

EBD/08/76  
Supplement 1

September 3, 2008

To: Members of the Executive Board  
From: The Secretary  
Subject: **2008 Annual Report**

Attached is a table on the de facto classification of exchange rate arrangements and monetary policy frameworks, to be included as an appendix to the 2008 Annual Report.

Board members and country authorities were initially notified of the classification of de facto exchange rate arrangement during the annual update procedure for the 2008 Annual Report on Exchange Arrangements and Exchange Restrictions, in February–April. In cases of countries for which there were subsequent changes, the classification was either reflected in the Article IV staff report, or directly communicated in mid-July to the Executive Director concerned.

Questions may be referred to Mr. Habermeier (ext. 38857) or Ms. Kokenyne (ext. 36114).

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:  
Department Heads



## Appendix-Table II.9 De facto classification of exchange rate regimes and monetary policy frameworks, end-April 2008

This classification system is based on members' actual, de facto arrangements as identified by IMF staff, which may differ from their officially announced arrangements. The scheme ranks exchange rate arrangements on the basis of their degree of flexibility and the existence of formal or informal commitments to exchange rate paths. It distinguishes among different forms of exchange rate arrangements, in addition to arrangements with no separate legal tender, to help assess the implications of the choice of exchange rate arrangement for the degree of independence of monetary policy. The system presents members' exchange rate regimes against alternative monetary policy frameworks in order to highlight the role of the exchange rate in broad economic policy and to illustrate that different exchange rate arrangements can be consistent with similar monetary frameworks. The following explains the categories.

### Exchange rate anchor

The monetary authority stands ready to buy or sell foreign exchange at given quoted rates to maintain the exchange rate at its predetermined level or within a range (the exchange rate serves as the nominal anchor or intermediate target of monetary policy). These regimes cover exchange rate regimes with no separate legal tender, currency board arrangements, fixed pegs with or without bands, and crawling pegs with or without bands.

### Monetary aggregate target

The monetary authority uses its instruments to achieve a target growth rate for a monetary aggregate, such as reserve money, M1, or M2, and the targeted aggregate becomes the nominal anchor or intermediate target of monetary policy.

### Inflation-targeting framework

This involves the public announcement of medium-term numerical targets for inflation, with an institutional commitment by the monetary authority to achieve these targets. Additional key features include increased communication with the public and the markets about the plans and objectives of monetary policymakers and increased accountability of the central bank for its inflation objectives. Monetary policy decisions are guided by the deviation of forecasts of future inflation from the announced inflation target, with the inflation forecast acting (implicitly or explicitly) as the intermediate target of monetary policy.

### Other

The country has no explicitly stated nominal anchor, but rather monitors various indicators in conducting monetary policy. This is also used when no relevant information on the country is available.

Exchange rate arrangement (number of countries)	Monetary Policy Framework						
	Exchange rate anchor				Monetary aggregate target	Inflation-targeting framework	Other <sup>1</sup>
	U.S. dollar (66)	Euro (27)	Composite (15)	Other (7)	(22)	(43)	(12)
<b>Exchange arrangement with no separate legal tender (10)</b>	Ecuador El Salvador Marshall Islands Micronesia, Fed. States of	Palau Panama Timor-Leste	Montenegro San Marino	Kiribati			
<b>Currency board arrangement (13)</b>	Antigua and Barbuda <sup>2</sup> Djibouti Dominica <sup>2</sup> Grenada <sup>2</sup> Hong Kong SAR St. Kitts and Nevis <sup>2</sup>	St. Lucia <sup>2</sup> St. Vincent and the Grenadines <sup>2</sup>	Bosnia and Herzegovina Bulgaria Estonia <sup>3</sup> Lithuania <sup>3</sup>	Brunei Darussalam			
<b>Other conventional pegged arrangement (68)</b>	Angola Argentina Aruba Bahamas, The Bahrain Bangladesh Barbados Belarus Belize Eritrea Guyana Honduras Jordan Kazakhstan Lebanon Malawi Maldives Mongolia Netherlands Antilles Oman Qatar Rwanda Saudi Arabia	Seychelles Sierra Leone Solomon Islands Sri Lanka Suriname Tajikistan Trinidad and Tobago Turkmenistan United Arab Emirates Venezuela, Rep. Bolivariana de Vietnam Yemen, Rep. of Zimbabwe	Benin <sup>4</sup> Burkina Faso Cameroon <sup>5</sup> Cape Verde Central African Rep. <sup>5</sup> Chad <sup>5</sup> Comoros Congo, Rep. of <sup>5</sup> Côte d'Ivoire <sup>4</sup> Croatia Denmark <sup>3</sup> Equatorial Guinea <sup>5</sup> Gabon <sup>5</sup> Guinea-Bissau <sup>4</sup> Latvia <sup>3</sup> Macedonia, FYR Mali <sup>4</sup> Niger <sup>4</sup> Senegal <sup>4</sup> Togo <sup>4</sup>	Fiji Kuwait Libya Morocco Russian Federation Samoa Tunisia	Bhutan Lesotho Namibia Nepal Sierra Leone Swaziland	Argentina Malawi Rwanda Sierra Leone	

