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0401

EBD/90/377

November 12, 1990

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

Attached for the information of the Executive Directors is a paper on the exchange arrangements of Bulgaria.

Mr. Huh (ext. 8525) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

BULGARIA

Exchange Arrangements

Prepared by the European and Exchange and
Trade Relations Departments

(In Consultation with the Legal and Treasurer's Departments)

Approved by Massimo Russo and J.T. Boorman

November 12, 1990

Bulgaria became a member of the Fund on September 25, 1990. In the attached communication dated November 2, 1990, the authorities of Bulgaria have submitted the initial notification pursuant to paragraph 7 of the Membership Resolution ^{1/} of the exchange arrangements that Bulgaria intends to apply under Article IV of the Articles of Agreement.

In the notification, the authorities of Bulgaria have stated that the currency of Bulgaria is the lev and that the exchange rates of the lev for currencies other than those of the members of the Council for Mutual Economic Assistance (CMEA), Albania, the Democratic People's Republic of Korea, Democratic Kampuchea, and the Lao People's Democratic Republic consist of the following three rates: (1) the basic rate which is pegged to a weighed basket, consisting of seven currencies (each of which accounting for more than one percent of external transactions with the convertible area), and is applied to a limited number of external transactions (mostly official remittances and imports of certain essential products); (2) the market rate which is determined at periodic foreign exchange auctions and is applied to most commercial transactions; and (3) the cash rate which is applied to transactions in bank notes and traveler's checks by individuals and is set on the basis of prevailing conditions in this market.

Most of Bulgaria's trade and financial settlements with member countries of the CMEA are effected in transferable rubles (TR) through the International Bank for Economic Cooperation (IBEC). The official exchange rate for the transferable rubles is set at leva 1.30 per TR, and the commercial rate at leva 1.05 per TR 1. The official rate is used only for statistical and accounting purposes. Exchange rates for noncommercial transactions with CMEA member countries are also established on the basis of parity between the lev and the Soviet ruble. The clearing ruble is used for most settlements with socialist

^{1/} Board of Governor's Resolution No. 45-8 (approved on September 25, 1990).

countries outside the CMEA (Albania, the Democratic People's Republic of Korea, Democratic Kampuchea, and the Lao People's Democratic Republic). The rate of the lev in terms of clearing rubles is the same as the rate of the lev in terms of transferable rubles.

In light of this notification, Bulgaria has been classified by the staff with the group of countries whose currencies are pegged to a currency composite.

Attachment

Sofia, November 2, 1990

Dear Mr. Camdessus:

I have the honor to notify to you the exchange arrangements of Bulgaria in accordance with Article IV of the Articles of Agreement of the International Monetary Fund.

The currency of Bulgaria is the lev. The exchange rates of the lev for currencies other than those of the CMEA area consist of the following three rates:

(1) The basic rate which is pegged to a weighted basket, consisting of seven currencies (each of which accounting for more than one percent of external transactions with the convertible area), and is applied to a limited number of external transactions (mostly official remittances and imports of certain essential products);

(2) The market rate which is determined at periodic foreign exchange auctions and is applied to most commercial transactions; and

(3) The cash rate which is applied to transactions in bank notes and traveler's checks by individuals and is set on the basis of prevailing conditions in this market.

Most of Bulgaria's trade and financial settlements with member countries of the CMEA are effected in transferable rubles (TR) through the International Bank for Economic Cooperation (IBEC). The official exchange rate for the transferable ruble is set at leva 1.30 per TR 1 and the commercial rate at leva 1.05 per TR 1; the official rate is used only for statistical and accounting purposes. Exchange rates for non-commercial transactions with CMEA member countries are also established on the basis of parity between the lev and the Soviet ruble. The clearing ruble is used for most settlements with socialist countries outside the CMEA (Albania, the Democratic People's Republic of Korea, Democratic Kampuchea, and the Lao People's Democratic Republic). The rate of the lev in terms of clearing rubles is the same as the rate of the lev in terms of transferable rubles.

Very truly yours,

/s/

Ivan Dragnevski
President of the
National Bank of Bulgaria

Mr. Michel Camdessus
Managing Director
International Monetary Fund
Washington, D.C. 20431

