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**IMMEDIATE
ATTENTION**

EBD/93/136

August 12, 1993

To: Members of the Executive Board

From: The Secretary

Subject: Brazil - Change in the Representative Rate
for the Currency of Brazil

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 Tuesday, August 17, 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

Change in the Representative Rate for the Currency of Brazil

Prepared by the Treasurer's Department

(In consultation with the Western Hemisphere, Legal,
and Monetary and Exchange Affairs Departments)

Approved by Günter Wittich

August 11, 1993

The Central Bank of Brazil (Banco Central do Brasil) has informed the Fund of the introduction of a new national currency, cruzeiro real, replacing the cruzeiro, at the rate of 1,000 cruzeiros per cruzeiro real, as of August 1, 1993.

Brazil maintains a floating exchange rate system under which the official exchange rate for the cruzeiro real is freely determined in the foreign exchange market. The Fund staff has consulted with the authorities of Brazil regarding a change in the current definition of the representative rate for the currency of Brazil, last amended on May 1, 1986 (Executive Board Decision No. 8274-(86/75) G/S, adopted May 1, 1986). ^{1/} As a result of these consultations, it is proposed that the representative rate of the cruzeiro real be the prevailing market rate for the U.S. dollar as ascertained and reported to the Fund by the Banco Central do Brasil. It is understood that Banco Central do Brasil will continue to report to the Fund the representative rate for the currency of Brazil on a daily basis, and will advise the Fund immediately of any change in exchange arrangements that may affect the determination of the representative rate. On August 3, 1993 the market rate for the cruzeiro real reported by the Banco Central do Brasil was equal to cruzeiro real 72.068 per U.S. dollar (see Attachments).

^{1/} On February 28, 1986 a new monetary unit named "Cruzado" for the currency of Brazil was established, replacing cruzeiros at the rate of 1,000 cruzeiros per cruzado. On January 15, 1989 the new cruzado, equal to 1,000 old cruzados, was introduced. On March 16, 1990 the name of the new cruzado was changed to cruzeiro. The rate of the cruzeiro against the U.S. dollar has been communicated to the Fund on a daily basis.

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

The Fund finds, after consultation with the authorities of Brazil, that the representative exchange rate for the cruzeiro real, under Rule 0-2(b)(i), against the U.S. dollar is the prevailing market rate for the U.S. dollar as ascertained and reported by Banco Central do Brasil.

Attachments

FROM: BANCO CENTRAL DO BRASIL

DEORI/93018494-001

TO : INTERNATIONAL MONETARY FUND

ATTN. TREASURER'S

OUR RE DEORI/DIOFI/SUFIN-93/762,

BRASILIA (DF), JULY 30, 1993

WE INFORM YOU THAT THE BRAZILIAN GOVERNMENT SET UP A NEW CURRENCY, FROM AUGUST 01, 1993, ON. THE NAME CRUZEIROS WILL CHANGE TO CRUZEIRO REAL, AND EQUALS 1/1.000 OF THE OLD ONE, I.E. 1.000,00 CRUZEIROS EQUALS 1,00 CRUZEIRO REAL. THE MINOR CURRENCY UNIT WILL BE CONTINUE TO BE DECIMALS. THE RATE OF CRUZEIRO REAL WILL BE A FLOATING ONE.

REGARDS,

MR. LUIZ AFONSO SIMOENS DA SILVA
HEAD OF THE DEPARTMENT OF INTERNATIONAL
ORGANIZATIONS AND AGREEMENTS

Received in Fund on August 2, 1993

FROM: BANCO CENTRAL DO BRASIL

TO : INTERNATIONAL MONETARY FUND

ATTN: TREASURER'S

OUR RE DEORI/DIOFI/SUFIN-RATE

AUGUST 03, 1993

CRUZEIRO REAL RATE PREVAILING TODAY: U.S. DOLLAR ONE EQUALS CRUZEIROS
REAIS 72.068.

REGARDS,

IRENE A. KOCH
BANCENTRAL

Received in Fund on August 3, 1993