a loss of reserves implying that the economy's international receipts are exceeded by expenditures. See *deficit of the balance of payments*, *balance of payments*, *current account* and *capital account*.

GOODWILL CLAUSE

Clause by which Paris Club creditors agree to consider further debt relief for a borrower's debt servicing obligation falling due after the expiration of the consolidation period under a previous rescheduling agreement. This willingness is conditional upon the complete implementation of all previous bilateral agreements, as well as the debtor's continuation of its arrangement with the International Monetary Fund (IMF). See *Paris Club* and *agreed minute*.

GOVERNMENT GUARANTEED BORROWER

An autonomous public body or private debtor whose external borrowing is guaranteed for repayment by the government.

GRACE DAYS (PENALTY INTEREST)

Grace period for regularisation of payment of debt service. If the payment is not done during this period, the penalty interest applies on the date originally due. See *penalty interest* and *interest payments*.

GRACE PERIOD

The period of time between the date of signature and the date of the first payment of principal. See *amortization*.

GRADUATION

Generally a World Bank term which denotes a process by which developing countries are no longer eligible for International Development Association's loans once they reach certain economic levels. In this case, for instance, a developing country may be graduated from a soft window loan to a normal window. See *soft window loan* and *normal window loan*.

GRANT

A legally binding obligation for the disbursement of a specified value of funds for which repayment is not required. See *disbursement*.

GRANT ELEMENT

The difference between the face value of the loan and the present value of the service payments, expressed as a percentage of the face value. See *face value*.

GROSS FLOWS ON DEBT

Gross flows are equal to loan disbursements.

GUARANTOR OF THE BORROWER

An entity defined in a loan contract which is legally appointed to pay all or some of the total amount of funds extended by a creditor to a borrower in the event of non-payment by the borrower. See *creditor* and *borrower*.

HISTORICAL DEBT SERVICE

Cumulated debt service, principal repayments, interest payments, commission/fees (including rescheduling and write-off), arrears and penalty interest up to user-selected cut-off date. See *principal repayment, interest payments, commission, fee, debt rescheduling, write-off, arrears, cut-off date* and *penalty interest*.

HOUSTON TERMS

The Houston Terms were introduced at the Houston summit of the industrialized countries in July 1990. They were designed to address the debt relief needs of lower middle-income countries with high levels of official debt, a group which had previously been neglected by debt relief programmes because they exceeded the income limits of those plans. The Houston Terms provide eligible countries with access to official development assistance (ODA) loans, export credits and official loans other than ODA, and the sale or swap of ODA loans, as well as a limited amount of non-concessional credits through debt swaps. Eligibility for the Houston Terms is decided on a case-by-case basis, with the determination being founded upon the country's per capita income, the ratio of bilateral debt to commercial bank debt, and the debt and debt service burden. See *Baker Plan, Brady Plan, Toronto Terms* and *Trinidad Terms*.

HYPOTHETICAL LOAN

Loan which has been entered into the DMFAS for the purpose of long-term analysis of different borrowing strategies. This loan is purely for sensitivity analysis of the effect of different borrowing scenarios on the future debt service profile and is not yet under negotiation with potential creditors.

IBOR

The interbank offered rate which is the rate of interest offered by banks for their loans to the most creditworthy banks for a large loan in a specified currency for a specified period of time. See *floating interest rate*.

IBRD REFERENCE NUMBER

The same reference number or loan identification which is used when reporting on existing loans to the World Bank's Debtor Reporting System. When entered into the Debt Monitoring System all loans should have their corresponding IBRD reference number if it is different from the one automatically assigned by the computer.

INDIVIDUALS (FINANCING SOURCE)

This financing source refers to loans where foreign individuals are lending to a country's private companies. The source of the financing is the personal fortune of that specific individual. For loans of this category, the creditor is recorded as an individual type of institution and the debtor as a private sector institution. See *financing source*.

INITIATING PROJECT

The definition of the nature of the relationship between a composite agreement and a project for which it is or it will be a source of funding. See *composite agreement* and *project*.

INITIATIVE CLAUSE

A standard undertaking in the agreed minute that the debtor country will seek to restructure debts owed to other creditors on terms comparable to those outlined in the agreed minute. See *agreed minute*.

INSURANCE

An arrangement whereby one party agrees to provide compensation for the loss or damage incurred by another party in return for a fee. See *insurance premium*.

INSURANCE PREMIUM

The amount of money which a policyholder pays to an insurance company for covering an export credit risk. Thus, in the DMFAS the insurance premium can be registered as a commission. However, the insurance premium doesn't always appear as such: it can take the form of an interest rate increase or be included in the credit amount. In that case, it can not be registered as a commission. See *insurance*.

INTEREST APPLICATION

The details of how interest accrues during a given period. When a fixed rate is applied during the period, the value of the rate is defined in advance. When the applied rate is a floating rate, the different value of the rate are not initially known, but usually are told by the creditor at the beginning of the accruing period for the individual interest payments. See *floating interest rate* and *fixed interest rate*.

INTEREST CAPITALIZATION

Interest capitalization refers to the inclusion of a loan's interest into the corpus of the loan. The capitalization therefore causes the stock of the debt to increase. See *interest payments*.

INTEREST COMMISSION

Commission paid by the borrower at the time of payment of interest.

INTEREST PAYMENTS

Payments made in accordance with the terms of a loan contract as laid out in the amortization table and in the contract, that specify the rate or rates of interest to be applied and the manner in which the interest is to be paid. See *interest rate* and *interest schedule*.

INTEREST RATE

The amount contracted to be paid in one unit interval of time for each unit of capital invested. See *fixed interest rate*, *floating interest rate*, *variable interest rate*, *base rate* and *commercial interest reference rates*.

INTEREST SCHEDULE

An algorithm which defines how individual interest payments will be distributed over a given period of time. See *interest payments*.

INTERNATIONAL MONETARY FUND (IMF) CREDITS

IMF credits comprise:

1. *Repurchase (repayment) obligations* to the IMF with respect to all uses of IMF resources (excluding those resulting from drawings in the reserve tranche) for the year specified.

IMF repurchases are total repayments of outstanding drawings from the general resources account during the year specified, excluding repayments due in the reserve tranche.

