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2014

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[1] These chapters are available on AREAER Online (www.elibrary-areaer.imf.org/). The term "country," as used in this publication, does not in all cases refer to a territorial entity that is a state as understood by international law and practice; the term also covers some territorial entities that are not states but for which statistical data are maintained and provided internationally on a separate and independent basis.

Kyrgyz Republic
Lao P.D.R.
Latvia
Lebanon
Lesotho
Liberia
Libya
Lithuania
Luxembourg
Former Yugoslav Republic of Macedonia
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Norway
Oman
Pakistan
Palau
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Poland
Portugal
Qatar
Romania
Russia
Rwanda
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Samoa
San Marino
São Tomé and Príncipe
Saudi Arabia
Senegal
Serbia
Seychelles
Sierra Leone
Singapore
Slovak Republic
Slovenia
Solomon Islands
Somalia
South Africa
South Sudan
Spain
Sri Lanka
Sudan
Suriname
Swaziland
Sweden
Switzerland
Syria
Tajikistan
Tanzania
Thailand
Timor-Leste
Togo
Tonga
Trinidad and Tobago
Tunisia
Turkey
Turkmenistan
Tuvalu
Uganda
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay
Uzbekistan
Vanuatu
Venezuela
Vietnam
Yemen
Zambia
Zimbabwe

Preface

The *Annual Report on Exchange Arrangements and Exchange Restrictions* has been published by the IMF since 1950. It draws on information available to the IMF from a number of sources, including that provided in the course of official staff visits to member countries, and has been prepared in close consultation with national authorities.

This project was coordinated in the Monetary and Capital Markets Department by a staff team directed by Karl F. Habermeier and comprising Chikako Baba, Ricardo Cervantes, Salim Darbar, Ivett Jamborne Hankoczy, Annamaria Kokenyne, and Viktoriya Zotova. It draws on the specialized contribution of that department (for specific countries), with assistance from staff members of the IMF's five area departments, together with staff of other departments. The Special Topic was prepared by Viktoriya Zotova. The report was edited and produced by Linda Griffin Kean, Gregg Forte, and Lucy Scott Morales of the Communications Department.

Abbreviations

AANZFTA	ASEAN–Australia–New Zealand Free Trade Agreement
ACU	Asian Clearing Union (Bangladesh, Bhutan, India, Islamic Republic of Iran, Maldives, Myanmar, Nepal, Pakistan, Sri Lanka)
AD	Authorized dealer
AFTA	ASEAN Free Trade Area (see ASEAN, below)
AGOA	African Growth and Opportunity Act (United States)
AMU	Asian monetary unit
ASEAN	Association of Southeast Asian Nations (Brunei Darussalam, Cambodia, Indonesia, Lao P.D.R., Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam)
BCEAO	Central Bank of West African States (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo)
BEAC	Bank of Central African States (Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, Gabon)
CACM	Central American Common Market (Belize, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua)
CAFTA	Central American Free Trade Agreement
CAP	Common agricultural policy (of the EU)
CARICOM	Caribbean Community and Common Market (Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago); The Bahamas is also a member of CARICOM, but it does not participate in the Common Market
CB	Central bank
CEFTA	Central European Free Trade Area (Bulgaria, Hungary, Poland, Romania, Slovak Republic, Slovenia)
CEMAC	Central African Economic and Monetary Community (members of the BEAC)
CEPGL	Economic Community of the Great Lakes Countries (Burundi, Democratic Republic of the Congo, Rwanda)
CET	Common external tariff
CFA	Communauté financière d'Afrique (administered by the BCEAO) and Coopération financière en Afrique centrale (administered by the BEAC)
CIMA Code	Chartered Institute of Management Accountants Code of Ethics for Professional Accountants
CIS	Commonwealth of Independent States (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan)
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CMA	Common Monetary Area (a single exchange control territory comprising Lesotho, Namibia, South Africa, and Swaziland)
CMEA	Council for Mutual Economic Assistance (dissolved; formerly Bulgaria, Cuba, Czechoslovakia, German Democratic Republic, Hungary, Mongolia, Poland, Romania, U.S.S.R., Vietnam)

Note: This list does not include acronyms of purely national institutions mentioned in the country chapters.

COMESA	Common Market for Eastern and Southern Africa (Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe)
EAC	East African Community
EBRD	European Bank for Reconstruction and Development
EC	European Council (Council of the European Union)
ECB	European Central Bank
ECCB	Eastern Caribbean Central Bank (Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines)
ECCU	Eastern Caribbean Currency Union
ECOWAS	Economic Community of West African States (Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo)
ECSC	European Coal and Steel Community
EEA	European Economic Area
EFSF	European Financial Stability Facility
EFSM	European Financial Stability Mechanism
EFTA	European Free Trade Association (Iceland, Liechtenstein, Norway, Switzerland)
EIB	European Investment Bank
EMU	European Economic and Monetary Union (Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, Netherlands, Portugal, Slovak Republic, Slovenia, Spain)
EPZ	Export processing zone
ERM	Exchange rate mechanism (of the European monetary system)
EU	European Union (formerly European Community; Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom)
FATF	Financial Action Task Force on Money Laundering (of the OECD)
FDI	Foreign direct investment
FEC	Foreign exchange certificate
FSU	Former Soviet Union
G7	Group of Seven advanced economies (Canada, France, Germany, Italy, Japan, United Kingdom, United States)
GAFTA	Greater Arab Free Trade Agreement
GCC	Gulf Cooperation Council (Cooperation Council for the Arab States of the Gulf; Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates)
GSP	Generalized System of Preferences
IBRD	International Bank for Reconstruction and Development (World Bank)
IMF	International Monetary Fund
LAIA	Latin American Integration Association (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela)
LC	Letter of credit
LIBID	London interbank bid rate

LIBOR	London interbank offered rate
MERCOSUR	Southern Cone Common Market (Argentina, Brazil, Paraguay, Uruguay, Venezuela)
MFN	Most favored nation
MOF	Ministry of finance
NAFTA	North American Free Trade Agreement
OECD	Organisation for Economic Co-operation and Development
OECS	Organization of Eastern Caribbean States (Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines)
OGL	Open general license
OTC	Over the counter
PACER	Pacific Agreement on Closer Economic Relations (of the Pacific Islands Forum; Australia, Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu)
PICTA	Pacific Island Countries Trade Agreement (of the Pacific Islands Forum); Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu)
RCPSFM	Regional Council on Public Savings and Financial Markets (an institution of WAEMU countries that is involved in issuance and marketing of securities)
RIFF	Regional Integration Facilitation Forum (formerly Cross-Border Initiative; Burundi, Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe)
SACU	Southern African Customs Union (Botswana, Lesotho, Namibia, South Africa, Swaziland)
SADC	Southern Africa Development Community (Angola, Botswana, Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe)
SDRs	Special drawing rights
UCITS	Undertakings for the Collective Investment of Transferable Securities
UDEAC	Central African Customs and Economic Union (Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, Gabon)
UN	United Nations
UNSC	UN Security Council
VAT	Value-added tax
WAEMU	West African Economic and Monetary Union (formerly WAMU; members of the BCEAO)
WAMA	West African Monetary Agency (formerly WACH)
WAMZ	West African Monetary Zone
W-ERM II	Exchange rate mechanism (of the WAMZ)
WTO	World Trade Organization

Overview

This is the 65th issue of the *Annual Report on Exchange Arrangements and Exchange Restrictions* (AREAER), which provides a yearly description of the foreign exchange arrangements, exchange and trade systems, and capital controls of all IMF member countries.[1] The AREAER reports on restrictions in effect under Article XIV, Section 2, of the IMF's Articles of Agreement in accordance with Section 3 of Article XIV, which mandates annual reports on such restrictions.[2] It also provides information related to Paragraph 25 of the 2012 Integrated Surveillance Decision, which restates the obligation of each member country under the IMF's Articles of Agreement to notify the IMF of the exchange arrangement it intends to apply and any changes in that arrangement.[3]

The AREAER goes beyond these, however, to provide a comprehensive description of global exchange and trade systems. It describes restrictions on current international payments and transfers and multiple currency practices (MCPs) maintained under Article XIV of the IMF's Articles of Agreement as well as those subject to the IMF's jurisdiction in accordance with Article VIII, Sections 2(a) and 3.[4] The report also provides information on the operation of foreign exchange markets, controls on international trade, controls on capital transactions, and measures implemented in the financial sector, including prudential measures. In addition, the AREAER reports on exchange measures imposed by member countries for security reasons, including those notified to the IMF in accordance with relevant decisions by the IMF Executive Board.[5]

The AREAER also provides detailed information on the exchange rate arrangements of member countries: the de jure arrangements as described by the countries and the de facto exchange rate arrangements, which are classified into 10 categories (Table 1). This classification is based on the information available on members' de facto arrangements, as analyzed by the IMF staff, which may differ from countries' officially announced (de jure) arrangements. The methodology and the characteristics of the categories are described in the Compilation Guide included in this report.

Table 1. Classification of Exchange Rate Arrangements

Type	Categories				
Hard pegs	Exchange arrangement with no separare legal tender	Currency board arrangement			
Soft pegs	Conventional peg	Pegged exchange rate within horizontal bands	Stabilized arrangement	Crawling peg	Crawl-like arrangement
Floating regimes (market-determined rates)	Floating	Free floating			
Residual	Other managed arrangement				

Note: This methodology became effective on February 2, 2009, and reflects an attempt to provide greater consistency and objectivity of exchange rate classifications across countries and to improve the transparency of the IMF's bilateral and multilateral surveillance in this area.

[1] In addition to the 188 IMF member countries, the report includes information on Hong Kong SAR (China) as well as Aruba and Curaçao and Sint Maarten (all in the Kingdom of the Netherlands).

[2] The IMF Articles of Agreement are available at www.imf.org/external/pubs/ft/aa/index.htm.

[3] www.imf.org/external/np/sec/pn/2012/pn1289.htm.

[4] The information on restrictions and MCPs consists of verbatim quotes from each country's most recent published IMF staff report as of December 31, 2013, and represents the views of the IMF staff, which may not necessarily have been endorsed by the IMF Executive Board. In cases in which the information is drawn from IMF staff reports that have not been made public, the quotes have been included with the express consent of the member country. In the absence of such consent, the relevant information is reported as "not publicly available." Any changes to these restrictions and MCPs implemented after the relevant IMF report has been issued will be reflected in the subsequent issue of the AREAER that covers the year during which the IMF staff report with information on such changes is issued.

[5] The information on exchange measures imposed for security reasons is based solely on information provided by country authorities.

Several tools help navigate and interpret the findings of this report. A single table compares the characteristics of the exchange and trade systems of all IMF member countries: Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries. The Country Table Matrix lists the categories of data reported for each country, and the Compilation Guide includes definitions and explanations used to report the data.

The AREAER is available in several formats. This Overview is available in print and online, and the detailed information for each of the 191 member countries and territories is included on a CD that accompanies the printed Overview and is in the AREAER Online database. In addition, the AREAER Online contains data published in previous issues of the AREAER and is searchable by year, country, and category of measure and allows cross-country comparisons for time series.[6]

Overall Developments

In general, the AREAER includes a description of exchange and trade systems as of December 31, 2013. However, any changes made to member countries' exchange rate arrangements before April 30, 2014, are reflected in the report as are some other developments through July 30, 2014.[7] During this period, there was additional foreign exchange liberalization accompanied by continuing efforts to bolster financial sector regulatory frameworks against a backdrop of the slow global emergence from the Great Recession and heightened capital flow volatility. Global activity strengthened in the second half of 2013, driven primarily by recovery in the advanced economies, while macroeconomic imbalances increased in some emerging market economies. Nonetheless, the global recovery remained fragile, and new geopolitical risks emerged.

After a prolonged period of strong portfolio inflows, emerging markets faced both a transition to more volatile external conditions and higher risk premiums. These economies were profoundly affected by market reactions to the anticipated discontinuation by the United States of the extraordinary monetary policies implemented to spur growth in the aftermath of the global financial crisis. When the Federal Reserve signaled steps toward normalizing monetary policy in May 2013, investors withdrew from emerging market economies, causing their exchange rates to depreciate and their interest rates to rise sharply. After this broad-based initial reaction, investors began to differentiate more among economies, focusing on those with large external financing needs or other macroeconomic imbalances. In mid-January 2014 there was another, smaller outbreak of turmoil.

This renewed increase in financial volatility highlights the challenges for emerging market economies posed by the changing external environment. Countries with relative weaknesses such as higher inflation or wider current account deficits were generally more affected. Although such weaknesses are not new, prospects of improved returns in advanced economies have made investor sentiment less favorable toward emerging market risks.

On a global basis, improved market conditions allowed a return to more stable exchange rate regimes and facilitated the easing of controls on current and capital transactions, but concerns about capital flow volatility may be the motivation behind the tightening of capital controls and the imposition of restrictions that occurred in some countries. There were also additional reforms in the financial sector regulatory framework, part of broader steps to address legacy risks from the global financial crisis. In particular, the euro area moved toward a more robust and safer financial sector, and stronger regulatory standards for the global banking system were phased in.

The 2014 AREAER documents the following major trends and significant developments:

- Exchange rate arrangements continued gravitating toward more stable arrangements amid the slow recovery of both global growth and global financial conditions. There was a decline in the residual category (other managed arrangements) over the past two years, with a simultaneous increase in the number of countries

[6] For further information on these resources, see www.imf.org/external/publications/index.htm, www.imfbookstore.org, or www.elibrary-areaer.imf.org/

[7] The date of the latest reported development is indicated for each country in the country chapters.

with a soft peg, and an overall shift away from flexible arrangements. This is likely a reflection of recurring pressure on the currencies of emerging market economies as a result of capital flow volatility, which may have contributed to increased exchange rate management.

- Fewer than half of member countries now use the exchange rate as the anchor for monetary policy, continuing the trend toward monitoring multiple indicators. The U.S. dollar remained the dominant exchange rate anchor, although the number of countries anchoring continued to decline.
- Exchange rate intervention again increased in emerging market economies, as during 2012, reflecting the bouts of exchange market pressure caused by heightened capital flow volatility. The major advanced economies reported no foreign exchange interventions. There was continued use of foreign exchange auctions as a tool for managing foreign reserves and as a vehicle for foreign exchange interventions. Such auctions are often used in less-developed foreign exchange markets because they are transparent, and this was again the case during this past year.
- Foreign exchange market structures continued to modernize, and market-based arrangements increased, leaving fewer countries with foreign exchange standing facilities and allocation systems. Countries overwhelmingly tightened taxes on foreign exchange transactions as part of broader efforts to increase tax revenues, reduce dollarization, contain the profitability of the private financial sector, or address pressures on exchange rates.
- The number of IMF member countries accepting the obligations of Article VIII, Sections 2(a), 3, and 4, remained 168, with no new acceptances. Twenty IMF members avail themselves of the transitional arrangement under Article XIV.
- Member countries moved toward greater current account openness. Regulatory conditions for import transactions and payments for invisibles mostly eased, but the recent trend toward liberalization reversed during this reporting period with respect to exports and export proceeds. A number of restrictive measures were eliminated, but the total number of exchange restrictions on current payments and transfers increased, particularly with respect to payments for invisible transactions, in response to balance of payments pressures. The overall increase in exchange restrictions on current payments and transfers also reflects improved reporting by members.
- The trend toward greater overall liberalization of capital transactions continued. Easing measures predominated for both inflows and outflows, despite an increase in the total number of measures reported in 2013. Most measures affected capital and money market instruments and were aimed at easing outflows more than inflows, as was the case during 2012. This trend may reflect further globalization, the financial deepening of emerging markets, and the greater share of portfolio flows in total capital flows to emerging markets, particularly since the financial crisis, as investors search for yield. Tightening measures on outflows included those designed to shore up reserves and ease pressure on the domestic exchange market. The liberalization trend was also pronounced in foreign direct investment, which began to moderate with the decline in global commodity prices.
- Developments in the financial sector reflect ongoing efforts to bolster the regulatory framework and implement reforms while easing or removing capital controls on the operations of market participants. Member countries continued to strengthen the prudential framework of banks' operations to address the legacy of the global financial crisis. Capital controls were eased as part of broader capital flow liberalization plans in some countries. In some emerging market economies, this was a regulatory response to bouts of capital flow volatility during the reporting period, and in other countries it was part of broader reforms to develop the financial sector. Prudential requirements were revised in many countries to enhance the liquidity, solvency, and risk management of the financial sector and facilitate banks' recovery. Reserve requirements were used extensively to implement monetary policy, reduce dollarization, or respond to changes in capital flows.

The remainder of this Overview highlights the major developments covered in the individual country chapters that are part of this report (these country chapters are on the CD that accompanies the printed version of the Overview and are available through AREAER Online).

Developments in Exchange Arrangements

This section documents major changes and trends in the following related areas: exchange rate arrangements, intervention, monetary anchors, and the operation and structure of foreign exchange markets. It also reports on significant developments with respect to exchange taxes, exchange rate structures, and national currencies. There are nine tables within this section. Table 2 summarizes the detailed descriptions in the country chapters by reporting each IMF member country's monetary policy framework as indicated by country officials and the classification of their de facto exchange rate arrangements. Table 3 breaks down countries' de facto exchange rate arrangements for 2008–14. Table 4 highlights changes in the reclassification of the de facto exchange rate arrangements between January 1, 2013, and April 30, 2014. Table 5 outlines IMF member countries' monetary anchors, and Table 6 reports other changes related to the exchange rate and monetary policy frameworks. Table 7 presents the structure of the foreign exchange markets among the membership. Finally, Table 8.a reports changes regarding foreign exchange markets, and Tables 8.b and 8.c report changes in currency and exchange rate structures and exchange subsidies and taxes, respectively.

Exchange Rate Arrangements

- Other managed arrangements. There was a slight decline during 2013 in the number of countries following an exchange rate arrangement classified in this residual category, against the backdrop of a shift toward more predictable exchange rate management since 2009. The number of countries in this category decreased to its lowest level since 2011. This exchange rate arrangement is characteristic of periods during which volatile foreign exchange market conditions hinder the use of more clearly defined exchange rate arrangements. Its use has diminished with the slow recovery of global growth and the slow improvement of financial conditions since the worst of the global financial crisis. Although the number of other managed arrangements declined only by 1 to 18, there were 13 changes in the reporting period. Six countries joined this group: Cambodia (previously stabilized), Costa Rica (previously stabilized), Czech Republic (previously free floating), The Gambia (previously floating), Pakistan (previously floating), and Rwanda (previously crawl like). Of the 7 countries that left this group, 2 (Malawi and Paraguay) meet the criteria for a floating arrangement, 3 moved to a stabilized arrangement (Bangladesh, Burundi, Guinea), and 2 were classified as having a crawl-like arrangement (Belarus and Switzerland).
- No separate legal tender; currency boards. There were no changes among the countries that have no separate legal tender or have currency boards. This is not surprising given that countries with these arrangements tend to maintain their exchange rate policies unless there are large structural changes in their economies that force a change.
- Soft pegs. Recurring pressures on the currencies of many emerging market economies as a result of capital flow volatility may have contributed to an overall shift toward increased exchange rate management since 2008. A few of the member countries that had previously used a soft peg stopped doing so between April 2011 and April 2012, but the number of soft pegs increased again between April 2013 and April 2014, reaching its highest level since 2008 (Table 3). Countries with soft pegs represent the single largest exchange rate arrangement category—equal to the combined number of floating and other managed arrangements and accounting for 43.5 percent of all members.
- Conventional pegs. The number of countries with a conventional peg arrangement declined by 1, to 44, when Latvia adopted the euro on January 1, 2014, and its exchange rate arrangement changed from a conventional peg to de jure free floating. Latvia is the 18th member of the European Economic and Monetary Union (EMU).
- Stabilized arrangements. The number of countries with stabilized arrangements increased from 19 to 21. There were 12 changes in this category between April 2013 and April 2014, and most of this movement involved other soft pegs. One country moved to a stabilized arrangement from floating (Sri Lanka), and 1 moved from stabilized to floating (Georgia). Six other countries joined this group: 3 previously classified as crawl like (Egypt, Kazakhstan, Singapore) and 3 previously classified as other managed (Bangladesh, Burundi, Guinea). Two countries (Costa Rica, Georgia) returned to their exchange rate arrangement in the previous reporting period—other managed arrangement and floating, respectively. The other 3 countries that left the stabilized arrangement moved to a crawl-like arrangement (Lao P.D.R.), other managed arrangement (Cambodia), and floating arrangement (Ukraine). The large number of changes involving other soft pegs may reflect the tendency of countries with such arrangements to change the way they manage their exchange rate in response to events in the external environment, including differences in inflation across countries, capital flow pressures, and new trends in world trade.
- Crawl-like arrangements. The number of countries with these arrangements remained at 15, unchanged from the previous reporting period, but 5 countries moved into this category, while 5 left it. The number of crawl-like arrangements has increased significantly since 2008, which may reflect increased interventions in response to one-sided exchange rate pressure

or the unintentional outcome of foreign exchange reserve management in a shallow market. One country, Seychelles, maintained a crawl-like arrangement temporarily but then returned to its previous arrangement (floating). The other 4 that were classified as crawl-like arrangements are Lao P.D.R. (previously stabilized), Armenia and Guatemala (previously floating), and Switzerland (previously other managed). Of the 5 countries that left this group, 2 (Kazakhstan and Singapore) moved to a stabilized arrangement, 1 (Rwanda) moved to other managed, and 2 reverted to their arrangement in the previous reporting period: stabilized (Egypt) and floating (Indonesia).

- Pegged exchange rate within horizontal bands. Only Tonga has this arrangement. Two additional countries have de jure pegged exchange rates within horizontal bands, but 1 has a de facto stabilized arrangement (Maldives) and the other a de facto other managed arrangement (Syria).
- Floating arrangements. The number of countries with floating arrangements increased by 1 to 36, and there were also 13 changes in the composition of the group. Seven countries entered this category. Two of these (Georgia, Ukraine) previously had stabilized arrangements; 2 (Indonesia, Seychelles) previously had crawl-like arrangements; 2 (Malawi, Paraguay) previously had other managed arrangements; and 1 (Israel) previously had a floating arrangement. Six countries left this category: 3 (Armenia, Guatemala, Seychelles—temporarily) moved to crawl-like arrangements; 2 (The Gambia, Pakistan) moved to other managed arrangements; and 1 (Sri Lanka) was reclassified to a stabilized arrangement.
- Free floating. The number of countries with free-floating arrangements declined by 1, to 29. There were 3 changes in this group: 2 countries (Israel, Czech Republic) were reclassified as floating and other managed, respectively, and Latvia (previously conventional peg) was reclassified as free floating when it joined the EMU. The reclassification of the exchange rate arrangements of Israel and the Czech Republic is a reflection of increased intervention. Israel announced a multiyear foreign exchange purchase plan to offset the effect of natural gas production on the exchange rate to complement its discretionary interventions. With inflation below target and continued undershooting expected, the Czech National Bank announced November 7, 2013, that it would intervene in the foreign exchange market to weaken the koruna so that the exchange rate against the euro remained close to CZK 27 per euro. The target is asymmetric: the Czech National Bank will not intervene to strengthen the currency toward that level.

Table 2. De Facto Classification of Exchange Rate Arrangements and Monetary Policy Frameworks, April 30, 2014

The classification system is based on the members' actual, de facto arrangements as identified by IMF staff, which may differ from their officially announced, de jure arrangements. The system classifies exchange rate arrangements primarily on the basis of the degree to which the exchange rate is determined by the market rather than by official action, with market-determined rates being on the whole more flexible. The system distinguishes between four major categories: hard pegs (such as exchange arrangements with no separate legal tender and currency board arrangements); soft pegs (including conventional pegged arrangements, pegged exchange rates within horizontal bands, crawling pegs, stabilized arrangements, and crawl-like arrangements); floating regimes (such as floating and free floating); and a residual category, other managed. This table presents members' exchange rate arrangements against alternative monetary policy frameworks to highlight the role of the exchange rate in broad economic policy and illustrate that different exchange rate regimes can be consistent with similar monetary frameworks. The monetary policy frameworks are as follows:

Exchange rate anchor

The monetary authority buys or sells foreign exchange to maintain the exchange rate at its predetermined level or within a range. The exchange rate thus serves as the nominal anchor or intermediate target of monetary policy. These frameworks are associated with exchange rate arrangements with no separate legal tender, currency board arrangements, pegs (or stabilized arrangements) with or without bands, crawling pegs (or crawl-like arrangements), and other managed arrangements.

Monetary aggregate target

The monetary authority uses its instruments to achieve a target growth rate for a monetary aggregate, such as reserve money, M1, or M2, and the targeted aggregate becomes the nominal anchor or intermediate target of monetary policy.

Inflation-targeting framework

This involves the public announcement of numerical targets for inflation, with an institutional commitment by the monetary authority to achieve these targets, typically over a medium-term horizon. Additional key features normally include increased communication with the public and the markets about the plans and objectives of monetary policymakers and increased accountability of the central bank for achieving its inflation objectives. Monetary policy decisions are often guided by the deviation of forecasts of future inflation from the announced inflation target, with the inflation forecast acting (implicitly or explicitly) as the intermediate target of monetary policy.

Other

The country has no explicitly stated nominal anchor, but rather monitors various indicators in conducting monetary policy. This category is also used when no relevant information on the country is available.

Table 2 (continued)

Exchange rate arrangement (number of countries)	Monetary Policy Framework						
	Exchange rate anchor				Monetary aggregate target (25)	Inflation-targeting framework (34)	Other[1] (43)
	U.S. dollar (43)	Euro (26)	Composite (12)	Other (8)			
No separate legal tender (13)	Ecuador El Salvador Marshall Islands Micronesia Palau Panama Timor-Leste Zimbabwe	Kosovo Montenegro San Marino		Kiribati Tuvalu			
Currency board (12)	Djibouti Hong Kong SAR **ECCU** Antigua and Barbuda Dominica Grenada St. Kitts and Nevis St. Lucia St. Vincent and the Grenadines	Bosnia and Herzegovina Bulgaria Lithuania[2]		Brunei Darussalam			
Conventional peg (44)	Aruba The Bahamas Bahrain Barbados Belize Curaçao and Sint Maarten Eritrea Jordan Oman Qatar Saudi Arabia South Sudan Turkmenistan United Arab Emirates Venezuela	Cabo Verde Comoros Denmark[2] São Tomé and Príncipe **WAEMU** Benin Burkina Faso Côte d'Ivoire Guinea-Bissau Mali Niger Senegal Togo **CEMAC** Cameroon Central African Rep. Chad Rep. of Congo Equatorial Guinea Gabon	Fiji Kuwait Libya Morocco[3] Samoa	Bhutan Lesotho Namibia Nepal Swaziland			Solomon Islands[4]
Stabilized arrangement (21)	Guyana Iraq Kazakhstan (02/14) Lebanon Maldives Suriname Trinidad and Tobago	FYR Macedonia	Singapore Vietnam[5]		Bangladesh[5] (02/13) Burundi[5] (03/13) Democratic Rep. of the Congo[5] Guinea[5] (08/13) Sri Lanka[5] (10/13) Tajikistan[5] Yemen[5]		Angola[5] Azerbaijan[5] Bolivia[5] Egypt[5] (07/13)
Crawling peg (2)	Nicaragua		Botswana				
Crawl-like arrangement (15)	Honduras Jamaica	Croatia			China[5] Ethiopia[5] Uzbekistan[5]	Armenia[5] (03/13) Dominican Republic[5] Guatemala[5,6] (11/12)	Argentina[5] Belarus[5,6] (09/12) Haiti[5] Lao P.D.R.[5] Switzerland[7] (05/13) Tunisia[4,8]
Pegged exchange rate within horizontal bands (1)			Tonga				

Table 2 (concluded)

Exchange rate arrangement (number of countries)	Monetary Policy Framework: Exchange rate anchor: U.S. dollar (43)	Euro (26)	Composite (12)	Other (8)	Monetary aggregate target (25)	Inflation-targeting framework (34)	Other[1] (43)
Other managed arrangement (18)	Cambodia (7/13) Liberia		Algeria Iran Syria		The Gambia Myanmar Nigeria Rwanda	Czech Rep. (11/13)	Costa Rica (08/13) Kyrgyz Rep. Malaysia Mauritania Pakistan (12/13) Russia[8] Sudan Vanuatu[6]
Floating (36)					Afghanistan Kenya Madagascar Malawi[6] (05/12) Mozambique Papua New Guinea Seychelles[9] (03/14) Sierra Leone Tanzania Ukraine (02/14) Uruguay	Albania Brazil Colombia Georgia (11/13) Ghana Hungary Iceland Indonesia (08/13) Israel (05/13) Korea Moldova New Zealand Paraguay (07/13) Peru Philippines Romania Serbia South Africa Thailand Turkey Uganda[6]	India Mauritius Mongolia Zambia
Free floating (29)						Australia Canada Chile Japan Mexico Norway Poland Sweden United Kingdom	Somalia United States **EMU** Austria Belgium Cyprus Estonia Finland France Germany Greece Ireland Italy Latvia (01/14) Luxembourg Malta Netherlands Portugal Slovak Rep. Slovenia Spain

Source: IMF staff.

