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FOR AGENDA

EBS/85/76

CONFIDENTIAL

March 27, 1985

To: Members of the Executive Board

From: The Acting Secretary

Subject: Dominican Republic - Exchange Arrangements and Exchange System

The attached paper on recent modifications in the exchange arrangements and exchange system of the Dominican Republic provides background information to its request for a stand-by arrangement (EBS/85/75, 3/27/85), which will be brought to the agenda for discussion on a date to be announced.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Quirk, ext. 8520.

Att: (1)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

Dominican Republic--Exchange Arrangements and Exchange System

Prepared by the Western Hemisphere Department and
the Exchange and Trade Relations Department

(In consultation with the Legal Department)

Approved by Eduardo Wiesner and Manuel Guitián

March 26, 1985

On January 23, 1985, the Central Bank of the Dominican Republic adopted a series of resolutions 1/ modifying the Dominican Republic's exchange arrangements and exchange system. 2/ With effect from that date, the previously existing dual exchange markets were effectively unified, and all foreign exchange transactions now take place at market-determined exchange rates, except for transitional arrangements for foreign exchange transactions for which the peso counterpart had already been deposited with the Central Bank and certain other transactions that had already been authorized by the Monetary Board. Multiple currency practices were introduced, however, also with effect from that date, as a result of taxes levied on traditional and nontraditional exports with the aim of capturing "windfall" income associated with the depreciation of the exchange rate.

I. Background

As noted in the staff report for the 1984 consultation (SM/84/161, 7/5/84), the Dominican Republic has experienced severe external imbalances since the late 1970s, resulting in part from an inappropriate exchange rate policy that in effect subsidized imports and penalized exports. Prior to the present action, the Dominican Republic's exchange arrangements comprised for many years a dual exchange market consisting of an official market in which transactions were conducted at an exchange rate of RD$1 per U.S. dollar, and a parallel market in which transactions were conducted at a freely determined rate. The parallel exchange rate applied to any import payments ineligible for the official rate, other foreign exchange payments not approved by the Central Bank, certain capital transactions, remittances, tourist receipts, and foreign exchange earnings from most nontraditional exports. In the system in effect immediately prior to the recent measures, additional multiple currency

1/ Copies of the new resolutions were provided to a Fund staff mission which visited Santo Domingo during February 5-8, 1985.
2/ These measures represent administrative actions that are in effect pending Congressional approval as required by Dominican law.

practices resulted from: (i) an exchange incentive of RD$.48 per U.S. dollar for exports of traditional commodities, of services (except tourism), and of the value added by industrial free zones; (ii) mixing exchange rates resulting from the partial exemption from surrender requirements at the official rate for certain nontraditional exports; (iii) an exchange rate of RD$1.50 per U.S. dollar for imports of petroleum and derivatives (with the exception of fuels imported by the electricity company); and (iv) the levying of a tax on remittances of profits from foreign investments, including a surtax on the amount of this tax.

A major step toward the unification of the exchange system had been taken on April 17, 1984 when the following exchange transactions were transferred to the parallel market: (a) merchandise imports, except petroleum and petroleum products, (b) invisibles, except for payments in foreign exchange by the Government, interest payments on public debt, and interest payments on private debt registered before April 17, 1984, and (c) amortization of private debt, registered after April 17, 1984. On the same date the exchange incentive of RD$.48 per U.S. dollar mentioned above was introduced. Since late August 1984, an exchange rate of RD$1.50 per U.S. dollar was applied to imports of petroleum and petroleum products, with the exception of fuels imported by the electricity company.

II. Modifications to Exchange Arrangements and Exchange System

As a result of the new measures, all foreign exchange operations carried out by the Central Bank, except those for which, as of January 23, 1985, the peso counterpart of the obligations in foreign exchange had already been deposited with the Central Bank or those (described below) that had already been authorized by the Monetary Board, take place at the average market-determined buying and selling rates during the preceding five working days. All other transactions take place at the free market rate of the day. 1/ The staff has been informed by the Dominican authorities that the Central Bank does not intend to intervene in the foreign exchange market to influence the exchange rate.