2. *Purchases (drawings) outstanding* under the credit tranches, including all facilities (the buffer stock, compensatory financing, extended fund, and oil facilities), trust fund loans, and operations under the structural adjustment and enhanced structural adjustment facilities.

IMF purchases are total drawings on the general resources account of the IMF during the year specified, excluding drawings on the reserve tranche.

See *stand-by arrangement*, *credit tranches*, *contingent credit lines*, *compensatory and contingency financing facility*, *enhanced structural adjustment facility*, *extended fund facility* and *poverty reduction and growth facility*.

IRREGULAR COMMISSION

Also called *one-time commission*.

Irregular commissions are those where the intervals between commission payments are not identical and where their amounts can not be calculated by means of mathematical formula.

See *commission application*.

IRREGULAR GLOBAL COMMISSION

An actual payment made to the creditor to cover a one time payment of a commission/fee in accordance with the loan contract. See *amortization, commission* and *fee*.

IRREGULAR PAYMENTS

Irregular payments are those where the intervals between payments are not equal and the amount of each payment can not be calculated by means of a mathematical formula. See *regular payments*.

ISSUES FROM PUBLIC FINANCIAL INSTITUTIONS (CREDIT TYPE)

Bonds issued by public financial institutions on the domestic market. See *credit type*.

ISSUES FROM PUBLIC NON FINANCIAL INSTITUTIONS (CREDIT TYPE)

Bonds issued by public non-financial institutions on the domestic market. See *credit type*.

LAST AMENDMENT DATE

The date on which the latest amendment to the data in a particular field was made.

LAST MATURITY DATE

See *maturity*.

LATE INTEREST

In the context of the Paris Club, it is the interest accrued on principal and interest on payments due before signature of the bilateral agreement. See *penalty interest*.

LEAD BANK

Also called *lead manager*.

The bank which is given a mandate by a potential borrower to arrange a bond issue or a Eurocredit. It is responsible for negotiating the loan terms, forming the syndicate which will organise the operation, preparing the memorandum that presents the economic and financial situation of the borrower and the rest of the legal documentation needed, etc. In the case of a Eurobond the lead manager is also responsible for setting up the management group which may consist of several lead managers assisted by co-lead managers. When a syndicate is composed of several lead banks, generally the bank which received the mandate is considered as the principal lead bank. Most of the time the lead bank plays also the role of agent bank. See *syndicated loan* and *agent bank*.

LEASING

A contract whereby an investor does not buy a product himself but buys the use of it against payment of a monthly rental fee to a leasing company who owns the product. In the context of trade financing, one usually talks of finance leasing whereby a triangular relationship is set up between the seller of the product, the buyer (who becomes the lessor) and the leasing party (the lessee). The lessor is repaid by the rental payments including amortization, interest and a leasing contract fee.

LEGAL FEES

Also called *legal expenses*.

All legal expenses in relation with a credit operation.

LEGAL OPINION

The issuance of a legal opinion is a formal legal document which confirms or questions the legal validity of a loan agreement. In general, the opinion is based upon the domestic law of the jurisdiction in which the lawyer is qualified. See *loan agreement*.

LENDER

See *creditor*.

LETTER OF CREDIT

An order in writing from a bank (issuing bank) to his agent abroad, or to a bank abroad, to authorize payment to the person named in the letter (applicant or buyer) of a specific sum or amounts not in total exceeding that sum, within a specific time frame and against specified documents provided they are in order. Payment is made either against presentation of the documents only or of the documents together with a bill or draft drawn against the bank where the letter of credit is available. A letter or bill of credit is not a negotiable instrument and will only be valid when presented by the person named on it. See *draft* and *revocable letter of credit*.

LETTER OF INTENT

A member of the IMF send the Fund a letter of intent to request the initiation of stand-by financial assistance. The Letter of Intent indicates the amount and type of financing the country is requesting, and states the policies the government will pursue during the course of the stand-by arrangement. Once the letter has been received and approved, the Fund will start drafting the terms of the stand-by arrangement. See *stand-by arrangement*.

LIABILITY

An amount payable by an entity for goods or services received, assets acquired, expenses incurred, construction carried out and amounts received that have, as yet, to be paid. See *asset*.

LIBID

The London Interbank Bid Rate is the rate on the eurodollar market which a bank in London is willing to pay, as opposed to LIBOR (London Interbank Offered Rate) which is the rate at which it is willing to lend to another bank. Therefore, the LIBID is slightly below the LIBOR. See *LIBOR*.

LIBOR

The London Interbank Offered Rate measures the approximate cost to banks of funds which they obtain in the London interbank market. Each bank has its own IBOR which reflects the bank's borrowing costs. LIBOR rates are always related to deposits for a defined period of time: 3 months, 6 months, etc.

There are interbank offered rates in the other financial centres such as the SIBOR in Singapore, the HIBOR or HKIBOR in Hong Kong and the EURIBOR for countries of the euro zone. The IBOR is the base on which the banks' lending margins are fixed and the spread differs reflecting the risk involved. See *LIBID*, *EURIBOR*, *floating interest rate* and *variable interest rate*.

LIMEAN

The LIMEAN is the average between the LIBOR and the LIBID rates. See *LIBOR* and *LIBID*.

LINE OF CREDIT

A single commitment usually to finance purchases of imports. It differs from an ordinary credit in that the amount of the original commitment is set as a ceiling. The borrower is not obligated to accept disbursement in whole or in part, but is given the right to determine his utilization in the light of the contingent events specified in the contract. Consequently, a part of the commitment may either lapse or be cancelled. See *credit*.

LOAN

See *loan agreement*.

LOAN AGREEMENT

A legally binding document which makes a specific value of funds available for disbursement to a borrower. The amount disbursed is to be repaid in accordance with the terms set out in a

repayment schedule or a promissory note. This is legal evidence of an agreement to lend once certain preconditions have been met. A loan is synonymous to a loan agreement or a loan contract. See *disbursement* and *borrower*.

LOAN CONTRACT

See *loan agreement*.

LOAN IN PIPELINE

A loan currently under negotiation with an identified creditor but not yet signed or a loan signed but not yet activated.

