

MASTER FILES
ROOM C-525

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January 27, 1997

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

The Secretary has received the following memorandum dated January 23, 1997, from Mr. Zoccali and Mr. Leiva:

Please inform the Executive Board that the Central Bank of Chile on January 20, 1997, adopted the following measures, effective January 21:

1. The composition of the currency basket used to calculate the center reference rate of the exchange band was adjusted by increasing the weight of the U.S. dollar from 45 to 80 percent while reducing that of the German mark from 30 to 15 percent and that of the Japanese yen from 15 to 5 percent.
2. The calculation of the center reference rate for January 21, 1997 using the new weights, resulted in a reference rate of 456.64 pesos per U.S. dollar, representing a revaluation of about 4 percent.
3. The daily value of the center reference rate will continue to be adjusted as before.
4. The exchange rate band was also widened from 10 to 12.5 percent on each side of the center reference rate.

At the same time, the Central Bank Board reaffirmed its commitment to orderly external payments conditions through the maintenance of a sustainable external current account position over the medium and long term.

After adoption of these measures, the closing interbank exchange rate strengthened from 428 to 422 pesos per U.S. dollar, on Wednesday, January 22, 1997, representing an appreciation of approximately 1.5 percent.

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