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October 19, 1992

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

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

Mr. Bredenkamp (ext. 38881) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads



INTERNATIONAL MONETARY FUND

UKRAINE

Exchange Arrangements

Prepared by the European II and Monetary and Exchange Affairs Departments

(In consultation with the Legal Department)

Approved by Eduard Brau and Manuel Guitian

October 16, 1992

Ukraine became a member of the Fund on September 3, 1992. In the attached communication dated October 1, 1992, the authorities of Ukraine have notified the Fund, pursuant to paragraph 7 of the Membership Resolution, 1/ of the exchange arrangements that Ukraine intends to apply in fulfillment of its obligations under Article IV, section 1, of the Articles of Agreement.

In the notification, the authorities of Ukraine have stated that, in cash transactions, coupons of the National Bank of Ukraine (denominated in "karbovanets") are used as legal tender in Ukraine. With few exceptions, deposits in rubles may be withdrawn only in coupons, at par.

Beginning September 22, 1992, the National Bank of Ukraine has conducted a weekly foreign exchange fixing for the ruble against the U.S. dollar.2/ Cross rates for other currencies officially traded in Ukraine are determined on the basis of international market rates. Those commercial banks which are licensed to deal in foreign exchange are obliged to conduct authorised transactions with customers within margins of plus or minus 2 1/2 per cent of these rates. Current account transactions are readily authorised, but the purchase of foreign currency for capital account purposes requires special permission. The fixing rate on September 29 was 350 rubles per U.S. dollar. Small amounts of foreign currency are also made available from a state currency fund to some state agencies and public enterprises at subsidized exchange rates. This fund obtains foreign currency from a tax on export earnings.

The exchange rates for the ruble which are determined by the foreign exchange market in Moscow are published by the National Bank of Ukraine as "official" rates, but are used in practice only for accounting and valuation purposes. This rate on September 29 was 254 rubles per U.S. dollar.

Payment for authorised inward investments on capital account are generally made in foreign currency; there are individual arrangements regarding retention or surrender by the recipient. When it is necessary to determine the local currency value of a foreign investment, particularly in

1/ Board of Governors Resolution No. 47-12 (approved on April 27, 1992).

2/ The exchange rate is determined by competitive bidding amongst representatives of participating commercial banks.

the case of joint ventures between foreign and local partners, the applicable exchange rate may be negotiated by the parties concerned. This exchange rate must not, however, be more depreciated than the equivalent of the prevailing "official" rate of the ruble.

In light of this notification, Ukraine has been classified by the staff with the group of countries whose currencies are independently floating.

ATTACHMENT

Mr. John Odling-Smee
Director
European II Department
IMF, Washington D.C. 20431

October 1, 1992

Ukraine: Official Communication to the IMF on Exchange Arrangements

In cash transactions, coupons of the National Bank of Ukraine (denominated in "karbovanets") are used as legal tender in Ukraine. Bank accounts are denominated in rubles of the former U.S.S.R. Both rubles and coupons can be deposited, at parity (one ruble equals one coupon); but, with few exceptions, withdrawals can be made only in coupons, also at parity.

Beginning on 22 September 1992, the National Bank of Ukraine has conducted a weekly foreign exchange fixing for the ruble against the United States dollar, from which exchange rates against other currencies also are derived. Those commercial banks which are licensed to deal in foreign exchange are obliged to conduct their customer deals - for authorised transactions - within margins of plus or minus 2 1/2 per cent of these rates. Current account transactions are readily authorised, but the purchase of foreign currency for capital account purposes requires special permission. The fixing rate on 29 September was 350 rubles per U.S. dollar.

The foreign exchange rates for the ruble which are determined by the foreign exchange market in Moscow are published by the National Bank of Ukraine as "official" rates, but are mostly used in practice only for accounting purposes. This rate on 29 September was 254 rubles per U.S. dollar.

Payment for authorised inward investments on capital account are generally made in foreign currency; there are individual arrangements regarding retention or surrender by the recipient. When for such investments it is necessary to calculate the foreign currency equivalent of a quantity of local currency, a rate is agreed by the parties concerned, but must not exceed (numerically) the latest "official" rate.

/s/

Alexander Sharov
Deputy Governor
National Bank of Ukraine