LOAN PARTICIPATION

Defines the role of a participant in relation to a loan, for example whether the participant is a creditor or a debtor. See *loan agreement*, *creditor*, *debtor*, *participant* and *share trade*.

LOCAL CURRENCY (REPORT CURRENCY)

It's the currency of the country where DMFAS is being used.

LOCAL EXCHANGE RATE DATE

Date of the local exchange rate used for the local currency amount.

LONDON CLUB

An informal grouping of commercial banks who meet to determine a common approach to rescheduling commercial bank debt to a country. Although the term is in common use, no organizational framework or secretariat for commercial bank debt restructuring comparable to the Paris Club for official debt exists. See *Paris Club*, *debt rescheduling* and *debt reorganization*.

MAIN CREDITOR

The creditor in a loan syndication who is named in the contract as being the focal point for all interaction between the syndicate and the debtor in matters relating to the contract. See *syndicated loan* and *creditor*.

MANAGED LOAN

A loan in the form of syndicated new money extended under the umbrella of the International Monetary Fund-supported restructuring packages. See *new money* and *debt reorganization*.

MANAGEMENT FEE

Fee charged for managing a syndicated loan or a bond issue operation. It aims at paying banks which participated to a syndication and is usually a one-time commission payable at the time of signature of the loan agreement. It generally consists of several sub-fees: the praecipium paid to the lead bank, the pool paid to the management group, the participation fee divided between the banks according to their participation in the financing operation and the underwriting commission. It represents a percentage of the total amount of the commitment and is generally paid to the agent bank on behalf of the participating banks. See *syndicated loan*, *bond* and *lead bank*.

MARGIN

See *spread*.

MATURITY

The maturity period is an expression often used to denote all the period over which payments (principal, interest or commissions) are made for the loan and includes the grace period. Maturity can also be used as a synonym of instalment. See *principal*, *grace period* and *maturity date*.

MATURITY DATE

The date on which amounts of the debt service become due and payable. See *maturity*.

MEDIUM AND LONG TERM

A period of time equal or greater than one year.

MILLIONS (CURRENCY UNIT)

See *unit*.

MIXED AGREEMENT

A type of composite agreement that contains one or more loans and one or more grants. See *composite agreement*, *loan agreement* and *grant*.

MODIFICATION TYPE

In the DMFAS, it indicates whether the change in the amount referred to is an increase or a decrease.

MONTH

Indicates the month basis the creditor takes into account for interest and commission calculations within the reference period: either 30-day month or the month's exact number of days (calendar). See *year*.

MORATORIUM INTEREST RATE

The interest rate on amounts deferred or rescheduled which is agreed bilaterally between the debtor and each creditor and specified in the Paris Club bilateral agreements. See *bilateral agreements*.

MOST FAVOURED NATIONS CLAUSE

This is a standard undertaking in the agreed minute of the Paris Club whereby the debtor countries agree not to accord to creditor countries owing debt of comparable terms, that did not participate in the multilateral agreement, repayment terms more favourable than those accorded to the participating creditor countries for the consolidation of debt. This is related to the Initiative Clause. See *Paris Club*, *agreed minute* and *initiative clause*.

MULTILATERAL (FINANCING SOURCE)

Financing whose source is the World Bank Group, regional development banks or other multilateral and intergovernmental agencies. See *financing source*.

MULTILATERAL LOANS

See *official credits*.

MULTIYEAR RESCHEDULING AGREEMENT (MYRA)

These agreements cover consolidation periods of two or more years through the implementation of a succession of shorter consolidations (serial rescheduling) which come into effect automatically after certain conditions are met. The implementation of each stage requires a decision by the creditors that the relevant conditions have been met. See *debt rescheduling*.

NEGATIVE PLEDGE CLAUSE

A covenant in a loan agreement that obliges the borrower not to grant security in favour of a subsequent creditor unless notes or debentures outstanding under the agreement are equally secured. See *pari-passu clause*.

NET FLOWS ON DEBT

Net flows on debt are equal to loan disbursements (gross flows) minus loan amortization (principal repayments).

NET TRANSFERS ON DEBT

Net transfers on debt are equal to net flows on debt minus loan interest paid. See *net flows on debt*.

NEW MONEY

With respect to debt reorganization, this is additional finance provided by leading institutions as opposed to a roll-over of existing finance. It is also known as concerted bank lending implying increases in the exposure of commercial banks co-ordinated by advisory committees negotiating on behalf of creditors. See *debt reorganization* and *roll over*.

NON CONCESSIONAL (CREDIT TERMS)

Applies to any credit with a grant element not higher than 25%. See *concessional* and *credit terms*.

NORMAL WINDOW LOAN

Type of non-concessional loan. See *soft window loan*.

NOTE

A bond with short or medium term maturity. See *bond*.

NOTIFICATION DATE

The date of the disbursement notification issued by the creditor. It is used in order to compare the disbursements that have been actually made with those that are registered by the creditor and which appear in the disbursement notification. It also refers to the date on which a disbursement request is rejected by a creditor. See *disbursement*.

ODA (OFFICIAL DEVELOPMENT ASSISTANCE)

Official Development Assistance is defined as those flows to developing countries from developed countries provided by official agencies, including state and local governments, or by their executive agencies, each transaction of which meets the following criteria: it is administered with the promotion of the economic development and welfare of developing countries as its main objective and it is concessional in nature meaning that it contains, inter alia, a grant element of, at least, 25 per cent (using a fixed discount rate of 10%). See *other official credits*, *soft window loan*, *grant element* and *financial agreement*.

ODA LOANS

See *ODA*.

OFFICIAL CREDITS

Also called *official loans*.

Official credits include bilateral loans as well as loans from multilateral organizations:

- Bilateral loans are loans from governments and their agencies (including central banks), loans from autonomous bodies, and direct loans from official export credit agencies.
- Loans from multilateral organizations are loans and credits from the World Bank, regional development banks, and other multilateral and intergovernmental agencies. Excluded are loans from funds administered by an international organization on behalf of a single donor government (these are classified as loans from governments).

OFFICIAL GUARANTEE

A guarantee that the loan will be repaid by the guarantor in the debtor country, that can also be the official entity of the debtor country that guarantees external loans.

ON-LENDING

Also called *relending*.

