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August 4, 1993

To: Members of the Executive Board  
From: The Acting Secretary  
Subject: European Monetary System

The Secretary has received the following memorandum dated August 3, 1993 from Mr. de Groote:

On behalf of my Belgian authorities, which currently hold the Presidency in the European Community, I attach an extract from the communiqué of the Monetary Committee of the EC dated August 2, 1993 concerning the temporary changes that have taken place in the exchange rate mechanism (ERM) of the European Monetary System with effect from that date. A table comprising the unchanged bilateral central rates and the new compulsory intervention points in the ERM is attached.

Attachments

Other Distribution:  
Department Heads



COMMUNIQUE

The Ministers and central bank governors of the Member States of the European Community have decided to widen temporarily the obligatory marginal intervention thresholds of the participants in the exchange rate mechanism of the European Monetary System to  $\pm 15\%$  around the bilateral central rates.

This measure of limited duration is in response to speculative movements, which are exceptional in amount as well as in nature. Indeed, having regard to the fundamental economic situation of the member states participating in the system, the current parity grid is fully justified. The ministers and governors therefore reaffirm support for the current parities and are confident that the market rates will soon approach these parities once again.

The monetary authorities of the Member States will continue to direct their monetary policy towards the aim of price stability.

All the Member States reaffirm their determination to put the Treaty on European Union into operation as soon as its ratification is complete, including the evaluation procedure, which according to Article 109E must take place before 1 January 1994, the start of Stage II. Moreover, they reaffirm their support for the procedures and criteria laid down in the Treaty with respect to the attainment of a sufficient degree of convergence in order to allow the realisation of Economic and Monetary Union.

The new compulsory intervention rates will be communicated by the monetary authorities in time for the opening of foreign exchange markets on 2 August 1993.

**ERM PARITY GRID**  
**Bilateral central rates and selling and buying rates from August 2 1993**

		BFr/ LFr 100=	Dkr 100=	FFr 100=	DM 100=	£ 1=	Fl 100=	Esc 100=	Pta 100=
Belgium-Lux.	S	-	627.880	714.030	2395.20	57.7445	2125.60	24.2120	30.2715
	C	-	<b>540.723</b>	<b>614.977</b>	<b>2062.55</b>	49.7289	<b>1830.54</b>	20.8512	26.0696
BFr/LuxFr	B	-	465.665	529.660	1776.20	42.8260	1576.45	17.9570	22.4510
Denmark	S	21.4747	-	132.066	442.968	10.6792	393.105	4.47770	5.59850
	C	<b>18.4938</b>	-	<b>113.732</b>	<b>381.443</b>	9.19676	<b>338.537</b>	3.85618	4.82126
DKr	B	15.9266	-	97.9430	328.461	7.92014	291.544	3.32090	4.15190
France	S	18.8800	102.100	-	389.480	9.38950	345.650	3.93700	4.92250
	C	<b>16.2608</b>	<b>87.9257</b>	-	<b>335.386</b>	8.08631	<b>297.661</b>	3.39056	4.23911
FFr	B	14.0050	75.7200	-	288.810	6.96400	256.350	2.91990	3.65050
Germany	S	5.63000	30.4450	34.8250	-	2.80000	(103.058)*	1.17400	1.46800
	C	<b>4.84857</b>	<b>26.2162</b>	<b>29.8164</b>	-	2.41185	<b>88.7526</b>	1.01094	1.26395
DM	B	4.17500	22.5750	25.6750	-	2.07600	(76.4326)*	0.87100	1.08800
Ireland	S	2.33503	12.62610	14.3599	48.1696	-	42.7439	0.486881	0.608731
	C	2.01090	10.8734	12.3666	41.4757	-	36.8105	0.419295	0.524232
£	B	1.73176	9.36403	10.6500	35.7143	-	31.7007	0.361092	0.451462
Netherlands	S	6.34340	34.3002	39.0091	(130.834)*	3.15450	-	1.32266	1.65368
	C	<b>5.46286</b>	<b>29.5389</b>	<b>33.5953</b>	<b>112.6730</b>	2.71662	-	1.13906	1.42413
Fl	B	4.70454	25.4385	28.9381	(97.0325)*	2.33952	-	0.98094	1.22644
Portugal	S	556.890	3011.20	3424.80	11481.10	276.938	10194.30	-	145.180
	C	479.590	2593.24	2949.37	9891.77	238.495	8779.18	-	125.027
Esc	B	413.020	2233.30	2540.00	8517.90	205.389	7580.50	-	107.670
Spain	S	445.418	2408.50	2739.30	9191.20	221.503	8153.70	92.8760	-
	C	<b>383.589</b>	2074.15	2358.98	7911.72	190.755	7021.83	79.9828	-
Pta	B	330.342	1786.20	2031.50	6812.00	164.276	6047.10	68.8800	-

S = Exchange rate at which the central bank of the country in the left hand column will sell the currency identified in the row at the top of the table.  
C = Bilateral central rate.

B = Exchange rate at which the central bank of the country in the left hand column will buy the currency identified in the row at the top of the table.

\*These buying and selling rates will not be operational. Reflecting a bilateral agreement between the German and Dutch monetary authorities, the following rates will continue to apply: Netherlands (DM100: selling 115.2350, buying 110.1675), Germany (Fl100: selling 90.7708, buying 86.78) Source: Bank of England