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EBD/92/308

December 22, 1992

To: Members of the Executive Board

From: The Acting Secretary

Subject: Azerbaijan Republic - Representative Rate for the Azeri Manat

It is not proposed to bring the attached memorandum to the agenda of the Executive Board for discussion unless an Executive Director so requests by the close of business on Monday, December 28, 1992. In the absence of such a request, the draft decision will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Mrs. Ecevit (ext. 37582) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Representative Rate for the Currency of the Azerbaijan Republic

Prepared by the Treasurer's Department

(In consultation with European II, Legal
and Monetary and Exchange Affairs Departments)

Approved by David Williams

December 21, 1992

The Azerbaijan Republic became a member of the Fund on September 18, 1992 with a quota equivalent to SDR 78 million and has consented to an increase in its quota to SDR 117 million under the Ninth General Review of Quotas.

The currency of the Azerbaijan Republic is the manat, which has a fixed relationship with the Russian ruble of one manat per ten rubles. The manat circulates alongside the Russian ruble. Consultations have taken place with the authorities of Azerbaijan concerning the determination by the Fund of a representative rate for the currency of Azerbaijan. Currently, there is no independent exchange market where a representative spot rate for the manat in terms of the U.S. dollar can be readily ascertained. As a result, it is considered that the representative rate for the manat under Rule 0-2(b)(ii) shall be the rate obtained on the basis of the fixed relationship of the manat to the Russian ruble and the representative exchange rate for the Russian ruble. The representative rate for the Russian ruble against the U.S. dollar is determined pursuant to Executive Board Decision No. 10101-(92/96) G/S, adopted on July 24, 1992. It is understood that the National Bank of Azerbaijan will promptly inform the Fund of any change in the exchange arrangements that may affect the determination of the representative exchange rate (see attached communication from the Minister of Finance).

In view of the foregoing, the following draft decision is proposed for adoption by the Executive Board:

The Fund finds, after consultation with the authorities of the Azerbaijan Republic, that the representative rate under Rule 0-2(b)(ii) for the manat against the U.S. dollar is the rate obtained on the basis of the fixed relationship of the manat to the Russian ruble and the representative exchange rate for the Russian ruble in the Moscow Interbank Foreign Currency Exchange (the "interbank market") as ascertained by the Central Bank of Russia.

MR. DECARLI
OPERATIONS DIVISION FOR GENERAL RESOURCES
INTERNATIONAL MONETARY FUND
WASHINGTON, D.C. 20431

DEAR MR. DECARLI:

THE MANAT IS LEGAL TENDER IN AZERBAIJAN FOR ALL DOMESTIC TRANSACTIONS WITHOUT RESTRICTIONS: IN PARTICULAR, BANK ACCOUNTS CAN BE DETERMINED IN MANATS, AND TRANSACTIONS CAN TAKE PLACE BY CREDITING AND DEBITING THOSE ACCOUNTS.

THE MANAT CIRCULATES ALONGSIDE THE RUSSIAN RUBLE, AND IT HAS A FIXED CONVERSION RATE OF 10 RUBLES PER MANAT. THEREFORE, THE FOLLOWING DEFINITION IS PROPOSED:

"THE REPRESENTATIVE RATE FOR THE MANAT AGAINST THE U.S. DOLLAR, UNDER RULE 0-2(B)(II), IS THE RATE OBTAINED ON THE BASIS OF THE FIXED RELATIONSHIP OF THE MANAT TO RUSSIAN RUBLE."

THE NATIONAL BANK OF AZERBAIJAN WILL PROMPTLY INFORM THE FUND OF ANY CHANGE IN EXCHANGE ARRANGEMENTS WHICH MAY AFFECT THE DETERMINATION OF THE REPRESENTATIVE EXCHANGE RATE.

PROF., DR. MAMEDOV
MINISTER OF FINANCE

Received in Fund on December 2, 1992