Sales of foreign exchange proceeds from exports of specified goods and services 2/ are made at the prevailing average buying rate in the

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1/ The Central Bank now publishes daily the average buying and selling rates and the average rates of the preceding five working days; the staff will monitor these exchange rates to determine if a spread exceeding 2 percent should arise, and thus a multiple currency practice.

2/ Raw sugar, blackstrap molasses, refined sugar intended for the North American market, green coffee, roasted coffee, cocoa beans, cocoa liquor, cocoa cake, cocoa butter, leaf tobacco, gold, silver, bauxite, ferro-nickel and its derivatives, services (except tourism), and nontraditional goods.

free exchange market of the preceding five working days. "Windfall" taxes of 36 percent and 5 percent have been introduced and are to be levied at the time of surrender of foreign exchange of the local currency proceeds of nontraditional exports and traditional exports of goods and services (excluding tourism), respectively. Foreign exchange receipts from tourism are not required to be surrendered to the Central Bank. The proceeds of these taxes are credited in local currency to an exchange stabilization fund set up at the Central Bank.

As a result of the January 23, 1985 measures, the multiple currency practices resulting from the exchange incentive of RD$.48 per U.S. dollar, the exemptions from surrender requirements for certain nontraditional exports, and the special exchange rate of RD$1.50 per U.S. dollar for imports of petroleum and derivatives were eliminated.

Surrender to the Central Bank of foreign exchange earnings from exports is required within 30 days of the date of shipment, except for financed exports, for which a longer period is permitted provided that the exports are documented and guaranteed by an international instrument of payment. Surrender requirements relating to the receipts of free trade zones are to be computed on the basis of net foreign exchange positions.

For purposes of exchange control, the Foreign Exchange Department of the Central Bank will verify the documentation for import payments that are not effected by registered importers through special dollar accounts with commercial banks. Previously, these imports were settled directly abroad, without documentation being provided to the Central Bank. For public sector imports, authorization is obtained for annual foreign exchange budgets formulated by the public entities concerned, and this authorization must be furnished to the Central Bank at the time of application for foreign exchange.

Foreign exchange for settlement of certain letters of credit outstanding as of the introduction of the new system was to be provided by the Central Bank at exchange rates that differ from the unified market rate. The following transactions outstanding as of the introduction of the new system were to be settled at an exchange rate of RD$1 = US$1:

a. Those not affected by the resolution of May 10, 1984: 1/

1/ This resolution specified that, as of April 17, 1984, the Central Bank would not provide foreign exchange at the official exchange rate for the payment of letters of credit which had been opened under authorization of the Central Bank before that date.

(1) Letters of credit financed with outstanding exchange certificates that remain from a system which had been phased out before the recent measures. 1/

(2) Letters of credit approved by the Monetary Board, following recommendation by the Executive Branch;

(3) Letters of credit opened as of November 30, 1982, not included by foreign correspondent banks in the debt renegotiation signed on September 15, 1983;

b. Letters of credit approved by the Central Bank intended to cover medical expenses abroad and opened as of April 17, 1984; and

c. Letters of credit affected by the First Resolution of the Monetary Board of May 10, 1984 2/ provided that they meet each one of the following conditions:

(1) Approved by the Central Bank and opened by correspondents abroad as of April 17, 1984:

(2) Negotiated as of April 17, 1984 and whose merchandise was shipped as of that date;

(3) Cleared through customs as of April 17, 1984; and

(4) Paid for by customers to commercial banks in Dominican pesos and by the latter to the Central Bank as of April 17, 1984.

Letters of credit which met only the first three requirements listed in (c) above are to be paid by the Central Bank at an exchange rate equivalent to the average exchange rate during 1984, i.e., RD$1.62 = US$1. The relevant documentation to apply for the above exchange rates must have been presented to the Foreign Exchange Department of the Central Bank within a period of 15 days, commencing January 23, 1985. Upon expiration of that period, no requests for foreign exchange under these terms are to have been considered. Customers whose letters of credit have not met these requirements and were opened with the guarantee of collateral deposits of the Central Bank, were required to surrender to the Central Bank within 15 days, through a commercial bank, the

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1/ The exchange certificates, introduced on November 11, 1982, represented an incentive to exporters of traditional agricultural products whereby the exporter received, for a specified percentage of export proceeds, freely negotiable exchange certificates which could be used to buy imports at the official rate.

