

MASTER FILES  
ROOM C-525

0422

EBD/97/60

May 28, 1997

To: Members of the Executive Board  
From: The Secretary  
Subject: **Czech Republic—Exchange Arrangements**

The Secretary has received the following memorandum dated May 28, 1997, from Mr. Kiekens and Mr. Jonáš:

Please inform the Executive Board that the Czech National Bank (CNB) has introduced, effective May 27, 1997, a new exchange rate arrangement based on a managed float. The limits of the exchange rate band of the Czech koruna were canceled and the external value of the Czech koruna will henceforth be determined by supply and demand conditions in the exchange market. The exchange rate policy will be targeted towards stabilizing the CZK to the deutsche mark with no officially specified binding limits. The CNB, however, retains the discretionary power to intervene on the foreign exchange market and may signal its desired exchange rate range.

Following the cancellation of the limits on May 27, the koruna initially fell from 18.078 CZK:1 DM before the announcement to a low of 19.80 CZK:1 DM. Later in the day, however, it strengthened to 19.38 CZK:1 DM.

Other Distribution:  
Department Heads

