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	CTME-00	OASY-00	DODE-00	DOEE-00	ITCE-00	ANHR-01	SRPP-00
	EAP-01	EB-00	EXME-00	E-00	UTED-00	FRB-00	H-01
	TEDE-00	INR-00	IO-00	ITC-01	SAL-00	L-01	ADS-00
	MMP-00	M-00	NEA-01	NSAE-00	NSCE-00	OMB-01	OPIC-01
	PA-00	PM-00	PRS-00	P-00	CIO-00	SARB-00	SP-00
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 AMEMBASSY KUWAIT IMMEDIATE  
 AMEMBASSY KUALA LUMPUR IMMEDIATE  
 INFO AMEMBASSY SARAJEVO PRIORITY  
 AMEMBASSY BANDAR SERI BEGAWAN PRIORITY  
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E.O. 12958: N/A

TAGS: EFIN, XARR, PREL, BK, SA, TC, KU, MY, BX

SUBJECT: BOSNIA TRAIN AND EQUIP: CONVERTING THE BOSNIA  
DEFENSE FUND ACCOUNT INTO AN INTEREST-BEARING ACCOUNT

REF: STATE 188134 NOTAL

1. SOME DONORS TO THE BOSNIA FEDERATION DEFENSE FUND HAVE EXPRESSED THE DESIRE TO EARN INTEREST ON THEIR FUNDS.. CURRENTLY THE FUNDS ARE BEING HELD UNINVESTED IN AN ACCOUNT IN THE U.S. TREASURY NOT EARNING INTEREST.

2. WE HAVE ALREADY PROPOSED TO THE GOVERNMENT OF BOSNIA AND HERZEGOVINA AN EXCHANGE OF NOTES TO PROVIDE FOR THE ACCRUING OF INTEREST ON THE FUNDS IN THE THE BOSNIA FEDERATION ACCOUNT IN THE TREASURY WHICH HOLDS THE FUNDS TO PAY FOR THE MPRI TRAINING/ADVISORY CONTRACT (REF TEL). WE ARE PREPARED TO TAKE ANALOGOUS ACTION WITH YOUR HOST GOVERNMENTS IF THEY SO DESIRE.

3. FOR ACTION ADDRESSEES: EMBASSIES ARE REQUESTED TO APPROACH HOST GOVERNMENTS AND INQUIRE WHETHER THEY DESIRE TO EARN INTEREST ON THEIR FUNDS HELD IN THE BOSNIAN DEFENSE FUND ACCOUNT IN THE TREASURY. (WE UNDERSTAND SOME

GOVERNMENTS MAY BE RELUCTANT TO DO SO BECAUSE OF CONSTRAINTS UNDER ISLAMIC LAW). IF THE RESPONSE IS

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AFFIRMATIVE, EMBASSIES MAY PROPOSE THE EXCHANGE OF NOTES AT PARA 5 AND 6 BELOW.

4. FOR BANDAR SERI BEGAWAN: IF THE GOVERNMENT OF BRUNEI WISHES, WE COULD INCORPORATE THIS LANGUAGE IN THE EXCHANGE OF NOTES THAT ACCOMPANIES ITS DEPOSIT OF FUNDS IN THE DONORS' ACCOUNT.

5. BEGIN TEXT OF PROPOSED NOTE FROM HOST GOVERNMENT:

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THE GOVERNMENT OF (NAME) PRESENTS ITS COMPLIMENTS. . . AND WISHES TO THANK THE GOVERNMENT OF THE UNITED STATES FOR ESTABLISHING AN ACCOUNT ON BEHALF THE GOVERNMENT OF (NAME) FOR THE PURPOSE OF HOLDING FUNDS TO SUPPORT THE BOSNIA TRAIN AND EQUIP PROGRAM.

THE GOVERNMENT OF (NAME) UNDERSTANDS THAT IT IS POSSIBLE UNDER UNITED STATES LAW FOR FUNDS IN SUCH AN ACCOUNT TO EARN INTEREST. THE GOVERNMENT OF (NAME) WOULD APPRECIATE THE GOVERNMENT OF THE UNITED STATES' TAKING WHATEVER STEPS ARE NECESSARY FOR THE GOVERNMENT OF (NAME)'S FUNDS TO EARN INTEREST.

