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October 19, 1992

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

There is attached for the information of the Executive Directors a paper on the exchange arrangements of the Republic of Georgia.

Mr. de Zamaroczy (ext. 36934) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

REPUBLIC OF GEORGIA

Exchange Arrangements

Prepared by the European II, and Monetary and Exchange Affairs Departments

(In consultation with the Legal Department)

Approved by John Odling-Smee and J.B. Zulu

October 16, 1992

The Republic of Georgia became a member of the Fund on May 5, 1992. In the attached communication dated August 6, 1992, the authorities of the Republic of Georgia have notified the Fund, pursuant to paragraph 7 of the Membership Resolution, 1/ of the exchange arrangements that the Republic of Georgia intends to apply in fulfillment of its obligations under Article IV, Section 1, of the Articles of Agreement.

In the notification, the authorities of the Republic of Georgia have stated that the currency of the Republic of Georgia is the Russian ruble. The official exchange rates for the ruble against major currencies are set weekly by the National Bank of Georgia; the official exchange rate for the U.S. dollar is ascertained on the basis of the Moscow Interbank Foreign Currency Exchange, as published by the Central Bank of Russia, while exchange rates for other currencies are determined by using international cross-rates for the U.S. dollar. The official exchange rates are used for budget and tax accounting, as well as for all payments between the Government and enterprises, associations, and organizations.

For all commercial transactions, the exchange rates for the ruble against other currencies are the market rates which are freely negotiated between the banks licensed by the National Bank of Georgia and their customers. For major currencies, these rates are guided by the above-mentioned weekly exchange rates of the ruble; for the other currencies, the rates are determined by using international cross rates.

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

Attachment

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

[August 6, 1992]

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

Dear Mr. Camdessus,

The currency of Georgia is Russian Rouble. The National Bank of Georgia publishes weekly a unified exchange rate for Rouble against convertible currency, which started to be quoted by the Central Bank of Russia since 1 of July 1992.

This rate is used for estimating revenues and expanses of budget, for all kind of payments between the Government and enterprises, associations, organizations and also for taxation and accounting. This rate was Rub 161.19 - 1 US\$ on July 29.

Commercial banks independently determine the exchange rate for buying and selling foreign exchange to population and enterprises. This rate is oriented to the Russian Central Bank exchange rate.

Commercial exchange rate (1.67 Rouble) was abolished since July 1, 1992.

Since January 2, 1992, all trade and financial settlements with the former members of the CMEA outside the former U.S.S.R. have been effected in convertible currencies.

Very truly yours,

/s/

Nodar Kakulia
President
National Bank of Georgia