On-lending occurs when funds are borrowed by a domestic financial institution (normally public and acting on behalf of the government). The loan proceeds are to be made available, through a loan, to a third party within the country of the borrower, usually with the previous agreement of the foreign creditor. See *allocated amount* and *on-lending borrower*.

ON-LENDING BORROWER

The entity to which the original borrower (the responsible national authority) on-lends the money or resources which he has borrowed. The on-lending borrower's debt service obligations for the borrowed amount go to the original borrower. See *on-lending* and *debt servicing*.

OPTION CONTRACT

Option contracts differ from forward contracts in that one party has the right but not the obligation to fulfil the contract. For example, the owner of a call (put) option has the right but not the obligation to buy (sell) an underlying asset at a specified price on a future date. The party who sells the option (the writer of the option) must perform at the discretion of the owner of the option and that's why the buyer of the option must pay a premium to the writer. This premium will reflect the likelihood that the future value of the underlying asset will make the option valuable to its owner. See *derivative instrument* and *swaption*.

OPTIONS MENU (PARIS CLUB)

In the context of the Paris Club, it refers to the options from which creditors can choose among different forms of debt reorganization. See *Paris Club* and *debt reorganization*.

ORDINARY LOAN (AMF)

See *Arab Monetary Fund credits*.

OTHER

Several of the DMFAS code listings contain a code called "OTHER". This code may be used to classify information which do not fall into any of the ordinary categories on the concerned list. The use of this code, however, should as far as possible be discouraged. If useful codes are missing from the standard DMFAS code listings, the user is kindly requested to report them to UNCTAD for inclusion in later versions.

OTHER LOAN PARTICIPATION

A definition of the relationship between a participant, other than a creditor, and a loan. See *participant*, *creditor* and *loan agreement*.

OTHER OFFICIAL CREDITS

Other Official Credits are defined as flows to developing countries from the developed countries' official sector which do not meet one or the other of the ODA criteria. They include, in particular: official bilateral transactions which are not sufficiently concessional (i.e. they have a grant element of less than 25 per cent) or which, even though they have concessional elements, are primarily export-facilitating in purpose. Also Other Official Credits include credits from private exporters of developed countries but insured by an official sector institution. Bilateral Other Official Credits is also referred to as non-ODA. See *grant element* and *ODA*.

OTHER SYSTEM REFERENCE

In the DMFAS, this is the reference for the loan or grant in another system. It facilitates the exchange of information between different government departments which use different references.

OUT OF POCKET EXPENSES

Payment for travel and DSA of the debtor's advisers/lawyers, etc.

OVERALL BALANCE

In the IMF standard presentation of the balance of payments, the overall balance is equal to the sum of the current, capital and financial account transactions, with the exclusion of transactions in reserve assets and exceptional financing. Exceptional financing refers to transactions undertaken by the authorities to finance balance of payments needs, including such items as external borrowing, payment arrears and debt forgiveness. See *balance of payments*.

PARI-PASSU CLAUSE

Also called *negative pledge provision*.

The pari-passu clause in a loan agreement is a covenant under which the borrower agrees that all its payment obligations under the agreement, currently and in the future, will rank at least equally with all of its unsecured debts. See *negative pledge clause*.

PARIS CLUB

A forum in which debt relief is provided by governments belonging to the DAC (Development Assistance Committee) of the OECD (Organization of Economic Cooperation and Development). The Chairman and the secretariat are provided by the French Treasury. Any other official creditors other than those of the OECD may take part in the negotiations to reorganize the debt of one of their debtors. The Paris Club agrees the basic terms of the rescheduling – the consolidation period, the cut-off date, the grace period, the repayment period and the coverage of the agreement – which are set out in the agreed minute. However, the agreed minute has no legal status, and the rescheduling is actually put into effect by a series of bilateral agreements negotiated separately by each individual creditor some time after the Paris Club agreement. The bilateral agreements also set the interest rate on the rescheduling for the debts owed to each individual creditor. See *burden sharing, agreed minutes, consolidation period, debt reorganization, debt rescheduling, bilateral agreements and London Club*.

PARTICIPANT

An economic agent such as the debtor, creditor, guarantor, beneficiary, etc. who intervenes in the loan contract, no matter what its role is. See *loan agreement*.

PAYMENT ORDER

A legal document which instructs the accountant to pay a given amount of foreign currency to a given creditor (or creditor's agent) on a given day and to deduct the equivalent given amount in local currency from a given government account. See *accountant*.

PENALTY CLAUSE

In borrowing agreements, this clause provides for penalty in the event a loan payment is late.

PENALTY INTEREST

In general, it is the interest rate which is added to the normal rate as a penalty for late payment.

PERCENT GUARANTEE

In the case of a debtor guarantor it is possible that only part of the loan is covered by the guarantee; the same might occur for the creditor guarantor.

PERCENT TRADED

Percentage of shares sold. See *creditor loan share* and *share trade*.

PERIOD BASE (USER-DEFINED REPORTS)

In the DMFAS the user can produce reports based on the budgetary year, the calendar year or an exact period. The selection of the period base in combination with the periodicity determines how the total interval defined by the user (in the fields **From** and **To**) will be split into periods. The codes available are the following:

- *Calendar year*: the system will take the calendar year (1/01 to 31/12) as the period base and create reporting periods accordingly.
- *Fiscal year*: the system will take the fiscal year as the period base and create reporting periods accordingly.
- *Exact periods*: the system will take as the period base the period defined by start date and the periodicity selected by the user and create reporting periods accordingly.

