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January 22, 1993

To: Members of the Executive Board
From: The Secretary
Subject: Norway - Exchange Rate Policy

The Fund has received a memorandum dated January 12, 1993 from Mr. Fridriksson with the attached letter from the Deputy Governor of the Bank of Norway stating that the decision of December 10, 1992 to let the exchange rate of the krone float has now been confirmed by Royal Decree. This effectively takes away the one-month time limit for such action provided for in the Decree of October 19, 1990, which linked the exchange rate of the krone to that of the ECU.

Att: (1)

Other Distribution:
Department Heads



The Deputy Governor

Ingimundur Fridriksson
Executive Director
International Monetary Fund
Washington D.C.
U S A

YOUR REF.

YOUR LETTER

YOUR REF.

KS/MGj/B926

OSLO

93.01.08

Dear Mr. Fridriksson,

I should be grateful if you could inform the Managing Director, Mr. Michel Camdessus, and ask Secretary van Houtven to inform the Executive Board of the following:

The decision on December 10 1992 by the Norwegian Minister of Finance to let the Norwegian krone float, was today formally confirmed by Royal Decree.

According to Norwegian law, decisions on the Norwegian exchange rate are taken by the Cabinet, in the form of a Royal Decree. However, according to the Royal Decree of October 19 1990 which linked the Norwegian currency to the ECU, the Minister of Finance has the authority to suspend the fluctuation margins (+/- 2,25 percent) around the central rate for up to 30 days. This authority was exercised on December 10. In practice, this decision meant that the Norwegian krone was floating.

However, as of today, there is no basis for reestablishing a fixed exchange rate. Thus, the Royal Decree issued today repeals the Royal Decree of October 19 1990 and states that the Norwegian krone is floating freely, its value being determined in the foreign exchange markets. It remains the Government's aim to establish a stable exchange rate, when international conditions permit.

Yours sincerely,

Kjell Storvik

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