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January 10, 1990

To: Members of the Executive Board
From: The Secretary
Subject: Italy - European Monetary System - Exchange Arrangements

The Secretary has received the following memorandum dated January 8, 1990 from Mr. Filosa:

Please inform the Executive Board that the Italian Government has decided to reduce the fluctuations margins of the lira in the exchange rate mechanism of the European Monetary System from minus/plus 6.00 percent to minus/plus 2.25 percent. This decision has been taken with the aim to contribute to the strengthening of the EMS and to the implementation of Stage One of Economic and Monetary Union. A new central rate for the lira has been fixed at approximately its market rate, with the result that its lower intervention limits will remain unchanged, except for the Spanish peseta.

The new ECU central rates, in units of national currency per ECU, are the following:

FB	42.1679
DKr	7.79845
DM	2.04446
FF	6.85684
IrL	0.763159
Lit	1529.70
Flux	42.1679
Hfl	2.30358
Pta	132.889
Dr	187.934
Esc	177.743
UKL	0.728615

- over -

The bilateral rates and compulsory intervention rates for the lira vis-à-vis the currencies participating in the Exchange Rate Mechanism are the following:

<u>Currency</u>	<u>Upper limit</u>	<u>Central rate</u>	<u>Lower limit</u>
Belgian franc	35.469	36.2764	37.102
Deutsche mark	731.570	748.2170	765.400
Danish krone	191.790	196.1540	200.620
Spanish peseta	10.841	11.5111	12.223
French franc	218.130	223.0910	228.170
Irish pound	1959.840	2004.4300	2050.030
Netherlands guilder	649.280	664.0530	679.120

The bilateral central rates between all the other currencies participating in the ERM remain unchanged.

Other Distribution:
Department Heads