Period base:	Calendar year	Fiscal year	Exact periods
Example:	1/01/94 to 31/12/94	1/04/94 to 31/03/95	
Start date for report:	01/02/94	01/02/94	01/02/94
End date for report:	31/12/97	31/12/97	31/12/97
Periodicity: annual			
1st reporting period:	1/02/94 to 31/12/94	1/02/94 to 31/03/94	1/02/94 to 31/01/95
Following periods:	1/01/95 to 31/12/95 1/01/96 to 31/12/96	1/04/94 to 31/03/95 1/04/95 to 31/03/96 1/04/96 to 31/03/97	1/02/95 to 31/01/96 1/02/96 to 31/01/97
Last reporting period:	1/01/97 to 31/12/97	1/04/97 to 31/12/97	1/02/97 to 31/12/97
Periodicity: semi-annually			
1st reporting period:	1/02/94 to 30/06/94	1/02/94 to 31/03/94	1/02/94 to 31/07/94
Following periods:	1/07/94 to 31/12/94 1/01/95 to 30/06/95 1/07/95 to 31/12/95 etc.	1/04/94 to 30/09/94 1/10/94 to 31/03/95 1/04/95 to 30/09/95 etc.	1/08/94 to 31/01/95 1/02/95 to 31/07/95 1/08/95 to 31/01/96 etc.
Last reporting period:	1/07/97 to 31/12/97	1/10/97 to 31/12/97	1/08/97 to 31/12/97

PERIODICITY (PAYMENTS)

This code is used to determine the date of principal, interest and commission payments. It allows to define the intervals between payments within the total payment period.

DMFAS codes for Periodicity:

- 2 (semi-annual), 3(annual), 4(quarterly) or 5 (monthly): if these values are chosen, the payments will be effected on the very last day of the month.

Example: if the first payment date is the 28th (or 29th) of February, or the 30th of a 30-day month, the code 5 (monthly) will imply that all following payments will be made on the very last day of the month.

- 7 (exact monthly), 8 (exact quarterly) or 9 (exact semi-annually): if these values are chosen, the payments will be effected on the same selected day of the month, with the exception of February when the payments will be effected on the 28th or 29th. But if the first payment date is the 28th of February, the code 7 (exact monthly) will imply that all following payments will also be made on the 28th of each month.

Example: if code 9 is chosen for a first payment falling due on the 30th of April (last day of the month), the system will schedule the next payment on the 30th October (even though this month has 31 days).

PERIODICITY (USER-DEFINED REPORTS)

This code determines how the reporting interval will be split into periods, on the base of the year base and total reporting period defined by the user.

DMFAS codes for Periodicity are:

- *Annual*: the length of each reporting period is one full year of the type defined by the user in the period base (calendar year, fiscal year or exact periods).
- *Semi-annually*: the length of each reporting period is six months.
- *Quarterly*: the length of each reporting period is three months.
- *Monthly*: the length of each reporting period is one month.
- *Daily*: the length of each reporting period is one day.
- *One period per column*: this code indicates that columns of DMFAS reports will not necessarily follow the calendar year. The user defines himself the reporting period which may start (and end) at any chosen date.

See *period base*.

POVERTY REDUCTION AND GROWTH FACILITY (PRGF)

In September 1999, the IMF replaced the Enhanced Structural Adjustment Facility with the Poverty Reduction and Growth Facility, intended to make poverty reduction a more central element of growth-oriented economic strategies among low-income members of the IMF. The purpose of the new facility is to support programmes to strengthen substantially and in a sustainable manner balance of payments position of qualifying low-income members and to foster durable growth, leading to higher living standards and a reduction in poverty. PRGF-supported programs, like those of IDA, will stem from and be consistent with poverty reduction strategy papers (PRSPs) prepared by the borrowing country and endorsed in their respective areas of responsibility by the Boards of the IMF and World Bank. See *enhanced structural adjustment facility* and *poverty reduction strategy paper*.

POVERTY REDUCTION STRATEGY PAPER (PRSP)

The PRSP is document to be elaborated within the framework of the IMF's Poverty Reduction and Grow Facility (PRGF), by a country's authorities with assistance from the World Bank and the IMF. The PRSP will reflect an open, participatory process involving civil society, relevant international institutions, and donors and will identify priorities for public action to reduce poverty. It will also address the critical issues of enhancing good governance and supporting transparency in policymaking. The World Bank will be at the forefront of discussions with authorities on the design of policies for poverty reduction. The IMF will seek to ensure that these social and sector-based programmes can be accommodated and financed within a supportive, growth-enhancing, low-inflation macroeconomic and budgetary framework. See *poverty reduction and growth facility*.

PREMIUM

It refers to the difference between the face/par value and the higher market value of a security as well as to the excess of the market price over the official or the normally ruling rate of a currency. See *security*, *interest rate* and *face value*.

PREPAYMENT

Repayment of a capital sum under a loan agreement before the date on which it is agreed to be repaid. See *acceleration clause*.

PREPAYMENT FEE

An amount charged for a loan redeemed before maturity and similar to a penalty. See *loan agreement* and *maturity*.

PRESENT VALUE OF DEBT

Also called *net present value* (IMF).

The present value of debt is a measure that takes into account the degree of concessionality. It is defined as the sum of all future debt-service obligations (interest and principal) on existing debt, discounted at the market interest rate. Whenever the interest rate on a loan is lower than the market rate, the resulting present value of debt is smaller than its face value, with the difference reflecting the grant element.

The concept of present value of debt is used because the face value of the external debt stock is not a good measure of a country's debt burden if a significant part of the external debt is contracted on concessional terms; for example, with an interest rate below the prevailing market rate. See *debt outstanding and disbursed* and *concessional*.

PREVIOUSLY RESCHEDULED DEBT

Debt that has been rescheduled on a prior occasion. In the past, this type of debt was generally excluded from further rescheduling in both the Paris and London Clubs. See *debt rescheduling*.

PRIME RATE

Theoretically the prime rate corresponds to the lowest loan interest rate charged by US banks to their best-rated corporate customers. See *floating interest rate*.

PRINCIPAL

Capital invested or the money loaned or borrowed on which interest is sometimes paid.

PRINCIPAL COMMISSION

Commission paid by the borrower at the time of reimbursement of principal.

PRINCIPAL OUTSTANDING

The amount of principal disbursed and not repaid. See *debt outstanding and disbursed (DOD)* and *principal*.

PRINCIPAL REPAYMENT

An actual payment made by the debtor to the creditor to cover principal reimbursement due, in accordance with the amortization table. See *amortization* and *principal*.

PRINCIPAL SCHEDULE

An algorithm which defines how individual principal payment will be distributed over a given period of time. See *principal repayment*.

PRIVATE BANKS OR OTHER FINANCIAL INSTITUTIONS (FINANCING SOURCE)

Credits granted by private banks or other financial institutions. See *financing source*.