2/ This resolution specified that, as of April 17, 1984, the Central Bank would not provide foreign exchange at the official exchange rate for the payment of letters of credit which had been opened under authorization of the Central Bank before that date.

Dominican peso equivalent calculated on the basis of the selling rate in the free market in effect on the day preceding the payment date. The Central Bank has been authorized to debit the corresponding accounts of the commercial banks that issued the letters of credit.

The Monetary Board has authorized the creation of interest-bearing time deposits and noninterest-bearing sight deposits in foreign currency at the Central Bank on account of foreign exchange banks. These deposits may be made at the discretion of foreign exchange banks exclusively in foreign currency. Any sales effected by foreign exchange banks against the noninterest-bearing sight accounts must be documented.

In addition to the multiple currency practices described above, the Dominican Republic maintains exchange restrictions. All of these were noted in "Dominican Republic--Request for Stand-By Arrangement and Approval of Exchange Restrictions" (EBS/85/75, 3/27/85), which contains an appraisal of the exchange system and a staff recommendation with respect to the practices subject to Fund approval.

CENTRAL BANK OF THE DOMINICAN REPUBLIC
Santo Domingo, Dominican Republic

CERTIFICATION

I, the undersigned Dr. Agustín López Rodríguez, Secretary of the Monetary Board, do hereby CERTIFY that the following is a true copy of Monetary Board Resolution No. 1 of January 23, 1985:

"RESOLUTION NO. 1

Having regard to Executive Branch Decree No. 1476 of July 7, 1967, as amended;

Having regard to Monetary Board Resolution No. 1 of July 8, 1967, as amended;

Having regard to Monetary Board Resolution No. 1 of November 21, 1967;

Having regard to Monetary Board Resolution No. 16 of December 17, 1981;

Having regard to Monetary Board Resolution No. 2 of April 17, 1984;

Having regard to Monetary Board Resolution No. 1 of May 10, 1984;

Considering that the Monetary Board is responsible for establishing direct restrictions on imports when it deems it desirable to do so;

Considering the obligations assumed by the Monetary Board by virtue of its Resolution No. 1 of November 21, 1967;

Considering that the Monetary Board has postponed application of its Resolution No. 1 of May 10, 1984, with a view to defining the criteria to be taken into account by the Central Bank in order to comply with it;

Therefore, the Monetary Board

RESOLVES:

1. To ratify its authorization for payment of foreign currency liabilities arising from letters of credit not affected by the Resolution of May 10, 1984, which are listed below, at the exchange rate of RD$1.00 = US$1.00:

(a) Applications for letters of credit with tax credit certificates;

(b) Letters of credit with the Monetary Board's approval of payment previously recommended by the Executive Branch;

(c) Letters of credit opened by November 30, 1982 and not included by foreign correspondent banks in the debt renegotiation signed on September 15, 1983.

2. To authorize payment of letters of credit intended to cover medical expenses abroad, approved by the Central Bank and opened by April 17, 1984, including interest arising from delays in their payment, at the exchange rate of RD$1.00 = US$1.00.

3. To approve payment of the letters of credit that were effected by Monetary Board Resolution No. 1 of May 10, 1984 at the exchange rate of RD$1.00 = US$1.00, provided that they meet each of the following criteria:

(a) Letters of credit approved by the Central Bank and opened by correspondents abroad by April 17, 1984;

(b) Letters of credit negotiated by April 17, 1984 and whose merchandise was shipped by that date;

(c) Letters of credit which met the above requirements and covered imports of goods withdrawn and settled at Dominican customs by April 17, 1984;

(d) Letters of credit which met the above criteria and were paid by customers to commercial banks in Dominican pesos and by the commercial banks to the Central Bank by April 17, 1984, /provided that/ the Central Bank keeps the funds earmarked for exchange payment purposes.

4. To provide that all letters of credit that meet the first three requirements mentioned in item 3 above shall be paid by the Central Bank at an exchange rate equivalent to the weighted average cost of the foreign exchange acquired by the Central Bank during 1984, namely, RD$1.62 = US$1.00. The Central Bank will debit the accounts of the commercial banks as and when these letters of credit are cleared by the committee which is appointed below for this purpose.