Note: If the member country's de facto exchange rate arrangement has been reclassified during the reporting period, the date of change is indicated in parentheses. CEMAC = Central African Economic and Monetary Community; ECCU = Eastern Caribbean Currency Union; EMU = European Economic and Monetary Union; WAEMU = West African Economic and Monetary Union.

[1] Includes countries that have no explicitly stated nominal anchor, but rather monitor various indicators in conducting monetary policy.
[2] The member participates in the European Exchange Rate Mechanism (ERM II).
[3] Within the framework of an exchange rate fixed to a currency composite, the Bank Al-Maghrib adopted a monetary policy framework in 2006 based on various inflation indicators with the overnight interest rate as its operational target to pursue its main objective of price stability.
[4] The country maintains a de facto exchange rate anchor to a composite.
[5] The country maintains a de facto exchange rate anchor to the U.S. dollar.
[6] The exchange rate arrangement or monetary policy framework was reclassified retroactively, overriding a previously published classification.
[7] The country maintains a de facto exchange rate anchor to the euro.
[8] The central bank has taken preliminary steps toward inflation targeting.
[9] The exchange rate arrangement was reclassified twice during this reporting period, reverting back to the classification in the previous year's report.

Table 3. Exchange Rate Arrangements, 2008–14

(Percent of IMF members as of April 30)[1]

Exchange Rate Arrangement	2008[2]	2009[3]	2010[4]	2011[5]	2012[5]	2013	2014
Hard peg	12.2	12.2	13.2	13.2	13.2	13.1	13.1
No separate legal tender	5.3	5.3	6.3	6.8	6.8	6.8	6.8
Currency board	6.9	6.9	6.9	6.3	6.3	6.3	6.3
Soft peg	39.9	34.6	39.7	43.2	39.5	42.9	43.5
Conventional peg	22.3	22.3	23.3	22.6	22.6	23.6	23.0
Stabilized arrangement	12.8	6.9	12.7	12.1	8.4	9.9	11.0
Crawling peg	2.7	2.7	1.6	1.6	1.6	1.0	1.0
Crawl-like arrangement	1.1	0.5	1.1	6.3	6.3	7.9	7.9
Pegged exchange rate within horizontal bands	1.1	2.1	1.1	0.5	0.5	0.5	0.5
Floating	39.9	42.0	36.0	34.7	34.7	34.0	34.0
Floating	20.2	24.5	20.1	18.9	18.4	18.3	18.8
Free floating	19.7	17.6	15.9	15.8	16.3	15.7	15.2
Residual							
Other managed arrangement	8.0	11.2	11.1	8.9	12.6	9.9	9.4

Source: AREAER database.

[1] Includes 188 member countries and 3 territories: Aruba and Curaçao and Sint Maarten (all in the Kingdom of the Netherlands) and Hong Kong SAR (China).
[2] As retroactively classified February 2, 2009; does not include Kosovo, Tuvalu, and South Sudan, which became IMF members on June 29, 2009, June 24, 2010, and April 18, 2012, respectively.
[3] As published in the 2009 AREAER; does not include Kosovo, Tuvalu, and South Sudan, which became IMF members on June 29, 2009, June 24, 2010, and April 18, 2012, respectively.
[4] As published in the 2010 AREAER; does not include Tuvalu and South Sudan, which became IMF members on June 24, 2010, and April 18, 2012, respectively.
[5] As published in the 2011 and 2012 AREAERs; does not include South Sudan, which became an IMF member on April 18, 2012.

Table 4. Changes and Resulting Reclassifications of Exchange Rate Arrangements, January 1, 2013–April 30, 2014

Country	Change	Previous Arrangement[1]	Arrangement in the 2014 AREAER
Armenia	Since March 2013, the dram has appreciated within a 2% band against the U.S. dollar. Thus, the de facto exchange rate arrangement was reclassified from floating to a crawl-like arrangement, effective March 12, 2013.	Floating	Crawl-like arrangement
Bangladesh	Beginning in December 2012, the taka followed an appreciating trend for three months as a result of increased foreign exchange inflows and stabilized afterward within a 2% band. Accordingly, the de facto exchange rate arrangement was reclassified from other managed to a stabilized arrangement, effective February 7, 2013.	Other managed	Stabilized arrangement

Table 4 (continued)

Country	Change	Previous Arrangement[1]	Arrangement in the 2014 AREAER
Belarus[2]	Starting with the last quarter of 2012, the Belarusian rubel followed a depreciating trend within a 2% band. Therefore, the de facto exchange rate arrangement was retroactively reclassified from other managed to a crawl-like arrangement, effective September 19, 2012. This change is reflected as of January 1, 2013, corresponding to the first day of the period covered in this year's AREAER.	Other managed	Crawl-like arrangement
Burundi	Because the Burundi franc has stabilized within a 2% band against the U.S. dollar since March 2013, the de facto exchange rate arrangement has been classified from other managed to stabilized arrangement, effective March 6, 2013.	Other managed	Stabilized arrangement
Cambodia	There were several marginal adjustments in the path of the riel–U.S. dollar exchange rate in 2013. The riel was stable until June, but then increased in volatility. Accordingly, the de facto exchange rate arrangement was reclassified from stabilized to other managed arrangement, effective July 1, 2013.	Stabilized arrangement	Other managed
Costa Rica	In 2013, the Central Bank of Costa Rica (BCCR) kept its commitment to maintain the band, in order to continue the gradual and orderly transition to a floating exchange rate. The band does not include a central parity. As of December 31, 2013, the intervention selling exchange rate reached C 812.05, indicating a band with a width of 62.4% with the lower bound as the basis. The average exchange rate for the U.S. dollar on the foreign currency market (MONEX) in 2013 stayed in the vicinity of the lower bound of the band, recording an annual average level of C 501.09, C 0.6 lower than the previous year. As a result, the local currency recorded a nominal appreciation of 1.0% (0.4% in 2012). Beginning January 29, 2014, in a national context of reduced foreign currency liquidity, the exchange rate increased rapidly, reaching maximums in the vicinity of C 570 per U.S. dollar in the second week of March. Nonetheless, the rate stabilized as of March 13, 2014, and between that date and April 30, 2014, the exchange rate recorded an average level of C 548.47. The excessive exchange rate volatility prompted the BCCR to intervene within the band, with the aim of preventing sharp fluctuations in the price of the U.S. dollar. Between January 29 and April 30, 2014, the BCCR carried out foreign exchange sales to stabilize the exchange rate for a cumulative sum of US$386.6 million. Accordingly, the de facto exchange rate arrangement has been reclassified to other managed from a stabilized arrangement, effective August 30, 2013.	Stabilized arrangement	Other managed
Czech Republic	With inflation below target and continued undershooting expected, the Czech National Bank announced November 7, 2013, that it will intervene in the foreign exchange market to weaken the koruna so that the exchange rate against the euro is close to CZK 27. The target is asymmetric: the Czech National Bank will not intervene to strengthen the currency toward the level of CZK 27. The currency has traded between CZK 27.0 and CZK 27.7 since then. Accordingly, the de facto exchange rate arrangement was reclassified from free floating to other managed, effective November 7, 2013.	Free floating	Other managed
Egypt	Since July 2013, the Egyptian pound has stabilized within a 2% band against the U.S. dollar. This trend continued through April 2014, which led to reclassification of the de facto exchange rate arrangement from crawl like to a stabilized arrangement, effective July 3, 2013.	Crawl-like arrangement	Stabilized arrangement

Table 4 (continued)

Country	Change	Previous Arrangement[1]	Arrangement in the 2014 AREAER
The Gambia	Following a sharp depreciation of the dalasi against the U.S. dollar in 2012, the exchange rate was relatively stable during 2013 with some spikes and sharp realignments mostly due to presidential exchange rate directives that imposed overvalued exchange rates, issued in October 2012, June 2013, July 2013, and August 2013. Accordingly, the de facto exchange rate arrangement was reclassified from floating to other managed, effective January 1, 2013.	Floating	Other managed
Georgia	During January–September of 2013, the National Bank of Georgia's net interventions amounted to US$555 million. Since October 2013, the lari depreciated by almost 7% against the U.S. dollar. At the end of 2013 and the beginning of 2014, the National Bank of Georgia sold US$440 million in order to curb speculation expectations in the market, but has not intervened since February 2014. Accordingly, the de facto exchange rate arrangement was reclassified to floating from a stabilized arrangement, effective November 6, 2013.	Stabilized arrangement	Floating
Guatemala[2]	From January 1, 2013, through December 31, 2013, the Bank of Guatemala (BOG) purchased $75.3 million (on eight occasions) and sold $26 million (on four occasions). During this period, the quetzal showed reduced volatility and remained within a 2% band against the U.S. dollar, with an appreciating trend between November 16, 2012, and mid-May 2013. It then followed a depreciating trend until October 28, 2013, after which it resumed an appreciating path until the end of the year. Market supply and demand play a role in determining the exchange rate, as does official action based on the observed path of the rate and the high volume of BOG participation in the foreign exchange auctions. Accordingly, the de facto exchange rate arrangement was retroactively reclassified from floating to a crawl-like arrangement. Intervention data are available on the BOG website. The change is reflected as of January 1, 2013, corresponding to the first day of the period covered in this year's Annual Report on Exchange Arrangements and Exchange Restrictions.	Floating	Crawl-like arrangement
Guinea	As the franc has shown reduced volatility and has remained within a 2% band against the U. S. dollar since August 2013, the de facto exchange rate arrangement has been reclassified to stabilized from other managed arrangement, effective August 26, 2013.	Other managed	Stabilized arrangement
Indonesia	From early 2012 to mid-2013, the rupiah steadily weakened against the U.S. dollar, as Indonesia's current account balance shifted into a deficit. However, Bank Indonesia used a combination of actual and verbal interventions to temper excessive volatility in the exchange rate. Since August 2013, the rupiah has moved more freely. Accordingly, the de facto exchange rate arrangement was reclassified to floating from a crawl-like arrangement, effective August 19, 2013.	Crawl-like arrangement	Floating

Table 4 (continued)

Country	Change	Previous Arrangement[1]	Arrangement in the 2014 AREAER
Israel	The Bank of Israel (BOI) announced a multiyear foreign exchange purchase plan to offset the effect of natural gas production on the exchange rate. The total amount to be purchased as part of this plan in 2013 was announced to be about $2.1 billion. The BOI's assessments of the overall effect on the balance of payments resulting from natural gas production and foreign exchange purchases will be updated from time to time and published. On October 2, 2013, the BOI announced that it will purchase $3.5 billion in 2014 to offset the effect of natural gas production on the exchange rate. The BOI purchased $5.3 billion in the foreign exchange market during 2013, of which $2.1 billion was part of the purchase plan to offset the effect of natural gas production on the exchange rate and the rest was under the foreign exchange policy announced in August 2009. The BOI does not publish the daily purchases. Since May 2013 the BOI has intervened more than three times in a six-month period, so the new Israeli shekel's de facto exchange rate arrangement was reclassified to floating from a free-floating exchange rate arrangement, effective May 13, 2013.	Free floating	Floating
Kazakhstan	Since February 2014 (following an 18% devaluation against the U.S. dollar), the tenge has stabilized within a (roughly) 1½% band against the U.S. dollar. Therefore, the de facto exchange rate was reclassified to a stabilized from a crawl-like arrangement, effective February 11, 2014.	Crawl-like arrangement	Stabilized arrangement
Lao P.D.R.	During the first quarter of 2013, the kip appreciated rapidly, reaching its lowest point in April at 7,615 kip per U.S. dollar, followed by a depreciating trend within a 2% band against the U.S. dollar. Therefore, the de facto exchange rate arrangement was reclassified from stabilized to a crawl-like arrangement, effective January 1, 2013.	Stabilized arrangement	Crawl-like arrangement
Malawi	Since May 2012, the Reserve Bank of Malawi has not set a target rate and allowed substantial volatility in the exchange rate, including recent depreciation to around MK 435 per U.S. dollar by early January 2014. Official actions continue to play a role in influencing the exchange rate, but the exchange rate movements are largely market determined. Therefore, the de facto exchange rate arrangement was reclassified to floating from other managed arrangement, effective January 1, 2013.	Other managed	Floating
Pakistan	The Pakistani rupee started to appreciate rapidly in December 2013, followed by short periods of stability with one step realignment in March 2014. Due to the limited volatility with periods of divergence, the de facto exchange rate arrangement was reclassified to other managed from a floating arrangement, effective December 5, 2013.	Floating	Other managed
Papua New Guinea	In January 2013, the exchange rate departed from the stabilized band and has since shown increased flexibility. Therefore, the de facto exchange rate arrangement was reclassified to floating from a stabilized arrangement, effective January 1, 2013.	Stabilized arrangement	Floating

Table 4 (concluded)

Country	Change	Previous Arrangement[1]	Arrangement in the 2014 AREAER
Paraguay	The Central Bank of Paraguay (CBP) implemented a program of preannounced sales of the U.S. dollars it purchases from the government. This program is more transparent, better communicated, and more consistent with an inflation-targeting regime. It indicates in advance the nature, frequency, and size of the CBP's foreign exchange transactions to avoid influencing market expectations of the exchange rate. Accordingly, the de facto exchange rate arrangement was reclassified to floating from other managed arrangement, effective July 1, 2013.	Other managed	Floating
Rwanda	In 2013, the franc continued to follow a depreciating trend against the U.S. dollar with several short periods of stability. Accordingly, the de facto exchange rate arrangement was reclassified from a crawl-like arrangement to other managed arrangement, effective January 1, 2013.	Crawl-like arrangement	Other managed
Seychelles	Since mid-March 2013, the rupee depreciated within a 2% band against the U.S. dollar with one trend adjustment in July, 2013. Accordingly, the de facto exchange rate arrangement was reclassified from floating to a crawl-like arrangement, effective March 12, 2013.	Floating	Crawl-like arrangement
Seychelles[3]	Given that the rupee increased its volatility and departed from the 2% band against the U.S. dollar in April 2014, the de facto exchange rate arrangement was reclassified from a crawl-like arrangement to floating, effective March 27, 2014.		Floating
Singapore	In 2013, Singapore dollar remained stable within a 2% band against a currency composite. Therefore, the de facto exchange rate arrangement was reclassified from a crawl-like arrangement to stabilized, effective January 1, 2013.	Crawl-like arrangement	Stabilized arrangement
Sri Lanka	Since October 2013, the Sri Lanka rupee has stabilized within a 2% band against the U.S. dollar. Accordingly, the de facto exchange rate arrangement was reclassified to a stabilized from a floating arrangement, effective October 1, 2013.	Floating	Stabilized arrangement
Switzerland	In 2013, the Swiss National Bank's commitment to defending the minimum exchange rate remained unchanged. After a short period of volatility, the Swiss franc has followed an appreciating trend within a 2% band against the euro since May 31, 2013. Therefore, the de facto exchange rate was reclassified to a crawl-like arrangement from other managed, effective May 29, 2013.	Other managed	Crawl-like arrangement
Ukraine	Between March 2010 and December 31, 2013, the hryvnia remained stable against the U.S. dollar within a 2% band, with a slight shift of the band in the second half of 2012. In January 2014, the market exchange rate began depreciating, despite National Bank of Ukraine (NBU) interventions. In February 2014, the NBU discontinued massive interventions in support of the hryvnia, adjusted its official hryvnia–U.S. dollar exchange rate broadly in line with the market exchange rate, and resumed the practice of setting the official exchange rate based on the weighted average rate for the foreign exchange transactions of the previous day. Accordingly, the de facto exchange rate arrangement was reclassified to floating from a stabilized arrangement, effective February 7, 2014.	Stabilized arrangement	Floating

Source: AREAER database.

[1] This column refers to the arrangements as reported in the 2012 AREAER, except in cases when a reclassification took place during January 1–April 30, 2013, in which case it refers to the arrangement preceding such a reclassification.

[2] The exchange rate arrangement was reclassified retroactively, overriding a previously published classification for the entire reporting period or part of the period.

[3] Cells in the column "Previous Arrangement" are blank if there was a subsequent reclassification during the reporting period.

Monetary Anchors[8]

The exchange rate remained the anchor for monetary policy for fewer than half of member countries (Table 5). As in the previous reporting period, there were no significant changes in official monetary anchors.[9] Only 3 changes were reported. Ethiopia abandoned the group of members using the U.S. dollar as a monetary anchor (43). Latvia joined the EMU and left the group of members anchored to the euro (26). Vanuatu was removed from the group of countries categorized as anchored to a composite (12) and recategorized retroactively as pursuing another monetary policy framework—thereby overriding the categorization reported in previous AREAERs. The number of members anchored to another single currency (8) remained the same (see Table 2).

Fifty-six member countries have an officially announced fixed exchange rate policy—either a currency board or a conventional peg—which implies the use of the exchange rate as the unique monetary anchor, with one exception. Although the official (de jure) exchange rate regime of the Solomon Islands is a peg against a basket of currencies, the monetary policy framework was reported to comprise a mix of anchors, including the exchange rate. Among the 65 countries that have floating exchange rate arrangements—floating or free floating—the monetary anchor does not refer to the exchange rate and varies between monetary aggregates (11), inflation targeting (30), and other (24, including the 18 EMU countries). Fourteen countries implementing soft pegs and other managed arrangements target monetary aggregates. Countries with either stabilized or crawl-like arrangements (36) rely on a variety of monetary frameworks, including monetary aggregates and inflation-targeting frameworks. The Czech Republic is the only country classified as other managed arrangement with an inflation-targeting framework; the remaining other managed arrangements are split between monetary aggregate targets (4) and other monetary policy frameworks (8).

- The share of IMF members with the exchange rate as the main policy target decreased from 48.2 percent to 46.6 percent. Countries with hard pegs or conventional pegs make up three-quarters of this group. Three currency unions—the Central African Economic and Monetary Community (CEMAC), the Eastern Caribbean Currency Union (ECCU), and the West African Economic and Monetary Union (WAEMU)—have exchange rate anchors for their respective common currencies. However, these countries account for less than 20 percent of global output and world trade. Exchange rate anchors are by far the first choice of small, open economies, as suggested in the economic literature.
- The U.S. dollar maintained its position as the dominant exchange rate anchor. The share of countries using the U.S. dollar as an exchange rate anchor decreased slightly to 22.5 percent due to a change in Ethiopia's monetary policy framework to a monetary aggregate target. With this change, the share of countries using the U.S. dollar as an exchange rate anchor resumed its earlier steady decline, which stopped in the previous reporting period when South Sudan adopted a monetary framework with an exchange rate anchor to the U.S. dollar. Countries that continue to anchor to the dollar also include those with moderate trade relations with the United States.
- The share of countries using an exchange rate anchor to the euro decreased to 13.6 percent when the currency of Latvia changed from the lats to the euro upon Latvia's entry to the EMU in January 2014. Countries whose currencies are anchored to the euro generally have historical ties with European countries, such as the Communauté Financière d'Afrique (CFA) franc area countries, or strong trade relations with western Europe, including central and eastern European countries such as Bulgaria, the former Yugoslav Republic of Macedonia, Montenegro, and San Marino.
- Twelve countries anchor their exchange rates to a currency composite. Three track the special drawing rights (SDRs) as the sole currency basket or as a component of a broader reference basket (Botswana, Libya, Syria). Morocco tracks a euro–U.S. dollar basket; Tonga tracks a composite that includes the Australian

[8] Monetary anchors are defined as the main intermediate target the authorities pursue to achieve their policy goal, which, overwhelmingly, is price stability. The inventory of monetary anchors is based mainly on members' declarations in the context of the yearly AREAER update or Article IV consultations. For the 2010 reporting year, country officials were asked for the first time to report specific information about the monetary policy framework, and as a result, the information provided by officials improved considerably.

[9] The officially announced monetary anchor may differ from the anchor implemented in practice, as a result of the de facto exchange rate arrangement.

and New Zealand dollars in combination with major global currencies (Japanese yen and U.S. dollar); and the remaining 5 countries do not disclose the composition of their reference currency baskets (Algeria, Fiji, Islamic Republic of Iran, Kuwait, Samoa, Singapore, Vietnam).

- The number of countries with an exchange rate anchor to another single currency remained unchanged (8). Two of these countries (Kiribati, Tuvalu) use the Australian dollar as their legal currency, and 1 (Brunei Darussalam) has a currency board arrangement with the Singapore dollar. The remaining 5 have conventional pegged arrangements, 3 (Lesotho, Namibia, Swaziland) with the South African rand and 2 (Bhutan, Nepal) with the Indian rupee. Half the countries in this group are landlocked, bordering either partially or exclusively the country whose currency they use as their exchange rate anchor.

Most IMF member countries, representing the overwhelming share of global output, are split among monetary aggregate targeting, inflation targeting, and other (which includes monetary policy not committed to a specific target).

- The number of countries targeting a monetary aggregate declined from 26 in April 2013 to 25 in April 2014. This category does not include any country with a free-floating exchange rate arrangement. In fact, monetary aggregates are often the choice of economies with less-developed financial markets and managed exchange rates. The objective of the arrangement is to influence consumer prices and, eventually, asset prices through the control of monetary aggregates. Reserve money is often used as the operational target to control credit growth through the credit multiplier. During the past year, 3 countries switched from monetary aggregate targeting to "other monetary framework" (Argentina, Kyrgyz Republic, Zambia) and 1 country to inflation-targeting framework (Uganda). Three countries targeted a monetary aggregate: Ethiopia (previously anchored to the U.S. dollar), Myanmar (previously other monetary policy framework), and Uruguay (previously inflation-targeting framework).
- The number of countries that directly target inflation remained unchanged at 34. Uruguay switched to using the trajectory of the monetary aggregate M1-plus as a monetary policy reference indicator, and Uganda was categorized as inflation-targeting framework retroactively from July 2011 (previously monetary aggregate target). The countries in this group are mostly middle income but include some advanced economies as well. Of these, 30 have either floating or free-floating exchange rate arrangements, a policy framework that requires considerable monetary policy credibility to make up for the loss of transparent intermediate targets.[10] A few countries refer to their monetary framework as "inflation targeting light," suggesting that they also consider indicators other than inflation. Russia and Uganda are in the transition stage to full-fledged inflation targeting.[11]
- Since 2008, the "other monetary policy framework" category has increased from 12 to 43, largely exceeding the 30 percent decline in countries anchored to the U.S. dollar and the 21 percent decline in countries targeting inflation. The number of countries that are not committed to a specific target (the "other" column in Table 2) increased by five in the reporting period. Argentina, Latvia, and Uruguay now report a multiple indicator approach to monetary policy. Myanmar left this group and adopted a monetary aggregate target framework. Vanuatu was categorized retroactively as "other" monetary policy framework after having been classified in previous AREAERs as anchored to a composite. This category includes many of the largest economies, such as the euro area and the United States, where the monetary authorities have sufficient credibility to implement the monetary framework without a specific monetary anchor. It is also used as a residual classification for countries for which no relevant information is available, and for those with alternative monetary policy frameworks not categorized in this report—for example, the Kyrgyz Republic, which switched to a monetary policy basis with interest rates as the target for developing and implementing monetary policy.

[10] Inflation targeting aims to address the problem of exchange rates and monetary aggregates that do not have stable relationships with prices, making intermediate targets less suitable for inflation control.

[11] The Central Bank of the Russian Federation (Bank of Russia) has taken preliminary steps toward a free-floating exchange rate regime.

Table 5. Monetary Policy Frameworks and Exchange Rate Anchors, 2008–14

(Percent of IMF members as of April 30)[1]

	U.S. Dollar	Euro	Composite	Other Currency	Monetary Aggregate	Inflation Targeting	Other[2]
2008[3]	33.0	14.4	8.0	3.7	11.7	22.9	6.4
2009[3]	28.7	14.4	7.4	4.3	13.3	15.4	16.5
2010[4]	26.5	14.8	7.9	3.7	13.2	16.4	17.5
2011[5]	25.3	14.2	7.4	4.2	15.3	16.3	17.4
2012[5]	22.6	14.2	6.8	4.2	15.3	16.8	20.0
2013	23.0	14.1	6.8	4.2	13.6	17.8	20.4
2014	22.5	13.6	6.3	4.2	13.1	17.8	22.5

Source: AREAER database.

[1] Includes 188 member countries and 3 territories: Aruba and Curaçao and Sint Maarten (all in the Kingdom of the Netherlands) and Hong Kong SAR (China).

[2] Includes countries that have no explicitly stated nominal anchor but instead monitor various indicators in conducting monetary policy. This category is also used when no relevant information on the country is available.

[3] Does not include Kosovo, Tuvalu, and South Sudan, which became IMF members on June 29, 2009, June 24, 2010, and April 18, 2012, respectively.

[4] Does not include Tuvalu and South Sudan, which became IMF members on June 24, 2010, and April 18, 2012, respectively.

[5] Does not include South Sudan, which became an IMF member on April 18, 2012.

Foreign Exchange Interventions

The IMF staff regularly assesses whether the frequency of foreign exchange intervention is consistent with de facto free-floating arrangements or determines whether a classification as a soft peg is appropriate (see the Compilation Guide).[12] These assessments draw on information that is publicly available and also on information made available to the IMF through self-reporting, various market reports, significant changes in some members' foreign exchange reserves, and other sources, including during official staff visits to member countries. This section summarizes developments in foreign exchange interventions since January 1, 2013, some of which are also depicted in Tables 6 and 8.a.

Intervention Purpose

A heterogeneous panorama emerges from official interventions over the past year. In major advanced economies such as Japan and the euro area there was no reported intervention, but increased intervention was observed in smaller advanced economies and in emerging market economies.

After intervening several times in 2011, Japan ceased its official foreign exchange activities in 2012. In contrast, New Zealand responded to heavy appreciation pressure by increasing its foreign exchange purchases during 2013. Israel intervened more than three times in a six-month period, and was no longer classified as free floating beginning in March 2013. The Czech Republic announced in November 2013 its intention to weaken the koruna to keep the exchange rate against the euro close to CZK 27 per euro. This measure aims to reach the inflation target in the face of a near-zero policy rate. Since then, the koruna has traded between 27.0 and 27.7 per euro.