Appendix-Table II.9 (concluded)

Exchange rate arrangement (number of countries)	Monetary Policy Framework							
	Exchange rate anchor				Monetary aggregate target	Inflation-targeting framework	Other <sup>1</sup>	
	U.S. dollar (66)	Euro (27)	Composite (15)	Other (7)	(22)	(43)	(12)	
<b>Pegged exchange rate within horizontal bands (3)</b>		Slovak Rep. <sup>3</sup>	Syria Tonga					
<b>Crawling peg (8)</b>	Bolivia China Ethiopia	Iraq Nicaragua Uzbekistan	Botswana Iran, I.R. of					
<b>Crawling band (2)</b>	Costa Rica		Azerbaijan					
<b>Managed floating with no pre-determined path for the exchange rate (44)</b>	Cambodia Kyrgyz Rep. Lao P.D.R. Liberia Mauritania Mauritius Myanmar Ukraine		Algeria Singapore Vanuatu		Afghanistan, I.R. of Burundi Gambia, The Georgia Guinea Haiti Jamaica Kenya Madagascar Moldova Mozambique Nigeria Papua New Guinea São Tomé and Príncipe Sudan Tanzania Uganda	Armenia <sup>6</sup> Colombia Ghana Guatemala Indonesia Peru Romania Serbia <sup>6</sup> Uruguay	Dominican Rep. Egypt India Malaysia Pakistan Paraguay Thailand	
<b>Independently floating (40)</b>					Zambia	Albania Australia Austria <sup>7</sup> Belgium <sup>7</sup> Brazil Canada Chile Cyprus <sup>7</sup> Czech Rep. Finland <sup>7</sup> France <sup>7</sup> Germany <sup>7</sup> Greece <sup>7</sup> Hungary Iceland <sup>7</sup> Ireland <sup>7</sup> Israel	Italy <sup>7</sup> Korea, Rep. of Luxembourg <sup>7</sup> Malta <sup>7</sup> Mexico Netherlands <sup>7</sup> New Zealand Norway Philippines Poland Portugal <sup>7</sup> Slovenia <sup>7</sup> South Africa Spain <sup>7</sup> Sweden Turkey United Kingdom	Congo, Dem. Rep. of Japan Somalia <sup>8</sup> Switzerland United States

<sup>1</sup>Includes countries that have no explicitly stated nominal anchor, but rather monitor various indicators in conducting monetary policy.

<sup>2</sup>The member participates in the Eastern Caribbean Currency Union.

<sup>3</sup>The member participates in ERM II.

<sup>4</sup>The member participates in the West African Economic and Monetary Union.

<sup>5</sup>The member participates in the Central African Economic and Monetary Community.

<sup>6</sup>The central bank has taken preliminary step toward inflation targeting and is preparing the transition to full-fledged inflation targeting.

<sup>7</sup>The member participates in the European Economic and Monetary Union.

<sup>8</sup>As of end-December 1989.