5. The interest arising from overdrafts in commercial banks' correspondent accounts abroad must be paid by the customers in U.S. dollars or with the Dominican peso equivalent at the exchange rate prevailing in the free exchange market.

6. Customers whose letters of credit do not meet the above requirements and were opened with the guarantee of collateral deposits of the Central Bank must, within 15 days of the effective date of this Resolution, turn over to the Central Bank, through a commercial bank, the Dominican peso equivalent at the selling exchange rate in effect in the free exchange

market on the day preceding the date of payment. For purposes of compliance with this provision, the Central Bank shall debit the correspondent accounts of the commercial banks that handled said letters of credit.

7. A committee consisting of Mr. José C. Taveras, Auditor, Mr. Eligio Bisonó, Senior Economist, and Ms. Gladys Santana, Assistant Director of Economic Research of the Central Bank, is hereby appointed to clear the letters of credit eligible for the above provisions.

Paragraph: A period of 15 days from the effective date of this Resolution is hereby allowed to the parties concerned for presenting the relevant documentation to the Foreign Exchange Department. Once that period has expired no demand for payment under these headings shall be considered for purposes of application of the provisions of this Resolution.

8. This Resolution, which shall be published in one or more newspapers of nationwide circulation, rescinds all earlier Monetary Board provisions that conflict with it."

This certification is issued in the city of Santo Domingo, National District, Capital of the Dominican Republic, on January 28, 1985.

Dr. Agustín López Rodríguez
Secretary, Monetary Board

CENTRAL BANK OF THE DOMINICAN REPUBLIC
Santo Domingo, Dominican Republic

CERTIFICATION

I, the undersigned Dr. Agustín López Rodríguez, Secretary of the Monetary Board, do hereby CERTIFY that the following is a true copy of Monetary Board Resolution No. 6 of January 23, 1985:

"RESOLUTION NO. 6

Having regard to Article 25(r) of the Organic Law of the Central Bank, Law No. 6142 of December 29, 1962;

Having regard to Monetary Board Resolution No. 1 of November 11, 1982;

Having regard to Monetary Board Resolution No. 4 of November 17, 1983;

Having regard to Monetary Board Resolution No. 27 of May 22, 1984;

Considering that the Dominican Government has negotiated a Stand-By Arrangement with the International Monetary Fund;

Considering that the Dominican economy's current adjustment process makes it advisable to adopt measures to encourage development of productive sectors that generate foreign exchange without giving rise to serious dis-equilibria through an increase in the money supply;

Considering, moreover, that it is a function of the Central Bank of the Dominican Republic to watch over the monetary and exchange stability of the Nation;

Therefore, the Monetary Board

RESOLVES:

1. To provide that as from the date of this Resolution the surrender of foreign exchange proceeds from exports of goods and certain services, excluding the tourism sector, must be converted into national currency at the Central Bank, through commercial banks established in the country, with charge to the Export Compensation Fund.

2. Exporters of raw suger, blackstrap, molasses, furfural, refined sugar intended for the North American market, green, ground or roasted coffee, cocoa beans, cocoa liquor, cocoa cake, cocoa butter, leaf tobacco, doré, gold, silver, bauxite, ferronickel and its derivatives, services in

general, such as registration of foreign students at Dominican universities, insurance, freight, agents' commissions, communications, air and sea transport, operations of industrial and commercial free zones and exports of nontraditional goods, excluding the tourism sector, shall receive in converting their foreign exchange the amount resulting from applying the average buying exchange rate prevailing in the free exchange market during the 5 working days preceding the date of surrender of the exchange. Services appertaining to commercial free zones will be computed on the basis of their net exchange inflow or outflow.

3. Furthermore, a percentage equivalent to 36 percent of the value of exports of traditional goods and services in general, excluding tourism, and 5 percent of the value of exports of nontraditional goods shall be deducted from the national currency proceeds of the exports of goods and services mentioned in item 2 above. These funds shall be used to provide resources for the Exchange Stabilization Fund created at the Central Bank.

4. The Monetary Board will specify the operational and accounting mechanisms for the proper channeling of the resources of said Fund.

5. This Resolution shall be in force for one year. The Manager of the Central Bank shall submit a quarterly report to the Monetary Board for purposes of evaluating its provisions.

6. The Manager of the Central Bank shall adopt such measures as he deems necessary for faithful compliance with the above provisions.

