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January 10, 1990

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

The Secretary has received the following memorandum dated January 9, 1990 from Mr. Grosche:

On behalf of my authorities, I should like to convey the following communication:

Following a decision by the Italian Government to reduce the fluctuation margins of the lira in the exchange rate mechanism of the EMS to ± 2.25 percent on January 5, 1990, the Ministers and Central Bank Governors of EEC member countries have by mutual agreement decided to fix a new central rate for the lira within the European Monetary System at approximately its market rate, with the result that its lower intervention limits will remain unchanged.

As of January 8, 1990, the intervention rates at which the Deutsche Bundesbank stands ready to sell or buy the Italian lira are as follows:

	Deutsche Mark	
	lower limit	upper limit
1,000 Italian lire	1.3065	1.3670

The new central rate for the DM is 1 ECU = 2.04446 DM.

All other characteristics of the system and the upper and lower intervention limits for the other participating currencies remain unchanged.

Other Distribution:
Department Heads