In some countries, exchange rate pressure reflects domestic conditions rather than the global environment. Georgia's loose fiscal policy in the fourth quarter of 2013 contributed to lari depreciation, prompting the National Bank of Georgia to sell more than US$400 million in reserves. Faced with significant volatility against the backdrop of political protests, Turkey resumed its intraday foreign exchange selling auctions in June 2013 (see Table 8.a) after suspending the regular selling auctions in January 2012 and the intraday auctions in January 2013. In December 2013, the Central Bank of the Republic of Turkey (CBRT) announced the general framework of the monetary and exchange rate policies envisaged for 2014. The CBRT may intervene directly or through flexible auctions in the market in both directions, in case of unhealthy price

[12] Preannounced programs of purchases or sales of foreign exchange typically do not qualify as interventions because the design of these programs minimizes the impact on the exchange rate. Very small, retail-type transactions are also disregarded.

formation due to speculative behavior stemming from a loss of market depth. In that case, the CBRT may buy or sell foreign exchange at the rates quoted by the banks directly. Leaning the other way, Israel announced in May 2013 a foreign exchange purchase plan (see Table 4) to offset the effect of natural gas production on the exchange rate, estimating total purchases to be about $2.1 billion by the end of 2013 within the framework of this plan.

Intervention Techniques

Turkey's central bank introduced the reserve option mechanism as a new monetary policy tool while gradually phasing out its foreign exchange auctions. In this framework, the central bank grants banks the option to hold a fraction of their mandatory reserves for Turkish lira liabilities in foreign currency and gold. The reserve option mechanism, which largely replaced auctions and bilateral interventions, has been used as an active policy tool by the central bank and may have contributed to stabilizing capital flow volatility, indirectly influencing exchange rate movements. However, Turkey had to resort to large foreign exchange auctions in June 2013 when faced with significant volatility.

Russia eliminated its targeted foreign exchange interventions and widened its nonintervention band while reducing the cumulative level of interventions necessary to move the exchange rate corridor, increasing the flexibility of the ruble. During the first quarter of 2014, capital outflows persisted, spurred by expectations of continuing ruble depreciation. The onset of geopolitical tensions raised the ruble pressure considerably, and the Bank of Russia (CBR) sharply increased net intervention, which reached US$26 billion in March, almost matching the US$27 billion in net interventions for all of 2013. Moreover, in response to significant currency pressures in early March, the CBR lowered the flexibility of its foreign exchange rule. It increased more than fourfold, to US$1.5 billion, the cumulative intervention required to move the exchange rate corridor. In June 2014, the CBR, in an attempt to revert back to more flexibility, reduced the intervention threshold to US$1 billion, eliminated the US$100 intervention sub-band, and reduced the amount of interventions in the remaining sub-band from US$300 to US$200. Although the CBR announced that it could determine its foreign exchange policy parameters daily, increasing discretion in its intervention policy, shifts in the bands have so far occurred in accordance with the new rule. Similarly, Guatemala widened the fluctuation margin, triggering interventions from 0.65 percent to 0.70 percent. The Bank of Guatemala may also intervene on a discretionary basis whenever the nominal exchange rate shows unusual volatility.

Table 6. Changes in Exchange Rate Arrangements, Official Exchange Rate, and Monetary Policy Framework, January 1, 2013–July 31, 2014

Country	Change
Bolivia	Effective June 11, 2013, the Regulation on Foreign Exchange Transactions provided that the official selling exchange rate should apply for the same-day sale of U.S. dollars to the general public and financial institutions debiting the accounts in domestic currency and crediting to accounts in U.S. dollars held with financial institutions (Board Resolution No. 063/2013).
Burundi	Effective April 12, 2013, with the replacement of the Marché des Enchères Symétriques en Devises (MESD) with the Marché Interbancaire des Devises, calculation of the reference rate was modified to include all Bank of the Republic of Burundi (BRB) transactions with its customers on the previous day. To prevent further sharp fluctuations, bank operations whose exchange rate deviates from the defined band are systematically excluded from the calculations. Previously, the BRB based the reference rate each morning on the weighted average of commercial banks' foreign exchange purchases and sales with their customers on the previous day, excluding BRB transactions through the MESD.
China	Effective July 14, 2014, the middle rate of the renminbi against the pound sterling is determined based on the average of the day's market makers' quotes. Previously, the rate was determined through the cross-rates by the China Foreign Exchange Trade System based on the day's middle rate for the renminbi against the U.S. dollar and the exchange rates for the U.S. dollar against the pound sterling.
Costa Rica	Effective March 12, 2014, the board of directors of the Central Bank of Costa Rica broadened exchange rate intervention policies and approved a form of "interday" intervention in response to significant deviations in the exchange rate relative to the long-term trend in its fundamentals.
Guatemala	Effective January 1, 2013, the annual inflation target is announced as a central target plus a margin; it is set at 4.0% ±1%, which is the medium-term target as of 2013.

Table 6 (continued)

Country	Change
Indonesia	Effective May 20, 2013, Bank Indonesia introduced the Jakarta interbank spot dollar rate (JISDOR) to serve as a credible spot reference rate in the domestic market. The JISDOR is the weighted average of U.S. dollar–rupiah spot transactions in the interbank market within a specific window, captured in real time through Bank Indonesia's monitoring system.
Iran	Effective July 3, 2013, the rial was devalued and a new official exchange rate was introduced, which is published on the Central Bank of Iran website. This rate is used for the settlement of oil and petrochemical product exports and for imports of priority goods and services.
Iraq	Effective April 15, 2013, the Central Bank of Iraq sells foreign exchange to banks for import letters of credit by adding ID 9 per U.S. dollar to the auction exchange rate. For other import transactions, the Central Bank of Iraq adds ID 13 per U.S. dollar.
Iraq	Effective December 1, 2013, the Central Bank of Iraq set the cash exchange rate at ID 1,177 per U.S. dollar, the letter of credit exchange rate at ID 1,172 per U.S. dollar, and the transfer transaction rate at ID 1,179 per U.S. dollar.
Iraq	Effective February 16, 2014, the commissions added to the currency selling window exchange rate of ID 1,166 per U.S. dollar to determine the selling rate of the Central Bank of Iraq were increased to ID 18 per U.S. dollar from ID 9 for import payments through letters of credit; ID 21 per U.S. dollar for drafts; and ID 24 per U.S. dollar from ID 13 for cash sales.
Iraq	Effective February 16, 2014, the Central Bank of Iraq set the cash exchange rate at ID 1,190 per U.S. dollar, letter of credit exchange rate at ID 1,184 per U.S. dollar, and transfer transaction rate at ID 1,187 per U.S. dollar.
Iraq	Effective February 16, 2014, the Central Bank of Iraq uses the official selling rate (previously buying rate) of the day minus 0.001% (previously 1%) to purchase the government's foreign exchange receipts.
Japan	Effective January 22, 2013, the Bank of Japan introduced the "price stability target" under the framework for the conduct of monetary policy. The newly introduced price stability target is the inflation rate the Bank of Japan judges to be consistent with sustainable price stability. The Bank of Japan recognizes that the inflation rate consistent with sustainable price stability will rise as efforts by a wide range of entities toward strengthening Japan's competitiveness and growth potential progress. Based on this recognition, the Bank of Japan set the target at 2% in terms of the year-over-year rate of change in the consumer price index.
Japan	Effective April 4, 2013, the Bank of Japan introduced "quantitative and qualitative monetary easing," aiming to achieve the target of 2% year-over-year change in the consumer price index as soon as possible, with a horizon of about two years. To do so, it decided to double the monetary base and the amount of outstanding Japanese government bonds and exchange-traded funds in two years and more than double the average remaining maturity of Japanese government bond purchases.
Korea	Effective January 1, 2013, the inflation target for 2013 onward is in the range of 2.5%–3.5% based on the year-over-year average change in the consumer price index. The target horizon is three years (currently, 2013–15).
Kyrgyz Republic	Effective March 1, 2014, pursuant to National Bank of the Kyrgyz Republic (NBKR) Executive Board Resolution No. 51/9, of December 20, 2013, on the Discount Rate of the National Bank of the Kyrgyz Republic, the NBKR switched to a new monetary framework in which interest rates serve as an intermediate target in the development and implementation of monetary policy. Pursuant to this resolution, the arrangement for determining the discount rate changed from being pegged to the average value of an NBKR 28-day note for the previous four auctions to setting of the rate by decision of the NBKR Executive Board.
Latvia	Effective January 1, 2014, the de jure exchange rate arrangement of the euro area is free floating. Latvia participates in a currency union (EMU) with, as of January 1, 2014, 17 other members (previously 16) of the EU and has no separate legal tender. The euro, the common currency, floats freely and independently against other currencies. The European Central Bank (ECB) publishes information regarding its interventions; it last intervened in March 2011. When it intervenes, the ECB intervenes at the quotes of the market makers.
New Zealand	Effective May 30, 2013, as outlined in a speech delivered by the Reserve Bank of New Zealand (RBNZ) governor on May 30, 2013, the RBNZ initiated foreign exchange transactions to dampen some of the spikes in the exchange rate in the earlier months and is prepared to scale up foreign exchange activities if there are opportunities to have greater influence.
Paraguay	Effective January 6, 2014, the policy objective for inflation is 5%, and the inflation target for 2014 is 5% with a tolerance band of ±2% (previously 2.5%), as determined by Resolution No. 15, Minute No. 1, of January 6, 2014. The monetary policy instrument used by the Central Bank of Paraguay is the overnight fixed interest rate, and the current monetary policy target rate is 6.75% (previously 5.5%).
Russia	Effective September 9, 2013, the Bank of Russia decreased the cumulative amount of interventions triggering a shift in the boundaries of the operating interval by 5 kopeks, from US$450 million to US$400 million.
Russia	Effective October 7, 2013, the Bank of Russia broadened symmetrically the range in which it does not perform currency interventions from Rub 1.00 to Rub 3.10.
Russia	Effective October 21, 2013, the Bank of Russia decreased the daily volume of targeted interventions from US$120 million to US$60 million.

Table 6 (concluded)

Country	Change
Russia	Effective December 10, 2013, the Bank of Russia decreased the cumulative amount of interventions triggering a shift in the boundaries of the operating interval by 5 kopeks, from US$400 million to US$350 million.
Russia	Effective January 13, 2014, the daily volume of targeted interventions was decreased from US$60 million to zero.
Russia	Effective March 3, 2014, given the increasing volatility in the financial market, with the aim of maintaining financial stability, the Bank of Russia began to set the parameters of exchange rate policy daily. The cumulative amount of interventions triggering a shift in the boundaries of the operating interval by 5 kopeks was increased to US$1.5 billion.
Russia	Effective May 22, 2014, the amount of interventions in all sub-bands was reduced by US$100 million, from US$400 million to US$300 million and from US$200 million to US$100 million, with the aim of reverting to greater flexibility in the foreign exchange market.
Russia	Effective June 17, 2014, the cumulative volume of interventions leading to a shift in the floating operational band was reduced from US$1.5 billion to US$1 billion.
Russia	Effective June 17, 2014, the US$ 100 million intervention sub-band was eliminated, leading to an increase in the non-intervention zone by 2 rubles.
Russia	Effective June 17, 2014, the amount of interventions in the remaining sub-band was reduced from US$300 million to US$200 million.
Sierra Leone	Effective January 23, 2013, the weekly auction amount was reduced to US$0.70 million from US$1 million.
Sierra Leone	Effective July 10, 2013, the amount of foreign exchange sold at the weekly auctions was reduced from US$0.70 million to US$0.50 million.
Solomon Islands	Effective January 1, 2013, the new Central Bank Act—Central Bank of Solomon Islands Act 2012—went into effect. Section 16 states that without compromising the primary objective of domestic price stability, the government may after consultation with the Central Bank of the Solomon Islands determine the exchange rate regime and that the Central Bank of the Solomon Islands may, after consultation with the minister of finance, determine and implement the exchange rate policy and enter into foreign exchange arrangements.
Solomon Islands	Effective June 26, 2013, the Central Bank of the Solomon Islands made a downward adjustment to the base rate from SI$7.35 to SI$7.28 per U.S. dollar while maintaining the ±1% band around the base rate in accordance with the appreciation policy.
Solomon Islands	Effective May 27, 2014, the value of the Solomon Island dollar (SI$) per U.S. dollar (US$) is the value of the index times the SI$ per US$ value on the day the basket peg was introduced. The exchange rate (midrate) is expressed in SI$ per US$ and is determined by the total index of the basket multiplied by the initial base rate expressed in SI$ rather than in US$ as was done previously. The midrate is announced as the official rate.
Tunisia	Effective December 27, 2013, in conducting monetary policy, the regulatory framework of the Central Bank of Tunisia uses currency swaps as monetary policy instruments according to Circular No. 2013-19.
Ukraine	Effective April 4, 2014, the National Bank of Ukraine implemented a new method of calculating the official exchange rate. The official exchange rate is set as the weighted average of the buying and selling exchange rates of the hryvnia against the U.S. dollar confirmed in the System for the Confirmation of Agreements on the Interbank Foreign Exchange Market of Ukraine (Agreement Confirmation System) of the same day instead of the exchange rates of the previous day.
Uruguay	Effective June 27, 2013, from September 2007 to June 2013 the Central Bank of Uruguay used the one-day interest rate as an operational target of the monetary policy within the inflation-targeting framework. The Central Bank of Uruguay switched to using the trajectory of monetary aggregate M1-plus (M1+)—the sum of the issuance of money held by the public, demand deposits, and savings of the public in the banking system—as a monetary policy reference indicator. It also set the indicative reference range of year-over-year growth for M1+ for 2013:Q3 at 12.5%–13%.
Uruguay	Effective October 7, 2013, the Monetary Policy Committee fixed the indicative reference range of year-over-year growth for M1-plus (M1+) for 2013:Q4 at 15%–17%, forecasting aggregate growth for that aggregate gradually converging at about 8% year over year for the quarter ending in June 2015 (which refers to the policy evaluation horizon). The 12-month growth rate of M1+ was 14.8% in 2013:Q3 and 13.7% in 2013:Q4. The M1+ data are published monthly on the Central Bank of Uruguay website.
Uruguay	Effective April 8, 2014, the Macroeconomic Coordination Committee, composed of members from the Central Bank of Uruguay and the Ministry of Finance, announced a widening of the inflation-target band to 3%–7% starting in July 2014 from the current range of 4%–6%. It also increased the monetary policy horizon to 24 months.
Venezuela	Effective February 8, 2013, the official bolívar–U.S. dollar exchange rate was devalued to Bs 6.30 from Bs 4.30 per U.S. dollar.

Source: AREAER database.

Official Exchange Rates

The vast majority (168) of IMF member countries report publishing official exchange rates. This includes not only countries that have officially determined and/or enforced exchange rates; by definition it also refers to any reference or indicative exchange rate that is computed and/or published by the central bank (see the Compilation Guide). The calculation of such exchange rates is often based on market exchange rates, such as exchange rates used in interbank market transactions or in a combination of interbank and bank-client transactions in a specified observation period. The published exchange rate is used as a guideline for market participants or for accounting and customs valuation purposes, in exchange transactions with the government, and sometimes mandatorily in specific exchange transactions.

During the 2013–14 reporting period, El Salvador joined the group of countries reporting an official exchange rate, while there was no reference exchange rate published by the Bank of Japan. Several countries adopted new methods for calculating their official exchange rates (Burundi, China, Indonesia, the Islamic Republic of Iran, Solomon Islands, Ukraine). Countries from all income levels and various geographic regions are represented among the 22 members that report no official or reference exchange rates; more than half (12) are countries with no separate legal tender; the rest include the 5 with a floating or free-floating de facto exchange rate arrangement and the 6 advanced economies (Japan, Korea, San Marino, Singapore, Switzerland, United States). Among the countries that do not compute an official exchange rate, some publish the market-determined rates on their monetary authority's website to promote information transparency, including Japan, Peru, and Singapore.

Foreign Exchange Markets

The modernization of foreign exchange market structures continued during 2013 and through July 2014, although there were only minor changes in the reported foreign exchange market structure of members (Table 7). There was a decline in the number of countries with a foreign exchange standing facility (by 2) or with an allocation system (by 4) as foreign exchange markets developed and market-based arrangements increased. Other noteworthy developments include an increase in the number of countries with over-the-counter interbank markets (by 4) and those with interbank markets based on market makers (by 2). The number of countries with a forward foreign exchange market decreased by 2 to 127, the same number as in 2012. Table 8.a includes detailed descriptions of changes concerning foreign exchange market arrangements.

Table 7. Foreign Exchange Market Structure, 2011–14

***(Number of IMF members as of April 30)*[1]**

	2011[2]	2012	2013	2014
Spot exchange market	**186**	**187**	**188**	**188**
Operated by the central bank	117	115	118	119
Foreign exchange standing facility	80	77	76	75
Allocation	31	30	31	27
Auction	26	29	31	32
Fixing	5	5	5	6
Interbank market	157	159	161	161
Over the counter	109	115	122	127
Brokerage	45	46	49	50
Market making	73	71	73	75
Forward exchange market	**128**	**127**	**129**	**127**

Source: AREAER database.

[1] Includes 188 member countries and 3 territories: Aruba and Curaçao and Sint Maarten (all in the Kingdom of the Netherlands) and Hong Kong SAR (China).

[2] Does not include South Sudan, which became an IMF member on April 18, 2012.

Table 8.a. Changes in Foreign Exchange Markets, January 1, 2013–July 31, 2014

Country	Change	Type
Afghanistan	Effective March 6, 2013, the settlement period for Da Afghanistan Bank's foreign currency auctions was changed to T+1 from within the same day.	Easing
Afghanistan	Effective March 18, 2013, successful bidders who fail to settle their account within T+1 day must pay a fine, which was raised to US$20,000 from US$10,000.	Tightening
Afghanistan	Effective July 11, 2013, successful bidders who fail to settle their account within T+1 day are fined the total cash collateral of Af 1,500,000.	Tightening
Bolivia	Effective January 2, 2013, the fee on outward funds transfers by the financial system through the Central Bank of Bolivia was set at 1%, and the fee on inward funds transfers by the financial system through the Central Bank of Bolivia at 0.6% (Board Resolution No. 212/2012).	Tightening
Bolivia	Effective June 11, 2013, direct intraday sales (ventas directas adjudicadas en el día) were introduced as a new mechanism for selling U.S. dollars to the financial and nonfinancial private sector. The Monetary and Exchange Policy Committee established (1) a daily amount of US$30 million for intraday sales, with a minimum bid of US$100,000 and in multiples of US$100,000; and (2) the sales hours as 10:00 a.m. to 12:00 p.m. (Board Resolution No. 063/2013).	Neutral
Bolivia	Effective June 12, 2013, the nonfinancial private sectors were given access to the bolsín in addition to the financial sector, with a bid of US$120 million and overnight execution (adjudicación al día siguiente).	Easing
Burundi	Effective March 1, 2013, the Bank of the Republic of Burundi set a fluctuation margin on foreign currency purchases and sales by commercial banks and exchange bureaus of ±1% of the reference rate it publishes each morning. Previously, authorized dealers could set their exchange rates according to the reference rate.	Tightening
Burundi	Effective April 12, 2013, the Bank of the Republic of Burundi established an interbank foreign exchange market, the Marché Interbancaire des Devises, to replace the Marché des Enchères Symétriques en Devises. To encourage banks to trade currencies and promote the interbank market, the Bank of the Republic of Burundi acted to prevent exchange bureaus from procuring foreign exchange from commercial banks. The new regulations governing the interbank foreign exchange market allow the Bank of the Republic of Burundi to intervene on its own initiative in accordance with market conditions.	Easing
Burundi	Effective April 12, 2013, the Bank of the Republic of Burundi replaced the Marché des Enchères Symétriques en Devises, which had lost its symmetry. Only the Bank of the Republic of Burundi was intervening in the Marché des Enchères Symétriques en Devises despite the assumption that it was driven by commercial banks, with the Bank of the Republic of Burundi intervening only as a last resort.	Easing
China	Effective March 17, 2014, the floating band of the renminbi's (RMB's) trading prices against the U.S. dollar in the interbank foreign exchange market was widened from 1% to 2%. That is, on each business day, the trading prices of the RMB against the U.S. dollar in the market may fluctuate within a band of ±2% around the central parity released that day by the China Foreign Exchange Trade System. The range of the spread between the highest offer price and the lowest bid price for RMB–U.S. dollar spot transactions at foreign-exchange-designated banks and their customers was widened from 2% to 3% of the central parity.	Easing
China	Effective March 19, 2014, the interbank foreign exchange market launched direct trading of the renminbi against the New Zealand dollar.	Neutral
China	Effective July 14, 2014, the People's Bank of China has allowed banks to set exchange rate quotes to their clients based on supply and demand in the market (PBC No. 2014/188). Previously, the difference between the maximum cash selling prices offered and the minimum cash buying prices of the renminbi against the U.S. dollar could not exceed 4% of the daily middle rate. The difference between the highest spot exchange (cash) selling price and the lowest spot exchange (cash) buying price had to contain the day's middle rate. Within the official spread range, banks could independently decide the buying and selling prices for spot and cash transactions.	Easing
Czech Republic	Effective November 1, 2013, act No 277/2013 Coll., on Foreign Exchange Activities, replaced the provisions of foreign currency exchange activities of Act No. 219/1995 Coll., Foreign Exchange Act.	Tightening

Table 8.a (continued)

Country	Change	Type
Egypt	Effective January 6, 2013, the following restrictions were imposed on bid-ask spreads quoted by authorized foreign exchange dealers: (1) The client bid rate may range from three piastres (one piastre is one-hundredth of a pound) below the interbank bid rate to the interbank bid rate (previously, from 150 basis points below the interbank bid rate to the interbank bid rate). (2) The client offer rate must not exceed three piastres above the interbank offer rate (previously, within 50–150 basis points above the interbank rate).	Tightening
Egypt	Effective February 4, 2013, in the interbank foreign exchange market, banks may place their bids and offers within a band of ±1 piastre (previously ±0.5%) around the weighted average rate of the most recent foreign exchange auction.	Tightening
Egypt	Effective February 4, 2013, the restrictions regarding bid-ask spreads were revised as follows: (1) The interbank bid and offer rates may vary between ±1 piastre (one piastre is one-hundredth of a pound) around the weighted average of the latest auction held by the Central Bank of Egypt. (2) The client bid rate may be between one piastre below the interbank bid rate and the interbank bid rate. (3) The client offer rate (for those with commercial needs) may vary between the interbank offer rate and one piastre above the interbank offer rate. Retail clients pay an additional commission of 1–2 piastres (previously 0.5–1%) on the offer side.	Tightening
Egypt	Effective April 14, 2013, the Central Bank of Egypt announced and held an exceptional auction for the sale of US$600 million. Banks were required to apply with the amount of their clients' outstanding import needs as follows: (1) staple commodities (tea, meat, poultry, fish, wheat, oil, milk powder and infant milk, beans, lentils, butter, corn); (2) capital goods spare parts; (3) intermediate production components and raw materials; and (4) pharmaceuticals and vaccines.	Neutral
Egypt	Effective May 22, 2013, the Central Bank of Egypt announced and held an exceptional auction for the sale of US$800 million. Banks were required to apply with the amount of their clients' outstanding import needs as follows: (1) staple commodities (tea, meat, poultry, fish, wheat, oil, milk powder and infant milk, beans, lentils, butter, corn); (2) capital goods spare parts; (3) intermediate production components and raw materials; and (4) pharmaceuticals and vaccines.	Neutral
Egypt	Effective September 4, 2013, the Central Bank of Egypt announced and held an exceptional auction for the sale of US$1.3 billion. Banks were required to apply with the amount of their clients' outstanding import needs as follows: (1) staple commodities (tea, meat, poultry, fish, wheat, oil, milk powder and infant milk, beans, lentils, butter, corn); (2) capital goods spare parts; (3) intermediate production components and raw materials; and (4) pharmaceuticals and vaccines.	Neutral
Egypt	Effective December 18, 2013, banks were instructed by the Central Bank of Egypt to reduce the bid-ask spread on non-U.S. dollar currencies to levels, in line with the spread for the U.S. dollar.	Tightening
Egypt	Effective January 27, 2014, the Central Bank of Egypt offered about US$1.5 billion to the market at its fourth exceptional auction.	Neutral
Egypt	Effective May 14, 2014, the Central Bank of Egypt offered about US$1.1 billion to the market at its fifth exceptional auction, where banks were required to apply with the amounts of their clients' entire outstanding staple food commodities import needs.	Neutral
Ghana	Effective February 4, 2014, foreign exchange bureaus may not sell or buy more than US$10,000 or its equivalent a transaction (BG/GOV/SEC/2014/01).	Tightening
Ghana	Effective February 4, 2014, offshore foreign exchange deals by resident and nonresident companies, including exporters and nonresident banks, are strictly prohibited (BG/GOV/SEC/2014/03).	Tightening
Guatemala	Effective January 1, 2014, the fluctuation margin (added to or subtracted from the five-day moving average of the reference exchange rate) that determines whether the Bank of Guatemala (BOG) may intervene in the exchange market was increased from ±0.65% to ±0.70%. The BOG may intervene if the reference rate reaches or exceeds these limits around the moving average of the reference rates for the previous five business days, pursuant to Monetary Board Resolution No. JM-121-2013.	Easing
Guinea	Effective December 26, 2013, the central bank sets the weekly auction market rate as the reference rate every Thursday.	Neutral

Table 8.a (continued)

Country	Change	Type
Honduras	Effective July 4, 2013, the Central bank of Honduras maintains an operational band requiring all bid prices for purchases of foreign exchange to be within a range of 7% above or below the base price, with a requirement that auction bids not exceed 1% of the average base price (previously 0.075% of the average reference exchange rate) derived from auctions during the preceding seven business days (Resolution No. 271-7/2013 of July 3, 2013).	Easing
Iraq	Effective February 17, 2013, authorized banks' spreads were capped at ID 10 per U.S. dollar over the exchange rate at which banks may buy foreign exchange at the Central Bank of Iraq currency selling window.	Tightening
Iraq	Effective April 15, 2013, banks may buy foreign exchange up to US$500,000 for import payments provided the bank submits to the Central Bank of Iraq a statement of the amounts to be transferred together with the documents that prove the entry of the goods in Iraq. The exchange rate for such payments may not exceed ID 1,179 per U.S. dollar.	Tightening
Iraq	Effective April 15, 2013, the weekly limits for money transfer companies and money exchange companies were increased to US$450,000 from US$75,000 and to US$300,000 from US$75,000, respectively. These limits may be increased or decreased according to market conditions and the companies' commitment to sell U.S. dollars to citizens.	Easing
Iraq	Effective February 16, 2014, the total amount sold monthly to a bank (for their direct sales window and sales to financial transfer and intermediary companies for buying and selling foreign exchange) may not exceed 25% of its capital, calculated in U.S. dollars, for banks with capital less than ID 250 billion. Demand from banks with capital greater than ID 250 billion is met. U.S. dollars sold for documentary credits are transferred according to payment conditions after the bank confirms the receipt of the required documents.	Easing
Jordan	Effective January 16, 2013, a Cabinet decision increased the paid-up capital requirement of foreign exchange bureaus (money exchange companies), and the Central Bank of Jordan announced compliance procedures for the higher capital requirements.	Tightening
Korea	Effective January 1, 2013, the limits on banks' foreign exchange derivatives contracts were reduced from 40% to 30% of bank capital (for domestic banks) and from 200% to 150% (for foreign bank branches).	Tightening
Korea	Effective January 1, 2014, spot foreign exchange transactions are allowed between security brokerages.	Easing
Kyrgyz Republic	Effective April 26, 2013, per the Law of the Kyrgyz Republic of April 26, 2013, on Amendments and Additions to Certain Kyrgyz Republic Legislative Acts, and to the Law on Transactions in Foreign Currency, credit unions, specialized financial and credit institutions, and microfinance and microcredit companies were authorized to perform professional foreign currency transactions with individuals and legal entities.	Easing
Latvia	Effective January 1, 2014, the Bank of Latvia's foreign exchange standing facility ceased to exist with Latvia's adoption of the euro.	Neutral
Lebanon	Effective June 30, 2013, the Banque du Liban issued Basic Circular No. 4 of December 7, 2011. It stipulates that category A money dealers must raise their capital to LBP 750 million from LBP 250 million and category B money dealers from LBP 100 million to LBP 250 million—or LBP 500 million if established before December 7, 2011, and 500 million if established on or after December 7, 2011. Money dealers were given until June 30, 2013, to comply. Category A money dealers may deal in cash, transfers, checks, traveler's checks, and precious metals. Category B money dealers whose capital was raised to LBP 500 million may deal in cash and traveler's checks up to the equivalent of US$10,000, uncollected traveler's checks, and gold bars not exceeding 1,000 grams. Category B money dealers established before December 7, 2011, may opt to raise their capital to LBP 500 million in order to expand their operations to include the above (BDL Basic Circular No. 4).	Tightening

