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June 10, 1991

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

The Secretary has received the following memorandum dated June 7, 1991 from Mr. Fridriksson:

With reference to my memorandum dated June 4, 1991, I am pleased to inform you that the Finnish markka was today formally linked to the European Currency Unit (ECU). This action did not involve a change in the exchange rate of the markka. The new midpoint and the fluctuation limits (± 3 percent) were set so as to correspond to the midpoint and limits of the old currency index.

The midpoint has been defined on the basis of the exchange rates confirmed by the EC on June 6, 1991 at 3:15 p.m. (Finnish time). The new midpoint is 4.87580 (FIM/ECU) and the ECU's markka rate may fluctuate between FIM 4.72953 and FIM 5.02207.

The change in the currency basket should be seen in the light of the integration of Finland's economy with the rest of Europe. Technically, the unilateral decision to peg the markka to the ECU does not involve a significant change in relation to the previous currency basket, some 85 percent of which was composed of currencies included in the ECU or linked to it.

Prior to the decision, representatives of the Bank of Finland had discussions with the European Commission and with representatives of other relevant EC bodies. At this stage, however, the decision is not connected with any agreements concerning closer coordination of economic policy nor with the creation of a credit facility arrangement for supporting exchange rates.

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