

**IMMEDIATE  
ATTENTION**

EBD/02/72

April 29, 2002

To: Members of the Executive Board

From: The Secretary

Subject: **Chile—Change in Representative Rate**

Attached for consideration by the Executive Directors is a paper proposing a new definition of the representative rate for the Chilean peso.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by noon on Monday, May 6, 2002. In the absence of such a request, the draft decision that appears on page 2 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Questions may be referred to Mr. Lake, TRE (ext. 37625).

Att: (1)

Other Distribution:  
Department Heads



INTERNATIONAL MONETARY FUND

**Representative Rate for the Currency of Chile**

Prepared by the Treasurer's Department

(In consultation with the Western Hemisphere, Legal, and  
Monetary and Exchange Affairs Departments)

Approved by Eduard Brau

April 29, 2002

1. The Chilean peso has floated independently since September 2, 1999, following the suspension of a crawling band that had been in effect for a number of years.<sup>1</sup> The Central Bank of Chile publishes daily an observed exchange rate of the Chilean peso against the U.S. dollar, the Dólar Observado, calculated as the weighted average spot market rate for the U.S. dollar against the Chilean peso used in operations carried out by commercial banks and authorized institutions in the formal exchange market.<sup>2</sup>

2. Staff has consulted with authorities of Chile, and concluded that the definition of the representative exchange rate for Chile's currency needs to be revised.<sup>3</sup>

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<sup>1</sup> Previously, the authorities had allowed the peso - dollar exchange rate to fluctuate within a widening band on either side of a calculated reference exchange rate.

<sup>2</sup> Chile has a Formal Exchange Market, the Mercado Cambiario Formal (MCF) and an Informal Exchange Market, the Mercado Cambiario Informal (MCI), tending to have the same prevailing rate. All current payments and authorized capital transactions, such as loan receipts, are transacted in the formal market. Only trade-related transactions may be conducted in the informal market.

<sup>3</sup> On adoption of the proposed decision, the Dólar Acuerdo, or central parity, would no longer be used for the representative exchange rate of Chile.

### **PROPOSED DECISION**

The following decision is proposed for adoption by the Executive Board:

1. The Fund determines, after consultation with the authorities of Chile, that the representative exchange rate for the Chilean peso against the United States dollar under Rule O-2, paragraph (b)(i) of the Fund's Rules and Regulations is the observed daily weighted average of quoted market rates of bank and financial institutions published by the Central Bank of Chile.

2. The Central Bank of Chile will inform the Fund of any changes affecting the definition of the representative exchange rate.

Attachment

FROM BANCO CENTRAL DE CHILE

TO INTERNATIONAL MONETARY FUND WASHINGTON D.C. USA

18.03.2002

NUMBER 6 XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

ATTN: MR. EDUARD BRAU

TREASURER'S DEPARTMENT

REF: TELEX DATED MARCH 12, 2002

GRA NO. 10

DEAR MR. BRAU,

THIS IS TO PROPOSE THAT THE FUND FIND, AFTER CONSULTATION WITH THE  
AUTHORITIES OF CHILE, THAT THE REPRESENTATIVE EXCHANGE RATE UNDER  
RULE O-2(B)-(I) OF THE FUND'S RULES AND REGULATIONS FOR THE CHILEAN  
PESO AGAINST THE U.S. DOLLAR IS THE OBSERVED DAILY WEIGHTED AVERAGE  
OF QUOTED MARKET RATES OF BANK AND FINANCIAL INSTITUTIONS  
PUBLISHED BY THE CENTRAL BANK OF CHILE.

THE CENTRAL BANK OF CHILE WILL INFORM THE FUND OF ANY CHANGES  
AFFECTING THE DEFINITION OF THE REPRESENTATIVE RATE.

SINCERELY YOUR,

CARLOS MASSAD

GOVERNOR