

**DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE**

EBS/82/127

CONFIDENTIAL

July 13, 1982

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

The attached paper on 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 E. Walter Robichek and W.A. Beveridge

July 12, 1982

In a communication received July 7, 1982 (translation attached) the Central Bank of Argentina has informed the Fund of certain measures modifying Argentina's exchange arrangements with effect from July 6, 1982. 1/

On July 6, 1982 the exchange market was split into a commercial market and a financial market. All receipts from exports registered with customs on or after July 6, 1982, as well as all import payments conforming to the minimum payment terms required since May 24, 1982 2/ are to be channeled through the commercial market. Imports made before May 24, 1982 require prior approval from the Central Bank to qualify for the commercial exchange rate. The exchange rate in the commercial market will be fixed daily by the Central Bank at the opening of the market. On July 6, 1982 the exchange rate in the commercial market was set at \$a 20,000 per US\$1. In contrast, the exchange rate in the financial market will be determined by supply and demand in that market. All funds that need not be surrendered in the commercial market, will be supplied to the financial market to satisfy demand stemming from amortization and interest payments on foreign loans, freight and insurance payments associated with exports and imports, specified insurance and reinsurance operations, consular fees and other payments associated with foreign trade. All other payments continue to require the prior approval by the Central Bank. Banks, exchange houses, exchange agencies, and exchange offices were required to sell their excess net foreign exchange position at the close of business on July 2, 1982 to the Central Bank at the rate at the close of business on that day, i.e., \$a 15,700 per US\$1.

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1/ Changes in Argentina's exchange and trade system during the period April-May 1982 were summarized in EBS/82/100 (6/10/82).

2/ After May 24, 1982 imports fob or cif could only be made with payment terms of not less than 180 days from the date of shipment, except for imports from member countries of the Latin American Integration Association (LAIA), Central American countries, Cuba, Haiti, and the Dominican Republic, in which case the minimum terms are 90 days.

As a temporary measure, the Central Bank is prepared to enter into swap agreements for 180 days with the private sector to cover foreign loans whose proceeds are sold in the financial market from July 6, 1982. The monthly forward rate, which was initially set at 4 per cent, will be communicated daily by the Central Bank.

A special exchange guarantee scheme along with a compensation mechanism also was introduced in an effort to improve the profile of the private external debt and to mitigate the impact on private sector entities of the increased peso cost of their external liabilities resulting from the peso devaluation. The exchange rate applied to the exchange guarantee is \$a 15,700 per US\$1, and its cost will be equivalent to the difference between the rate of increase in the Argentine wholesale price index and the international rate of inflation. The scheme applies to loans, the proceeds of which were surrendered in the exchange market and which have not yet been repaid and which were registered with the Central Bank as of June 30, 1982, provided that the maturities of such loans are extended by not less than 1 year and not more than 5 years.

The staff is in contact with the Argentine authorities and will report further to the Executive Board at an appropriate time. In the meantime, no action by the Executive Board is being proposed.

Attachment

FROM THE CENTRAL BANK OF THE ARGENTINE REPUBLIC  
BS AIRES

TO THE INTERNATIONAL MONETARY FUND WASHINGTON

JULY 6, 1982

ATN. MR. JUAN CARLOS LAREZZA  
EXECUTIVE DIRECTOR

For your information, we are transmitting communications issued today:

(a) Exchange Market

Two markets are established: the commercial market and the financial market.

(i) Commercial market

A quotation will be fixed daily by the Central Bank at market opening. Collections in respect of Argentine exports covered by customs declarations formalized as from 7/6/82 will be handled through this market, as will also direct payments for Argentine imports conforming to the payments regime established as from 5/24/82.

Although imports prior to that date will be funded from the same market, prior authorization will be required, as at present.

Today's exchange rate on the commercial market was \$a 20,000 per US\$1.

(ii) Financial exchange market

The market will deal at rates determined by supply and demand. All inflows of funds into Argentina that are not channeled through the commercial market will be handled through this market.

As to outflows, the following operations can be handled directly in this market: amortization of external loans and interest on the same; freight and insurance on Argentine imports and exports; certain insurance and reinsurance operations; consular fees; and other operations connected with international trade.

For other operations, as at the present, prior authorization will be required from the Central Bank.

In consequence of the foregoing, it has been decided that any surplus in the net general exchange market position shown at close of business on 7/8/82 by financial institutions and exchange houses, agencies, and offices shall be sold to the Central Bank at the exchange rate of \$a 15,700 per US\$1.

(b) A transitory regime is instituted for swaps with the Central Bank at an effective monthly rate to be announced daily and a term of 180 days, applicable to foreign currency loans negotiated in the financial exchange market as from 7/6/82. Initially, the monthly rate will be 4 per cent.

(c) A special system is established for exchange insurance. It is designed to improve the profile of the private external financial debt and to offset losses suffered by local borrowers, due to their incurrence of foreign currency obligations, as a result of the devaluations of the Argentine currency.

The system is applicable to outstanding loans received and negotiated in the exchange market, registered with the Central Bank by 6/30/82, and overdue or about to mature. Such loans will be entitled to the benefits of this regime provided their maturity is extended by not less than one year and not exceeding five years.

For exchange insurance, the rate of \$a 15,750 per US\$1 will be applicable at a cost equivalent to the change in wholesale prices (general level) minus the international rate of inflation, a cost which will decline in accordance with the length of the postponement period.

We are sending you by air mail a set of these communications.  
Kind regards.

Jorge Magistrelli  
Foreign Exchange and Trade Manager

Received in Cable Room: July 7, 1982