

MASTER FILES

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June 6, 1983

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

The attached paper on the exchange arrangements of Nepal is circulated for the information of the Executive Directors.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Nepal--Exchange Arrangements

Prepared by the Asian Department and the Exchange and
Trade Relations Department

(In consultation with the Legal Department)

Approved by P.R. Narvekar and W.A. Beveridge

June 3, 1983

In the attached notification dated June 2, 1983 the Nepalese authorities have informed the Fund that effective June 1 the Nepalese rupee has been pegged to a composite of several currencies reflecting Nepal's trade pattern. Previously fixed rates for the rupee were maintained in terms of both the U.S. dollar and the Indian rupee, giving rise to a multiple currency practice subject to Fund approval under Article VIII. At the time of the 1982 Article IV consultation (SM/82/210) approval was not given for the maintenance by Nepal of the multiple currency practice. On the basis of the new basket, the Nepal Rastra Bank quotes daily the mid-point rate of the rupee for the U.S. dollar. The buying and selling rates for the dollar on June 1 and 2 were NRs 14.40 and NRs 14.60 respectively, compared with NRs. 14.20 and NRs.14.40 before the new arrangement was introduced, representing a depreciation of 1.4 per cent.

A staff team recently visited Kathmandu to conduct the 1983 Article IV consultation discussions with Nepal. A report to the Executive Board of these discussions is being prepared and will contain further background information on this change in Nepal's exchange arrangements, which has eliminated the multiple currency practice.

Attachment

MR J DE LAROSIERE
MANAGING DIRECTOR
INTERFUND
WASHINGTON DC

JUNE 2, 1983

HIS MAJESTY'S GOVERNMENT HAS ANNOUNCED ON JUNE 1, 1983
A CHANGE IN THE EXCHANGE SYSTEM BY PEGGING NEPALESE
RUPEE INTO TRADE WEIGHTED BASKET OF CURRENCIES FROM
THE EXISTING SYSTEM. HOWEVER U S DOLLAR HAS BEEN
MAINTAINED AS AN INTERVENTION CURRENCY. KIND REGARDS

KALYAN BIKRAM ADHIKARY
GOVERNOR
NEPAL RASTRA BANK