Table 8.a (continued)

Country	Change	Type
Lebanon	Effective September 20, 2013, only money dealers with capital greater than US$ 500,000 may make hawala transactions. The maximum amount of each hawala transaction (inward or outward) is US$20,000. The total amount of hawala transactions a year may not exceed 10 times the capital of the money dealer (BDL Basic Circular No. 111, as amended).	Tightening
Liberia	Effective September 11, 2013, the Central Bank of Liberia closed the noncompetitive window for foreign exchange bureaus and requires all businesses to participate through the regular auction.	Neutral
FYR Macedonia	Effective March 11, 2014, the National Bank of the Republic of Macedonia Council adopted the Decision on Amendments of the Decision on Currency Exchange Operations. A principal amendment is cancellation of repurchases. Foreign exchange bureaus may now sell foreign currency cash to foreign natural persons in the same way as to domestic natural persons. In addition, foreign exchange operations were modernized through introduction of ATMs with a foreign exchange operations function for banks.	Easing
Malaysia	Effective June 30, 2013, residents may undertake anticipatory hedging involving ringgit for financial account transactions with licensed onshore banks, except licensed International Islamic Banks. Nonresidents may (1) undertake anticipatory hedging involving ringgit for current account transactions with licensed onshore banks, except licensed International Islamic Banks; and (2) hedge ringgit exposure arising from investments acquired prior to April 1, 2005 with licensed onshore banks, except licensed International Islamic Banks.	Easing
Mauritania	Effective November 14, 2013, the ouguiya equivalent of the cumulative bids submitted by banks at an exchange market session may not exceed their free reserves (previously 130% of their free reserves) in ouguiyas at the previous day's close. All bids that exceed the limit are automatically rejected.	Tightening
Mexico	Effective April 8, 2013, the auctions were suspended because the conditions of national and international financial markets indicated that the volatility of the exchange rate had decreased.	Neutral
Moldova	Effective March 1, 2013, the National Bank of Moldova launched interbank foreign exchange auctions (in the form of multiple price auctions) for purchases and sales of foreign currency against lei with licensed banks through a unique trading platform (based on Bloomberg).	Neutral
Moldova	Effective September 14, 2013, resident investment firms were allowed to perform foreign exchange buying and selling transactions related to the provision of investment services.	Easing
Moldova	Effective September 14, 2013, the Law on Payment Services and Electronic Money and Law on Capital Market went into effect allowing resident nonbank payment service providers and electronic money institutions to perform foreign exchange buying and selling operations related to the issuance of electronic money and the provision of payment services.	Easing
Morocco	Effective June 26, 2013, rules governing the establishment of foreign exchange counters by licensed intermediary banks on sea ferries operating between Morocco and other countries were liberalized. Banks (1) may bring aboard the ferry, under customs control, a stock of dirham banknotes for each crossing; and (2) must limit such transactions to the purchase of foreign banknotes against dirhams from Moroccan citizens and foreign residents or nonresidents traveling to Morocco. For this purpose, the bank must execute with customs a dirham export declaration at the time of the ferry's departure.	Easing
Morocco	Effective August 30, 2013, nonresident individuals (foreigners and Moroccans residing abroad) are not required to show a foreign currency receipt when reselling surplus dirhams up to DH 2000 to foreign exchange bureaus, funds transfer intermediation companies, and authorized intermediary banks at ports and airports.	Easing
Myanmar	Effective August 5, 2013, authorized private banks participate in the interbank foreign exchange market, which commenced operations on August 5, 2013. Thus far, 21 banks have accessed the interbank market.	Easing
Nigeria	Effective October 2, 2013, the wDAS was replaced by the rDAS due to an increase in non-import-related demand for U.S. dollars, which was considered to be associated with money laundering activities. Foreign exchange is sold through the rDAS twice a week.	Tightening

Table 8.a (continued)

Country	Change	Type
Pakistan	Effective February 12, 2013, for exchange companies (both category A and B), the spread between the buying and selling rates of foreign currencies may not exceed 25 paisas (Foreign Exchange Circular No. 1 of February 12, 2013).	Tightening
Peru	Effective January 23, 2013, transactions in the foreign exchange market by private pension funds—Administradoras Privadas de Fondos de Pensiones—may not exceed a daily limit of 0.75% (previously 0.85%) of the value of the fund and of 1.75% (previously 1.95%) for the preceding five days (Superintendence of Banks, Insurance Companies, and Pension Funds Resolution No. 561-2013).	Tightening
South Africa	Effective July 22, 2013, ADs in foreign exchange with limited authority are classified as follows: Category one—authorized to operate as a bureau de change; Category two—authorized to operate as a bureau de change and offer money remittance services in partnership with external money transfer operators; and Category three—authorized to operate as an independent money transfer operator. During the lifetime of its operations, an AD in foreign exchange with limited authority must maintain a minimum unimpaired capital fund in a savings/investment type bank account in foreign exchange separate from its own or its clients' funds as follows: Category one: R 2 million; Category two: R 3 million; Category three: R 5 million.	Neutral
Sri Lanka	Effective January 2, 2013, the 90-day limit on the maturity of forward foreign exchange contracts was eliminated.	Easing
Trinidad and Tobago	Effective May 23, 2014, authorized dealers were allowed to resell foreign exchange proceeds obtained from a competitive auction up to a maximum price equal to their successful bidding rates. Previously, a cap determined with relation to the latest allocation exchange rate applied on the exchange rate at which banks could sell foreign exchange purchased at the auction to their clients.	Easing
Tunisia	Effective March 1, 2014, an electronic bank interlinking platform and a market-making agreement are in place.	Neutral
Turkey	Effective January 2, 2013, intraday foreign exchange selling auctions were suspended.	Neutral
Turkey	Effective January 2, 2013, the Central Bank of the Republic of Turkey suspended its activities as an intermediary in the foreign exchange deposit markets.	Neutral
Turkey	Effective June 11, 2013, the Central Bank of the Republic of Turkey resumed intraday foreign exchange selling auctions with US$50 million to be sold at each auction, and published the following guidelines: (1) Only banks authorized to operate in Foreign Exchange and Banknotes Markets in the CB are eligible to participate in intraday auctions. (2) The number and other details of the auction are posted on Reuters page CBTQ. Following the announcement of the auction, banks may submit their offers within 15 minutes. (3) Offers may be sent via the Central Bank of the Republic of Turkey Payment Systems Auction System (IhS). (4) Auctions are held under the multiple price method. (5) The results of the auctions are posted on Reuters page CBTQ within 15 minutes of the deadline for submission of the offers. (6) The minimum offer amount is US$1 million and multiples thereof. (7) The maximum offer amount for each bank is limited to 20% of the total auction amount. (8) Banks may not change their offer amounts and/or prices during the auction. (9) The selling amount for each intraday auction is US$50 million, and the full amount of offers received is met up to the auction amount. (10) If there is more than one offer at the price at which the auction is finalized, the distribution is made on a pro-rata basis. (11) Banks that do not fulfill their obligations arising from the auctions are subject to the sanctions specified in the Implementation Instructions of the Foreign Exchange and Banknotes Markets.	Neutral
Turkey	Effective June 11, 2013, the Central Bank of the Republic of Turkey announced that it may hold unsterilized intraday foreign exchange sales auctions or foreign exchange interventions when deemed necessary in order to support short-term additional monetary tightening.	Neutral
Turkey	Effective June 20, 2013, the amount to be sold at each intraday auction is set individually by the Central Bank of the Republic of Turkey and posted on Reuters page CBTQ.	Neutral

Table 8.a (concluded)

Country	Change	Type
Turkey	Effective June 24, 2013, there may be only one intraday foreign exchange selling auction on the days on which funding is provided from the policy rate, and the auction amount is set to a of minimum US$150 million and posted on Reuters page CBTQ at 3:00 p.m.	Neutral
Turkey	Effective July 2, 2013, the minimum amount for the foreign exchange selling auctions was changed from US$150 million to US$50 million, and the maximum bid amount for each bank was limited to 10% (previously 20%) of the total auction amount.	Neutral
Turkey	Effective July 24, 2013, foreign exchange selling auctions were suspended on additional monetary tightening days.	Neutral
Turkey	Effective August 1, 2013, the intraday foreign exchange selling auction time was changed to 4:30 p.m. from 3:00 p.m.	Neutral
Turkey	Effective August 21, 2013, the minimum amount for the foreign exchange selling auctions was changed from US$50 million to US$100 million.	Neutral
Turkey	Effective August 22, 2013, the daily minimum sale amount for the foreign exchange selling auctions began to be announced at 10:30 a.m.	Neutral
Turkey	Effective September 20, 2013, the intraday foreign exchange selling auction amount was changed to minimum US$20 million.	Neutral
Turkey	Effective December 11, 2013, the intraday foreign exchange selling auction amount was changed from US$20 million to at least US$50 million.	Neutral
Turkey	Effective December 20, 2013, the Central Bank of the Republic of Turkey announced that on days when excessive volatility in the exchange rates is observed, the foreign currency sales amount may be raised up to 10 times the announced minimum amount.	Neutral
Turkey	Effective December 24, 2013, the Central Bank of the Republic of Turkey announced that the planned minimum foreign exchange selling auction amount would be US$450 million every day for the rest of December 2013 and US$100 million every day in January 2014.	Neutral
Ukraine	Effective January 1, 2013, foreign exchange transactions up to HRV 50,000 require documentation verifying the identity of a person; larger amounts require physical identification of the individual. Previously, banks and financial institutions purchased foreign exchange from individuals against any document verifying their identity.	Tightening
Ukraine	Effective April 29, 2014, non-trade-related international transfers in foreign exchange by individuals were limited to HRV 150,000 a month from foreign exchange accounts and to HRV 15,000 otherwise with certain exceptions, including for medical and educational expenses.	Tightening
Ukraine	Effective April 29, 2014, the daily limit on individuals' foreign currency cash purchases was reduced from HRV 150,000 to HRV 15,000.	Tightening
Ukraine	Effective June 1, 2014, the registration of exchange offices by the regional offices of the NBU was discontinued.	Tightening
Uzbekistan	Effective February 1, 2013, foreign exchange operations with residents must take place through conversion operations departments in authorized banks and foreign exchange bureaus. These departments sell foreign exchange to resident individuals by converting sum on the personal bank card of the resident to foreign exchange deposited on an international payment card.	Tightening
Venezuela	Effective March 25, 2013, the Central Bank of Venezuela launched the first foreign currency auction with a first offer of US$200 million through the Complementary System to the Administration of Foreign Exchange.	Neutral
Venezuela	Effective January 1, 2014, petróleos de Venezuela, S.A. oil export revenues are sold to the Central Bank of Venezuela at the National Foreign Exchange Administration Commission rate of Bs 6.3 per U.S. dollar; all non-export revenues from Petróleos de Venezuela, S.A., its branches, and joint ventures may be sold at the Complementary System to the Administration of Foreign Exchange rate, minus 0.25%.	Tightening

Source: AREAER database.

Foreign Exchange Standing Facilities, Auctions, Allocations, and Fixing

More than half of IMF member countries (119) report maintaining some type of official facility by the central bank in the spot foreign exchange market, an increase of 1 from the previous year. Mauritius introduced interventions on both an auction basis and at fixed rates, while Burundi discontinued its use of official foreign exchange auctions during the reporting period.

- Foreign exchange standing facilities. Almost two-thirds of members with foreign exchange markets fully or partially operated by the central bank reported maintaining a foreign exchange standing facility (75), a reduction of 2 that continues a downward trend that started in 2011. Such a facility allows market participants to buy foreign exchange from or sell it to the central bank at predetermined exchange rates and is usually instrumental in maintaining a hard or soft peg arrangement. The credibility of such arrangements depends to a large extent on the availability of foreign exchange reserves backing the facility. The countries with foreign exchange standing facilities include all those with currency boards (12); conventional pegs, with the exception of South Sudan (43); crawling pegs (2); or a pegged exchange rate within horizontal bands (1). South Sudan, as a newly independent country with a de jure conventional peg exchange rate regime, has a nascent foreign exchange market and is in the process of developing its central bank operations. The remaining 16 countries with foreign exchange standing facilities are those with stabilized arrangements (9), with other managed arrangements (5), or whose foreign exchange markets are less developed. Bolivia reported a foreign exchange standing facility in which market participants may buy foreign currency at the central bank, but only private financial institutions may sell it. Bolivia is experiencing a rising real effective exchange rate in the face of large public investment and relatively high inflation, so this facility helps support its management of foreign exchange liquidity and its maintenance of the sliding rate of the official crawling peg exchange rate regime, which was set at zero to prevent misalignment of the real exchange rate with its long-term trend. Two countries reported the elimination of their foreign exchange standing facilities: Latvia, after it joined the EMU, and Malawi.
- Foreign exchange auctions. The changes to auctions were overwhelmingly toward easing across the membership during the reporting period. There was an increase (by 1) in the number of countries holding official foreign exchange auctions (32). In a significant majority of those countries (26) foreign exchange auctions are the only mechanism operated by central banks. Half (16) have exchange rate regimes classified as floating; among these, more than half (9) hold foreign exchange auctions, and 6 of those 9 have de facto stabilized arrangements. Auctions are also used to influence the exchange rate rather than solely to manage foreign reserves. For example, Mexico suspended its auctions when exchange rate volatility diminished with changing national and international financial market conditions. For similar reasons, Turkey held foreign exchange selling auctions to support short-term additional monetary tightening. These auctions were used to slow the depreciation of the lira after Turkey's heavy reliance on short-term capital inflows became apparent when global demand for emerging market assets fell markedly when the Federal Reserve signaled it would take steps to normalize monetary policy. In response, Turkey suspended the intraday foreign exchange auctions in January 2013, following a year without such intervention. It reinstated the mechanism in June 2013, a time of significant volatility, and changed the auction rules and daily limits several times during the reporting period to improve its capacity to intervene in the foreign exchange market. Similarly, Moldova launched two-way multiple-price foreign exchange auctions, and Venezuela introduced foreign exchange auctions to expand the mechanisms its central bank already had in place (foreign exchange standing facility and allocation system). Bolivia gave the nonfinancial private sector access to the daily competitive foreign exchange auction, and Burundi discontinued the Marché des Enchères Symmétriques en Devises, a platform the central bank used to hold foreign exchange auctions as part of an effort to revamp its foreign exchange market. Afghanistan increased the auction settlement period (easing) but twice increased the penalty for bidders' failure to settle accounts within the prescribed time frame (tightening). Trinidad and Tobago relaxed the rules for resale of foreign exchange obtained from auctions.
- Foreign exchange allocation systems. The composition of countries with allocation systems changed, and their number decreased by 4 to 27. Most of the countries (21) with allocation systems also rely on other mechanisms operated by their central banks. Foreign exchange allocation is often used to provide foreign exchange for strategic imports, such as oil or food, when foreign exchange reserves are scarce. When these arrangements result in rationing, they can give rise to exchange restrictions. Given South Sudan's nascent foreign exchange market, the Bank of South Sudan attempts to clear the foreign exchange market through

weekly allocations under the nominal anchor of the fixed exchange rate. It currently provides foreign exchange only for public services, such as medical, travel, and study needs, and these are subject to weekly or currency-specific limits. In addition, a special foreign exchange facility applies to essential imports. Nepal and Iraq joined the group of countries with allocation systems, but the Bank of Central African States (Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, Gabon) no longer reports exchanging CFA francs for euros at the official exchange rate or, in the case of other currencies, at the fixed CFA franc–euro and euro cross-rate against those currencies. During the reporting period, Iraq introduced 2 tightening and 1 easing measure with respect to banks' purchases of foreign exchange at the Central Bank of Iraq currency selling window. These measures reflected the authorities' twin goals of liberalizing the foreign exchange market over the medium term on the one hand and fully implementing anti-money-laundering and combating the financing of terrorism measures on the other.

- Fixing sessions. Fixing sessions are more characteristic of an early stage of market development, when they help establish a market-clearing exchange rate in a shallow market with less-experienced market participants. The number of countries holding such sessions increased by 1 to 6, but only Belarus and Mauritania continue to do so on a regular basis. As a major conduit for foreign aid flows, Mozambique's central bank channels foreign exchange into the market by holding selling sessions with authorized banks via its software platform. Serbia retains the option of using fixing sessions when necessary to stabilize the foreign exchange market. Although the Islamic Republic of Iran indicated that it held fixing sessions during the reporting period, the extent and regularity of such operations are unknown.

Interbank and Retail Foreign Exchange Markets

There has been no change in the number of countries (161) that reported a functioning interbank market. The main types of interbank markets in these countries include over-the-counter markets, brokerage arrangements, and market-making arrangements. Thirty-five members allow operation of all three types of systems. Of the 161 countries with a functioning interbank market, more than two-thirds (127), 5 more than in the previous year, operate over the counter: 64 of those operate exclusively over the counter; 75 employ a market-making arrangement; and 50 allow for intermediation by brokers. Six members reported an inactive interbank market, the same number as in the previous reporting period. The Democratic Republic of the Congo left and the Solomon Islands joined this group.

- Over-the-counter operations. These account for the majority of interbank markets (126) because in a number of economies, particularly small economies, market participants cannot undertake the commitments involved in being a market maker. Burundi established an over-the-counter interbank foreign exchange market, the Marché Interbancaire des Devises, to replace the previous foreign exchange auctions. Morocco liberalized the establishment of over-the-counter operations on ferries, allowing licensed banks to purchase foreign exchange against dirhams from travelers to Morocco. Over-the-counter foreign exchange markets also operate in developed economies, where the market is sufficiently liquid to operate without the support of specific arrangements or institutions.
- Brokerage arrangements. Fifty members reported using brokers (including Korea and Singapore), 1 more than in the previous period. Italy now reports broker participation in the foreign exchange market. During the reporting period, Korea allowed spot foreign exchange transactions between security brokerages.
- Market-making agreements. Seventy-five members reported using market-making agreements in the interbank market, an increase of 2. This form of market arrangement is used both in developed economies (including Switzerland) and developing economies (including Zambia) and across all types of exchange rate arrangements.

More than two-thirds of member countries report a framework for the operation of foreign exchange bureaus, with the majority imposing some type of licensing requirement. However, there are no bureaus in operation in a number of these countries. Several changes, which were overwhelmingly toward tightening, affected exchange bureaus during the reporting period. The Bank of the Republic of Burundi set a fluctuation margin on foreign currency transactions of ±1 percent of its reference rate and acted to prevent exchange bureaus from procuring foreign exchange from commercial banks to promote the interbank market. The Czech Republic introduced customer protection measures in relation to foreign exchange activities. Ghana imposed

a per-transaction limit on foreign exchange bureau transactions, and Jordan and Lebanon increased money dealers' capitalization requirements. As part of a comprehensive program to stabilize the domestic financial system, Ukraine implemented a series of tightening measures: it decreased the limits on non-trade-related international transfers in foreign exchange by individuals and on daily foreign currency cash purchases; imposed additional identification restrictions, requiring physical identification of individuals for transactions exceeding HRV 50,000; and discontinued required registration of exchange offices by the regional offices of the National Bank of Ukraine. Uzbekistan now seeks to encourage the use of payment cards with a view to modernizing and enhancing the monitoring of foreign exchange operations, by requiring that conversion by residents of sum to foreign exchange take place through personal bank cards. Conversion operation departments in banks and foreign exchange bureaus sell foreign exchange to resident individuals by converting sum on the personal bank card of the resident to foreign exchange deposited on an international payment card. In contrast, the former Yugoslav Republic of Macedonia further liberalized the operations of exchange bureaus by cancelling repurchases and unifying the conditions for selling foreign exchange to residents and nonresidents. Morocco eased the documentation requirements for nonresidents when they resell surplus dirhams.

A series of easing measures were introduced in a number of member countries that expanded the scope of operation of financial intermediaries. The Kyrgyz Republic authorized credit unions, specialized financial and credit institutions, and microfinance and microcredit companies to perform professional foreign currency transactions with individuals and legal entities. Moldova allowed resident nonbank payment service providers and electronic money institutions to perform foreign exchange buying and selling operations related to the issuance of electronic money and the provision of payment services. Myanmar authorized private banks to participate in the newly established interbank foreign exchange market. In contrast, Ghana strictly prohibited offshore foreign exchange deals by resident and nonresident companies, including exporters and nonresident banks, to reduce foreign exchange market pressure by enhancing the repatriation of foreign exchange earnings and the use of the domestic currency.

Although the majority of members refrain from restricting exchange rate spreads and commissions in the interbank market, several countries imposed new or additional restrictions in this area. Pakistan limited exchange companies' (both categories A and B) spreads between the buying and selling rates of foreign currencies to 25 paisas. Iraq capped authorized banks' spreads at ID 10 per U.S. dollar over the exchange rate at which they may buy foreign exchange at the Central Bank of Iraq currency selling window. Egypt progressively tightened the limits on bid-ask spreads in the interbank and spot markets. On the easing side, China raised the bid-ask spread for renminbi–U.S. dollar spot and interbank transactions and allowed banks to base their exchange rate quotes on supply and demand in the market.

Among the countries reporting controls on interbank foreign exchange pricing are Botswana, China, Haiti, the former Yugoslav Republic of Macedonia, Nigeria, Tanzania, and Zambia. During the reporting period, Egypt tightened the interbank bid-ask spread to ±1 piastre around the weighted average of the latest auction held by the Central Bank of Egypt; at the same time, an insufficient supply of foreign exchange at the daily exchange rate fixed by the central bank contributed to the development of a parallel foreign exchange market. Many of the spread limits are agreed upon among market participants in the context of market making or other ad hoc agreements. These limitations are generally implemented in the context of fixed or stabilized exchange rate arrangements but may also be found in countries with floating exchange rate arrangements.

There were several other developments in currency pricing. China further widened the interbank renminbi–U.S. dollar trading fluctuation band from ±1 percent to ±2 percent around the central parity released on the same day by the China Foreign Exchange Trade System. The Bank of the Republic of Burundi set a fluctuation margin on foreign currency buying and selling transactions by commercial banks and exchange bureaus of ±1 percent of the reference rate it publishes each morning.

Other Measures

Most of the changes in other measures during the reporting period refer to forward and swap operations (Table 8.a), exchange rate structure (Table 8.b), and taxes and subsidies on foreign exchange transactions (Table 8.c).

- Forward and swap operations. There was continued easing of forward transactions. Sri Lanka eliminated the 90-day limit on the maturity of forward foreign exchange contracts. Malaysia allowed residents to undertake anticipatory hedging involving ringgit for financial account transactions and allowed nonresidents to do so for current account transactions with licensed onshore banks, except licensed international Islamic banks. In contrast, to decrease banks' heavy reliance on short-term foreign funding, Korea reduced the limit on foreign exchange derivatives contracts from 40 percent to 30 percent of bank capital for domestic banks and from 200 percent to 150 percent for foreign bank branches. Algeria did not report having a forward exchange market.
- Exchange rate structure. There were several changes in the number of countries maintaining a dual or multiple exchange rate structure (see Table 8.b). Currently, 22 countries are classified as having more than one exchange rate, of which 16 are dual and 6 multiple. This is a result mainly of specific exchange rates applied for certain transactions or actual or potential deviations of more than 2 percent between official and other exchange rates. Madagascar's exchange rate structure was changed back to unitary from dual after the suspension of a preferential exchange rate for oil importers. Georgia also eliminated its multiple currency practice through unification of the government–central bank and market rates. Myanmar abolished the use of foreign exchange certificates as part of its plan to remove its multiple exchange rate structure. In contrast, Sudan and Venezuela implemented tightening measures. Finally, a series of neutral changes were recorded: Latvia adopted the euro; the government of Zambia rebased the kwacha by removing three zeros; and Venezuela took several steps to improve its multiple exchange rate structure.
- Taxes and subsidies on foreign exchange transactions. There were more than twice as many tightening (7) as easing (3) changes with respect to foreign exchange subsidies and taxes (see Table 8.c). Overall, 32 emerging market and developing economies (the same as the previous year) tax foreign exchange transactions. Bolivia introduced a foreign exchange tax of 0.7 percent on a temporary basis for 36 months and doubled the taxable base of exchange bureaus' foreign currency sales. The measure is intended to increase tax revenues, further the dedollarization process, and contain the profitability of the private financial sector. Palau imposed a 4 percent tax on remittance outflows by foreign workers, which was also aimed at increasing public revenues as well as enhancing anti-money-laundering and combating the financing of terrorism efforts. Ukraine levied a 0.5 percent foreign exchange tax on all cash and noncash foreign exchange purchases (net of transaction fees) by residents and nonresidents for the two-part objective of increasing tax revenues and discouraging capital outflows during a time of political and economic turbulence. In response to changes in capital inflows, Brazil continued to take steps that ease the taxing of foreign-exchange-related transactions. At the same time, the tax was increased on expenditures and ATM withdrawals abroad using credit cards, operations abroad with debit cards and traveler's checks, and foreign exchange operations related to prepaid cards, providing a disincentive for spending abroad. In contrast to the broad use of foreign exchange taxes, only 2 countries have foreign exchange subsidies in place, Serbia where the subsidies target certain agricultural and food exports and the Islamic Republic of Iran. Sudan discontinued its foreign exchange subsidies during the reporting period.

Table 8.b. Changes in Currency and Exchange Rate Structures, January 1, 2013–July 31, 2014

Country	Change	Type
Georgia	Effective March 15, 2013, an amendment was introduced to the 2010 agreement between the National Bank of Georgia (NBG) and Treasury Service of the Ministry of Finance on the Participation in the Real Time Gross Settlement System, which eliminates Georgia's multiple currency practice. The 2013 amendment ensures that foreign exchange transactions between the government and the NBG are priced at the market exchange rate of the day when the foreign exchange order is submitted to the NBG.	Easing
Latvia	Effective January 1, 2014, the currency of Latvia changed from the Latvian lats to the euro when Latvia joined the European Economic and Monetary Union.	Neutral

Table 8b (concluded)

Country	Change	Type
Madagascar	Effective July 19, 2013, the preferential exchange rate previously introduced for oil importers (MGA 2,000 per U.S. dollar) was suspended.	Neutral
Myanmar	Effective April 1, 2013, with the aim of eliminating multiple currency practices, a plan to redeem foreign exchange certificates was announced to the public on March 21, 2013, and the process for their redemption was established April 1, 2013. Foreign exchange certificates were used for payments until June 30, 2013.	Neutral
Myanmar	Effective March 31, 2014, the process for redemption of foreign exchange certificates was successfully completed.	Easing
Sudan	Effective September 24, 2013, the Central Bank of Sudan (CBOS) modified Sudan's multiple exchange rate regime adopted June 24, 2012, to include (1) a central rate of SDG 5.68 per U.S. dollar (previously SDG 4.42) that also applies to fuel imports, payment of government obligations, and customs valuation; (2) a gold exchange rate used by the CBOS in its gold transactions; and (3) a managed floating rate (MFR) used mainly by the commercial banks and exchange bureaus. The MFR applies to all other transactions and has two components: (1) an indicative rate; and (2) a flexibility factor that allows banks to deviate from the average of the indicative rate and the incentive by ±4%.	Neutral
Sudan	Effective September 24, 2013, the variable incentive premium set by the CBOS of 15% from the average of the indicative rate was eliminated.	Tightening
Venezuela	Effective February 8, 2013, the implicit rate of Bs 5.30 per U.S. dollar that applied to purchases and sales in bolívares of foreign-currency-denominated securities issued by Venezuela, its decentralized entities, and other entities in the Transaction System for Foreign-Currency-Denominated Securities operated by the Central Bank of Venezuela was discontinued.	Neutral
Venezuela	Effective March 25, 2013, the Transaction System for Foreign-Currency-Denominated Securities was replaced with the Complementary System to the Administration of Foreign Exchange to complement the Commission for the Administration of Currency Exchange system, which supplies foreign exchange at the official rate of Bs 6.30 per U.S. dollar. Access to the Complementary System to the Administration of Foreign Exchange is determined by the central bank, which identifies the industrial sectors authorized to bid for the foreign currencies offered at a particular auction. It is restricted to importers selling food, medicine, and other basic goods.	Neutral
Zambia	Effective January 1, 2013, the kwacha was rebased by removing three zeros. The rebased kwacha circulated alongside the old currency for six months.	Neutral
Zimbabwe	Effective January 30, 2014, the Reserve Bank of Zimbabwe announced the adoption of four additional official currencies: the Australian dollar, Chinese renminbi, Indian rupee, and Japanese yen.	Neutral

Source: AREAER database.