7. This Resolution, which shall be published in one or more newspapers of broad nationwide circulation, amends and/or supersedes all earlier Monetary Board provisions that conflict with it."

This certification is issued in the city of Santo Domingo, National District, Capital of the Dominican Republic, on January 29, 1985.

Dr. Agustín López Rodríguez
Secretary, Monetary Board

ATTACHMENT III

CENTRAL BANK OF THE DOMINICAN REPUBLIC
Santo Domingo, Dominican Republic

CERTIFICATION

I, the undersigned Dr. Agustín López Rodríguez, Secretary of the Monetary Board, do hereby CERTIFY that the following is a true copy of Monetary Board Resolution No. 11 of January 23, 1985:

"RESOLUTION NO. 12

Having regard to Monetary Board Resolution No. 2 of April 17, 1984, as amended;

Having regard to Monetary Board Resolution No. 1 of May 10, 1984;

Having regard to Monetary Board Resolution No. 2 of August 30, 1984;

Considering that the Dominican State intends to sign a Stand-By Arrangement with the International Monetary Fund, for which it must previously adopt a series of adjustment measures;

Considering that notable among these measures is a continuation of the process initiated several months ago regarding the gradual elimination of price subsidies for fuels and fuel derivatives;

Considering that formalization of said Arrangement constitutes the principal instrument for achieving a substantial improvement in the country's precarious economic situation under an adjustment and stabilization program;

Therefore, the Monetary Board

RESOLVES:

1. To provide that all foreign exchange payment operations and exchange operations in general effected by the Central Bank shall henceforth be carried out at the average buying or selling rate prevailing in the free exchange market during the 5 working days preceding the moment of the operation. These operations shall be channeled through the Export Compensation Fund operating in the commercial banking system, according to the nature of the operation.

Paragraph: The preceding provision shall not apply to foreign exchange conversion obligations for which Dominican pesos are on deposit with the Central Bank or to those that have already been duly authorized by the Monetary Board.

2. For the purposes of this provision, the Central Bank shall publish daily the average buying and selling rates for the day and the average rates for the five immediately preceding working days.

3. The Management of the Central Bank is hereby entrusted with the task of establishing any mechanisms required to implement this Resolution.

4. This Resolution shall be published in one or more newspapers of nationwide circulation and amends and/or supersedes all earlier Monetary Board provisions that conflict with it."

This certification is issued in the city of Santo Domingo, National District, Capital of the Dominican Republic, on January 29, 1985.

Dr. Agustín López Rodríguez
Secretary, Monetary Board

CENTRAL BANK OF THE DOMINICAN REPUBLIC
Santo Domingo, Dominican Republic

CERTIFICATION

I, the undersigned Dr. Agustín López Rodríguez, Secretary of the Monetary Board, do hereby CERTIFY that the following is a true copy of Monetary Board Resolution No. 13 of January 23, 1985:

"RESOLUTION NO. 13

Having regard to the Monetary Law, Law No. 1528 of October 9, 1947;

Having regard to the Organic Law of the Central Bank, Law No. 6142 of December 29, 1962;

Having regard to Law No. 467 of November 2, 1976, establishing the National Register of Importers;

Having regard to Monetary Board Resolution No. 2 of April 17, 1984;

Considering that the monetary authorities are responsible for promoting and maintaining the monetary, exchange and credit conditions most favorable to the stability and appropriate development of the national economy;

Considering that the functions proper to the Central Bank in the external sector are temporarily scattered at present, requiring new arrangements to enable the monetary authorities to have available adequate information on external payments;

Considering, moreover, that it is desirable and necessary that all import payments be made through the national banking system;

Therefore, the Monetary Board

RESOLVES:

1. To provide that the documentation for the payment of imports of goods and services effected by natural or juridical persons duly registered in the National Register of Importers referred to in Law No. 467 of July 7, 1976, but not effected through special dollar accounts with commercial banks, shall be handled by said banks through the Foreign Exchange Department of the Central Bank irrespective of the source of the foreign exchange used to pay for said imports.

2. To this end, the parties concerned shall attach the documents required by said Department, which shall record the applications in chronological order of their receipt.

