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ATTENTION**

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EBD/93/134

August 11, 1993

To: Members of the Executive Board

From: The Acting Secretary

Subject: Republic of Lithuania - Change in the Representative Rate
for the Currency of Lithuania

It is not proposed to bring the attached memorandum to the agenda of the Executive Board for discussion unless an Executive Director so requests by noon on Monday, August 16, 1993. In the absence of such a request, the draft decision will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Mrs. Ecevit (ext. 37582) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Representative Rate for the Currency of the Republic of Lithuania

Prepared by the Treasurer's Department

(In consultation with the European II, Legal,
and Monetary and Exchange Affairs Departments)

Approved by Günter Wittich

August 10, 1993

The Governor of the Bank of Lithuania (central Bank) has informed the Fund of the introduction on June 25, 1993 of the new national currency of Lithuania, the litas, replacing the talonas, which has been withdrawn from circulation as of July 20, 1993. A uniform rate of conversion of 100 talonai per litas was applied in the currency reform. The balances of all talonas-denominated accounts including foreign banks' talonas-denominated correspondent accounts with Lithuania's financial institutions were converted into litas at the same rate of conversion.

Lithuania maintains a floating exchange rate system under which the exchange rate for the litas is freely determined in the Vilnius foreign exchange market. The Fund staff has consulted with the authorities of Lithuania on the determination of a representative rate for the litas; the procedure for determining the representative rate for the currency of Lithuania was last amended on October 9, 1992 (Executive Board Decision No. 10165-(92/126) G/S, adopted October 9, 1992). As a result of these consultations, it is proposed that the representative rate of the litas be the midpoint between spot buying and selling rates for the U.S. dollar in the foreign exchange market as ascertained by the Bank of Lithuania. It is understood that the Bank of Lithuania will report to the Fund the representative rate for the litas at least once a month, and will advise the Fund immediately of any change in exchange arrangements that affect the determination of the representative rate. On July 29, 1993 the market rate for the litas reported by the Bank of Lithuania was equal to litai 4.06 per U.S. dollar (see Attachment).

Accordingly, the following draft decision is proposed for adoption by the Executive Board:

The Fund finds, after consultation with the authorities of Lithuania, that the representative exchange rate for the litas under Rule 0-2(b)(i) against the U.S. dollar is the midpoint

between spot buying and selling rates for the U.S. dollar in the foreign exchange market as ascertained by the Bank of Lithuania.

Attachment

TO: IMF
TREASURER'S DEPARTMENT
FROM: BANK OF LITHUANIA

JULY 29, 1993

THANK YOU FOR YOUR TELEX OF JULY 27, 1993. WE ARE PLEASED TO CONFIRM, THAT THE LITHUANIAN TALONAS WAS WITHDRAWN FROM CIRCULATION BY JULY 20, 1993, AND IS NO LONGER USED FOR PAYMENTS AND SETTLEMENTS. UP TO AUGUST 1, 1993 AS WELL AS LITAS AND CENTAS, HARD CURRENCY IS USED FOR PAYMENTS AND SETTLEMENTS, AND FROM THIS DATE LITAS AND CENTAS WILL BECOME A SOLE LEGAL TENDER IN THE REPUBLIC OF LITHUANIA. ALSO, WE CONFIRM THAT LITHUANIA MAINTAINS FLOATING EXCHANGE RATE SYSTEM UNDER WHICH EXCHANGE RATE FOR THE LITAS ARE DETERMINED FREELY IN THE VILNIUS FOREIGN EXCHANGE RATE MARKET.

THE REPRESENTATIVE EXCHANGE RATE FOR THE LITAS, UNDER RULE 0-2(B) (I), AGAINST THE U.S. DOLLAR IS THE MIDPOINT BETWEEN SPOT BUYING AND SELLING RATES FOR THE U.S. DOLLAR IN THE FOREIGN EXCHANGE MARKET AS ASCERTAINED BY THE BANK OF LITHUANIA. THE BANK OF LITHUANIA WILL REPORT TO THE FUND THE REPRESENTATIVE EXCHANGE RATE FOR THE LITAS AT LEAST ONCE A MONTH AT THE END OF EACH MONTH, AND WILL ADVISE THE FUND IMMEDIATELY OF ANY CHANGE IN EXCHANGE ARRANGEMENTS THAT MAY AFFECT THE DETERMINATION OF THE REPRESENTATIVE EXCHANGE RATE. ON JULY 29, 1993 THE MARKET RATE FOR THE LITAS WAS EQUAL TO LITAI 4.06 PER U.S. DOLLAR.

S. KROPAS
DIRECTOR OF INTERNATIONAL BANKING DEPARTMENT
BANK OF LITHUANIA

Received in Fund on July 29, 1993

