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**IMMEDIATE
ATTENTION**

EBD/89/213

July 11, 1989

To: Members of the Executive Board

From: The Secretary

Subject: Paraguay - Change in the Representative Rate of the
Paraguayan Guarani

It is not proposed to bring the attached memorandum to the agenda of the Executive Board for discussion unless an Executive Director so requests by noon on Friday, July 14, 1989. In the absence of such a request, the draft decision will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Mr. Bhuiyan (ext. 7627) or Mr. Gluski (ext. 7637) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Change in Representative Rate for the Currency of Paraguay

Prepared by the Treasurer's Department

(In consultation with the Legal, Western Hemisphere,
and Exchange and Trade Relations Departments)

Approved by Gerhard Laske

July 11, 1989

The representative exchange rate for the Paraguayan currency against the U.S. dollar was established in October 1974 as the exchange rate for the guarani in terms of the U.S. dollar maintained by Paraguay (Executive Board Decision No. 4465-(74/135), adopted October 25, 1974).

In light of the recent change in the exchange rate arrangement of Paraguay from a fixed to a floating exchange rate (EBS/89/47, March 14, 1989), the Fund has consulted with the authorities of Paraguay under Rule 0-2(c) regarding the determination of a representative rate for the guarani in the domestic exchange market. As a result, it is proposed that the Fund finds that the representative rate for the guarani under Rule 0-2(b)(i) against the U.S. dollar is the average buying rate of U.S. dollars in the floating exchange market by the Central Bank of Paraguay for the day. The average buying rate for U.S. dollars by the Central Bank of Paraguay on the floating exchange market on May 31, 1989 was guaranies 1,090 per U.S. dollar. It is understood that the Central Bank of Paraguay will inform the Fund periodically of changes in this buying rate and will advise the Fund immediately of any change in the exchange system.

The following draft decision is proposed for adoption by the Executive Board:

The Fund finds, after consultation with the authorities of Paraguay, that the representative exchange rate for the Paraguayan guarani under Rule 0-2(b)(i) against the U.S. dollar is the Central Bank of Paraguay's average buying rate for U.S. dollars in the exchange market.

Attachment

ATTACHMENT

FROM CENTRAL BANK OF PARAGUAY, ASUNCION
TO MR. LEO VAN HOUTVEN, SECRETARY
INTERFUND, WASHINGTON, D.C., U.S.A.
AS.31/III/89

WE WISH TO INFORM YOU THAT, EFFECTIVE APRIL 1, 1989, UNDER THE
FREE FLOATING EXCHANGE SYSTEM INTRODUCED IN OUR COUNTRY, ALL
TRANSACTIONS BY PARAGUAY WITH INTERNATIONAL FINANCIAL ORGANIZATIONS
WILL BE CARRIED OUT AT THE AVERAGE EXCHANGE RATE FOR THE U.S. DOLLAR ON
PURCHASES MADE BY THE CENTRAL BANK OF PARAGUAY ON THE FREE FLOATING
MARKET ON THE DAY OF THE TRANSACTION.

REGARDS
CRISPINIANO SANDOVAL
PRESIDENT
CENTRAL BANK OF PARAGUAY

Received in Cable Room: April 3, 1989