PRIVATE CREDITS

Private credits include publicly issued or privately placed bonds, loans from commercial banks (including private banks and private financial institutions) and all other private loans such as credits from exporters and other suppliers as well as bank credits covered by a guarantee of an export credit agency.

PRIVATE GUARANTEED DEBT

The external obligations of a private debtor which are guaranteed by a public entity. See *debtor*.

PRIVATE NON-GUARANTEED DEBT

The external obligations of a private debtor not guaranteed for repayment by a public entity. See *debtor*.

PRIVATE PARENT COMPANY TO SUBSIDIARY (FINANCING SOURCE)

This financing source relates to private non-guaranteed debt. It refers to loans given by the parent company to “daughter” companies for purposes such as: working capital, local computer system development, buildings, etc. For this type of loans, participants (creditor and debtor) are recorded as private sector institutions. See *financing source*.

PROCESSING FEE

The World Bank levies this charge on the full amount of loan. See *loan agreement*.

PROGRAMME ALLOCATION

A type of direct allocation for which there is a programme to account for it. See *allocation of a tranche* and *programme loan*.

PROGRAMME LOAN

A World Bank loan given not for a specific project but to help a country overcome unforeseen temporary difficulties which would otherwise result in inappropriate long-term policy adjustments to correct short-term balance of payments problems. See *programme allocation*.

PROJECT

A specific set of activities aimed at the development of an economic sector. See *project allocation*.

PROJECT ALLOCATION

Allocation of a certain amount of a loan which is going to a specific project. See *project*.

PROMISSORY NOTES

A note that constitutes a written promise to pay a specified sum of money to an individual or bearer on a certain date.

PRO-RATA METHOD

This method is used in DMFAS to calculate projections based on outstanding. With this method, the initial scheduled dates of the repayment period are retained and principal and interest instalments are recalculated in pro rata of the outstanding, according to the repayment method selected. See *truncation method*.

Example: for a loan with a face value of US\$ 100, an outstanding of US\$ 65 at the selected date, a repayment in 10 equal principal payments (method 10) and an interest rate of 10%, the projection would be as follows:

No	Full schedule		Pro-rata method	
	Principal	Interest	Principal	Interest
1	10	10	6.5	6.50
2	10	9	6.5	5.85
3	10	8	6.5	5.20
4	10	7	6.5	4.55
5	10	6	6.5	3.90
6	10	5	6.5	3.25
7	10	4	6.5	2.60
8	10	3	6.5	1.95
9	10	2	6.5	1.30
10	10	1	6.5	0.65
Total	100	55	65	35.75

PUBLIC DEBT

Broadly defined, it is the debt of the public sector of a debtor country. It can be the direct debt of the state which means that the central administration of the country manages the loan. It can also be a debt contracted by a public enterprise but which is managed by the central administration of the country.

PUBLIC GUARANTEE

When the debt service of a loan is guaranteed by a public entity of a country, which is an entity of the public sector distinct from the borrower. If the borrower does not comply with his obligations, as set out in the loan agreement, the central administration of the country will take over these obligations. It also refers to when a public entity guarantees private debt. See *loan agreement* and *borrower*.

REAL DISBURSEMENT

A type of disbursement transaction: All effected cash disbursements including direct payments in the form of disbursements. See *disbursement*, *disbursement transaction* and *direct payment*.

REAL DRAWING

See *real disbursement*.

REFINANCING

In the DMFAS, the refinancing is a code that can be selected to specify the type of agreement or the financing type of a loan. It refers to an agreement by a lender or an agency acting on behalf of the lender, to finance service payments arising from earlier borrowing by extending a new loan for this purpose. The new loan is distinct from the loans refinanced which keep their original terms. The terms of the refinancing loan need not be the same as those of the refinanced loans or credits. A debt reorganization involving a change in either the debtor or the creditor must, therefore, use the technique of refinancing. Presently, it is more often used to describe when a debtor voluntarily takes on a new loan to pay off an old loan. See *debt reorganization*, *loan agreement*, *credit*, *creditor* and *debtor*.

REFINANCING DISBURSEMENT

Disbursement of the refinancing loan to cover a specific maturity of the refinanced loan. See *debt refinancing*, *disbursement* and *maturity*.

REFINANCING RELATION

A set of refinanced loans covered by the new refinancing loans of a given agreed minute. See *debt refinancing* and *agreed minute*.

REGULAR COMMISSION

Regular commissions are those where the intervals between commission payments are identical and where their amounts can be calculated by means of mathematical formula. See *commission application*.

REGULAR PAYMENTS

Regular payments are those where the intervals between payments are equal and the amount of each payment can be calculated by means of a mathematical formula. See *periodicity (payments)*.

RESCHEDULED PAYMENT

A payment due to be made in accordance with the amortization table that has been postponed under the terms of a mutual agreement between the creditor and the debtor. See *amortization, creditor, debt rescheduling* and *debtor*.

RESCHEDULING

See *debt rescheduling*.

REVOCABLE LETTER OF CREDIT

A letter of credit that can be amended by the buyer or the opening bank without prior notice to the beneficiary, therefore generally considered unsatisfactory since the seller is in the same position of trust as he is without the credit. The only protection that there is for the seller is that when the documents are presented he is paid before cancellation by the buyer. The issuing bank will honour the letter of credit and documents if they are in order. See *letter of credit*.

REVOLVING CREDITS

Credits governed by agreements which provide the borrower with the right to draw various times the repayments made before a specified availability date from the accounts held open for him. Each redrawing constitutes a new disbursement and each repayment of principal constitutes a new commitment (whose terms are specified in the original agreement). Revolving credits in time are available for a specific amount every week or month or year until expiry regardless of whether any amount was drawn in the preceding time period. These credits can be non-cumulative or cumulative, namely, unused portions can be carried forward to be used in the next period. See *letter of credit*.

ROLL-OVER

A lender allowing a borrower to delay in making a principal repayment on a loan. It also refers to the reinvestment of money received from a maturing security in a similar security. See *security*.

