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MASTER FILES

ROOM 0-120

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September 4, 1984

To: Members of the Executive Board
From: The Secretary
Subject: Iceland - Change in Exchange Arrangements

The staff has received the following memorandum dated August 31, 1984 from the office of the Executive Director elected by Iceland:

In implementing exchange rate policy, the Central Bank of Iceland has used as reference a combined trade and currency weighted basket. In light of developments in the foreign exchange markets this year, the Bank has decided to drop the currency weighted part of the reference basket and to implement exchange rate policy with reference to trade weights only. As a result of this change, the weight of the U.S. dollar in the reference basket is reduced from 46 percent to 30 percent. The previously announced objective of changing the average exchange rate by a maximum of 5 percent from the beginning to the end of the year remains unchanged. In line with this objective, the modification of the reference retroactively to May 27, 1983, results in a one-step increase today in the average krónur price of foreign currency of approximately 3 percent.

Other Distribution:
Department Heads