3. After verifying that the import is properly documented, the Foreign Exchange Department shall return the documentation to the commercial bank within not more than 5 working days of its receipt, in order for the latter to request the foreign exchange from the party concerned and effect the corresponding transfer to cover the import payment.

4. The documents pertaining to the payment made shall be sent by the commercial bank to the Foreign Exchange Department within not more than 5 working days for purposes of verification, attaching a voucher duly issued by a commercial bank or exchange bank authorized to effect foreign currency exchange operations and showing the source of the exchange.

5. For imports by public sector enterprises, authorizations for import operations must be contained in the Annual Foreign Exchange Requisition Program to be furnished by said enterprises to the Central Bank. Said program must agree with each entity's annual budget.

6. Any delay in submitting or failure to submit the import documents shall entail application of surcharges and/or sanctions to the commercial bank through which the operation was effected. For these purposes, the Financial Department of the Central Bank shall prepare a schedule of surcharges and/or sanctions for delays in submitting documents or failure to submit them, which shall in due course be sent to the commercial banks following approval by the Monetary Board.

7. If, in checking the documents, irregularities are found in the terms and conditions originally authorized by the Central Bank, the commercial bank shall be subject to the sanctions established in accordance with the provisions of item 6 above.

8. Imports of goods and services effected with financing from foreign suppliers or banks shall comply with the requirements laid down in Resolution No. 2 of May 10, 1984, on registration without a foreign exchange obligation.

9. This Resolution, which shall be published in one or more newspapers of nationwide circulation, rescinds all earlier Monetary Board provisions that conflict with it."

This certification is issued in the city of Santo Domingo, National District, Capital of the Dominican Republic, on January 29, 1985.

Dr. Agustín López Rodríguez
Secretary, Monetary Board

CENTRAL BANK OF THE DOMINICAN REPUBLIC
Santo Domingo, Dominican Republic

CERTIFICATION

I, the undersigned Dr. Agustín López Rodríguez, Secretary of the Monetary Board, do hereby CERTIFY that the following is a true copy of Monetary Board Resolution No. 16 of January 23, 1985:

"RESOLUTION NO. 16

Having regard to Article 16, as amended, of the Monetary Law, Law No. 1528 of October 9, 1965;

Having regard to Monetary Board Resolution No. 2 of November 18, 1971;

Having regard to Monetary Board Resolution No. 5 of November 17, 1983;

Considering that, in accordance with the mechanism established for the opening of special dollar accounts with commercial banks operating in the Dominican Republic, external payments made through said accounts must be duly justified but said entities are not required to send the pertinent documents to the Central Bank;

Considering that to complete the said mechanism it has become necessary to require that the documentation referred to be sent to the Foreign Exchange Department of the Central Bank, as part of the monetary and exchange measures adopted by the Monetary Board today within its sphere of competence;

Therefore, the Monetary Board

RESOLVES:

To add a paragraph II to item 1 of Monetary Board Resolution No. 5 of November 17, 1983, reading as follows:

> 'Paragraph II. The documentation referred to in this item shall be sent to the Foreign Exchange Department of the Central Bank within not more than 5 working days from the date on which the payment is made.'

This certification is issued in the city of Santo Domingo, National District, Capital of the Dominican Republic, on January 30, 1985.

Dr. Agustín López Rodríguez
Secretary, Monetary Board

CENTRAL BANK OF THE DOMINICAN REPUBLIC
Santo Domingo, Dominican Republic

CERTIFICATION

I, the undersigned Dr. Agustín López Rodríguez, Secretary of the Monetary Board, do hereby CERTIFY that the following is a true copy of Monetary Board Resolution No. 17 of January 23, 1985:

"RESOLUTION NO. 17

Having regard to the Monetary Law, Law No. 1528 of October 9, 1947;

Having regard to the Organic Law of the Central Bank, Law No. 6142 of December 29, 1962;

Having regard to Monetary Board Resolution No. 25 of October 6, 1983;

Having regard to Monetary Board Resolution No. 3 of January 23, 1984;

Having regard to Monetary Board Resolution No. 1 of April 17, 1984, as amended;

Considering that in the present circumstances it has become necessary to adopt measures which not only encourage the development of exports of goods and services but also give them an exchange value in national currency in terms of the exchange rate prevailing on the free exchange market;

Considering, moreover, that the existence of a bank transit and the delay entailed by this practice affects the Central Bank's programming of its foreign exchange balance, with a negative impact on the fulfillment of its obligations for repayment of the external debt and petroleum imports;

Therefore, the Monetary Board

RESOLVES:

1. To provide that henceforth the conversion of foreign exchange proceeds of traditional exports shall be effected in accordance with the following rules:

(a) At the time of shipment, the exporter or his local bank shall indicate to the Central Bank the foreign bank which will make the export payment and shall authorize the transfer of the funds abroad to such account and bank as the Central Bank may indicate.