SCHEDULE

This term refers to all the dates and amounts of the individual financial transactions related to a grant or a loan. The schedule of a loan's (or grant's) financial transactions, either irregular or regular, is summarised in the amortisation table. The agreement between the lender and the borrower to change the dates and/or the amounts of the initial instalments is called rescheduling. See also *rescheduling, debt reorganisation, refinancing, amortisation table, irregular payment, regular payment*.

SECONDARY MARKET (DEBT)

A market where loans of indebted countries are traded. The effective price to be paid by the buyer is typically lower than the face value of the loan, reflecting the risk of non-payment by the borrower country. See *security* and *face value*.

SECURITY

A document entitling its rightful holder to money, goods or property. It also refers to income yielding paper such as stocks, bonds, notes, debentures etc. traded on the stock exchange or in the secondary market. As regards loans, it also refers to the process in which lenders offer financing in the form of debt instruments that can be freely traded on a secondary market rather than in the form of loans which the creditor must hold to maturity or assign subject to contractual restrictions. See *secondary market*.

SERVICE A LOAN

To pay all charges related to a loan including interest, principal repayments and commissions/fees. See *interest payments, principal repayment, commission and fee*.

SERVICE CHARGES

All those charges related to a loan that must be paid such as interest, commitment fees, management fees and other types of commissions or fees. See *commission, fee, commitment fee and management fee*.

SHARE TRADE

A record of the buying and selling in the secondary market of loan participations by creditors. See *syndicated loan and secondary market*.

SHORT TERM

It usually refers to a period of time lower than one year.

SOFT WINDOW LOAN

A type of loan with concessional terms. See *ODA, normal window loan, concessional and graduation*.

SPECIAL ACCOUNT

In the context of the Paris Club, it refers to a clause in the Agreed Minute providing for the deposit by the Central Bank of the debtor country of the amount corresponding to the amount estimated to be payable to all participating creditor countries during the consolidation period, in a special account established with the Banque de France. See *agreed minute and consolidation period*.

SPECIAL DRAWING RIGHTS - SDRS

The International Monetary Fund's standard units of account which are issued to IMF members according to their existing quotas and are part of a country's reserves. Also, loans made by the IMF include SDRs.

SPREAD

Also called *margin*.

A percentage added to a base rate (e.g. LIBOR), which determines the interest rate on a loan. The spread is the gross profit and remuneration for the risk incurred by the banks in the loan agreement. See *base rate and variable interest rate*.

STAND-BY ARRANGEMENT (IMF)

Stand-by Arrangements give members the right to draw up to a specified amount of IMF financing during a prescribed period. Drawings are normally phased on a quarterly basis, with their release conditional upon meeting performance criteria and the completion of periodic reviews. Performance criteria generally cover bank credit, government or public sector borrowing, trade and payments restrictions, foreign borrowing, and international reserve levels. These criteria allow both the member and the IMF to assess progress and may signal the need for further corrective policies.

Stand-by Arrangements typically cover a 12-18 month period (although they can extend up to three years). Repayments are to be made within 3 1/4 to 5 years of each drawing. See *International Monetary Fund credits*.

STANDARD DISCOUNTING

In the DMFAS, this method is used to calculate the present value taking into account all debt service payments on the date they will actually take place. Consequently, the standard discounting method will always give a more accurate and higher present value than the December Grouping method. See *December Grouping*.

STATUS OF A DEBT SERVICE OPERATION

In the DMFAS, a debt service operation can be in arrear or in waiting.

- Arrear: this status means that the instalment has not been paid at its due date and has been registered as an arrear in order for the DMFAS to estimate penalty interest.

- Waiting: this status means that the concerned operation is overdue, i.e. its scheduled date is already over and no action has yet been taken vis-à-vis DMFAS. In such a situation the DMFAS automatically switch the status from "scheduled" to "waiting".

STATUS OF A LOAN

Shows what phase a loan is at (e.g. in pipeline, fully paid, written-of). See *loan agreement*.

STOCK OF DEBT

See *debt outstanding and disbursed*.

SUPPLIER CREDIT

Export credits provided by the exporting company. The exporter's bank bears the operation financing the importer by means of a loan, paying directly the supplier (the exporter). The importer pays the loan to the exporter's bank. The supplier (exporter) accepts to defer the date for payment of the merchandise in one or more instalments. This operation is often made by means of the debtor (importer) signing bills of exchange that eventually the supplier can discount before they fall due. See *export credit* and *bill of exchange*.

SURPLUS

A surplus in the balance of payments means that the economy's international receipts exceed expenditure. See *balance of payments*.

SWAPTION

A swaption is the right but not the obligation to enter into a future swap within a specified period of time. See *option contract* and *derivative instrument*.

SYNDICATE

When a group of banks and/or brokers grant a loan or underwrite and distribute a new issue of securities. By extension, can also refer to a group of banks or securities firms who are involved in a Eurocredit or Eurobond issue. See *security, syndicated loan* and *lead bank*.

SYNDICATED LOAN

A loan agreement or an agreement on the issue of securities granted by a syndicate of banks or by banks in association. See *syndicate*.

SYSTEMIC TRANSFORMATION FACILITY - IMF (FINANCING SOURCE)

This facility which was available until April 1995 provided financial assistance to member countries that were experiencing balance of payment difficulties as a result of severe disruptions in their traditional trade and payments arrangements that were manifested by: (1) a sharp fall of total export earnings, (2) a substantial and permanent increase in net import costs or (3) a combination of both. The loans must be repaid in equal semi-annual instalments

during the period beginning four and one half years and ending ten years after the purchase. See *financing source* and *International Monetary Fund credits*.

THOUSANDS (CURRENCY UNIT)

See *unit*.

TORONTO TERMS

At the Toronto Summit of industrialized countries in 1988, recommendations were made to the creditor countries of the Paris Club to offer favourable rescheduling terms to poor and heavily indebted countries. The summit agreed on three options now known as the Toronto Terms, from which the creditors can select to offer relief to their debtors. These options are: 1) to write off one third of the debt due by a borrower with the outstanding balance to be repaid over 14 years with an 8-year grace period and at market rates, 2) to reschedule all outstanding debt over a 14-year repayment period with an 8-year grace period and a reduced market rate, or 3) to reschedule all outstanding amounts due over 25 years with a 14-year grace period and with market interest rate. The Toronto Terms are available only to the poorest and most heavily indebted countries. See *Baker Plan, Brady Plan, Houston Terms and Trinidad Terms*.

