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EBD/92/291

November 30, 1992

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

The Secretary has received the attached memorandum dated November 24, 1992 from Mr. Merino.

Att: (1)

Other Distribution:  
Department Heads





# Office Memorandum

To: The Secretary

From: Pedro A. Merino

Subject: Foreign Exchange and Monetary Measures

November 24, 1992

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

1. Effective November 23, 1992 the bilateral central rate of the Spanish peseta against the other currencies integrated within the exchange rate mechanism of the EMS has been reduced by 6%. This decision has been already notified to the Members of the Executive Board in document EBD/92/288 of November 25, 1992.
2. After this decision, the following measures have been taken:
  - a) Effective November 24, 1992 the mandatory non-interest bearing deposit on certain peseta short-term lending operations through the foreign exchange markets has been lifted. (Bank of Spain Circular 19/1992 of November 24). This compulsory deposit entered into force under Bank of Spain Circular 17/92 of October 3, 1992, and it was notified to the Members of the Executive Board in document EBD/92/274 of October 9, 1992.
  - b) Effective November 23, 1992 the Bank of Spain has raised the interest rate in its daily intervention supplying funds against Bank of Spain Certificate of Deposit at a rate of 14% (up from a previous 13%) and against public debt at a rate of 13.95% (up from a previous 12.7%).
  - c) Effective November 24, 1992 the Bank of Spain has raised its official interest rate (interest rate on the thrice monthly auction) by 0.75 percentage points to 13.75%

Attached, please find a copy of Bank of Spain Circular 19/92 of November 24, 1992 which revoke the mandatory deposit on certain exchange market operations.

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

Attachment

Source: Boletín Oficial del Estado No. 282, November 24, 1992, p. 39740

BANK OF SPAIN

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CIRCULAR 19/1992  
of November 23  
to Banks and Savings Banks

Conditions on foreign exchange markets following the latest parity realignment within the exchange rate mechanism of the European Monetary System make it possible to abolish the exceptional measures contained in Circular 17/1992 of October 2 on mandatory deposits on certain exchange market operations.

Accordingly, pursuant to Article 3 of Law 50/1980 of June 21 on Governing Bodies of the Bank of Spain and Article 5 of Law 40/1979 of December 10 on Legal Arrangements for Exchange Control, and taking into account the terms of Directive 88/361 of June 24, 1988 of the Council of the European Communities, in connection with the provisions of Royal Decree 1816/1991 of December 20, the Bank of Spain has provided:

Rule 1. Revocation. Circular 17/1992 of October 2 is hereby revoked, except for the provisions of paragraph 2 of Rule 5 and Instruction 4 of the Procedural Instructions which pertain to the reporting obligations contained in said Circular.

Rule 2. Refund of deposits made pursuant to Circular 17/1992. Upon the entry into force of this circular, the Bank of Spain will cancel all deposits made in accordance with the provisions of Circular 17/1992.

Rule 3. Entry into force. This circular shall enter into force on the date of its publication in the Boletín Oficial del Estado.

Madrid, November 23, 1992.

The Governor, Luis Angel Rojo Duque.