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EBD/90/71  
Correction 1

March 5, 1990

To: Members of the Executive Board  
From: The Secretary  
Subject: Korea - Modification of Exchange System

The following correction has been made in EBD/90/71 (3/1/90):

Page 3, line 11: for "T/T Exchange Rate" read "T/T Buying Rate."

A corrected page is attached.

Att: (1)

Other Distribution:  
Department Heads

- Interbank exchange rates will be allowed to float freely, but within a range set by the following formula:

Upper band:  $MAR + (MAR \times 0.4 \text{ percent})$

Lower band:  $MAR - (MAR \times 0.4 \text{ percent})$

- Banks will be permitted to set the T/T rates offered to their customers freely within the range of the market average exchange rate.

- The T/T rates will be determined in the same manner as the current system. The won's rate against the U.S. dollar will be set anywhere within the range of the MAR by the following formula.

$$\begin{array}{ccc} \text{T/T Buying Rate} & & \text{T/T Selling Rate} \\ \text{(against the U.S. dollar)} & & \text{(against the U.S. dollar)} \\ \hline MAR - (MAR \times 0.4 \text{ percent}) & MAR & MAR + (MAR \times 0.4 \text{ percent}) \end{array}$$

3. The won exchange rate against other currencies will be set anywhere within the range of the arbitrage rate by the following formula.

Upper band:  $\text{arbitrage rate} + (\text{arbitrage rate} \times 0.8 \text{ percent})$

Lower band:  $\text{arbitrage rate} - (\text{arbitrage rate} \times 0.8 \text{ percent})$

$$\begin{array}{ccc} \text{T/T Buying Rate} & & \text{T/T Selling Rate} \\ \text{(against other currencies)} & & \text{(against other currencies)} \\ \hline \text{Arbitrage rate} - & \text{Arbitrage rate} & \text{Arbitrage rate} + \\ (\text{arbitrage rate} \times 0.8\%) & & (\text{arbitrage rate} \times 0.8\%) \end{array}$$

4. There will be no MAR on March 2, namely the effective date. Instead, the Bank of Korea Concentration Rate from February 28 will play the role of the MAR on March 2.