Table 8.c. Changes in Exchange Subsidies and Exchange Taxes, January 1, 2013–July 31, 2014

Country	Change	Type
Bolivia	Effective January 1, 2013, law No. 291 of September 22, 2012, imposed a tax on the sale of foreign currency (Impuesto a la Venta de Moneda Extranjera) for a period of three years (until September 2015).	Tightening
Bolivia	Effective August 26, 2013, the Impuesto a la Venta de Moneda Extranjera (IMVE) rate for exchange bureaus was equalized with that of financial institutions, 0.70% on foreign exchange sales. The tax base is the sum of all foreign currency sales transactions expressed in local currency. Previously, the taxable base was only 50% of exchange bureaus' foreign currency sales. The sale of foreign currency by the Central Bank of Bolivia and by taxpayers to the Central Bank of Bolivia is exempt from the IMVE.	Tightening

Table 8c (concluded)

Country	Change	Type
Brazil	Effective June 4, 2013, the financial operations tax (Imposto sobre Operações Financeiras [IOF]) was reduced to zero on nonresidents' fixed-income instruments, and the derivative margin deposit was reduced to zero (previously 6%).	Easing
Brazil	Effective June 13, 2013, the IOF was reduced to zero on foreign exchange derivative transactions (previously 1%).	Easing
Brazil	Effective December 24, 2013, the IOF was reduced to zero (previously 1.5%) on trades linked to overseas depository receipts issued by Brazilian companies.	Easing
Brazil	Effective December 27, 2013, the IOF was increased to 6.38% on expenditures and ATM withdrawals abroad using credit cards, operations with debit cards and traveler's checks cashed abroad, and foreign exchange operations related to prepaid cards.	Tightening
Brazil	Effective June 4, 2014, the maximum maturity of external loans subject to 6% IOF rate was reduced from 360 days to 180 days.	Easing
Palau	Effective November 1, 2013, remittance outflows by foreign workers working in Palau are subject to a 4% tax.	Tightening
Sudan	Effective September 23, 2013, exchange subsidies for fuel imports were discontinued.	Easing
Sudan	Effective September 23, 2013, a SDG 2.9 per U.S. dollar subsidized rate for wheat was eliminated.	Easing
Ukraine	Effective April 1, 2014, the law on Mandatory Pension Insurance Tax imposed a 0.5% foreign exchange transaction tax in order to replenish the state pension fund. The tax applies to all cash and noncash foreign exchange purchases (net of transactions fees) by residents and nonresidents in Ukraine. Banks must accrue, withhold, and remit to the Special Fund of the State Budget the proceeds of the tax. Banks must also report monthly to the National Bank of Ukraine the amount of accrued/withheld foreign exchange transaction tax.	Tightening

Source: AREAER database.
Note: Includes changes from January 1, 2013, through July 31, 2014.

Member Countries' Obligations and Status under Articles VIII and XIV

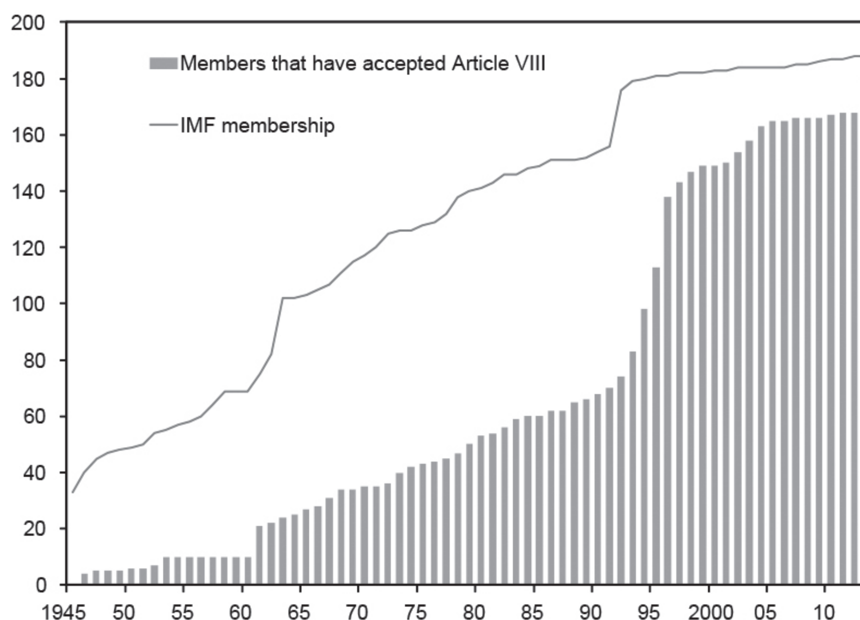
This section provides an overview of the status of IMF members' acceptance of the obligations of Article VIII, Sections 2(a), 3, and 4, of the IMF's Articles of Agreement and of the use of the transitional arrangements of Article XIV. It also describes recent developments in restrictive exchange measures—namely, exchange restrictions and multiple currency practices (MCPs) subject to IMF jurisdiction under Articles VIII and XIV and measures imposed by members for national or international security reasons. This section refers to changes in restrictive exchange measures in 2013 and to members' positions as reported in the latest IMF staff reports as of December 31, 2013.[13]

Of 188 members of the IMF, 168 have accepted Article VIII status (Figure 1). In accepting the obligations of Article VIII, Sections 2(a), 3, and 4, members agree not to impose restrictions on payments and transfers for current international transactions or engage in discriminatory currency arrangements or MCPs, except with IMF approval. Following the period of increased acceptance in the first half of the 2000s, the share of Article VIII members has remained flat at about 90 percent of total members in recent years. The most recent acceptance by a member of Article VIII obligations was in 2011. The number of Article VIII members with restrictive exchange measures decreased by 1 to 31 in 2013.[14]

[13] Underlying data for this section also cover exchange measures implemented in countries whose information is not publicly available in the AREAER database except measures included in Table 10.

[14] The AREAER does not indicate whether the IMF has approved such measures.

Figure 1. IMF Members That Have Accepted the Obligations of Article VIII, Sections 2(a), 3, and 4, 1945–2013[1]



Source: AREAER database.
[1] As of December 31, 2013.

The latest IMF staff reports indicate that many members with Article XIV status maintain restrictions subject to IMF jurisdiction under Article VIII.[15] Among the members with Article XIV status, 3 countries maintain no explicitly identified restrictions. Two countries maintain both Article XIV exchange measures and Article VIII restrictions. The exchange arrangements for Albania, South Sudan, and Tuvalu are under IMF staff review, and that of Somalia will be reviewed in due course. The remaining countries maintain exchange measures under Article VIII only.

Restrictive Exchange Measures

Exchange restrictions and multiple currency practices

The overall number of restrictive exchange measures continued to increase among Article VIII members, while the number remained unchanged among Article XIV members (Table 9). The total number of exchange restrictions or MCPs increased by 8, to 57, among Article VIII countries as a result of 13 newly introduced or identified measures (8 exchange restrictions and 5 MCPs) and 5 eliminations (2 exchange restrictions and 3 MCPs). Several restrictive measures were identified for Belarus, Cyprus, Sudan, and Zambia, reflecting the countries' responses to a balance of payments crisis and improved reporting by member countries. Among Article XIV members, an equal number introduced and eliminated restrictive measures (6 exchange restrictions and 2 MCPs). In particular, Myanmar eliminated almost all previously identified restrictions (5 exchange restrictions and 2 MCPs) and replaced them with 2 exchange restrictions and 2 MCPs targeting more specific types of transactions, which effectively liberalized the system.

The composition of members maintaining exchange restrictions or MCPs has changed only slightly. In 2013, Cyprus introduced 3 exchange restrictions. Georgia and Hungary eliminated MCPs, so their exchange arrangements are now free of restrictions. In the other countries previously identified as having restrictions, some measures continue to give rise to exchange restrictions or MCPs subject to IMF jurisdiction, and additional measures were introduced (for example, in Iraq and Sudan) or partially eliminated (for example, in

[15] The member countries that avail themselves of the transitional arrangements under Article XIV are Afghanistan, Albania, Angola, Bhutan, Bosnia and Herzegovina, Burundi, Eritrea, Ethiopia, Iraq, Kosovo, Liberia, Maldives, Myanmar, Nigeria, São Tomé and Príncipe, Somalia, South Sudan, Syria, Turkmenistan, and Tuvalu.

Colombia). The stable number of Article VIII members and an increased number of restrictions implemented by them led to a rise in the average number of measures to 2.5 a member country in 2013. Article XIV members still maintain a greater number of restrictive measures, on average, than Article VIII members, but the difference narrowed marginally.

The use of restrictions on payments for current invisible transactions increased noticeably in 2013. Four of the new measures are attributable to Iraq, which limited the availability of foreign exchange for firms, individuals, banks, money transfer companies, and money exchange bureaus. In other countries (Myanmar, Sudan, Zambia), a tax certification requirement for transfers of investment income and profits was found to give rise to exchange restrictions, because such measures limit the availability of foreign exchange for current account transactions based on noncompliance with obligations unrelated to the proposed transaction. Cyprus imposed limits on nonresident transfers of recently acquired net income from current international transactions and investment income. Colombia phased out a tax on outward remittances of nonresident profits earned before 2007.

Other types of newly identified exchange restrictions include limits on payments for certain import activities (Belarus, Cyprus) and on remittances abroad (Cyprus, Myanmar) and allocation of foreign exchange to certain priority items (Sudan). Exchange restrictions eliminated in 2013—all in Myanmar—include advance import deposit requirements, margin requirements, general restrictions on the availability and use of foreign exchange and on payments and transfers related to invisibles, taxes on exchange transactions, and payments for invisibles.

A majority of new MCPs arise from official action that can give rise to potential or actual differentials between exchange rates used in different exchange markets or required for certain official transactions. These practices can arise when there is no mechanism in place to prevent a deviation of more than 2 percent between auction and interbank rates (Belarus), official and commercial rates (Belarus, Sudan), or public and parallel market rates (Myanmar, Sudan), when official actions cause such deviations. Georgia eliminated an MCP arising from the lagged calculation of the official rate that is used for foreign exchange transactions between the government and the central bank. Hungary eliminated its MCP by discontinuing the program of foreign exchange sale tenders. Other changes in exchange measures giving rise to MCPs are an exchange tax (Colombia, eliminated in 2013) and a multiple-price auction (Myanmar, introduced in 2013). Multiple-price auctions are often implemented until a well-functioning interbank market develops.

Table 10 describes restrictive exchange measures by members as indicated in the latest IMF staff reports as of December 31, 2013. Excluded from Table 10 are member countries that have not consented to publication of such measures described in unpublished IMF staff reports.

Exchange measures maintained for security reasons

Some member countries impose measures solely for national or international security reasons, which can give rise to exchange restrictions under IMF jurisdiction. These restrictions, like others, require prior IMF approval under Article VIII, Section 2(a). However, because the IMF does not provide a suitable forum for discussion of the political and military considerations leading to measures of this kind, it established a special procedure for such measures to be notified and approved.[16] In total, 12 members notified the IMF of measures introduced solely for security reasons during 2013, while 9 members did so during January–May 2014. For the most part, notification was from advanced economies. In general, the restrictions involved take the form of financial sanctions to combat financial terrorism or financial sanctions against certain governments, entities, and individuals in accordance with UN Security Council resolutions or EU regulations.

[16] See Decision No. 144-(52/51) in Selected Decisions and Selected Documents of the International Monetary Fund, Issue 36 (Washington: IMF, 2012).

Table 9. Exchange Restrictions and Multiple Currency Practices, January 1–December 31, 2013

	Member under								
	Article XIV Status			Article VIII Status			Total		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Total number of restrictions and multiple currency practices maintained by members[1]	52	54	54	43	49	57	95	103	111
Restrictions on payments for imports	4	6	4	2	3	5	6	9	9
Advance import deposit and margin requirements		2		1	1	1	1	3	1
Restrictions on advance payments				1	2	2	1	2	2
Requirement to balance imports with export earnings	1	1	1				1	1	1
Restrictive rules on the issuance of import permits	1	1	1				1	1	1
Tax clearance requirements	1	1	1				1	1	1
Other	1	1	1			2	1	1	3
Restrictions on payments for invisibles	16	15	19	6	6	8	22	21	27
Education	1	1	1				1	1	1
Medical services	1	1	1				1	1	1
Travel services	4	3	3	1	1		5	4	3
Income on investment	8	8	9	5	5	7	13	13	16
Tax clearance requirement	2	2	3	1	1	3	3	3	6
Exchange tax on profits				1	1		1	1	
Interest on deposits and bonds	1	1	1	2	2	2	3	3	3
Profits and dividends	3	3	3	1	1	2	4	4	5
Foreign exchange balancing for profit remittances	1	1	1				1	1	1
Clearance of debts to government to remit profits	1	1	1				1	1	1
Other	2	2	5			1	2	2	6
Restrictions on amortization on external loans	1	1	1	1	3	3	2	4	4
Restrictions on unrequited transfers	4	3	4	1	1	2	5	4	6
Wages and salaries	1		1	1	1	1	2	1	2
Clearance of debt to government to remit wages	1	1	1				1	1	1
Family remittances						1			1
Other	2	2	2				2	2	2
Nonresident accounts	2	2	2	2	2	2	4	4	4
Transferability of frozen or blocked deposits	1	1	1	2	2	2	3	3	3
Limits on use of foreign currency accounts	1	1	1				1	1	1
Restrictions arising from bilateral or regional payment, barter, or clearing arrangements: Unsettled debit balances	3	3	3	4	4	4	7	7	7
Restrictions with general applicability	8	10	7	9	9	10	17	19	17
Administered allocations, rationing, and undue delay	4	5	3	3	3	4	7	8	7
Payments above a threshold				1	1	1	1	1	1
Tax clearance certificates	1	1	1				1	1	1

Table 9 (concluded)

	Member under						Total		
	Article XIV Status			Article VIII Status					
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Exchange taxes	1	1	1	3	3	3	4	4	4
Surrender of export earnings to have access to foreign exchange		0	0	1	1	1	1	1	1
Other	2	3	2	1	1	1	3	4	3
Multiple currency practices	14	14	14	18	21	23	32	35	37
Exchange taxes	4	4	4	1	1		5	5	4
Exchange subsidies				1	1	1	1	1	1
Multiple-price auctions	2	2	3	2	2	2	4	4	5
Differentials between official, commercial, and parallel rates	7	7	6	11	14	17	18	21	23
Margin requirements				1	1	1	1	1	1
Non-interest-bearing blocked accounts				1	1	1	1	1	1
Non-interest-bearing advance import deposits	1	1	1				1	1	1
Exchange rate guarantees				1	1	1	1	1	1
Memorandum items:									
Average number of restrictions per member	3.7	3.9	3.9	1.4	1.5	1.8	2.1	2.2	2.5
Number of countries with restrictions	14	14	14	31	32	31	45	46	45

Sources: AREAER database; and IMF staff reports.
[1] Includes 188 members and 3 territories: Aruba and Curaçao and Sint Maarten (all in the Kingdom of the Netherlands) and Hong Kong SAR (China).

Table 10. Exchange Restrictions and/or Multiple Currency Practices by Country, as of December 31, 2013

Country[1]	Exchange Restrictions and/or Multiple Currency Practices[2]
Albania	The IMF staff report for the 2012 Article IV consultations with Albania states that, as of November 19, 2012, Albania still avails itself of the transitional arrangements under Article XIV and maintained an exchange restriction in the form of outstanding debit balances on inoperative bilateral payments agreements, which were in place before Albania became an IMF member. These relate primarily to debt in nonconvertible and formerly nonconvertible currencies. The IMF staff is currently assessing Albania's exchange system for potential exchange restrictions and multiple currency practices. (Country Report No. 13/7)
Angola	The IMF staff report for the 2012 Article IV Consultation and First Post-Program Monitoring with Angola states that, as of July 2, 2012, Angola maintained exchange measures pursuant to the transitional arrangements under Article XIV, and a number of measures subject to IMF jurisdiction under Article VIII. The measures maintained pursuant to Article XIV are (1) limits on the availability of foreign exchange for invisible transactions, such as travel, medical, or educational allowances; and (2) limits on unrequited transfers to foreign-based individuals and institutions. In addition, Angola maintained two exchange restrictions subject to IMF jurisdiction under Article VIII, Section 2. These are (1) limits on the remittances of dividends and profits from foreign investments that do not exceed US$1 million; and (2) the discriminatory application of the 0.015% stamp tax on foreign exchange operations. Angola also maintained two multiple currency practices arising from: (1) the Dutch foreign exchange auction; and (2) the discriminatory application of the 0.015% stamp tax on foreign exchange operations that are subject to approval under Article VIII, Section 3. (Country Report No. 12/215)
Aruba	The IMF staff report for the 2013 Article IV consultation with the Kingdom of the Netherlands—Aruba states that, as of July 12, 2013, Aruba maintained a foreign exchange restriction arising from the foreign exchange tax on payments by residents to nonresidents (1.3% of the transaction value). (Country Report No. 13/258)
Bangladesh	The IMF staff report for the 2013 Article IV consultation with Bangladesh states that, as of November 12, 2013, Bangladesh maintained an exchange restriction on the convertibility and transferability of proceeds of current international transactions in nonresident taka accounts. (Country Report No. 13/357)

Table 10 (continued)

Country[1]	Exchange Restrictions and/or Multiple Currency Practices[2]
Belarus	The IMF staff report for the Fifth Post-Program Monitoring Discussion with Belarus states that, as of November 26, 2013, Belarus maintained exchange restrictions and multiple currency practices (MCPs) subject to the IMF's jurisdiction. The exchange restrictions arise from the requirement of a National Bank of the Republic of Belarus (NBRB) permit for (1) advance payments for imports and (2) payments for imports with delivery outside of Belarus. The MCPs arise from (1) the potential deviation by more than 2% of the exchange rates in the OTC market and the Belarusian Currency and Stock Exchange (BCSE), (2) the potential deviation by more than 2% of the exchange rates in the OTC market and the BCSE exchange rate or the official exchange rate with respect to the mandatory resale of unused foreign exchange by resident legal entities and foreign exchange amounts subject to mandatory sale requirement, and (3) broken cross-rates among the currencies for which the NBRB establishes official exchange rates with monthly frequency with respect to the mandatory resale of unused foreign exchange by resident legal entities and foreign exchange amounts subject to mandatory sale requirement. (Country Report No. 14/18)
Bhutan	The IMF staff report for the 2011 Article IV consultation with Bhutan states that, as of May 13, 2011, Bhutan maintained exchange restrictions subject to IMF approval under Article VIII, Section 2(a). (Country Report No. 11/123)
Bosnia	The IMF staff report for the 2012 Article IV consultation with Bosnia and Herzegovina states that, as of September 12, 2012, Bosnia and Herzegovina maintained restrictions on the transferability of balances and interest accrued on frozen foreign currency deposits, subject to IMF jurisdiction under Article VIII. (Country Report No. 12/282)
Burundi	The IMF staff report for the Second Review under the Extended Credit Facility Arrangement with Burundi states that, as of January 31, 2013, Burundi maintained one multiple currency practice (MCP) that is inconsistent with Article VIII, Section 2(a): the exchange rate used for government transactions differs at times by more than 2% from market exchange rates. (Country Report No. 13/64)
Colombia	The IMF staff report for the 2012 Article IV consultation with Colombia states that, as of January 9, 2013, Colombia maintained an exchange restriction subject to IMF approval under Article VIII arising from the special regime for the hydrocarbon sector. The multiple currency practice and exchange restriction arising from a tax on outward remittances of nonresident profits earned before 2007 and retained in the country for less than five years phased out on January 1, 2012. (Country Report No. 13/35)
Democratic Republic of the Congo	The IMF staff report for the 2012 Article IV consultation with the Democratic Republic of the Congo (DRC) states that, as of September 6, 2012, the DRC maintained measures that give rise to one exchange rate restriction and one multiple currency practice (MCP) subject to IMF approval. The exchange restriction involves an outstanding net debt position against other contracting members under the inoperative regional payments agreement with the Economic Community of the Great Lakes Countries. The MCP relates to a fixed exchange rate set quarterly applying to transactions through a bilateral payments agreement with Zimbabwe. (Country Report No. 13/94)
Cyprus	The IMF staff report for the Request for an Arrangement Under the Extended Fund Facility states that, as of April 30, 2013, Cyprus maintained three exchange restrictions subject to IMF approval under Article VIII, Section 2(a), arising from (1) limits on payments for certain transactions involving normal business activity, including the import of goods and services; (2) limitations on certain invisible payments by individuals, including firm limits on remittances for living expenses for certain family members; and (3) limits on access to certain funds deposited with financial institutions in Cyprus that prevent nonresidents from accessing, converting, and transferring out of Cyprus recently acquired net income from current international transactions and investment income. (Country Report No. 13/125)
Ethiopia	The IMF staff report for the 2013 Article IV consultation with Ethiopia states that, as of August 29, 2013, Ethiopia maintained four restrictions on the payments and transfers for current international transactions, which relate to (1) the tax certification requirement for repatriation of dividend and other investment income; (2) restrictions on repayment of legal external loans and supplies and foreign partner credits; (3) rules for issuance of import permits by commercial banks; and (4) the requirement to provide a clearance certificate from the National Bank of Ethiopia to obtain import permits. (Country Report No. 13/308)
Fiji	The IMF staff report for the 2013 Article IV consultation with Fiji states that, as of October 21, 2013, Fiji maintained exchange restrictions subject to Article VIII arising from the Fiji Revenue and Customs Authority tax certification requirements on the transfer abroad of profits and dividends, and on the proceeds of airline ticket sales, and on the making of external debt and maintenance payments, and from limits on large payments (e.g., oil imports and dividends repatriation of foreign banks). (Country Report No. 13/370)
Gabon	The IMF staff report for the 2012 Article IV consultation with Gabon notes that, as of January 31, 2013, Gabon levies a tax on all wire transfers, including for the making of payments and transfers for current international transactions, which gives rise to an exchange restriction subject to IMF approval under Article VIII, Section 2(a), of the IMF's Articles of Agreement. (Country Report No. 13/55)

Table 10 (continued)

Country[1]	Exchange Restrictions and/or Multiple Currency Practices[2]
Ghana	The IMF staff report for the 2013 Article IV consultation with Ghana states that, as of May 30, 2013, Ghana maintained a multiple currency practice (MCP), subject to IMF approval, whereby the Bank of Ghana calculates a reference rate and uses it for certain official transactions without having a mechanism in place to ensure that this exchange rate does not differ from the rate prevailing in the market by more than 2%. (Country Report No. 13/187)
Guinea	The IMF staff report for the Second Review under the Three-Year Arrangement under the Extended Credit Facility with Guinea states that, as of May 7, 2013, Guinea maintained a multiple currency practice, as the value of the official rate lags the weighted average commercial bank rate on which it is based by one day. (Country Report No. 13/192)
Iceland	The IMF staff report for the 2013 Article IV consultation and Third Post-Program Monitoring Discussion with Iceland states that, as of July 18, 2013, Iceland maintained exchange restrictions arising from limitations imposed on the conversion and transfer of (1) interest on bonds (whose transfer the foreign exchange rules apportion depending on the period of the holding), (2) the principal payments from holdings of amortizing bonds, and (3) payments on the indexation of principal from holdings of amortizing bonds. (Country Report No. 13/256)
India	The IMF staff report for the 2013 Article IV consultation with India states that, as of December 27, 2012, India maintained the following restrictions on the making of payments and transfers for current international transactions, which are subject to IMF approval under Article VIII, Section 2(a): (1) restrictions related to the nontransferability of balances under the India-Russia debt agreement; (2) restrictions arising from unsettled balances under inoperative bilateral payments arrangements with two eastern European countries; and (3) a restriction on the transfer of amortization payments on loans by nonresident relatives. (Country Report No. 13/37)
Iran	The IMF staff report for the 2011 Article IV consultation with the Islamic Republic of Iran states that, as of July 6, 2011, Iran maintained one exchange restriction and a multiple currency practice (MCP) subject to IMF jurisdiction under Article VIII, Sections 2(a) and 3. (1) The exchange restriction arises from limitations on the transferability of rial profits from certain investments under the Foreign Investment Promotion and Protection Act (FIPPA) and from limitations on other investment-related current international payments under this act. (2) The MCP arises from the budget subsidies for foreign exchange purchases in connection with payments of certain LCs opened prior to March 21, 2002, under the previous multiple exchange rate system. (Country Report No. 11/241)
Iraq	The IMF staff report for the 2013 Article IV consultation with Iraq states that, as of April 30, 2013, Iraq maintained eight exchange restrictions and one multiple currency practice (MCP) subject to IMF jurisdiction and approval. The exchange restrictions are (1) the limitation that corporates can purchase foreign exchange in the auction for import transactions only; (2) limitation on the availability of foreign exchange cash for individuals (i.e., one request a month, this measure gives rise to an exchange restriction because the limitation of one request a month constitutes a governmental limitation on the availability of foreign exchange for payments and transfers by individuals for current international transactions, e.g., basic allocations for tourist or business travel abroad, family living expenses, etc. Furthermore, because of the limitation on the availability of foreign exchange in the non-cash auction to corporates and only for trade transactions, individuals who need to make payments and transfers for current international transactions beyond the maximum limit have no alternative means or channels to get access to foreign exchange, except for resorting to informal sources.); (3) maximum limits on the availability of foreign exchange cash in the auction for banks (This measure gives rise to an exchange restriction because the maximum cap constitutes a governmental limitation on the availability of foreign exchange for certain payments and transfers, e.g., repatriation of certain investment income by nonresidents, including remittances of profits, dividends or interest. Because of the limitation on the availability of foreign exchange in the non-cash auction by corporates to only trade transactions, they would have no other means or channels to get access to such foreign exchange beyond the maximum limits, except for resorting to informal sources.); (4) maximum limits on the availability of foreign exchange cash in the auction for money transfer companies and money exchange bureaus; (5) the requirement to pay all obligations and debts to the government before proceeds of investments of investors and salaries and other compensation of non-Iraqi employees may be transferred out of Iraq; (6) the requirement to submit a tax certificate and a letter of no objection stating that the companies do not owe any taxes to the government before non-Iraqi companies may transfer proceeds of current international transactions out of the country; (7) the requirement that before non-Iraqis may transfer proceeds in excess of ID 15 million out of Iraq, the banks are required to give due consideration to legal obligations of these persons with respect to official entities, which must be settled before allowing any transfer; and (8) an Iraqi balance owed to Jordan under an inoperative bilateral payments agreement. The MCP arises from the absence of a mechanism to ensure that the official exchange rate and the market exchange rate do not deviate by more than 2 %. (Country Report No. 13/217)

