

EBD/92/201

October 28, 1992

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

There is attached for the information of the Executive Directors a paper on the exchange arrangements of the Russian Federation.

Ms. Christensen (ext. 38397), Mr. Berengaut (ext. 38773), or Mr. Rennhack (ext. 37350) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

RUSSIAN FEDERATION

Exchange Arrangements

Prepared by the European II and Monetary and Exchange Affairs Departments

(In consultation with other Departments)

Approved by John Odling-Smee and Manuel Guitián

October 27, 1992

The Russian Federation became a member of the Fund on June 1, 1992. In the attached communications dated June 29, 1992 and October 23, 1992, the authorities of the Russian Federation have notified the Fund, pursuant to paragraph 7 of the Membership Resolution, of the exchange arrangements that the Russian Federation intends to apply in fulfillment of its obligations under Article IV, section 1, of the Articles of Agreement.

As of October 23, Russia maintained a unified exchange market in which the exchange rate was allowed to float, with only limited central bank intervention. All foreign exchange proceeds were to be repatriated to the domestic banking system immediately, with 50 percent of the proceeds to be surrendered to the domestic banking system within 14 days of repatriation.

In light of this notification, the Russian Federation has been classified by the staff with the group of countries whose currencies are independently floating.

Attachments

**Полномочный представитель
Правительства Российской Федерации
по взаимодействию с международными
финансовыми организациями**

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28.06.92 N к.с. - 118
а N от

Mr. Michel Camdessus

Managing Director
International Monetary Fund
Washington D.C. 20431

June 29, 1992

Dear Mr. Camdessus,

In accordance with our obligations under Article IV of the IMF's Articles of Agreement, I would like to submit the initial notifications of the exchange arrangements in the Russian Federation as it exists today. The foreign exchange regulations and the exchange system will be changed on July 1, 1992, according to the new Presidential Decree of June 14, 1992 N 629 I will notify you about these changes shortly.

The currency of the Russian Federation is the ruble (100 kopecks = 1 ruble). The Central Bank of the Russian Federation (CBR) quotes the market rate of the ruble, the special commercial exchange rate and the official exchange rate. The market rate is used for accounting purposes, centralized imports and the 10 percent surrender requirement for all net export earnings. The special commercial exchange rate is used for the 40 percent surrender requirement applying to net export receipts from raw materials, chemical products, foodstuffs and services; and 40-60% surrender requirement applying to net exports receipts from precious metals and stones. The official exchange rate applies to the valuation of the claims of the former U.S.S.R. to other countries and the associated repayments and interest payments. Its value is determined on the basis of a basket of six currencies.

In addition, 20 different budgetary coefficients to the market exchange rates for centralized imports are in effect ranging from rub 2.0 to rub 70 per U.S. dollar as of June 1, 1992.

Moreover, an interbank auction market is held twice a week (each Tuesday and Thursday) in the Moscow Interbank Foreign Currency Exchange (MIFCE). Participation in the market is restricted to members of the MIFCE, which are banks and other financial institutions (companies) which have licenses to make currency transactions issued in accordance with applicable Russian legislation at least six months prior to the date when an application for membership is made. Enterprises sell and buy foreign exchange through the authorized banks. A single fixing rate is applied to all transactions conducted at each session. The buying and selling rates are identical and the MIFCE receives a fee amounting to 0.1 percent of the transactions which is paid by the seller in rubles and the buyer in U.S. dollars. The auction rate was rub 146.6 per U.S. dollar on June 25, 1992. Banks are only allowed very limited possibilities for trading

directly in foreign exchange between the auctions for their own accounts, since they are allowed to hold an open position in foreign exchange until the next auction within narrow limits. Enterprises are free to sell and buy foreign exchange from each other outside the auctions through the intermediary of the banks with no limit on the exchange rate. Until the end of 1991, these transactions were to be registered at the MIFCE. Beginning from January 1, 1992, this practice was abolished.

In addition, the banks are free to determine the exchange rate for each transactions (in particular relating to tourism). On June 25, the commercial banks quoted exchange rates ranging rub 100 and 130 per U.S. dollar for buying rates and rub 110 and rub 140 per U.S. dollar for selling rates. There is an official limit of 10 percent on the spread between the buying and selling rates.

The exchange rates for the market rate of the CBR and the special commercial exchange rate are announced to the commercial banks at noon on each Tuesday and become effective from the following Wednesday. The CBR quotes cross rates for 25 currencies and the ECU. The cross rates are based on the exchange rates prevailling in foreign exchange markets on the preceding Monday. Single rates are quoted (without spreads). The market rate of the CBR was rub 100.0 per U.S. dollar and the special commercial exchange rate was rub 55.0 per U.S. dollar on June 25, 1992. The official exchange rate is not published since it is not used in trade transactions since November 1990. It was rub 0.5622 per U.S. dollar on June 25, 1992.

There is no official quotation of the exchange rates vis-a-vis nonconvertible currencies. However, the CBR gives reference information to the commercial banks on the rates which they can use for accounting purposes. This information is given on a monthly basis. The rates are changed only infrequently.



K. Kagalovsky

Plenipotentiary Representative of the
Government of the Russian Federation
for Interaction with International
Financial Organizations



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На N от

Mr. Michel Camdessus
Managing Director
International Monetary Fund
Washington, D.C. 20431

October 23, 1992

Dear Mr. Camdessus,

As I mentioned in my letter to you of June 29, 1992, I would like to notify the Fund about subsequent changes in the exchange arrangements in the Russian Federation.

On July 1, the special commercial exchange rate, the official exchange rate and all but one of the special budgetary exchange rates were abolished. As of July 3, the Central Bank of Russia stopped quoting its own market exchange rate, and began to announce the exchange rate determined in the interbank market, which would be maintained until the next fixing. On August 1, the special exchange rate applying to some centralized imports was removed.

A new surrender requirement was also introduced on July 1. Under the new system, all foreign exchange proceeds must be repatriated to the domestic banking system as soon as received. Within 14 days of repatriation, 30 percent of these proceeds must be surrendered to the Central Bank of Russia at the market exchange rate that prevailed on the date of surrender, while another 20 percent must be surrendered to the domestic banking system at the market exchange rate. The remaining 50 percent may be retained by exporters.

Sincerely yours,

K. Kaqalovsky

Plenipotentiary Representative of
the Government of the Russian Federation
for Interaction with International
Financial Institutions