

EBS/81/31

CONFIDENTIAL

February 9, 1981

To: Members of the Executive Board
From: The Acting Secretary
Subject: Argentina - Exchange Arrangements

The attached paper on changes in Argentina's exchange arrangements is circulated for the information of the Executive Directors.

Att: (1)

INTERNATIONAL MONETARY FUND

Argentina - Exchange Arrangements

Prepared by the Western Hemisphere and the
Exchange and Trade Relations Departments

(In consultation with the Legal Department)

Approved by Carlos E. Sanson and Manuel Guitian

February 6, 1981

In a communication dated February 3, 1981 (attached) the Executive Director for Argentina has informed the Fund of further changes in Argentina's exchange arrangements.^{1/} According to Circular R.C. 929 of the Central Bank of Argentina, effective February 3, 1981 the Argentine peso was devalued by 10 per cent vis-a-vis the U.S. dollar and the spot selling and buying regulation rates of the Argentine peso for U.S. dollars were raised correspondingly. At the same time, a schedule of daily regulation rates was announced for the period from February 3 to August 31, 1981. According to the schedule, the selling rate increases by 3 per cent per month during the period and the buying rate rises by 2 per cent per month during February-March and by 3 per cent per month for the remainder of the period. The Central Bank will sell foreign exchange if the announced selling rate (the upper limit) is reached and it will buy foreign exchange if the announced buying rate (the lower limit) is reached. Transactions at rates within the band between the announced regulation rates can be undertaken freely.

^{1/} The previous change in Argentina's exchange arrangements was described in EBD/80/341 (12/23/80).

On the announced schedule, the difference between the selling and buying regulation rates reaches up to a maximum of 3.4 per cent by the end of March and remains at that level until August 31, 1981. The actual difference between the selling and buying rates, however, will continue to be related to the cost of exchange transactions and it need not reach the maximum allowed for within the regulation band.

The schedule of exchange rates (end of month) is as follows:

<u>Date</u>	<u>Buying Rate</u> <u>Pesos per U.S. Dollar</u>	<u>Selling Rate</u> <u>Pesos per U.S. Dollar</u>
February 2, 1981	2,010	2,038
February 3, 1981	2,211	2,242
February 28, 1981	2,255	2,309
March 31, 1981	2,300	2,379
April 30, 1981	2,369	2,450
May 31, 1981	2,440	2,523
June 30, 1981	2,514	2,599
July 31, 1981	2,589	2,677
August 31, 1981	2,667	2,757

At this time, no action by the Executive Board is being proposed.

Attachment



Office Memorandum

TO : Mr. Walter Robichek

FROM : Juan Carlos Iarezza

SUBJECT : Argentina--Exchange Arrangement

DATE: February 3, 1981

In accordance with Circular RC 929 of the Central Bank of Argentina, the spot regulation rates of the Argentine peso, in relation to the U.S. dollar, has been depreciated by 10 per cent in terms of local currency, effective February 3rd.

At the same time, the day by day regulation rates have been announced for the period February 3rd through August 31st. According to the announcement the Central Bank will sell foreign exchange to the market if the market reaches the upper limit, at a rate which will be depreciated by 3 per cent per month; and will buy foreign exchange from the market if the market reaches the lower limit at a rate which will be depreciated by 2 per cent per month during February and March, and 3 per cent thereafter. On August 31st, the regulation rates will then be 2757 and 2667 Argentine pesos.

According to those changes the difference between the intervention rates will increase up to 3.4 per cent by the end of March and will remain unchanged thereafter. The spot exchange rate will be allowed to fluctuate between those limits.

I would appreciate it very much if this clarification is made available to the members of the Executive Board in your new memorandum on the subject.