

EBS/86/48

CONFIDENTIAL

February 28, 1986

To: Members of the Executive Board
From: The Secretary
Subject: Ecuador - Exchange System

There is attached for the information of the Executive Directors a paper on recent changes in the exchange system of Ecuador.

Mr. Bonangelino (ext. 7148) is available to answer technical or factual questions relating to this paper.

Att: (1)

INTERNATIONAL MONETARY FUND

ECUADOR

Exchange System

Prepared by the Western Hemisphere and
Exchange and Trade Relations Departments

(In consultation with the Legal Department)

Approved by Eduardo Wiesner and Manuel Guitián

February 28, 1986

In a communication dated February 14, 1986, the Ecuadoran authorities have advised the Fund that with effect from January 29, 1986 the exchange rate applicable to all foreign exchange transactions has been changed from S/. 95 per U.S. dollar (buying) to S/. 108.5 per U.S. dollar. The rate of S/. 95 per U.S. dollar has been retained as the official rate to be used only for the Central Bank's own accounting purposes; there are no transactions at this rate. This action facilitates the implementation of a flexible exchange rate policy, as the exchange rate applicable to all transactions now can be adjusted administratively by the Monetary Board. With this action, the real effective rate dropped further to a level some 5 percent below that of the early 1970s.

In communications dated February 13 and 14, 1986 the Ecuadoran authorities also advised the Fund that, as stated in EBS/85/202 Supplement 1, 9/18/85, they have promulgated regulations with respect to the sale of foreign exchange for travel designed to avoid disguised capital flight without restricting bona fide current transactions.

As of January 31, 1986 Ecuador had observed all performance criteria under the present stand-by arrangement, which expires on March 10, 1986. The last purchase under the arrangement, for the equivalent of SDR 21.1 million, will take place at the end of February. A mission will be visiting Ecuador shortly to negotiate a new one-year stand-by arrangement with the authorities.

No action by the Executive Board is required.