(b) Within no more than 48 hours of its receipt of the cable advice that the deposit has been made, the Central Bank will effect a credit in national currency to the account of the local bank in favor of the exporter customer as provided in existing regulations.

(c) The commercial bank shall credit the exporter's account with the corresponding amounts in Dominican pesos, deducting its commissions for acting as agent bank in the transfer.

(d) For purposes of the system described above, the Foreign Exchange Department of the Central Bank shall work out such operational procedures as it deems necessary.

2. The period for surrender of the foreign exchange to the Central Bank in respect of exports shall not exceed 30 days from the date of shipment. For financed exports, longer periods will be permitted, provided said exports are documented and guaranteed by an international payment instrument stating the terms of the financing.

3. In the event an exporter violates the periods mentioned in item 2 above, he will incur a surcharge on the foreign exchange value of the export, in accordance with a scale to be prepared by the Foreign Exchange Department of the Central Bank subject to approval by the Monetary Board.

4. Exports carried out under the barter or countertrade scheme provided for in Decree No. 2005 of May 17, 1984 are excepted from the application of this system.

5. The Exchange Department of the Central Bank shall work out such additional administrative procedures as it deems necessary for faithful compliance with this Resolution.

6. This Resolution, which shall be published in one or more newspapers of nationwide circulation, rescinds and/or amends all earlier Monetary Board provisions that conflict with it."

This certification is issued in the city of Santo Domingo, National District, Capital of the Dominican Republic, on January 29, 1985.

Dr. Agustín López Rodríguez
Secretary, Monetary Board

CENTRAL BANK OF THE DOMINICAN REPUBLIC
Santo Domingo, Dominican Republic

CERTIFICATION

I, the undersigned Dr. Agustín López Rodríguez, Secretary of the Monetary Board, do hereby CERTIFY that the following is a true copy of Monetary Board Resolution No. 18 of January 23, 1985:

"RESOLUTION NO. 18

Having regard to Article 16, as amended, of Law No. 1528 of October 9, 1947;

Having regard to Executive Branch Decree No. 1482 of July 10, 1967;

Having regard to Monetary Board Resolution No. 2 of November 18, 1971;

Having regard to Monetary Board Resolution No. 8 of August 24, 1982;

Having regard to Monetary Board Resolution No. 16 of August 11, 1983, as amended;

Having regard to Monetary Board Resolution No. 5 of November 17, 1983;

Considering that the national authorities have begun to implement an adjustment and stabilization program aimed at eliminating the economy's internal and external deficits and ensuring a more rational and efficient use of the foreign exchange generated by the Dominican Republic;

Considering that in the present circumstances it is desirable to integrate, consolidate and streamline our system of international payments for several reasons, including the aim of restoring the nation's credit image;

Considering that the monetary authorities are responsible for promoting and maintaining the monetary, exchange and credit conditions most favorable to the stability and appropriate development of the national economy;

Therefore, the Monetary Board

RESOLVES:

1. To authorize the creation of a system of foreign currency deposits by exchange banks in remunerated and nonremunerated accounts at the Central Bank. These deposits shall be made exclusively in foreign currency, in cash.

2. All sales of foreign exchange effected by exchange banks against deposits in the nonremunerated accounts referred to in item 1 above shall be duly documented.

3. The Superintendency of Banking and the Financial Department of the Central Bank shall ensure faithful compliance with this Resolution.

4. This Resolution which shall be published in one or more newspapers of nationwide circulation, rescinds all earlier Monetary Board provisions that conflict with it."

This certification is issued in the city of Santo Domingo, National District, Capital of the Dominican Republic, on January 29, 1985.

Dr. Agustín López Rodríguez
Secretary, Monetary Board