TRADE CREDIT

A means of borrowing and lending between traders. A documentary trade credit is a trade credit which is accompanied by shipping documents, bill of lading, insurance certificates and so forth. See *bill of lading*.

TRADE BALANCE

A cumulative balance in the balance of payments made up of merchandises and services. See *balance of payments*.

TRADE FACILITY (AMF)

Also called Inter-Arab Trade Facility.

This facility was set up to encourage and facilitate trade among member countries. Under this facility a member can borrow an amount up to 100 percent of its subscription paid in convertible currencies, but not exceeding the size of the trade deficit with other members recorded during the current or preceding year. Other considerations include the position of the member's gross international reserves, its other obligations and its trade policy within the context of the objectives of Arab economic integration, and the development of trade among member countries. The loan is repayable within a maximum period of four years from the date of the first disbursement. See *Arab Monetary Fund Credits*.

TRANCHE

In the DMFAS, the "tranche" is the system's independent "information management unit", having its own base currency, its future disbursements (which are automatically updated when a real disbursement takes place) as well as the interest payments and the principal repayments scheduled. In a loan, a tranche is a set of disbursements, the repayment of which is under their own specific financial terms. A tranche represents a distinct part of a loan as defined by the creditor in the detailed payment schedules he sends to the debtor. Each individual amortization defined by the creditor is represented by the individual tranche in the system. See *disbursement*.

TRANCHE CURRENCY (REPORT CURRENCY)

It's the currency in which a tranche and thereby the amortization table of the loan is expressed.

TRANCHE PARTICIPATION

Defines the role of a participant in relation to a tranche. See *tranche* and *participant*.

TREASURY BILL

Certificate of indebtedness issued by the Government, with a term of 3 months, 6 months, 1 year or 2 years.

TRINIDAD TERMS

The Trinidad Terms were proposed in 1990 in a response to the perception that the relief offered by the Toronto Terms was inadequate to meet the needs of the Least Developed Countries (LDCs). The Terms do not reduce LDC debt, but they do extend their maturity and grace periods. The debt relief provided under the Terms are : 1) cancelling two-thirds of the stock of debt owed by eligible countries in a single operation, and reschedule the remaining debt over 25 years (including a 5-year grace period) with interest payments capitalized for the first five years; and 2) flexibly restyling the repayment schedule by linking payments to the debtor country's export capacity. It was proposed that the eligibility criteria to this scheme would be the same as that set for the Toronto Terms. The Trinidad Terms have not been fully adopted by the Group of Seven. See *Baker Plan, Brady Plan, Houston Terms and Toronto Terms*.

TRUNCATION METHOD

With this method, the initial scheduled dates and amounts of principal instalments are retained until the sum of the principal instalment is equal to the outstanding at the selected date. In order to keep the equality between the sum of principal instalments and the sum of disbursements, the amount of the last principal instalment may need to be adjusted. See *pro rata method*.

Example: for a loan with a face value of US\$ 100, an outstanding of US\$ 65 at the selected date, a repayment in 10 equal principal payments (method 10) and an interest rate of 10%, the projection would be as follows:

No	Full schedule		Truncation method	
	Principal	Interest	Principal	Interest
1	10	10	10	6.5
2	10	9	10	5.5
3	10	8	10	4.5
4	10	7	10	3.5
5	10	6	10	2.5
6	10	5	10	1.5
7	10	4	5	0.5
8	10	3		
9	10	2		
10	10	1		
Total	100	55	65	24.5

UNDERWRITING FEE (BONDS)

In the context of eurobonds, it is the fee payable by the bond issuer to the syndicate of lending agencies and/or financial institutions as a compensation for the placement of its bonds.

UNDISBURSED

Amount of loan available for disbursement. See *disbursement*.

UNDRAWN BALANCE

Also called *undisbursed balance*.

See *undisbursed*.

UNIT (CURRENCY UNIT)

The options for the currency unit are the following:

- *Millions*: the values of a DMFAS printout are rounded to the nearest million.
- *Thousands*: the values of a DMFAS printout are rounded to the nearest thousand.
- *Units*: the values of a DMFAS printout are as entered, e.g. in dollars and cents, without any rounding of the figures.

VARIABLE INTEREST RATE

A rate of interest that is computed by adding a spread to a predetermined base rate. For example, 1.25% over LIBOR. See *base rate* and *spread*.

WAITING

See *status of a debt service operation*.

WRITE-OFF

The reduction of the disbursed and outstanding debts or payments due through forgiveness of the amounts by the creditor. See *debt outstanding and disbursed*, *debt relief grants*, *debt reorganization* and *cancellation*.

WRITE-OFF PERCENTAGE

The percentage of the maturity which has been written off. See *maturity* and *write-off*.

WRITTEN OFF LOAN

A loan which benefited from a reduction of the disbursed and outstanding debt or payments due. See *write-off*.

YEAR

The year basis is used for interest and commission calculations. Generally, ordinary simple interest is computed on the basis of a 360-day year, while exact simple interest is computed on the basis of a 365-day year (366 days in leap years). The interest and commissions calculation depends on the year basis (the denominator) but also on the month basis (the numerator), either a 30-day month or a calendar month. The 360-day year basis combined with the exact month basis results in higher interest.

For example, if principal of \$1,000 is invested for one month at an annual rate of interest of 5%, the interest for the period is:

- using ordinary interest basis of 360-day year and a 30-day month basis:

$$\text{Interest} = 1,000(0.05)(30/360) = 50(0.0833333) = 4.1666$$

- using ordinary interest basis of 360-day year and a exact month basis (31 days in our example):

$$\text{Interest} = 1,000(0.05)(31/360) = 50(0.0861111) = 4.3055$$

- using exact interest basis of 365-day year and a 30-day month basis:

$$\text{Interest} = 1,000(0.05)(30/365) = 50(0.0821917) = 4.1095$$

- using exact interest basis of 365-day year and a exact month (31 days in our example):

$$\text{Interest} = 1,000(0.05)(31/365) = 50(0.0849315) = 4.2465$$

In the DMFAS, the year basis is either 360 days or 365 days.