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EBD/92/235

September 30, 1992

To: Members of the Executive Board  
From: The Secretary  
Subject: Spain - Foreign Exchange Policy Measures

The Secretary has received the attached memorandum dated September 25, 1992 from Mr. Torres.

Att: (1)

Other Distribution:  
Department Heads





# Office Memorandum

To: The Secretary

September 25, 1992

From: A. Torres

Subject: Spanish Foreign Exchange Policy Measures

Following recent developments in foreign exchange markets, my Spanish authorities have determined the following:

1. On September 17, 1992, the bilateral central rates of the Spanish peseta were reduced by 5 percent with respect to the currencies integrated within the Exchange Rate Mechanism of the EMS. This decision has been already notified to the Members of the Executive Board in document EBD/92/218, of September 19, 1992.
2. Effective September 23, 1992, my Spanish authorities have further agreed to:
  - a) Establish a compulsory one-year non-interest-bearing deposit at the Bank of Spain applicable to all financial institutions equivalent to 100 percent of the increase,
    - i) In the peseta value of the sum total of long positions in foreign currency, value same day, value one day, or value two-day transactions, in respect of the close of operations on September 22. Existing short positions will not be taken into consideration.
    - ii) In credit balances relating to peseta-denominated lending or deposit transactions vis-à-vis non-residents, in respect of the balance sheet figure as of September 22, except those arising from export financing.
  - b) Amendment of the cash reserve ratio.
    - i) The increase in Spanish financial institutions' peseta-denominated liabilities with their branches and subsidiaries abroad, and the increase of those of foreign financial institutions operating in Spain with their parent companies or with other foreign entities belonging to the same group, over and above the level as of September 22, will be subject to a ratio of 100 percent.
    - ii) Nonetheless, the sum total of coverage assets shall not exceed 7 percent of overall eligible liabilities.

Attached please find a copy of Circular 16/92 of the Bank of Spain which has been published in the Spanish Official Bulletin.

I would appreciate it if you would notify members of the Board of the above measures.

Attachment

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PM/TD

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ORIGINAL: SPANISH

Boletín Oficial del Estado

Wednesday, September 23, 1992

# BANK OF SPAIN

21580 Circular No. 16/1992 of September 22. Registered institutions.  
Compulsory deposits and cash reserve ratio.

## Registered Institutions

### Compulsory deposits and cash reserve ratios

Recent developments in the monetary environment and the volatility, speculation, and turbulence in the markets for the currencies integrated within Exchange Rate Mechanism of the EMS call for the adoption of urgent measures to restore market stability.

For this purpose, pursuant to Article 3 of Law 30/1980 of June 21 on the Governing Bodies of the Bank of Spain, Article 5 of Law 40/1979 of December 10 on the Exchange Control System, and taking into account the provisions of the Directive of the Council of the European Communities No. 88/361 of June 24, 1988 in connection with the provisions Royal Decree 1816/1991 of December 20, the Bank of Spain has ordered:

## FIRST REGULATION

Compulsory deposit on increases in the creditor positions or long positions in foreign currency of registered institutions, value same-day, value one-day, or value two-day transactions

As of the day after the entry into force of this Circular, the registered institutions shall be required to establish and maintain at the Bank of Spain a one-year non-interest-bearing deposit in accordance with the terms of the Procedural Instructions that will be transmitted to said institutions by the Bank of Spain. Said deposit shall be equivalent to 100 percent in pesetas at the fixing exchange rates on the value date of the increase recorded in the sum total of foreign currency/peseta long positions or creditor positions, value same-day, value one-day, or value two-day transactions, in respect of the close of operations on September 22, 1992. The sum total of long positions shall be calculated on a consolidated basis (markets in Spain and abroad); existing short positions shall not be taken into consideration.

## SECOND REGULATION

Compulsory deposit on increases in the peseta-denominated credit balances of registered institutions with nonresidents

As of the day after the entry into force of this Circular, the registered institutions shall be required to establish and maintain at the Bank of Spain a one-year non-interest-bearing deposit in accordance with the terms of the Procedural Instructions to be transmitted to said institutions by the Bank of Spain, equivalent to 100 percent of the increase in their balance sheet figure for September 22 in the amount of their credit balances relating to peseta-denominated lending or deposit transactions with nonresidents.

Pursuant to the preceding paragraph, and after consulting the Bank of Spain, the registered institutions may exclude from the calculation increases in credit balances arising from Spanish export financing transactions.

## THIRD REGULATION

The Fifth Regulation of Circular 2/1990 of February 27 shall be worded as follows:

Fifth Regulation: Level of ratio.

(1) The ratio coverage assets shall consist of the sum total of the two following components:

(a) The sum produced by calculating 4.5 percent of all eligible resources, excepting those set forth in (b) below.

(b) The sum produced by calculating 100 percent of the increase in the peseta-denominated liability balances of Spanish credit institutions with their branches and subsidiaries abroad, and of the branches of foreign credit institutions with their parent companies abroad or with other foreign institutions belonging to the same group, over and above the level as of September 22, 1992. Decreases from said level shall not be taken into account.

(2) In any case, coverage assets shall not exceed 7 percent of all eligible resources.

2. Line IV of the cash reserve ratio declaration forms shall be renamed: "Ordinary peseta-denominated liabilities of nonresidents," and a new Line IV bis shall be added: Peseta-denominated liabilities of branches, subsidiaries and parent companies abroad," shall be added.

#### FOURTH REGULATION

##### Reporting to the Bank of Spain

The registered institutions shall report the long positions referred to in the First Regulation, their credit balances in pesetas referred to in the Second Regulation and the sum total of the peseta-denominated liabilities balances referred to in paragraph (b) of the Third Regulation at close of business on September 22, 1992 to the Balance of Payments Office, Bank of Spain, by rapid means of communication (telex, fax, etc.) on the working day following the entry into force of this Circular.

##### ENTRY INTO FORCE

This Circular shall enter into force on the date of its publication in the Boletín Oficial del Estado.

The coverage assets referred to in letter (b) of section 1 of the Fifth Regulation in Circular 2/1990 shall be established as of the second working day after said date inclusive, the limits set forth in section 2 being applicable to the entire 10-day period in which this event occurs. In said declaration, the institutions shall report the amount of the balances referred to in the above-mentioned letter (b) on September 22, 1992.

Madrid, September 22, 1992. Miguel Martín Fernández, Deputy Governor.

