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EBD/91/76

March 15, 1991

To: Members of the Executive Board
From: The Secretary
Subject: Tonga - Change in Representative Rate for the Tongan Pa'anga

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 noon on Thursday, March 21, 1991. In the absence of such a request, the draft decision that appears on page 2 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Mr. Zavoico (ext. 7626) or Ms. Voulgaris (ext. 7629) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Change in Representative Rate for the Currency of Tonga

Prepared by the Treasurer's Department

(In consultation with the Legal, Asian and
Exchange and Trade Relations Departments)

Approved by Gerhard Laske

March 15, 1991

The representative exchange rate for the currency of Tonga against the U.S. dollar was established in October 1985 as the rate obtained on the basis of the fixed relationship of the Tongan pa'anga to the Australian dollar and the representative exchange rate of the Australian dollar. 1/

With the recent elimination of the fixed link at par of the Tongan pa'anga to the Australian dollar, this definition is no longer appropriate. Effective February 11, 1991, the value of the pa'anga is determined daily on the basis of a weighted basket of currencies representing Tonga's most important partners in trade and payments. Henceforth, the exchange rate of the pa'anga will be expressed in terms of the U.S. dollar, which will also be the intervention currency.

In accordance with Rule 0-2(c), the Fund staff have consulted with the authorities of Tonga to change the procedure for establishing the representative exchange rate so as to reflect the current exchange rate arrangement. As a result of these consultations, it is proposed that the representative exchange rate for the Tongan pa'anga under Rule 0-2(b)(i) against the U.S. dollar be the midpoint of the buying and selling rates for the U.S. dollar as determined by the National Reserve Bank of Tonga. 2/

It is understood that the National Reserve Bank of Tonga will continue to inform the Fund periodically of the representative exchange rate for the Tonga pa'anga and will advise the Fund immediately of any change in the exchange arrangements affecting the determination of the representative exchange rate. The rates advised will be used for the valuation of the Fund's holdings of the Tongan pa'anga.

1/ Executive Board Decision No. 8117-(85/264) G/S, adopted October 25, 1985.

2/ On March 14, 1991, the midpoint between the buying and selling rates for the U.S. dollar as determined by the National Reserve Bank of Tonga was U.S. dollars 0.7758 per pa'anga.

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

The Fund finds, after consultation with the authorities of Tonga, that the representative exchange rate for the Tongan pa'anga under Rule 0-2(b)(i) against the U.S. dollar is the midpoint between buying and selling rates for the U.S. dollar as determined by the National Reserve Bank of Tonga.

Attachment

6 MARCH 1991
IMF WASHINGTON
FOR TREASURER'S
YOUR GRA NO. 3 OF 5 MARCH

THE REPRESENTATIVE EXCHANGE RATE FOR THE TONGAN PA'ANGA, UNDER RULE 0-2 B(1), AGAINST THE U.S. DOLLAR IS THE MID POINT BETWEEN BUYING AND SELLING RATES FOR THE U.S. DOLLAR AS DETERMINED BY THE NATIONAL RESERVE BANK OF TONGA.

NATIONAL RESERVE BANK OF TONGA

Received in cable room on March 6, 1991

