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July 2, 1992

To: Members of the Executive Board
From: The Acting Secretary
Subject: Estonia - Exchange Arrangements

Attached for the information of the Executive Directors is a paper on the exchange arrangements of Estonia.

Mr. Zavoico (ext. 36288) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

ESTONIA

Exchange Arrangements

Prepared by European II Department

(In consultation with Legal, Monetary and Exchange Affairs,
Policy Development and Review and Treasurer's Departments)

Approved by Eduard Brau

July 2, 1992

Estonia became a member of the Fund on May 26, 1992. In the attached communication dated June 25, 1992, the authorities of Estonia have notified the Fund, pursuant to paragraph 7 of the Membership Resolution, 1/ of the exchange arrangements that Estonia intends to apply in fulfillment of its obligations under Article IV, Section 1, of the Articles of Agreement.

In the notification, the authorities of Estonia have stated that the currency of Estonia is the kroon. Since June 22, 1992, the kroon has been pegged to the deutsche mark at the rate of 1 kroon per 0.125 deutsche mark. The Bank of Estonia (central bank) stands ready to exchange kroon banknotes and deposits of commercial banks with itself at this rate. The exchange rates for all other currencies are determined on the basis of this fixed rate and the prevailing market exchange rates for those currencies against the deutsche mark.

In light of this notification, Estonia has been classified by the staff with the group of countries whose currencies are pegged to another currency.

Attachment

1/ Board of Governors' Resolution No. 47-2 (approved on April 27, 1992).

ATTACHMENT

Tallinn, June 25, 1992

Mr. Michel Camdessus
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Mr. Camdessus:

I have the honor to notify you of the exchange arrangements of Estonia in accordance with Article IV of the Articles of Agreement of the International Monetary Fund and in compliance with paragraph 7 of Resolution No. 47-2 of the Board of Governors of the International Monetary Fund relating to the admission of Estonia in the International Monetary Fund.

The currency of Estonia is the kroon. Since June 22, 1992, the exchange rate of the kroon against all other currencies is determined on the basis of a peg to the Deutsche mark at 1 kroon per 0.125 Deutsche mark. The Bank of Estonia stands ready to exchange kroon banknotes and deposits of commercial banks with the Bank of Estonia at the above-mentioned rate. The cross rates for other currencies are determined on the basis of the prevailing market cross rates.

Very truly yours,

/s/
Siim Kallas
President
Bank of Estonia