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December 8, 1993

To: Members of the Executive Board
From: The Secretary
Subject: Former Yugoslav Republic of Macedonia - Exchange Arrangements

There is attached for the information of the Executive Directors a paper on the exchange arrangements of the former Yugoslav Republic of Macedonia.

Mr. Thomsen (ext. 38808) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND
FORMER YUGOSLAV REPUBLIC OF MACEDONIA

Exchange Arrangements

Prepared by the European I and the Monetary and Exchange Affairs Departments

(In consultation with the Legal Department)

Approved by J.R. Artus and Manuel Guitián

December 8, 1993

The former Yugoslav Republic of Macedonia succeeded to the membership of the former Socialist Federal Republic of Yugoslavia in the Fund on December 14, 1992. In the attached communication, dated December 6, 1993, the authorities have notified the Fund, pursuant to Article IV, Section 2(a) of the Articles of Agreement, of the exchange arrangements that the former Yugoslav Republic of Macedonia intends to apply in fulfillment of its obligations under Article IV, section 1, of the Articles.

In the notification, the authorities have stated that the currency of the former Yugoslav Republic of Macedonia is the denar. The external value of the denar is determined freely in the exchange market by the interplay of supply and demand. The exchange market consists of a wholesale and a retail level. The wholesale level comprises enterprises, banks and the National Bank. By using the National Bank as its agent, the Government also participates in the wholesale market. The retail level consists of exchange bureaus which are owned and operated by banks, enterprises or natural persons. Enterprises repatriating foreign exchange have four business days to use these funds or to resell them to other enterprises or banks at freely negotiated rates. Alternatively, enterprises' foreign exchange may be deposited with a commercial bank for up to 90 days. Natural persons can buy foreign exchange freely from bureaus with no administrative limit, subject to the availability of foreign currency within the bureaus.

There are no taxes or subsidies on the sale of foreign exchange. Since banks and enterprises may operate at both levels of the exchange market, the arrangements are not expected to result in a multiple currency practice.

Buying and selling rates for transactions in the enterprise market are reported to the National Bank, which calculates an average daily rate that is published the following day for information purposes. At the end of each week, the average of the daily rates is calculated for customs valuation purposes. There is no forward foreign exchange market, but the legislation governing foreign exchange operations does permit such a market.

In light of this notification, the former Yugoslav Republic of Macedonia has been classified by the staff in the group of countries having a managed floating exchange arrangement.

December 6, 1993

Dear Mr. Camdessus:

In fulfillment of its obligations under Article IV of the Articles of Agreement, the former Yugoslav Republic of Macedonia herewith notifies the Fund of the exchange arrangement as follows:

The currency of the former Yugoslav Republic of Macedonia is the denar. The value of the denar is determined freely in the exchange market by the interplay of supply and demand. The exchange market consists of a wholesale and a retail level. The wholesale level comprises enterprises, banks and the National Bank. Via the National Bank, the Government also participates in the wholesale market. The retail level consists of exchange bureaus which are owned and operated by banks, enterprises or natural persons. Enterprises repatriating foreign exchange have four business days to use these funds or to resell them to other enterprises or banks at freely negotiated rates. Alternatively, enterprises' foreign exchange may be deposited with a commercial bank for up to 90 days. Natural persons can buy foreign exchange freely from bureaus with no administrative limit, subject to the availability of foreign currency within the bureaus. There are no taxes or subsidies on the sale of foreign exchange. Since banks and enterprises may operate at both levels of the exchange market, the arrangements are not expected to result in a multiple currency practice.

Buying and selling rates for transactions in the enterprise market are reported to the National Bank, which calculates an average daily rate that is published the next day for information purposes. At the end of each week, the average of the daily rates is calculated for customs valuation purposes for the following week. There is no forward foreign exchange market, but the legislation governing foreign exchange operations does permit such a market.

Very truly yours,

/s/ Borko Stanoevski
Governor

Mr. Michel Camdessus
Managing Director
International Monetary Fund
Washington DC 20431