Table 10 (continued)

Country[1]	Exchange Restrictions and/or Multiple Currency Practices[2]
Kyrgyz Republic	The IMF staff report for the Fifth Review under the Three-Year Arrangement under the Extended Credit Facility with the Kyrgyz Republic states that, as of November 18, 2013, the Kyrgyz Republic maintained a multiple currency practice, which predates the arrangement, arising from the use of the official exchange rate for government transactions. The official rate may differ by more than 2% from market rates because it is based on the average transaction-weighted rate of the preceding day. In practice, the official and market rates have never differed by more than 2%. (Country Report. No. 13/376)
Malawi	The IMF staff report for the Third and Fourth Reviews under the Extended Credit Facility Arrangement with Malawi states that, as of December 27, 2013, the IMF staff intends to conduct a comprehensive assessment of Malawi's exchange rate system shortly. (Country Report No. 14/37)
Maldives	The IMF staff report for the 2012 Article IV consultation with Maldives states that, as of January 22, 2013, Maldives maintained an exchange restriction and a multiple currency practice subject (MCP) to IMF approval under Article VIII, Section 2(a), of the IMF's Articles of Agreement, arising from the Maldives Monetary Authority's policy of rationing its supply of foreign exchange to commercial banks. This rationing by a governmental agency has caused the channeling of foreign exchange transactions for current international transactions to the parallel market where transactions take place at an exchange rate that deviates by more than 2% from the official exchange rate. The more than 2% exchange rate spread gives rise to a MCP subject to IMF approval under Article VIII, Section 3, and also to an exchange restriction given the additional cost involved for obtaining foreign exchange.
Mongolia	The IMF staff report for the 2013 Article IV consultation with Mongolia states that, as of November 4, 2013, Mongolia maintained two multiple currency practices (MCPs) subject to IMF jurisdiction. First, the modalities of the multi-price auction system give rise to an MCP since there is no mechanism in place that ensures that exchange rates of accepted bids at the multi-price auction do not deviate by more than 2%. In addition, Mongolia has an official exchange rate (reference rate) that is mandatorily used for government transactions (as opposed to the commercial market rate). Therefore, by way of official action, the authorities have created market segmentation. While Order #699 of the Bank of Mongolia issued December 3, 2010, sets forth that the reference rate is determined based on the weighted average of market rates used from 4:00 p.m. of the previous day to 4:00 p.m. of the current day, the IMF staff is of the view that this order does not eliminate the market segmentation and multiplicity of effective rates arising from it. Accordingly, in the absence of a mechanism to ensure that the commercial rates and the reference rate do not deviate by more than 2%, the way the reference rate is used in government transaction gives rise to an MCP. (Country Report No. 14/64)
Montenegro	The IMF staff report for the 2013 Article IV consultation with the Republic of Montenegro states that, as of July 8, 2013, Montenegro maintained an exchange system free of restrictions on the making of payments and transfers for current international transactions, except with respect to pre-1992 blocked foreign currency savings accounts. (Country Report No. 13/271)
Myanmar	The IMF staff report for the 2013 Article IV consultation and First Review under the Staff-Monitored Program with Myanmar states that, as of June 17, 2013, Myanmar still maintained exchange restrictions and multiple currency practices (MCPs) subject to IMF approval under Article VIII. Exchange restrictions subject to IMF jurisdiction arise from (1) requirement of tax certification for authorizing transfers of net investment income abroad, (2) limitations on the remittance abroad of net salaries, (3) an MCP arising from the formal foreign exchange certificate rate, and (4) an MCP arising from the two-way multiple price foreign currency auction. (Country Report No. 13/250)
Nepal	The IMF staff report for the 2012 Article IV consultation with Nepal states that, as of November 2, 2012, Nepal maintained an exchange restriction under Article VIII, arising due to the limit of 75% placed by the Industrial Enterprise Act on conversion and transfer to foreign currency of salaries on nonresidents from countries where convertible currencies circulate. (Country Report No. 12/326)
Nigeria	The IMF staff report for the 2012 Article IV consultation with Nigeria states that, as of January 24, 2013, multiple prices are a technical characteristic of the CB's Dutch auction system and can give rise to multiple currency practices. (Country Report No. 13/116)
São Tomé and Príncipe	The IMF staff report for the 2013 Article IV consultation and Second Review under the Extended Credit Facility with São Tomé and Príncipe states that, as of December 2, 2013, São Tomé and Príncipe continues to avail itself of the transitional arrangements under Article XIV, but does not maintain restrictions under Article XIV. However, it maintained one measure subject to IMF approval under Article VIII: an exchange restriction arising from Article 3(i) and Article 10.1(b) of the Investment Code (Law No. 7/2008) regarding limitations on the transferability of net income from investment. The restriction results from the requirement that taxes and other obligations to the government have to be paid/fulfilled as a condition for transfer, to the extent the requirement includes the payment of taxes and the fulfillment of obligations unrelated to the net income to be transferred. (Country Report No. 14/02)

Table 10 (continued)

Country[1]	Exchange Restrictions and/or Multiple Currency Practices[2]
Serbia	The IMF staff report on the 2013 Article IV consultation with Serbia states that, as of May 31, 2013, Serbia maintained a floating exchange rate system free of restrictions on current international payments and transfers, except with respect to blocked pre-1991 foreign currency savings accounts. (Country Report No. 13/206)
Sierra Leone	The IMF staff report for the 2013 Article IV Consultation and Request for a Three-Year Arrangement under the Extended Credit Facility with Sierra Leone states that, as of October 8, 2013, Sierra Leone maintained one multiple currency practice subject to IMF jurisdiction arising from the applied multiple price Dutch auction system, as there is no formal mechanism in place to prevent spreads of effective rates between winning bids from exceeding 2%. (Country Report No. 13/330)
Sudan	The IMF staff report for the 2013 Article IV consultation with Sudan states that, as of September 6, 2013, Sudan maintained an exchange restriction and multiple currency practices (MCPs) arising from the cash margin requirement for imports, whereas the previously identified exchange restriction arising from the imposition of the absolute ceiling on foreign exchange for travel has been removed. The IMF staff has identified the following new exchange restrictions and MCPs subject to IMF jurisdiction under Article VIII: (1) an exchange restriction arising from the government's limitations on the availability of foreign exchange and the Central Bank of Sudan's (CBOS') allocation of foreign exchange to certain priority items; (2) an exchange restriction arising from a tax certification requirement in respect of transfers abroad of profits generated by enterprises other than joint-stock companies; (3) an MCP arising from the establishment by the government of a system of multiple exchange rates used for official and commercial transactions, which gives rise to effective exchange rates that deviate by more than 2%; (4) an MCP and exchange restriction arising from the channeling of market participants to the parallel market due to the CBOS' establishment of exchange rates that do not reflect market conditions and the limitations on availability of foreign exchange; and (5) an exchange restriction and an MCP arising from the imposition by the government of a cash margin requirement for most imports. The authorities have informed the IMF staff that they have removed an exchange restriction on tax certification requirement in respect to transfers abroad of profits generated by enterprises other than joint-stock companies. Also, the authorities informed the IMF staff that they issued a circular to clarify that there are no limitations on sale of foreign exchange by banks. (Country Report No. 13/317)
Suriname	The IMF staff report for the 2013 Article IV consultation with Suriname states that, as of September 9, 2013, Suriname maintained two multiple currency practices arising from the spread of more than 2% between the buying and the selling rates in the official market for government transactions and also from the possible spread of more than 2% between these official rates for government transactions and those in the commercial markets that can take place within the established band. (Country Report No. 13/340)
Syria	The IMF staff report for the 2009 Article IV consultation with Syria states that, as of February 12, 2010, Syria continued to maintain, under Article XIV, restrictions on payments and transfers for current international transactions, including administrative allocation of foreign exchange. Syria also maintained exchange measures that are subject to IMF approval under Article VIII: (1) prohibition against purchases by private parties of foreign exchange from the banking system for some current international transactions; (2) a multiple currency practice resulting from divergences of more than 2% between the official exchange rate and officially recognized market exchange rates; (3) a non-interest-bearing advance import deposit requirement of 75%–100% for public sector imports; and (4) an exchange restriction arising from the net debt under inoperative bilateral payments arrangements with the Islamic Republic of Iran and Sri Lanka. (Country Report No. 10/86)
Tunisia	The IMF staff report for the 2012 Article IV consultation with Tunisia states that, as of July 10, 2012, Tunisia maintained a multiple currency practice resulting from honoring exchange rate guarantees extended prior to August 1988 to development banks, which will automatically expire after maturity of existing commitments (total loans covered by these guarantees amount to about US$20 million). (Country Report No. 12/255)
Ukraine	The IMF staff report for the 2013 Article IV consultation and First Post-Program Monitoring with Ukraine states that, as of December 2, 2013, Ukraine maintained multiple currency practices arising from (1) the use of the official exchange rate for certain government transactions; and (2) the requirement that a Ukrainian resident who sells previously purchased foreign exchange not used within 10 days (including when foreign exchange was returned to the resident because the counterparty failed to fulfill its obligations under an import contract) shall transfer 100% of the positive difference from the sale price, on a quarterly basis, to the state budget. (Country Report No. 14/145)

Table 10 (concluded)

Country[1]	Exchange Restrictions and/or Multiple Currency Practices[2]
Uzbekistan	The IMF staff report for the 2012 Article IV consultation with Uzbekistan states that, as of February 4, 2013, Uzbekistan maintained at least two exchange restrictions and one multiple currency practice (MCP) subject to IMF jurisdiction. First, undue delays (of up to and exceeding 12 months) in the availability of foreign exchange for payments and transfers for current international transactions give rise to an exchange restriction. Second, the Central Bank of Uzbekistan's practice of providing only limited foreign exchange for payments and transfers for current international transactions is considered direct rationing and gives rise to an exchange restriction. Third, the practice that no interest is paid on "blocked accounts" for conversion of sum to foreign exchange and that these transactions are delayed beyond the normal 5–7 business days, give rise to an MCP, since the lack of interest payments directly increases the cost of the exchange transaction. (Country Report No. 13/278)
Zambia	The IMF staff report for the 2013 Article IV consultations with Zambia states that, as of November 27, 2013, Zambia maintained two exchange restrictions subject to IMF approval under Article VIII, Section 2(a), effective June 25, 2013 (Statutory Instrument 55 of 2013). The first exchange restriction arises from the requirement that a person making payments of dividends in foreign exchange to a foreign bank account or nonresident person provide a tax clearance certificate and evidence of payment of corporate or income tax. The measure gives rise to an exchange restriction subject to IMF approval under Article VIII, Section 2(a), because it imposes limitations on the availability of foreign exchange for the making of payments of current international transactions based on noncompliance with obligations that are unrelated to the proposed transaction. The second exchange restriction arises from the requirement that a person making payments for royalties, management fees, technical fees, commissions, or consultancy fees in foreign exchange to a foreign bank account or nonresident person be accompanied by evidence of corporate tax payments. This measure similarly gives rise to an exchange restriction subject to IMF approval under Article VIII, Section 2(a) because it imposes limitations on the availability of foreign exchange for the making of payments of current international transactions based on noncompliance with obligations that are unrelated to the proposed transaction. Further, Zambia continues to maintain an exchange restriction, which is subject to IMF approval under Article VIII, arising from limitations imposed by the government on access to foreign exchange for the making of payments and transfers for current international transactions, which is evidenced by the existence of external payments arrears accumulated prior to October 4, 1985. (Country Report No. 14/5)
Zimbabwe	The IMF staff report for the 2012 Article IV consultation with Zimbabwe states that, as of September 10, 2012, apart from one remaining exchange restriction subject to IMF jurisdiction arising from unsettled balances under an inoperative bilateral payments agreement with Malaysia, payments and transfers for current international transactions can now be effected without restriction. (Country Report No. 12/279)

Source: IMF staff reports.
[1] Includes 188 members and 3 territories: Aruba and Curaçao and Sint Maarten (all in the Kingdom of the Netherlands) and Hong Kong SAR (China).
[2] The measures described in this table are quoted from IMF staff reports issued as of December 31, 2013, and may have changed since the date when they were reported. The table does not include countries maintaining exchange restrictions or multiple currency practices whose IMF staff reports are unpublished unless the authorities have consented to publication.

Regulatory Framework for Foreign Exchange Transactions

This section surveys the measures reported by members with respect to the regulatory framework for foreign exchange transactions from January 2013 through July 2014. The measures are divided into five major categories: trade-related measures, current invisible transactions and transfers, account transactions, capital controls, and provisions specific to commercial banks and institutional investors.

Trade-Related Measures

Unlike for other categories, members reported notably more restrictive trade-related measures from January 2013 through July 2014, in particular for export payments. The total number of exchange and trade controls on imports and exports amounted to 146, of which 59 were easing, 66 were tightening, and 21 were neutral.

Imports and import payments

Members continued to implement more liberalizing than tightening measures related to imports and import payments. Of 91 reported measures, 44 were easing, 33 were tightening, and 14 were neutral. About a third of the reported measures involve payments for imports, such as advance payments. For example, Turkmenistan

removed the limit on advance payments for imports by private legal entities. Bangladesh no longer requires a repayment guarantee for advance payments up to a certain level for imports of permissible items. South Africa eliminated a document review requirement for advance payments for transactions below a threshold. India allowed authorized banks to make payments to third parties for imports of goods, with some conditions. Other easing measures include lowering of tariffs and easing of documentation and licensing requirements.

There were also a few tightening measures related to payments for imports. In particular, some members limited access to foreign exchange for import payments. For example, Cyprus restricted transfers abroad; Egypt issued a list of priority items for banks' allocation of foreign exchange; and Iraq imposed charges on sales of foreign exchange to commercial banks for import letters of credit. Sri Lanka imposed, and later eliminated, a 100 percent margin deposit requirement against letters of credit for imports of certain goods. Morocco lowered the allowable amount for advance payments. However, the majority of tightening measures were tariff increases and import bans on certain products or from particular countries.

Exports and export proceeds

The number of tightening measures (33) exceeded the number of easing measures (15) and neutral measures (7) among the total 55 reported changes. In particular, there was a notable increase in the use of repatriation and surrender requirements. Struggling with significant economic and social issues, Egypt required the repatriation of export proceeds of certain products. To reduce foreign exchange market pressures, India, Madagascar, and Ukraine shortened the repatriation period of export proceeds. Indonesia required receipt of export proceeds through the domestic banking system but did not require conversion to local currency. As for surrender requirements, Ghana established a currency-conversion requirement on receipt of export proceeds, and Ukraine increased the surrender requirement for exporters to 50 percent of export proceeds. Most other tightening measures applied to export quotas, tax, and bans on specific products or to specific countries for national security reasons. As noteworthy exceptions, some members required a priority allocation of export proceeds to a specific sector (Sudan) or prohibited offshore foreign exchange deals by resident and nonresident companies, including exporters and nonresident banks (Ghana).

The number of reported easing measures dropped notably from 26 last year to 15 during this reporting period. Angola broadened the conditions under which foreign companies may retain their proceeds abroad. Argentina introduced exemptions from surrender requirements to facilitate the use of export proceeds for debt-service payments. Malawi lowered the percentage of export proceeds subject to the surrender requirement. Other easing measures took the form of the relaxation of export bans and export quotas.

Current Invisible Transactions and Current Transfers

This section discusses nontrade payments and transfers that are included in the current account of the balance of payments. This category includes income from investment (for example, profits, dividends, interest); payments for travel, education, and medical expenses, and subscription and membership fees; and unrequited transfers (for example, remittance of nonresidents' salaries and wages).

There was a continued tendency toward substantial easing of measures in this category. During the reporting period, the relevant measures totaled 69—almost the same number as in the previous period—of which 54 were easing, 13 were tightening, and 2 were neutral. This compares with 70 measures in the previous reporting period, of which 45 were easing measures and 22 were tightening measures.

Payments for current invisibles and current transfers

Members continued to implement predominantly easing measures on payments for invisible transactions and current transfers. Of 63 measures related to payments for current invisibles, 50 measures were easing measures and 13 were tightening measures. Quantitative limits on transfers abroad were increased in some countries, including Egypt (for individuals and companies), Fiji (for education and medical expenses), Malawi (for travel expenses), the Philippines (for nontrade current account transactions without supporting documents), Sudan (removal of a restriction on foreign exchange sales for travel), and Cyprus (gradual relaxation of limits for transfers abroad

and restrictions on payments abroad). Some measures were related to quantitative limits on outward remittances and repatriation (Bangladesh, India, Myanmar). Other types of easing measures include easing of documentation requirements (Fiji, Moldova) and exemptions from approval requirements below a certain threshold (China).

Tightening measures were, in some cases, introduced amid concern about balance of payments difficulties. Among others, Cyprus prohibited transfers abroad by legal entities and limited individuals' transfers abroad and payments abroad by credit, debit, and prepaid cards. Many measures were quickly relaxed in steps or were removed. Argentina imposed approval requirements on several types of transactions (processing by financial institutions of foreign transactions by credit and debit cards issued in Argentina), identification requirements (transfers of funds abroad for both the payer and the recipient), and documentation requirements (foreign exchange sales for travel by tourism operators). Approval requirements are also used in Angola (transfers arising from services to the oil sector) and Iceland (dividend payments and interest payments exceeding thresholds). Ukraine strengthened the documentation requirement to verify identity for transactions up to a threshold and required physical identification of individuals for larger amounts. Palau imposed a tax on remittances outflows by foreign workers. Although the number of these tightening measures is relatively small, their effect can be significant because they can be more stringent or broad based than easing measures.

Proceeds from current invisibles and current transfers

Of the relatively limited number of measures related to proceeds from invisible transactions (7), 3 were easing measures, 3 were tightening, and 1 was neutral. Reported changes relate to both repatriation and surrender requirements. China lifted its repatriation requirement on proceeds from service trade abroad within an approved limit; Bangladesh permitted encashment of inward remittances for agency services without approval on a one-time basis; and Malawi lowered the percentage of proceeds from exports subject to a surrender (currency-conversion) requirement. In contrast, Madagascar shortened the deadline to repatriate proceeds from services, and Ukraine extended the implementation of the currency-conversion requirement on transfers exceeding a limit by individuals.

Account Transactions

The recent trend toward overall easing of regulations on account transactions continued during 2013 and the first half of 2014. Members reported 132 changes in regulations on resident and nonresident accounts, of which 100 were easing measures, 30 were tightening measures, and 2 were neutral. Many of the changes were made by Cyprus in response to financial crises and were subsequently gradually liberalized. Excluding the measures by Cyprus, there were 46 changes in regulations, of which 32 were easing measures and 14 were tightening measures.

Resident accounts

Easing and tightening measures of regulations on resident accounts took various forms. Of the 70 measures (27 with Cyprus excluded) reported for resident accounts, 55 (21) measures were easing and 14 (6) measures were tightening. Some members raised quantitative limits applicable to withdrawals in foreign currency or balances on accounts abroad. For example, Burundi lifted a ceiling on the withdrawal of foreign currency without supporting documents; Ghana allowed placement of foreign exchange purchased for payments of import bills in a margin account; India raised the maximum resident individuals may remit to their foreign exchange accounts abroad; and Thailand eliminated limits on amounts institutional investors may keep in foreign exchange accounts abroad. Some members authorized foreign exchange accounts domestically (Bangladesh for trade service providers, Moldova with nonbank payment service providers, Zimbabwe in various currency denominations) or abroad (Uzbekistan for legal entities). Tightening measures include, among others, a prohibition against accounts abroad for certain residents (Russia), limits on the withdrawal of banknotes from foreign exchange accounts (Sierra Leone), and quantitative limits on non-trade-related international transfers in foreign exchange by individuals (Ukraine).

Cyprus imposed and gradually eased a number of restrictive measures on resident accounts, resulting in a total of 34 easing measures, 8 tightening measures, and 1 neutral measure. Specifically, it imposed quantitative limits on transfers abroad within the normal business activity of the customer and on presentation

of supporting documents. Before the imposition of these restrictive measures in March 2013, there were no restrictions on the maintenance of resident and nonresident accounts, and all balances could be freely transferred abroad. By mid-2014, many measures were relaxed or removed. The transfer limit was eventually raised to €1 million a transaction in October 2013. Approval is still required for amounts exceeding the thresholds and is based on a review of the documents justifying the transfer and the liquidity. Cyprus also imposed and subsequently eliminated restrictions on individuals' payments abroad via debit, credit, and prepaid cards; daily limits on cash withdrawals from bank accounts; a ban on cashing checks; a ban on terminating fixed-term deposits before maturity; a ban on opening accounts for new customers; restrictions on transfers between accounts in credit institutions in Cyprus; and limits on noncash payments and transfers of deposits or funds to an account held in another credit institution within Cyprus. Funds transferred to Cyprus from abroad were exempt from restrictive measures. All measures were applied equally to resident and nonresident accounts.

Nonresident accounts

The number of reported measures for nonresident account transactions was smaller than for resident account transactions. Of 62 total measures (19 excluding those by Cyprus) reported for nonresident accounts, 46 (12) were easing, 15 (7) were tightening, and 1 was neutral. The measures implemented by Cyprus are the same as the ones described for resident accounts in the previous paragraph. As for account transactions, the types of measures vary by member. Easing measures include higher limits on transfers related to living expenses in Iceland, authorization for nonresident legal entities and individuals to open payment accounts with resident nonbank payment service providers in Moldova, broader sources of funding for nonresidents' domestic currency accounts in the Philippines, and a broader range of investments for nonresidents' securities investment accounts in Sri Lanka. India relaxed some regulations on interest rates on nonresident deposits in August 2013 to attract more capital inflows but reversed most of them in March 2014. For example, interest rates on nonresident rupee deposits were delinked from domestic deposit rates but became subject to a ceiling set by comparable domestic rupee deposits.

Capital Controls

The trend toward overall greater liberalization of capital transactions continued against a backdrop of slow global recovery and more volatile capital flows. Advanced economies grew at a slow pace in 2013, as in 2012, but unlike in 2012, growth moderated in emerging market and developing economies during 2013. Global growth moderated more than expected in the first quarter of 2014, and new geopolitical tensions are expected to have an adverse effect on growth outcomes for 2014. Capital flows to emerging markets were about the same in 2013 as in 2012. However, the flows were marked by greater volatility. Although the situation in Europe stabilized, volatility increased in early 2013 following the announcement in May of the tapering of the U.S. monetary stimulus. This resulted in depreciation of exchange rates and a rise in interest rates as inflows to emerging markets reversed. In another bout of volatility in late 2013 and early 2014, investors focused on countries with large external financing needs or macroeconomic imbalances. Countries responded with tighter monetary policy, capital flow measures, foreign exchange intervention, and in some cases fiscal tightening.

Easing measures predominated for both inflows and outflows, despite an increase in the overall number of measures reported. From January 2013 through July 2014, IMF members reported 251 measures compared with 202 during the previous period (January 2012–August 2013).[17] Of the total, 169 measures (about 67 percent) were directed toward easing capital flows, similar to the previous reporting period (66 percent). Of the remaining measures, 67 (about 27 percent) were tightening measures, and the rest (about 6 percent) were deemed neutral.

[17] Both these periods reflect a large number of changes reported by Cyprus. Cyprus, to deal with its economic crisis, imposed wide-ranging restrictions in March 2013 that significantly constrained capital transactions across many categories. Subsequently, as conditions improved, restrictions were gradually eased starting as early as April 2013. The AREAER records the imposition of these restrictions and their step-by-step removal across many categories of transactions, thereby showing a large number of measures taken by Cyprus.

The measures included in this section are also considered to be capital flow management measures (CFMs) as defined by the IMF's institutional view on the liberalization and management of capital flows.[18] In addition to capital controls included in this section, prudential-type measures discussed in the next section may also be CFMs if they were designed to influence capital flows. However, the AREAER does not use this terminology because classifying a measure as a CFM requires substantial background information and considerable judgment, which is beyond the scope of the analysis conducted in building the AREAER database.

Repatriation and surrender requirements

A handful of countries modified repatriation and surrender requirements with respect to capital transactions. About half the measures involved some form of tightening of both inflows and outflows. Facing a steady loss of foreign exchange reserves, Ukraine introduced surrender requirements on foreign currency receipts, including for nonbanks and individual business proprietors. The 50 percent surrender requirement for foreign currency proceeds from exports of goods was extended to all foreign currency proceeds of legal entities (other than authorized banks) and sole business proprietors, as well as to proceeds from authorized banks' proprietary transactions under foreign economic agreements. Indonesia now requires that proceeds from the issuance of loans abroad be received through domestic banks, though without an obligation to keep the funds in such banks or to convert them to domestic currency. Iceland eased outflows by extending the deadline for residents to deposit foreign exchange proceeds from eligible investments abroad to six months from two weeks before repatriating it or investing it in similar investments abroad. China eased conditions on flows: proceeds from the issuance of shares by an overseas-listed enterprise controlled by foreign shareholders may, after registration, be retained overseas. In addition, foreign exchange funds earned by the domestic equity holding unit of overseas-listed companies controlled by Chinese shareholders from sales of shares or assets of the listed company may be repatriated within two years of receipt instead of six months.

Controls on capital and money market instruments

The total number of measures to adjust controls on capital and money market instruments more than doubled (to 84) compared with the 2013 reporting period. These were the most frequent measures implemented, as they were during the 2012 reporting period. Measures to ease (50) as opposed to tighten (24) controls on capital and money market instruments were aimed at easing outflows more than inflows, as during the previous year. This trend may reflect the globalization and financial deepening of emerging markets and the rise in the share of portfolio flows in total capital flows to emerging markets, particularly since the financial crisis, as investors searched for yield. Notably, the increased share of portfolio flows was driven by issuances by the emerging market corporate sector, rather than by emerging market sovereigns.

Measures to ease inflows included increased access to domestic securities markets, greater equity participation by foreigners, and relaxation of requirements for residents to receive the proceeds of sales of foreign securities and debt instruments. To promote further international use of the renminbi, China expanded the renminbi-qualified foreign investors program by permitting Hong Kong subsidiaries of Chinese banks, insurers, and financial institutions as well as renminbi-qualified foreign institutional investors in Taiwan Province of China, the United Kingdom, and Singapore to invest in the domestic securities market using renminbi proceeds raised abroad. In addition, renminbi-qualified foreign institutional investors were permitted to invest in a wider range of financial instruments, including on the stock exchange. After recording a small net outflow the previous year, China increased the investment limit of qualified foreign institutional investors to US$150 bil-

[18] CFMs encompass a broad spectrum of measures. For the purposes of the IMF's institutional view, the term "capital flow management measures" refers to measures designed to limit capital flows. CFMs comprise residency-based CFMs, which encompass a variety of measures (including taxes and regulations) affecting cross-border financial activity that discriminate on the basis of residency—also generally referred to as capital controls—and other CFMs, which do not discriminate on the basis of residency but are nonetheless designed to limit capital flows. These other CFMs typically include measures, such as some prudential measures, that differentiate transactions on the basis of currency as well as other measures that typically apply to the nonfinancial sector. The concept of capital controls in the AREAER is quite similar to that of the CFM: it encompasses regulations that limit capital flows and includes various measures that regulate the conclusion or execution of transactions and transfers and the holding of assets at home by nonresidents and abroad by residents. See "The Liberalization and Management of Capital Flows: An Institutional View" (Washington: IMF, 2012).

lion to bolster inflows. With Croatia's accession to the European Union, Croatian resident entities may issue securities in EU countries by notifying the relevant authority. As global liquidity conditions tightened, India experienced significant portfolio debt outflows; pressure on its currency, equity, and bond markets; and widening of the current account deficit. In response, India took measures to attract additional portfolio inflows and increased and simplified limits for purchases of government debt and eligible corporate debt instruments by foreign institutional investors, qualified foreign investors, and long-term investors. The Kyrgyz Republic allowed nonresidents to invest in National Bank of the Kyrgyz Republic notes and to purchase government treasury bills and bonds. Tajikistan liberalized several inward transactions, including the issuance of securities abroad by residents. Thailand increased the scope of foreign equity participation in securities and asset management companies. When its international reserves doubled under an IMF-supported program, Bangladesh eliminated the one-year holding period for nonresident investors buying government bonds. South Africa permitted certain unlisted companies to list overseas or to raise foreign loans and capital.

