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EBD/90/183

June 14, 1990

To: Members of the Executive Board

From: The Acting Secretary

Subject: Yemen Arab Republic and the People's Democratic Republic
of Yemen - Modification of Exchange Systems

Attached for the information of the Executive Directors is a paper on the recent modification to the exchange systems of the Yemen Arab Republic and the P.D.R. of Yemen.

Mr. Acquah (ext. 8661) or Mr. Short (ext. 7118) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

YEMEN ARAB REPUBLIC AND THE PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN

Modification of Exchange Systems

Prepared by the Middle Eastern Department
and the Exchange and Trade Relations Department

(In consultation with the Legal Department)

Approved by S. Hitti and S. Kanasa-Thanan

June 13, 1990

In the attached communications, one dated May 15, 1990 from the authorities of the Yemen Arab Republic and the other dated May 20, 1990 from the authorities of the People's Democratic Republic of Yemen, the staff has been informed that the Yemen rial (YRls) and the Yemeni dinar (YD) have been made legal tender in both sectors of their territories, effective May 4, 1990, and that the Yemen rial and the Yemeni dinar would be fully convertible into each other at the rate of YRls 26 = YD 1. The exchange rate of the Yemen rial against the U.S. dollar and other major currencies was kept unchanged at YRls 12.01 = US\$1. As a result, the exchange rate of the Yemeni dinar against the U.S. dollar was changed from US\$2.89524 = YD 1 to US\$2.16486 = YD 1, implying a devaluation of 25.2 percent, and the new buying and selling rates for the U.S. dollar were set at YD 0.46154 and YD 0.46231, respectively, per US\$1.

The authorities stated that this measure was an important step toward monetary and fiscal union in light of their decision to unify the two countries into a single state, effective May 22, 1990, and that the staff would be kept informed of any new developments.

The staff is preparing a paper on the authorities' decision to unify the two countries into a single state and its consequences on their membership in the Fund.

TO: IMF WASHINGTON D.C.
FM: CENTRAL BANK OF YEMEN SANA'A

ATTN: DR. SHAKUR SHAALAN
DIRECTOR
MIDDLE EASTERN DEPT.

REFERENCE IS MADE TO YOUR TELEX OF 7TH MAY, 1990 RELATING TO THE EXCHANGE RATE OF THE RIAL AND DINAR. IN ACCORDANCE WITH REPUBLICAN DECREE NO. 1/1990 THE RIAL AND DINAR HAVE BEEN MADE LEGAL TENDER IN BOTH SECTORS OF THE YEMENI HOMELAND TO BE EXCHANGED AT A RATE OF 26 RIALS PER DINAR EFFECTIVE FROM 4 MAY, 1990. THIS IS TANTAMOUNT TO THERE BEING ONE UNIFIED CURRENCY ALL OVER THE COUNTRY.

THIS MEASURE IS AN IMPORTANT STEP TOWARDS THE MONETARY AND FISCAL UNION OF BOTH SECTORS OF THE COUNTRY. THE EXCHANGE RATE OF THE RIAL AGAINST THE USDOLLAR AND OTHER MAJOR CURRENCIES REMAINS UNALTERED AS IT WAS BEFORE THE DECREE AT 12.01 RIALS PER USDOLLAR.

I AM SENDING YOU BY FACSIMILE A COPY OF THE REPUBLICAN DECREE. I WILL KEEP YOU INFORMED OF ANY NEW DEVELOPMENTS IN THIS AREA.

BEST PERSONAL REGARDS

MOHAMED A. AL-GUNAID
GOVERNOR

MARKAZI/SANA'A

TO IMF WASHINGTON DC
FROM BANK OF YEMEN ADEN
20.5.1990

ATTN DR SHAKUR SHAALAN
DIRECTOR
MIDDLE EASTERN DEPT.

REFERENCE IS MADE TO YOUR TELEX OF 7TH MAY, 1990 RELATING TO THE EXCHANGE RATE OF THE RIAL AND DINAR. IN ACCORDANCE WITH PRESIDENTIAL DECREE NO. 5/1990 THE RIAL AND DINAR HAVE BEEN MADE LEGAL TENDER IN BOTH SECTORS OF THE YEMENI HOMELAND TO BE EXCHANGED AT A RATE OF 26 RIALS PER DINAR EFFECTIVE FROM 4TH MAY, 1990. THIS IS TANTAMOUNT TO THERE BEING ONLY ONE UNIFIED CURRENCY ALL OVER THE COUNTRY.

THIS MEASURE IS AN IMPORTANT STEP TOWARDS THE MONETARY AND FISCAL UNION OF BOTH SECTORS OF THE COUNTRY. AS A CONSEQUENCE OF THIS MEASURE THE EXCHANGE RATE OF THE DINAR AGAINST THE USDOLLAR HAS CHANGED FROM USD 2.89524 TO USD 2.16486. THE BUYING AND SELLING RATES FOR THE DOLLAR WILL BE DINAR 0.46154 AND 0.46231 RESPECTIVELY.

I AM SENDING YOU BY FACSIMILE A COPY OF THE REPUBLICAN DECREE. I WILL KEEP YOU INFORMED OF ANY NEW DEVELOPMENTS IN THIS AREA.

BEST PERSONAL REGARDS
ABDULAZIZ BASUDAN
DEPUTY GOVERNOR

ALMASRAF ADEN