IN THIS CONNECTION, THE GOVERNMENT OF (NAME) UNDERSTANDS THAT THE FUNDS HELD IN ITS ACCOUNT WILL BE INVESTED IN U.S. PUBLIC DEBT SECURITIES WHICH WILL BEAR INTEREST AT RATES DETERMINED BY THE UNITED STATES SECRETARY OF THE TREASURY, TAKING INTO CONSIDERATION THE CURRENT AVERAGE MARKET YIELD ON OUTSTANDING MARKETABLE OBLIGATIONS OF THE UNITED STATES OF COMPARABLE MATURITY. THE GOVERNMENT OF (NAME) WOULD BE GRATEFUL IF THE INTEREST EARNED ON THE

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FUNDS IN THIS ACCOUNT WERE TO BE USED FOR THE SAME PURPOSE AS THE PRINCIPAL IN THE ACCOUNT AND WOULD BE THE FIRST SOURCE OF DISBURSEMENTS FROM THE ACCOUNT AND THAT THE UNITED STATES DEPARTMENT OF STATE, AS CUSTODIAN OF THE DEPOSITORY ACCOUNT IN WHICH THESE FUNDS ARE MAINTAINED, WOULD DETERMINE THE AMOUNT OF INTEREST AND PRINCIPAL UTILIZED IN EACH EXPENDITURE AND PROVIDE MONTHLY STATEMENTS OF THE ACCOUNT STATUS TO THE GOVERNMENT OF (NAME)'S REPRESENTATIVES. IN THE EVENT THAT THE DEPARTMENT OF STATE DETERMINES THAT THERE REMAINS ANY UNEXPENDED INTEREST AND/OR PRINCIPAL WHEN THE ACCOUNT IS CLOSED, THE UNEXPENDED INTEREST AND/OR PRINCIPAL WILL BE RETURNED TO THE GOVERNMENT OF (NAME). USUAL CLOSING. END TEXT OF NOTE.

6. USG PROPOSED REPLY. BEGIN TEXT:  
THE GOVERNMENT OF THE UNITED STATES PRESENTS ITS COMPLIMENTS TO THE GOVERNMENT OF (NAME) AND HAS THE HONOR

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TO REFER TO THE (DATE) NOTE OF THE GOVERNMENT OF (NAME) CONCERNING THE ACCOUNT ESTABLISHED BY THE GOVERNMENT OF THE UNITED STATES ON BEHALF OF THE GOVERNMENT OF (NAME) FOR THE PURPOSE OF HOLDING IN TRUST FUNDS CONTRIBUTED BY THE GOVERNMENT OF (NAME) TO SUPPORT THE BOSNIA TRAIN AND EQUIP PROGRAM.

THE GOVERNMENT OF THE UNITED STATES AGREES TO INVEST THE GOVERNMENT OF (NAME)'S FUNDS IN U.S. PUBLIC DEBT SECURITIES WHICH WILL BEAR INTEREST AT RATES DETERMINED BY THE UNITED STATES SECRETARY OF THE TREASURY, TAKING INTO CONSIDERATION THE CURRENT AVERAGE MARKET YIELD ON OUTSTANDING MARKETABLE OBLIGATIONS OF THE UNITED STATES OF

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COMPARABLE MATURITY. THE GOVERNMENT OF THE UNITED STATES AGREES THAT THE INTEREST EARNED ON THE FUNDS IN THIS ACCOUNT WILL BE USED FOR THE SAME PURPOSE AS THE PRINCIPAL IN THE ACCOUNT AND WILL BE THE FIRST SOURCE USED IN DISBURSEMENTS FROM THE ACCOUNT AND THAT THE UNITED STATES DEPARTMENT OF STATE, AS CUSTODIAN OF THE DEPOSITORY ACCOUNT IN WHICH THESE FUNDS ARE MAINTAINED, WILL DETERMINE THE AMOUNT OF INTEREST AND PRINCIPAL UTILIZED IN EACH EXPENDITURE AND PROVIDE MONTHLY STATEMENTS OF THE ACCOUNT STATUS TO THE GOVERNMENT OF (NAME)'S REPRESENTATIVES. IN THE EVENT THAT THE DEPARTMENT OF STATE DETERMINES THAT THERE REMAINS ANY UNEXPENDED INTEREST AND/OR PRINCIPAL WHEN THE ACCOUNT IS CLOSED, THE UNEXPENDED INTEREST AND/OR PRINCIPAL WILL BE RETURNED TO THE GOVERNMENT OF (NAME). END TEXT.

SARAJEVO MINIMIZE CONSIDERED  
TALBOTT