Measures to tighten inflows included reserve requirements on nonresident holdings and stricter regulation of portfolio inflows. Portfolio flows into Uruguay surged owing to a new investment-grade rating, wider interest rate differentials, and an improvement in global risk appetite. To fend off the adverse macro-financial consequences of large capital inflows, Uruguay increased the reserve requirement on nonresidents' holdings of central bank securities and imposed a similar requirement on government securities denominated in local currency and inflation-indexed units. Vietnam introduced requirements that inward portfolio investments be executed through local currency accounts at a local bank.

Easing outflow measures relaxed conditions on portfolio investment abroad by residents. With strong economic growth supported by hydrocarbon exports and accompanied by a current account surplus and rising international reserves, Bolivia eased the limits on foreign investment by insurance companies. When Croatia joined the European Union, entities from EU member countries became eligible to market securities in Croatia with approval from the relevant authority. Cyprus gradually reversed some of the controls imposed on outward transfers. In particular, it increased, in phases, the limits on depositors' automatic transfers abroad for normal business activity. China eased the overall limits of insurance companies' investment in foreign and domestic shares. Fiji relaxed the limit on individuals' investment overseas and permitted commercial banks to open foreign currency accounts to facilitate such investment. Withdrawal, up to a limit, of investment by nonresidents from sales of shares and assets was delegated to authorized dealers and does not require central bank approval. Malaysian residents may now invest any amount in domestic foreign currency capital market securities, and nonresidents may issue foreign-currency-denominated securities in the domestic market. With a strong economy and a rising peso, the Philippines eliminated the central bank approval requirement, up to a limit, for purchases of foreign exchange for a number of investments abroad, including investment in foreign mutual funds and property. Poland relaxed the limit on open pension funds' (private pension funds under Pillar II) investment in foreign-currency-denominated assets. Swaziland increased the limit on foreign bonds and debt and money market instruments that resident individuals may purchase. Tajikistan moved to an ex post reporting requirement on several outward resident transactions, including the purchase of foreign securities and shares of investment funds. Experiencing large foreign inflows, Thailand allowed individual and corporate investors to invest in foreign securities through private funds or securities companies without limit, subject to the guidelines of and not exceeding the limit set by the Securities and Exchange Commission. Later, Thailand liberalized investments by institutional investors—that is, the Government Pension Fund, Social Security Fund, provident funds, mutual funds, securities companies, insurance companies, specialized financial institutions, Thai companies with assets of at least B 5 billion, and companies listed on the Stock Exchange of Thailand—to allow them to invest in foreign securities abroad up to its own internal limit. Turkey eased regulations on investment services provided by foreign-based financial institutions to residents. Ukraine permitted international financial institutions to issue local currency bonds in the domestic market.

Tightening measures on outflows included measures to shore up reserves and ease pressure on the domestic exchange market. To strengthen the effectiveness of capital controls and provide incentives to investors with krona holdings to participate in the central bank's foreign exchange auctions, Iceland further limited investment options for krona holders: nonresident krona balances may be invested only in securities on the central bank's exemption list. Argentina reduced the number of days for advance payment on the principal of foreign debt. To deal with the financial crisis, Cyprus imposed temporary limits on the transfer of funds overseas; transfers of amounts above the limit were made subject to approval. India reduced the amount individuals may invest

overseas under the Liberalized Remittance Scheme. Iraq strengthened documentary requirements for the transfer of funds abroad related to sales of securities or shares by nonresidents. Lebanon introduced an approval requirement for the sale of a host of financial products by banks, financial institutions, financial intermediation companies, and collective investment plans. Turkey strengthened the requirements for public disclosure and audits for foreign corporations and required approval of the prospectus or issue documents by the market regulator before the public offering or sale of foreign capital market instruments, depository receipts, and shares issued by foreign corporations that are traded on the stock exchange. In addition, it strengthened regulatory requirements for foreign mutual funds offered in Turkey. Vietnam introduced additional regulations on outward portfolio investments and transfer of original capital and profits from foreign portfolio investments.

Controls on derivatives and other instruments

The trend toward greater easing for such transactions (16 of 20) was up slightly during the past year. About the same number of countries reported changes this reporting period as in the previous period, and the total number of measures reported was very similar, with Cyprus accounting for about a third of the changes reported. One difference was that most of the easing measures applied to outflows.

The restrictions on outflows in Cyprus that were imposed in response to the economic crisis also limited derivative transactions. However, as the crisis abated these restrictions were gradually relaxed, allowing such transactions to resume. Malaysia permitted nonresidents to issue foreign-currency-denominated securities in the domestic market. Tajikistan eased regulations on residents' purchases of foreign exchange to conduct transactions in derivative securities. Turkey eased regulations on investment services provided by foreign-based financial institutions to residents. Other easing measures affected both inflows and outflows. Argentina allowed authorized dealers to engage in arbitrage and swaps with foreign financial entities. Paraguay permitted nonresident agents to purchase and sell foreign exchange forward contracts. The Philippines removed the requirement for central bank approval of the sale of foreign exchange for forward contracts without full delivery of principal. Sri Lanka eliminated the 90-day limit on the period of maturity of forward foreign exchange contracts. Lebanon introduced an approval requirement for the marketing of financial derivatives. Korea reduced the limits on banks' exposures to derivatives contracts.

Controls on credit operations

Controls on cross-border lending were mostly eased, a pattern similar to that during the previous reporting period. Although the total number of measures was lower, the easing trend was more pronounced, with about 80 percent of measures aimed at relaxing conditions. Controls on cross-border lending were the most common measure during the previous reporting period, but during this reporting period, they took second place to measures on capital and money markets. Easing measures tended more toward inflows than outflows, a reflection of changing external financial conditions, in particular, periods of significant outflows from emerging market economies. The majority of tightening measures targeted inflows.

Inflow easing measures were mostly related to external borrowing. India and Serbia accounted for just over half of the measures taken to ease inflows. In response to considerable portfolio outflows and balance of payments pressures, India further liberalized the external commercial borrowing regime. These measures included increased limits under the automatic route and expanded use of external commercial borrowing (for example, the hotel and manufacturing sectors may borrow under this scheme to repay rupee loans for capital expenditures up to a limit and under certain conditions; the definition of infrastructure sectors eligible for such borrowing was broadened). Use of external commercial borrowing by the aviation sector was extended through March 31, 2015. Serbia also continued liberalizing external borrowing to attract inflows and as part of its gradual liberalization of capital flows. Short-term financial loans from abroad with maturities of more than three months for export financing were expanded beyond agricultural loans; banks were permitted to access short-term financial loans from abroad; resident natural persons were allowed to obtain long-term cross-border financial loans for purposes other than imports of goods and services; and residents were allowed to borrow in dinars from international financial institutions, development banks, and foreign financial institutions. Bolivia eased the requirements for public enterprises to obtain external loans. Malaysia allowed resident entities to borrow from their nonresident shareholders, and residents may obtain guarantees, up to a limit, from nonresidents without approval. South Africa permitted certain unlisted companies to borrow from over-

seas with approval. Sri Lanka introduced a special borrowing program for domestic companies to allow them to borrow up to US$10 million a year and up to US$30 million for a period of three years through December 31, 2015; larger amounts remain subject to approval. Sri Lanka also exempted foreign borrowing of commercial banks up to US$50 million each from regulatory limits for three years through December 31, 2015. Tajikistan eased conditions on obtaining commercial credits with maturity greater than a year. Zimbabwe permitted residents to borrow from abroad up to US$1 million with only a registration requirement.

About a third of the measures that eased outflows were taken by Cyprus, which had imposed temporary measures on outflows because of the financial crisis. When the situation stabilized, in part as a result of the IMF program, Cyprus gradually relaxed the controls put in place to prevent deposit outflows. Other outflow-easing measures included permitting credit in local currency to nonresidents. Malaysia permitted nonresident financial institutions to offer ringgit trade financing to nonresidents, and Serbia allowed banks to grant credits in dinars to international financial organizations, development banks, and foreign-government-owned financial institutions. Morocco permitted banks to issue guarantees in favor of nonresidents. Tajikistan eased conditions on granting commercial credit with maturity greater than one year. Argentina permitted the payment of interest on foreign debt up to five business days before the due date.

Tightening measures were mostly related to inflows, unlike last year. Colombia prohibited foreign currency loans to residents from nonresident individuals. Iceland moved to discourage short-term borrowing by requiring central bank approval for borrowing from nonresidents with maturity of less than two years. India tightened the conditions for eligible borrowers to use external commercial borrowing for the refinancing or rescheduling of existing loans. Lebanon prohibited correspondent and custodian banks from some transactions on Lebanese Eurobonds, credit-linked notes, and central bank certificates of deposit.

Only 2 countries reported measures to tighten outflows. As mentioned above, Cyprus imposed temporary measures to prevent deposit outflows, and Argentina shortened the time frame to make advance payment on principal of foreign debt.

Controls on direct investment

The liberalization trend continued, albeit with about 70 percent of measures directed at easing conditions compared with 80 percent during the previous reporting period. However, the total number of measures was greater. The number of outflow and inflow easing measures was roughly equal (excluding Cyprus).

Inflow easing measures included those that raised automatic threshold levels, broadened permissible sectors, and increased the level of equity participation. Australia, Canada, Mexico, and New Zealand increased the threshold below which certain investments are automatically permitted. South Africa permitted companies listed on the local stock exchange to establish one subsidiary in South Africa for African and offshore operations that are not subject to foreign exchange restrictions. To facilitate further foreign direct investment, South Africa also permitted certain unlisted companies to list overseas or to raise foreign loans and capital and companies listed on the local exchange to have a secondary listing or list depository receipt programs on foreign exchanges. Thailand broadened the scope and amount of equity participation in the securities business to include forms of business other than brokerage. Malaysia permitted nonresidents to participate in equity of domestic banks. Argentina extended the window for submission of documents related to capital contributions. Fiji delegated the approval of withdrawal of investment, up to a limit, to authorized dealers from the central bank.

A third of outflow easing measures are attributed to Cyprus as it gradually eased its temporary restrictions on outflows. Fiji further relaxed the limit on overseas investment by individuals (family or business) and permitted commercial banks to open foreign currency accounts for investments within the prescribed limit. It also permitted the transfer of profits and dividends, up to a limit, by authorized dealers without central bank approval. Iceland extended to six months the time within which residents may reinvest proceeds from investment in securities issued in foreign currency. Tajikistan and Thailand liberalized outward direct investments. South Africa eased some of the rules governing holding companies by permitting parent companies to transfer up to R 2 billion a year to a holding company; additional amounts require approval.

Only a handful of countries took measures to tighten inflows and outflows of direct investment. Canada stipulated that future bids by government-owned enterprises for control of a Canadian oil-sands business would be approved on an “exceptional basis only.” Ghana increased the minimum capital requirements for foreign direct investment.

The Philippines further tightened the registration requirement on all foreign direct investment. Russia lowered the threshold for automatic investment in credit institutions. Ukraine imposed a surrender requirement of 50 percent on foreign direct investment. India reduced the limit (based on net worth of the resident investor) on foreign direct investment undertaken without approval. In addition, resident individuals also faced a lower limit because the limit under the Liberalized Remittance Scheme was reduced. Firms from Vietnam undertaking outward investment in the gas and petroleum sector faced additional requirements pertaining to bank accounts.

Controls on real estate transactions

There were a few more measures toward tightening than easing that affected real estate transactions (excluding Cyprus). This is slightly different from the previous year, when almost as many measures were implemented to tighten as ease flows. Singapore and Hong Kong SAR took measures to stem inflows to residential property markets in an attempt to reduce the pressure on real estate prices—both imposed additional stamp duties. In contrast, restrictions on nonresidents' purchase of agricultural land and forestland were removed in Romania following a transition period after joining the EU. To contain capital outflows, India reduced the limit on transfers related to purchases of real estate abroad and discontinued use of the Liberalized Remittance Scheme for the purchase of real estate abroad. Iceland introduced an approval requirement for the purchase of foreign exchange for the purpose of buying real estate abroad for resettlement to prevent circumvention of the capital controls. Iraq introduced an approval requirement for the transfer of funds abroad related to the sale of property by nonresidents. Temporary controls imposed by Cyprus also affected real estate transactions, but like those affecting other transactions, they were later eased. Swaziland raised the limit that individuals may invest in real estate abroad with central bank approval. Argentina eased access to the local foreign exchange market to purchase assets overseas by eliminating the central bank's approval requirement; however, these purchases are subject to Administration of Public Revenue Program approval.

Controls on personal transactions

More measures were implemented to ease controls on personal transactions than to tighten them (excluding Cyprus). This is somewhat different from the previous year, when the measures were more balanced. Both Colombia and Iceland took steps to reduce inflows. Colombia banned foreign currency loans to residents from nonresidents, whereas Iceland moved to discourage short-term borrowing by requiring central bank approval for loans from nonresidents with a maturity of less than two years. Argentina introduced a central bank approval requirement for credit and debit card transactions related to payments for gambling. India limited outflows of gifts and donations to the limit set by the Liberalized Remittance Scheme. The temporary controls imposed by Cyprus also affected personal transactions, but were gradually eased. Argentina eased access to the local foreign exchange market to purchase assets overseas by eliminating the central bank's approval requirement; however, these purchases are subject to Administration of Public Revenue Program approval. Fiji allowed automatic access to an emigration allowance up to a limit and increased the limit on transfers related to gifts, maintenance, and wedding expenses. Iceland raised the limits on transfers related to living expenses and eased the conditions for lending to nonresidents. Sri Lanka simplified emigrants' access to the migration allowance. Swaziland eased outflows by increasing the amount individuals may transfer abroad. Serbia eased inflows by allowing borrowing by natural persons from abroad at maturities of more than one year and for purposes other than imports of goods and services.

Provisions Specific to Commercial Banks and Institutional Investors

This section reviews developments in provisions specific to commercial banks and institutional investors, with a focus on prudential measures that are in the nature of capital controls.[19] This category, Provisions specific to the financial sector, covers monetary and prudential measures in addition to foreign exchange controls.[20]

[19] Capital controls and prudential measures are highly intertwined because of their overlapping application. For example, some prudential measures (such as different reserve requirements for deposit accounts held by residents and nonresidents) could also be regarded as capital controls because they distinguish between transactions with residents and nonresidents and hence influence capital flows.

[20] Inclusion of an entry in this category does not necessarily indicate that the aim of the measure is to control the flow of capital.

It includes, among other categories of financial institutions' transactions, borrowing abroad, lending to nonresidents, purchase of locally issued securities denominated in foreign exchange, and regulations pertaining to banks' and institutional investors' investments. These provisions may be similar or identical to the measures described in the respective categories of controls on accounts, capital and money market instruments, credit operations, and direct investments if the same regulations apply to commercial banks and institutional investors as to other residents. In such cases, the measure also appears in the relevant category in the sections Capital Controls, Resident, and Nonresident Accounts.

Reported measures in the financial sector indicate continued strengthening of the regulatory framework to advance the financial sector reform agenda. There was an increase in the number of measures introduced from January 2013 through July 2014 compared with the previous reporting period. Member countries reported 266 new measures with respect to commercial banks, other credit institutions, and institutional investors—an increase of 16 percent. Most of the increase involved institutional investors, for which the number of reported measures increased more than 70 percent. The measures mostly changed the regulatory framework for commercial banks and other credit institutions; of the 266 measures, 197 affected commercial banks and only 69 affected institutional investors.

As during the previous reporting period, prudential measures (179) outnumbered capital controls (87). While capital controls were overwhelmingly easing (68), prudential measures mostly had the effect of tightening the regulatory framework (89), compared with 52 easing measures and 38 neutral measures. During the previous reporting period, capital control measures mostly tightened the financial sector regulatory environment; in contrast, during this period more than three times as many measures eased capital controls (68) as tightened them (19). The number of neutral changes introduced remained only slightly below the number during the previous period, indicating a continuation of work to consolidate and update financial sector regulatory and institutional arrangements. The summary of the changes in this category is presented in Table 11.

Table 11. Provisions Specific to the Financial Sector, January 2013–July 2014

	Provisions Specific to Commercial Banks and Other Credit Institutions				Provisions Specific to Institutional Investors				Total
	Easing	Tightening	Neutral	Total	Easing	Tightening	Neutral	Total	
Capital Controls	47	12	0	59	21	7	0	28	87
Prudential Measures	48	78	12	138	4	11	26	41	179
Total	95	90	12	197	25	18	26	69	266

Source: AREAER database.

Commercial banks and other credit institutions

Capital controls on commercial banks and other credit institutions were eased with respect to both inflows and outflows, with slightly more measures easing conditions for capital inflows. These measures reflect regulatory responses in emerging market economies to bouts of capital flow volatility in 2013 and early 2014.

- Controls on capital inflows. When India faced large capital outflows, including from the financial sector, it significantly improved the conditions for foreign currency nonresident accounts to attract foreign exchange deposits between August 24, 2013, and March 7, 2014. Banks were exempt from the cash reserve and statutory liquidity ratios on incremental deposits to such accounts with maturities of three years or more, and the interest rate ceiling was increased (the latter measure was partially reversed in March 2014). As part of the financial sector development agenda, nonresident participation in Malaysian banking institutions was relaxed. In Vietnam, participation of foreign strategic investors and foreign institutional investors was increased to 20 percent in Vietnamese commercial banks and to 15 percent of the charter capital of Vietnamese credit institutions. Several easing measures affected financial sector external borrowing. Further advancing its capital account liberalization agenda, Serbia allowed short-term financial loans to banks from nonresidents. Uzbekistan switched to registration with the Central Bank of Uzbekistan of external borrowing by authorized banks, and Zimbabwe permitted banks to borrow up to US$1 million without Exchange

Control approval but continues to require External Loan Coordinating Committee approval for larger amounts. Large capital outflows followed the U.S. Federal Reserve's tapering announcement, so beginning in May 2013, Peru gradually lowered the reserve requirements on long-term foreign liabilities of commercial banks to finance foreign trade operations.

- Controls on capital outflows. After an extended period of sustained capital inflows, Tajikistan significantly eased exchange control requirements to require only ex post reporting but no advance approval of foreign direct investment, specific portfolio investments, lending to nonresidents, and accounts opened abroad. Sri Lanka granted general permission to authorized dealers to open and maintain nostro accounts abroad. Serbia further liberalized the use of its currency in capital transactions by allowing banks to extend unlimited credit in dinars to international financial organizations, development banks, and foreign governments' financial institutions. Iceland continued to maintain strict controls on new capital outflows but extended the time frame during which residents may reinvest their existing foreign assets abroad and thus their exemption from the general repatriation requirement. Cyprus significantly relaxed, in several steps, the deposit withdrawal and transfer limitations introduced in March 2013.

In contrast to the previous reporting period, only a few measures (12) tightened capital controls, and these affected both capital inflows and outflows almost equally. One of the most notable changes was the introduction of wide-ranging limits on withdrawal of deposits and cross-border transfers in Cyprus in March 2013 to protect financial stability in the face of potentially destabilizing deposit outflows. These restrictions were later eased to reduce the impact on economic activity and were finally eliminated on domestic transactions. Although caps on large cross-border transactions remained in place, restrictions on payments for regular business operations were significantly eased. To protect the business services sector, the operations of foreign banks with international customers were exempted from the restrictions. Argentina prohibited advance payment on the principal of foreign financial debt exceeding 10 business days. This measure was added to the 365-day holding period for new foreign borrowing to reduce foreign exchange market pressure. To reduce reliance on more volatile short-term capital inflows, Korea further tightened the limit on banks' derivatives positions, and Latvia introduced a liquidity ratio that increases with the share of a bank's assets funded by nonresident deposits. Lebanon introduced regulatory changes to prevent short-selling operations of Lebanese securities and other money market instruments. With respect to capital outflows, Argentina introduced a limit on forward positions of 10 percent of regulatory capital in February 2014. Argentina also required financial institutions and other local card issuers to obtain Central Bank of Argentina approval of foreign transactions with credit and debit cards issued in Argentina for participation, through international payment networks, in gambling. Iceland also tightened capital controls first introduced in 2008 by removing an exemption to address potential balance of payments drains from the winding up of old bank estates. Venezuela introduced the Complementary System to the Administration of Foreign Exchange to reduce the economic and social effects of foreign exchange market pressure by supplying foreign exchange at the official rate of Bs 6.30 per U.S. dollar, mainly to importers of food, medicine, and other basic goods, as determined by the central bank.

Members continued to strengthen the prudential framework of banks' operations to address the legacy of the global financial crisis and to advance the reform agenda. Almost half the measures that are not considered capital controls tightened existing regulations. Several EU countries reported implementation of the new EU legal framework governing access to the activity, supervisory framework, and prudential rules for credit institutions and investment and incorporating the new global standards on bank capital (Austria, Czech Republic, France, Hungary, Italy, Poland, Romania, Slovak Republic).[21] A number of measures aimed at strengthening the anti–money laundering and combating the financing of terrorism framework (Argentina, Moldova, San Marino). Argentina also strengthened controls on transfers to and from countries and territories that are considered low-tax jurisdictions. Prudential requirements were revised to enhance the liquidity, solvency, and risk management of commercial banks and other credit institutions in Bolivia, Germany, Kosovo, Malaysia, Oman, and Poland. Armenia introduced new foreign exchange liquidity ratios based on the currency of liabilities, and financial requirements for issuers of over-the-counter derivatives to retail clients were increased

[21] Regulation (EU) No. 575/2013 (Capital Requirements Regulation) and Directive No. EU/2013/36 (Capital Requirements Directive IV).

in Australia. Rules on the classification of assets acquired through collection or assignment of receivables were amended in Serbia to facilitate resolution of a large number of nonperforming loans and to prevent them from building further.

Reporting and disclosure requirements were tightened to increase transparency and boost confidence in the banking system in Italy, Moldova, and San Marino. To enhance the effectiveness of early intervention in preventing banking crises, Austria instituted a requirement that financial institutions prepare and submit restructuring and liquidation plans to the Austrian Financial Market Authority. Prudential requirements with respect to the acquisition of shares in banks and related procedural rules were made more stringent in Korea, with the threshold for acquisition by nonfinancial business operators subject to Financial Supervisory Commission approval reduced back to 4 percent from 9 percent, reversing a change made in 2009. In Russia, the threshold for participation in credit institutions without Bank of Russia approval was lowered from 20 percent to 10 percent. Moldova continued strengthening prudential requirements for bank owners; residents of jurisdictions that do not implement international transparency standards may not hold equity shares directly or indirectly, and tools for assessment and ongoing monitoring of the ownership process were put in place.

The overwhelming majority of the easing measures not considered capital controls related to reserve requirements and open foreign exchange position limits (37). Among the remaining 11 measures, in Serbia some revised the regulatory framework for assigning bank receivables to other banks to facilitate cleaning up bank balance sheets. In Aruba, the percentage that defines a qualifying holding of a credit institution's stake in other firms or institutions was increased from 5 percent to 10 percent. Belarus rolled back a previous limit on loans in foreign exchange except for short-term loans. The credit management fee was eliminated in El Salvador, and previously introduced caps on interest rates in Vietnam were increased.

Close to 40 percent of the reported changes in the regulatory framework for commercial banks and other credit institutions were related to reserve requirements, reflecting the importance of this tool to monetary policy and financial stability objectives and as part of the policy responses to increased capital flow volatility.[22] Unlike in the previous reporting period, when easing and tightening measures were more balanced, easing measures predominated during 2013 and early 2014. The number of measures also reflects a few countries' adjustment of their reserve requirements in several steps during the reporting period.[23]

- To build a macroprudential liquidity buffer against external shocks, Argentina, Haiti, Suriname, Turkey, Uruguay, and the Philippines increased the ratio of required reserves on local and foreign-currency-denominated liabilities.[24] All of these countries apply different reserve ratios to domestic and foreign currency liabilities. Bolivia introduced a temporary complementary reserve requirement to tighten liquidity in the economy with a view to reducing inflation pressure. The reserve requirement applies to excess reserves in both domestic and foreign currency and is remunerated at a rate of 1.8 percent. The United Kingdom introduced a 0.18 percent non-interest-bearing deposit requirement on banks' net spot liabilities in foreign currency (that is, the net amount of foreign currency resources funding sterling assets). The required deposit is based on the average of reported eligible liabilities over a six-month period in excess of the equivalent of £600 million. To address concerns with respect to consumer credit growth, the Central Bank of Tunisia imposed an additional 50 percent reserve requirement on increases in consumer credit in late 2012. The rate was subsequently reduced to 30 percent in March 2013, and plans were announced to remove the additional reserve requirement as soon as the quarterly rate of coverage reaches 110 percent. The Kyrgyz Republic strengthened the required reserves framework by increasing the penalty for noncompliance.
- Reserve requirements were lowered in Maldives and Sri Lanka. As part of their dedollarization efforts, Angola, Armenia, and the former Yugoslav Republic of Macedonia decreased required reserves on domestic currency liabilities while keeping them higher on foreign exchange liabilities. Brazil reduced to zero the

[22] Reserve requirements imposed at different levels or under different conditions for liabilities to residents and nonresidents are considered capital controls.

[23] Peru first gradually increased and later decreased its multicomponent reserve requirements in 35 steps, and in addition to gradually increasing maturity-dependent required reserves on foreign exchange liabilities, Turkey introduced a reserve option mechanism, under which a gradually increasing share of required reserves on lira liabilities may be held in foreign currency and gold. The new regime was implemented in several steps, which increased the number of changes significantly.

[24] Depending on the policy objective, reserve requirement ratios are often differentiated according to maturity, the denomination of the liability, or the residency of the depositor or lender. (The latter are considered capital controls.)

reserve requirement on foreign exchange short positions, a move that aims for a macroprudential liquidity buffer against potential financial shocks from foreign exchange short positions within the banking system. Facing significant outflow pressure, India exempted banks from the cash reserve ratio on nonresidents' incremental foreign exchange deposits with maturities of three years or more between August 24, 2013, and March 7, 2014. In contrast to the previous reporting period, when Russia set a higher reserve ratio on nonresidents' liabilities amid persistently high inflation expectations, and with a view to preparing for an influx of capital, a single reserve requirement of 4.25 percent was set for all categories of liabilities subject to reserve requirements. Turkey allowed more choice in the denomination of the currency in which the reserve requirements must be met. Peru extensively varied the average and marginal reserve requirements according to changing external conditions. Reserve requirements on both domestic and foreign exchange liabilities were increased in several steps in the first half of 2013 against a backdrop of sustained capital inflows. As a result of large capital outflows following the Federal Reserve's tapering announcement, all reserve requirements were gradually decreased from August 2013 to March 2014.

Changes with respect to commercial banks' exchange rate risk management suggest alignment of the regulatory framework with new standards and adjustments to increased exchange rate volatility. The Czech Republic now requires credit institutions to report to the Czech National Bank if the net foreign exchange position exceeds a certain percentage of the credit institution's capital (15 percent for a single currency and 20 percent for all currencies). France aligned its domestic regulations with the new EU financial sector regulatory framework and set own funds requirements for banks whose foreign exchange exposures exceed 2 percent of their own funds. Foreign exchange exposure limits, some of which are imposed in an asymmetric manner, were lowered in Honduras and Paraguay to reduce banks' exchange rate risk and their ability to take a position against the currency.[25] In contrast, with the stabilization of financial markets, position limits were increased in Bangladesh, Pakistan, and Sri Lanka. Argentina also raised the overall net positive foreign exchange position limit from 15 percent to 30 percent of capital.

