

MASTER FILES
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November 26, 1996

To: Members of the Executive Board
From: The Secretary
Subject: Italy - European Monetary System

The Secretary has received the following memorandum dated November 25, 1996, from Mr. O'Loughlin:

On behalf of my colleagues representing the European Union countries, I would like to officially bring to your attention the attached Communiqué of the European Union concerning the re-entry of the Italian lira in the exchange rate mechanism of the European Monetary System (EMS).

Attachment

Other Distribution:
Department Heads

COMMUNIQUE

The ministers and central bank governors of the Member States of the European Union, following a decision by the Italian government to resume the intervention obligations of the exchange-rate mechanism of the European Monetary System, have decided by mutual agreement, in a common procedure involving the Commission and the European Monetary Institute, and after consultation with the Monetary Committee, on the terms on which the intervention obligations of the system relating to the Italian lira, which were suspended on 17 September 1992, will again apply as of 25 November 1996.

The ministers, the governors, the Commission and the European Monetary Institute warmly welcome the resumption of the lira's full participation in the exchange-rate mechanism, which strengthens the European Monetary System. They congratulated the Italian authorities on the substantial adjustment already achieved by the Italian economy which is reflected in this decision.

The Italian authorities are committed to intensify their efforts to complete the adjustment of their economy. These efforts were most recently given expression in the government's budget proposals for 1997.

The ministers and the central bank governors agreed that the new central rate for the lira should be 1906.48 for one Ecu. The bilateral central rates of the lira against the other currencies of the exchange-rate mechanism, rounded to six significant figures, will be, for 1000 lire

Belgian franc	20.8337
Danish krone	3.85294
German mark	1.01010
Spanish peseta	85.9311
French franc	3.38773
Irish pound	0.418944
Luxembourg franc	20.8337
Dutch guilder	1.13811
Austrian schilling	7.10655
Portuguese escudo	103.541
Finnish markka	3.07071

The current fluctuation margins of 15% will be observed around these bilateral central rates. All other bilateral central rates and intervention rates within the exchange-rate mechanism remain unchanged. This decision on the lira has no agri-monetary consequences.

The compulsory intervention points in the exchange-rate mechanism will be communicated by the central banks in time for the opening of foreign-exchange markets on 25 November 1996.