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December 22, 1992

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

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

Mr. Coelho (ext. 34883) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads



INTERNATIONAL MONETARY FUND

AZERBAIJAN REPUBLIC

Exchange Arrangements

Prepared by the European II and Monetary and Exchange Affairs Departments

(in consultation with other departments)

Approved by John Odling-Smee and Manuel Guitián

December 21, 1992

The Azerbaijan Republic became a member of the Fund on September 18, 1992. In the attached communication dated December 4, 1992, the authorities of Azerbaijan Republic have notified the Fund, pursuant to paragraph 7 of the Membership Resolution 1/ of the exchange arrangements that Azerbaijan Republic intends to apply in fulfillment of its obligations under Article IV, Section 1, of the Articles of Agreement.

In the notification, the authorities of Azerbaijan Republic have stated that the official exchange rate for the manat--the national currency of Azerbaijan, is determined on the basis of a fixed relationship to the Russian ruble at a rate of 10 rubles to the manat. The cross rates with the U.S. dollar are set by the Azerbaijan National Bank to reflect variations in the ruble/U.S. dollar rate in the Moscow Interbank Foreign Currency Exchange. The exchange rate for the manat set by the Azerbaijan National Bank applies to all payments transactions. At the time of the communication from the authorities, the buying rate for the manat equaled rub 440 per U.S. dollar and the selling rate equaled rub 520 per U.S. dollar. 2/ Exchange rates for other currencies are determined by using international cross-rates for the U.S. dollar.

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

Attachment

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

2/ The forthcoming Staff Report for the Article IV consultation with Azerbaijan will describe the exchange and payments system in greater detail.

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

Dear Mr. Camdessus:

The present communication on our exchange rate notification supercedes the communication to Mr. Camdessus dated November 23, 1992.

Effective November 3, 1992, the exchange rate for the manat is set by the National Bank of Azerbaijan, and is changed to reflect variations in the ruble/U.S. dollar rate. This rate applies to all payments transactions.

For your knowledge we inform you that in present time this rate for buying equals rubles 440 per U.S. dollar and for selling equals rubles 520 per U.S. dollar.

Yours sincerely,

/s/

National Bank of Azerbaijan