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EBD/92/244

October 9, 1992

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

The Secretary has received the attached memorandum dated October 7, 1992, from Mr. Torres.

Att: (1)

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Department Heads



# Office Memorandum

To: The Secretary

October 7, 1992

From: Angel Torres

Subject: Spanish Foreign Exchange Measures

On October 5, 1992, my Spanish authorities lifted the foreign exchange measures introduced on September 23, 1992, that were notified to the Members of the Executive Board in document EBD/92/235, of September 30, 1992. Also, effective October 5, 1992, my Spanish authorities established a compulsory noninterest-bearing deposit at the Bank of Spain for the full peseta counterpart of the following transactions:

- a. Sales of pesetas to nonresidents, value same day.
- b. The increase in the next-day value of net sales of pesetas to nonresidents against foreign currency, in respect of the close of operations on October 2, 1992.
- c. The increase in the forward short position in foreign currency vis-à-vis nonresidents, in respect of the close of operations on October 2, 1992.

As a result, residents may again carry out usual operations in the forward market, while lending of pesetas to nonresidents through the foreign exchange market is penalized. In particular, the above measures raise the cost to Spanish banks of peseta lending to nonresidents through value same day or "tomorrow-next" operations in excess of the level outstanding as of October 2, 1992. Likewise, the measures increase the cost of peseta-denominated lending to nonresidents through swap operations ("spot-next" and longer terms) or "outright" forward sales to nonresidents, also in excess of the level outstanding as of October 2, 1992. The Bank of Spain will determine the maturity of the deposit weekly. Initially, the deposit has been established for one year.