Drawing on the lessons of the global financial crisis concerning the systemic risk banks' unhedged foreign currency lending to residents may pose, the revision of the regulatory framework for foreign currency lending continued. To reduce the exposure of domestic private households to foreign currency loans Austria revised the risk management guidelines, imposing strict criteria on new foreign currency loans to unhedged private consumers and requiring banks to develop strategies to reduce the volume of outstanding foreign currency loans. Following the 2013 removal of a restriction on foreign currency loans introduced at the height of the domestic-born crisis, Belarus introduced stricter requirements for loans in foreign currency, clarifying that foreign currency loans may be granted to business entities only for settlements with nonresidents and for deliveries of natural gas. Ghana prohibited banks from granting foreign-currency-denominated loans and foreign-currency-linked credit to customers who do not earn foreign exchange. Poland continued strengthening the regulatory framework for foreign currency lending started in 2012 by requiring banks to extend foreign-exchange-denominated mortgage loans only in the currency of the borrower's income and to apply stricter creditworthiness standards to foreign exchange credit exposure. In Vietnam, banks must obtain approval from the State Bank of Vietnam to lend in foreign exchange to certain eligible borrowers—for example, those with sufficient foreign exchange to repay the loan.

Twelve reported measures (19 fewer than in the previous period) continued modernization and harmonization of financial sector regulatory norms, with a neutral effect. Austria further updated its financial sector regulations related to the single euro payments area project, which aims to replace current national payment services with a common EU-wide payment service. Argentina unified the definition in the foreign exchange and tax laws of countries not considered cooperating countries for the purposes of fiscal transparency. The regulation on the operation of the interbank leu market on a unique trading platform was approved in Moldova. To implement the monetary agreement with the European Union, San Marino enacted provisions on euro banknotes and coins and related measures to prevent fraud and forgery and adopted an EU directive on payment services to harmonize the national payment system with rules introduced at the EU level. The

[25] Asymmetric open foreign exchange position limits are often considered capital controls because they have the effect of influencing capital flows.

purpose is to provide services within the euro payments area that are secure, competitively priced, easy to use, and reliable, through the introduction of common technical and business requirements for credit transfers and direct debits in euros.

Institutional investors

The majority of the reported changes eased regulatory constraints on institutional investors, in contrast to the previous reporting period. As for changes with respect to commercial banks and other credit institutions, prudential measures were mostly tightened, and most capital controls were eased. Twenty-three members reported a total of 69 measures, significantly more changes than during the previous reporting period (40). Of these, 41 changes were prudential measures and 28 were capital controls.

With respect to capital controls, the majority of the reported changes relaxed constraints on capital outflows (18 of 28). Regulatory limits on institutional investors' investments abroad were increased in Bolivia, Croatia, Malaysia, Peru, and Thailand. These changes reflect ongoing capital flow liberalization efforts, relaxation of outflows in the context of large capital inflows, and development of the insurance and pension sectors. Limits on external transfers introduced by Cyprus in March 2013 were subsequently increased, easing the constraints on institutional investors' international operations. Iceland extended the period during which residents may decide to reinvest their foreign assets before repatriating the funds to Iceland. Among measures to ease controls on capital inflows, Thailand removed the Ministry of Commerce approval requirement for foreign equity participation exceeding 49 percent in the securities business (securities companies and asset management companies), and external borrowing by Vietnamese firms must now be registered only with the State Bank of Vietnam.

No changes tightened controls on capital inflows with respect to institutional investors: all such tightening measures affected outflows. Measures that tightened capital controls generally imposed stricter conditions or limits on the investment of pension funds and insurance companies abroad. These measures are considered capital controls because they discriminate against investment in foreign assets by forbidding, or setting lower limits on, institutional investors' investments abroad compared with similar investments locally. For example, foreign stock exchange mutual fund units that are not registered by the Capital Markets Board may comprise up to 10 percent of pension funds' portfolios in Turkey. Romania amended and provided a more detailed breakdown of asset categories and corresponding limits for pension funds' investments abroad. Croatia redefined the investment limits on mandatory and voluntary pension funds' investments abroad, specifying the asset categories and the corresponding limits. Regulations on insurance companies' real-estate-related operations were tightened in the Czech Republic.

Eleven reported measures (6 more than in the previous reporting period) tightened the prudential framework for institutional investors' operations. The stricter conditions implemented on institutional investors' operations aim to enhance the stability of the financial system. More stringent prudential limits on institutional investors' investments in foreign exchange transactions were introduced in Croatia with respect to open-end investment funds and in Peru and Romania with respect to pension funds. Investment firms subject to the new EU financial sector regulatory framework became subject to risk requirements comprising foreign exchange components and own funds requirements relating to foreign exchange in France and the United Kingdom. As part of pension reform in the Czech Republic, prudential rules for pension funds and pension companies, including rules on eligible assets and investment limits and on the management of pension funds, were amended. The capital market law in Moldova redefined conditions governing investment of funds through Undertakings for the Collective Investment of Transferable Securities. Requirements were also adopted for professional clients and qualified investors in accordance with the provisions of EU directives.

Three reported measures eased the prudential rules for investment by institutional investors. Austria permitted insurance companies to cover up to 7 percent of their technical provisions with corporate loans subject to a strict set of conditions regarding credit quality and continuous risk analysis. Turkey allowed mutual funds to invest up to 20 percent of their portfolios in funds traded on foreign exchanges without registration with the Capital Markets Board. Poland gradually increased the limit on open pension funds, and China raised the limit on insurance companies' equity and real estate investments.

Two-thirds of the reported changes in prudential measures specific to institutional investors were recorded as neutral (28). These changes cannot be linked directly to the easing or tightening of rules and reflect mainly institutional or procedural changes. Belarus revised the minimum equity capital for dealers and brokers, securities trustees, and organizers of securities trading and clearing organizations. New legislation on insurance operations went into effect July 1, 2013, when Croatia joined the European Union. Insurance and pension fund supervision were transferred from the National Bank of Georgia to the Insurance State Supervision Service. Kazakhstan overhauled its pension system through establishment of the single pension fund and the transfer to this fund of the pension assets of all existing pension funds. The existing pension funds may retain their own assets and, following the transfer of the pension assets, may continue operations as pension portfolio managers or voluntary pension funds. San Marino revised the regulations on collective investment plans, and several regulations on institutional investors were revised in Turkey to ensure consistency with the new Capital Markets Board Law and international implementation. The State Bank of Vietnam issued guidance on account opening and use, outward fund transfers, overseas debt collection, registration for lending and collection of overseas debts, and other fund transfers for overseas lending and debt-collection activities of economic entities.

Special Topic

Capital Flows: Dynamics, Evolution, and Policy Advice

In an increasingly integrated world, capital flow volatility is a fact of life: the volume as well as the nature and destination of flows have evolved, as advanced, emerging market, and developing economies have responded to changes in their internal and external economic environments. Flows that are not related to foreign direct investment (FDI) can be especially volatile—a burst of foreign financial investment for a few quarters or even more can be followed by sudden disinvestment. This has been particularly burdensome for emerging market and developing economies over the past three decades.[26] The rise in worldwide demand has nurtured the deepening of the domestic financial sector in these economies, producing stronger and more transparent financial institutions, cheaper and more varied sources of credit, and larger financial markets with more types of financial assets. Emerging markets' relatively high growth rates and the deepening of their financial sectors have stoked foreign investment inflows, especially as investors seek to escape the low interest rates in advanced economies.

Any country with even a partially liberalized financial account is subject to a certain degree of capital flow volatility. However, large inflows and their sudden stop or reversal present a number of specific macroeconomic and financial stability concerns. The tapering of unconventional expansionary monetary policies in the advanced economies foreshadows such a reversal of capital flows, as was evident from the markets' immediate reaction to announcements by the Federal Reserve in May 2013 about its plans to exit from quantitative easing. The subsequent behavior of the global markets can be divided into three phases. In phase 1, during May and June 2013, there was exchange rate depreciation, with increases in interest rates and sovereign credit default swap spreads that were similar across emerging market economies. In phase 2, during the second half of 2013, country-specific conditions played an important role in determining investors' behavior. In phase 3, from the beginning of 2014, the importance of idiosyncratic country factors became even more pronounced, with concerns over political and economic vulnerabilities triggering country-specific movements in exchange rates and asset prices (IMF 2014a).

To understand the dynamics of capital flows, this Special Topic briefly traces their evolution over the past 30 years, describes their causes and effects, and summarizes the IMF's findings on the appropriate policy packages to successfully deal with the inherent volatility of capital flows.

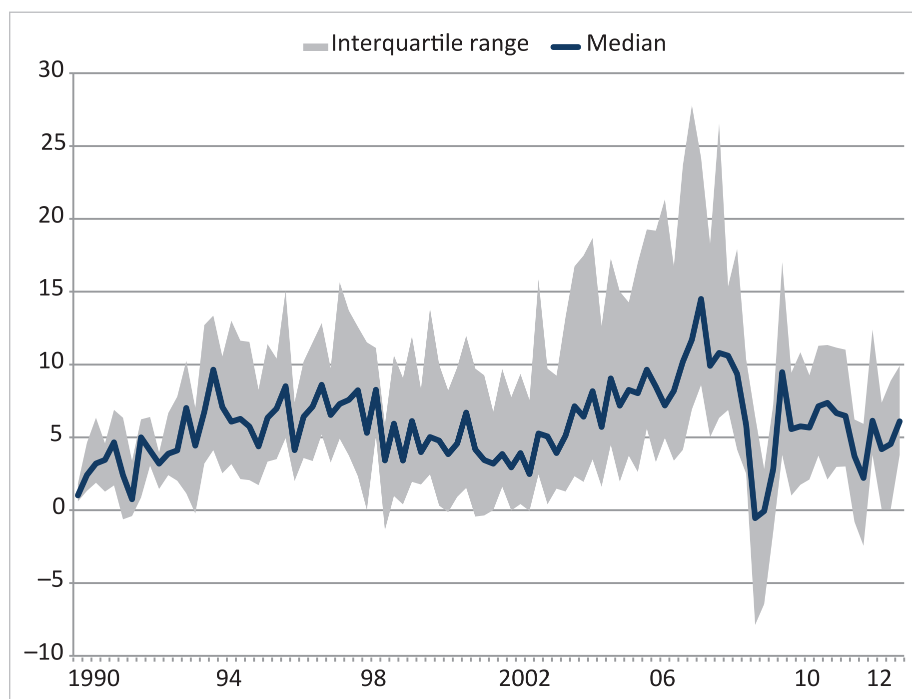
Recent History of Capital Flows: Volatile and Episodic

The rising magnitude and volatility of capital flows (Figure 2) present macroeconomic policy challenges and international financial stability concerns (IMF 2013b). When capital flows into small and shallow financial markets, asset prices increase, which improves national fiscal indicators and spurs domestic credit growth. Foreign direct investment (FDI), for example, has contributed to economic growth, productivity improvements, technological modernization, and human capital development in emerging market and developing economies (Arbatli 2011). But such favorable developments have sometimes aggravated structural weaknesses in these economies' monetary and fiscal sectors (Reinhart and Reinhart 2008). FDI, especially greenfield FDI, is a relatively stable type of flow that is unlikely to carry major risks. Portfolio inflows, which can be large and volatile, carry greater potential risks for emerging market economies (IMF 2011; Chamon and others 2010).

[26] Using gross and net capital flow data for the period 1980–2011 for a sample of 147 advanced, emerging market, and developing economies, Bluedorn and others (2013) find that private capital flows have been typically volatile for all countries, but the volatility has perhaps been most notable for emerging market and developing economies. A study by the IMF (2011) identifies frequent capital inflow *surges* (a quarter or year in which gross inflows exceeded the long-term average and were larger than 1.5 percent of GDP), *episodes* (a string of surges), and *waves* (a large number of simultaneous country episodes) among 48 emerging market and developing economies from 1990 through 2010. Surges occurred 20 percent of the time; episodes arose in 158 cases; and waves arrived three times. Forbes and Warnock (2012b) identify 167 surges, 221 stops, 196 flights, and 214 retrenchments based on gross flows between 1980 and 2009 in a sample of 58 countries from all income groups. Ghosh and others (2014) identify more than 300 episodes of surges in net flows to emerging markets over the past decades.

Figure 2. Gross Capital Inflows for All Emerging Market Economies, 1990–2012

(Percent of GDP)



Sources: IMF, *Balance of Payments Statistics;* IMF (2013b); and IMF staff calculations.

In the late 1970s, heavy borrowing by emerging market and developing economies of short-term bank liabilities in foreign currencies created precarious currency mismatches. The continued heavy reliance on unstable short-term flows played a major role in the Latin American debt crisis of 1982, as well as in other financial crises in the 1980s and 1990s (CGFS 2009). For almost a decade, most capital moved only between advanced economies, until flows to emerging market and developing economies revived in the early 1990s.

By 1993, net flows to emerging market and developing economies had risen to about $150 billion from a 1983–90 annual average of less than $40 billion (Turner 1995). Declines in policy rates in the United States and Europe helped increase the supply of low-cost financing that flowed to Asian emerging market economies, which in turn increased their issuance of debt securities, denominated mostly in dollars. The capital flow surges were largely short term in nature and created a double mismatch of currency and maturities (ADBI 2010). These developments led to risky financing of large current account deficits, inflation, asset market bubbles, speculative activities (CGFS 2009), excessive credit growth, and currency appreciation.

The risks materialized in the 1997–98 Asian financial crisis, when inflows stopped and exposed the buildup of vulnerabilities (IMF 2013b). The fallout for many East Asian countries included large capital outflows, currency crises, the bursting of asset price bubbles, a collapse of investment, and banking and macroeconomic crises (CGFS 2009). Emerging market and developing economies in Latin America and Europe became more attractive investment destinations, but the flows remained uneven in the early 2000s, reflecting a reduced risk appetite. Starting in 2002, there was a continuous strong increase in gross and net flows among advanced economies and from advanced economies to emerging market economies, the latter of which increased by almost 600 percent over the next five years (IMF 2006).

There was a sudden stop of capital flows at the nadir of the global financial crisis in late 2008. A new surge arose in late 2009 and 2010, largely because advanced economies reduced their monetary policy rates to near zero in their efforts to recover from the Great Recession (IMF 2013b; CGFS 2009). Another outflow-inflow cycle occurred in late 2011–12, but gross capital inflows to emerging market and developing economies have declined since mid-2013. These declines have led to tightened financial conditions in these economies, creating a host of macroeconomic and financial stability risks. Countries with strong fundamentals and sound policies, however, have been able to withstand the impact of this volatility (IMF 2014b).

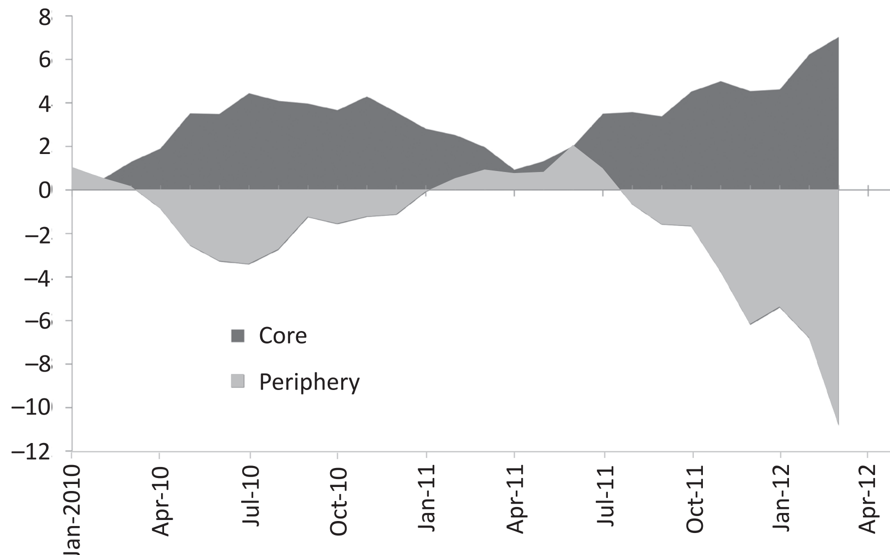
The Evolving Nature of Capital Flows

The nature of capital flows has evolved over time. There have been significant changes not only in their destination, but also in their composition, size, duration, volatility, and synchronicity.

Destination: During the early 1980s, capital inflows went mainly to Latin America and Asia. After the Latin American debt crisis, Asia became the most desirable destination, until the Asian crisis of the late 1990s. During the early 2000s, inflows spread to countries in emerging Europe and the Commonwealth of Independent States as more countries joined the European Union and as investors looked for new investment opportunities. However, in the wave that occurred after the beginning of the global financial crisis, countries in emerging Europe did not experience the inflow surge that their non-European counterparts did. Moreover, the sudden stop of capital flows in the wake of the crisis turned into capital flight from the periphery to the core of the euro area (Figure 3). The global financial crisis also brought about a collapse of gross flows (mostly bank flows) among advanced economies and a concomitant increase in flows to emerging market and developing economies (IMF 2011, 2012a).

Figure 3. Portfolio and Other Investment Capital Flows in the Euro Area

(Percent of GDP in the preceding year; cumulative from December 2009; excludes central banks)



Sources: Haver Analytics; IMF (2012a); and IMF staff estimates.
Note: Core = Belgium, France, Germany, Netherlands; Periphery = Greece, Ireland, Italy, Portugal, Spain.

Composition: FDI–dominated inflows to emerging market and developing economies during the wave of the mid-1990s, but bank lending has more than doubled since, and there has been a significant increase in portfolio flows (purchases of financial assets—another form of financing), both in absolute terms and relative to GDP. The average pace of portfolio inflows during the 2009 postcrisis wave quadrupled, from about 0.3 percent of GDP to 1.2 percent, and accounted for about half of total flows (IMF 2011). In response to prolonged low interest rates in advanced economies, investors (including insurance companies and pension funds) increased their demand for higher-yield emerging market assets. But slower growth in the supply of such assets contributed to a further shift in the composition of flows, specifically by increasing the share of sovereign bond holdings by nonresidents (IMF 2013a).

On the corporate side, the issuance of bonds has grown relative to that of equities, leading to higher debt-to-equity ratios in emerging market and developing economies and, in some cases, to a higher share of liabilities denominated in foreign currencies, the level of which has increased by about 50 percent in the past five years (IMF 2013a). The shift from FDI to less stable portfolio flows, including those denominated in foreign cur-

rencies, has contributed to making flows more sensitive to global shocks. In response, many emerging market and developing economies have taken steps to limit their vulnerability by deepening their banking sectors and capital markets, making institutional improvements, and recruiting local investors (IMF 2014a).

Size and duration: Capital flow "bonanzas"—strong inflows that are larger than normal—have become more frequent with the decrease of restrictions on capital flows (Reinhart and Reinhart 2008; Eichengreen and Adalet 2005). The surges that occurred just before the global financial crisis were larger and longer than those that occurred before the Asian crisis (IMF 2013b). A typical episode lasted about 13 quarters in the 1990s and about 20 quarters in the 2000s; the average size of aggregate inflows rose from slightly less than 2 percent of GDP a quarter in the 1990s to about 3.3 percent of GDP a quarter in the 2000s (IMF 2011).

Volatility: Non-FDI flows tend to be more sensitive to changing macroeconomic and financial conditions than FDI flows. Portfolio inflows have historically been more volatile than other types of inflows, and they have recently become even more so. At the same time, the volatility of bank lending flows rises significantly during crises given their highly procyclical character. For example, credit demand rises when economic growth increases and perceived risks decrease, but as retail deposits become insufficient to fund the demand, cross-border bank lending (so-called non-core funding) and leverage ratios both rise. During economic downturns, the opposite occurs: bank lending decreases sharply as funding constraints and credit risks escalate (IMF 2011; Committee on International Economic Policy Reform 2012).

On the whole, the volatility of capital flows has increased over time. Bluedorn and others (2013) conclude that this increased volatility has been quantitative rather than qualitative in nature—that is, the volatility is a result only of the expanded volume, not of a change in the incremental volatility of net or gross flows relative to GDP. However, they note that these measures may mask qualitative differences. The volatility of total net flows for advanced economies and for emerging market and developing economies was found to be similar despite the higher volatility of the various components of capital flows in advanced economies. The authors suggest that a possible explanation could be greater substitutability between different types of flows, as well as the complementarity of inflows and outflows in advanced economies compared with flows to emerging market or developing economies.

Synchronicity: Inflow episodes often end simultaneously in a number of countries, given that all countries are subject to the same global conditions and also to contagion (Calvo, Izquierdo, and Mejia 2004). In contrast, the beginning of episodes is generally not simultaneous across countries because idiosyncratic country factors attract capital inflows at different times. However, external conditions have recently influenced not only the ending of inflow episodes but also their beginning (IMF 2011): during the second half of 2009, 18 emerging market and developing economies experienced large inflows simultaneously as the advanced economies started their unprecedented monetary easing.

Countries' Resilience to Capital Flows

Resilience refers to the ability of an economy to sustain longer and stronger expansions and to experience shorter and shallower downturns and more rapid recoveries (IMF 2012c). In general, the countries that enjoyed greater resilience were those with better prudential regulations and financial supervision, more countercyclical fiscal and monetary policies, more flexible exchange rate regimes, and more stable current accounts (net capital flows).

Chamon and others (2010) find that some controls on capital flows (in particular debt flows) may contribute to limiting financial fragility in the face of capital flow volatility. However, a decision to implement controls should also take into account the potentially adverse multilateral consequences of such controls.

The increasing role of domestic institutional investors in emerging market and developing economies may have helped counteract the strong external drivers of capital inflows. For example, many of these countries have introduced pension systems that supplement or replace state-provided plans with partially or fully funded defined-contribution plans. Many have also reduced or eliminated limits on investments by institutional investors, broadening the permissible scope of asset types and asset locations. The accumulation of private sector wealth and improvements in financial literacy have further boosted domestic investment. These

developments have stimulated the creation of various collective investment vehicles such as mutual funds and unit trusts. In addition to the other benefits associated with diversification, outflows through such institutional investors can help offset some of the effects of large capital inflows (CGFS 2009).

Counterbalancing capital flows may have also enhanced resilience in some countries facing capital outflows. During the global financial crisis, emerging market and developing economies reacted in a remarkably different way than during previous crises: when nonresident inflows stopped, residents in many cases repatriated their own foreign-held assets, providing a buffer that contributed greatly to the resilience of those economies and minimized the disruption from nonresident outflows. Such repatriation enabled most of the adjustment to occur in the financial sector, in contrast to previous sudden stops, when most of the adjustment took place in the real sector, lowering GDP and consumption and raising unemployment. It should be noted, however, that such a mechanism may not always be at work: domestic vulnerabilities or global shocks may encourage residents to move their investments to safe havens (Broner and others 2013; IMF 2013b).

Drivers of Capital Flows

The timing, magnitude, and duration of capital flows has been the subject of academic and policy debates since at least the mid-1930s, when the United States experienced a surge in capital inflows (Qureshi 2012). Two concepts have figured prominently in the analysis: the investment behavior of residents and foreigners, and domestic versus external economic conditions.

Domestic versus foreign investors: Domestic investors and foreign investors may differ in the way they respond to internal and external conditions and to shocks. If simultaneous, these responses could offset or magnify each other (Forbes and Warnock 2012b). Ghosh and others (2014), for example, find that foreign and domestic investors respond similarly to domestic conditions, but that foreign investors react more to changes in global conditions (such as U.S. interest rates and global market uncertainty). The determinants of surges of domestic outflows were found to be idiosyncratic and difficult to generalize.

Incentives (such as the domestic exchange rate) and constraints (such as access to liquidity) differ by country for domestic and foreign investors. Gross flows are determined by foreigners' investments in a given country and residents' investments outside of that country. However, resident outflows in emerging market economies are usually not sufficient to offset foreign inflows. Thus, net flows for emerging market economies seem to be largely driven by foreign investors (Bluedorn and others 2013). Asymmetric information may provide a timing advantage to domestic investors with regard to positive and negative shocks to domestic assets (Tille and van Wincoop 2012). In a crisis, a default is more likely to hit foreign than domestic investors, which might trigger a transfer of assets from foreign to domestic investors (Broner, Martin, and Ventura 2010).

Domestic versus external conditions: Most studies of the determinants of capital flows find an interplay between domestic and external factors (Papaioannou 2009; IMF 2011).

Domestic (pull, or demand-side) factors include improved macroeconomic fundamentals, higher institutional quality, lower risk, favorable regulations and policies, and market idiosyncrasies (Qureshi 2012). Local factors, such as current account deficits and real GDP growth, have been found to be correlated with net capital surges (Reinhart and Reinhart 2008; Cardarelli, Elekdag, and Kose 2009). However, in recent years their influence appears to have been less than that of global external conditions (Ghosh and others 2014; Broto, Diaz-Cassou, and Erce 2011). Qureshi (2012) observes that one demonstration of the force of external factors was the reversal of flows to emerging market economies that occurred when global risk aversion (measured by the Chicago Board Options Exchange Volatility Index [VIX]) increased following Standard & Poor's downgrade of the United States' sovereign debt rating from AAA to AA+ in August 2011.

External (push, or supply-side) factors include low interest rates and GDP growth in advanced economies, higher risk appetite and higher commodity prices, liquidity, contagion through financial linkages, trade flows, and geographic proximity (Reinhart and Reinhart 2008; Cardarelli, Elekdag, and Kose 2009; Mercado and Park 2011; Forbes and Warnock 2012a). When interest rates in advanced economies are relatively low and investor risk appetite is high, the occurrence of capital flow surges is likely to increase, and vice versa.

In an illustration of the interaction between push and pull factors, Ghosh and others (2014) find that, although surges in net capital flows tend to cluster in time, the volume of these surges tends to vary considerably across countries, as does the set of emerging market economies that experience any given surge. The synchronicity is explained by global (push) factors (U.S. interest rates and risk aversion), but pull factors—including economic growth, external financing need, capital account restrictiveness, exchange rate regime, and institutional quality—determine the characteristics of the surge as experienced by a given country.

Sudden Stops: Determinants and Effects

Sudden stops in capital flows may lead to excessive exchange rate depreciation, credit busts, and asset price deflation, and thus may destabilize the domestic economy. As early as 2004, the observed clustering of sudden stops across countries highlighted the importance of assessing individual countries' vulnerability to external shocks (Calvo, Izquierdo, and Mejia 2004; Magud and Vesperoni 2014).

There are two types of sudden stop: inflow driven, when foreign investors sharply reduce, discontinue, or withdraw their investments; and outflow driven, when residents invest heavily abroad. Both may be preceded by a surge of capital inflows, although not necessarily (Magud and Vesperoni 2014). Calderón and Kubota (2011) find that inflow-driven stops tend to be most clustered in time but that outflow-driven stops, which are generally more spread out over time, have recently become more frequent. The type of stop also influences the subsequent state of the domestic economy: an inflow-driven stop tends to lead to lower growth than would an outflow-driven stop, including lower gross domestic investment, lower GDP per worker, and lower total factor productivity.

External factors, such as increased investor risk aversion, higher global growth, and higher interest rates in the advanced economies, increase the probability of sudden stops (Forbes and Warnock 2012a). The effect of these global factors may be amplified by the state of the domestic economy. Inflow-driven sudden stops are more likely when economic growth rates are low and the export base is volatile (as proxied by an abundance of natural resource exports). The likelihood of such stops decreases when the domestic economy is growing and the world interest rate is lower than the domestic rate. The factors that predict outflow-driven sudden stops are financial openness and external savings (current account surpluses) (Calderón and Kubota 2011).

Analyzing data from 32 advanced economies, Calvo, Izquierdo, and Mejia (2004) find that openness[27] and domestic liability dollarization are the main contributors to the increased probability of sudden stops. Openness is determined by domestic policies, such as tariffs, that influence the supply of tradable goods; and dollarization is a product of fiscal and monetary policies.

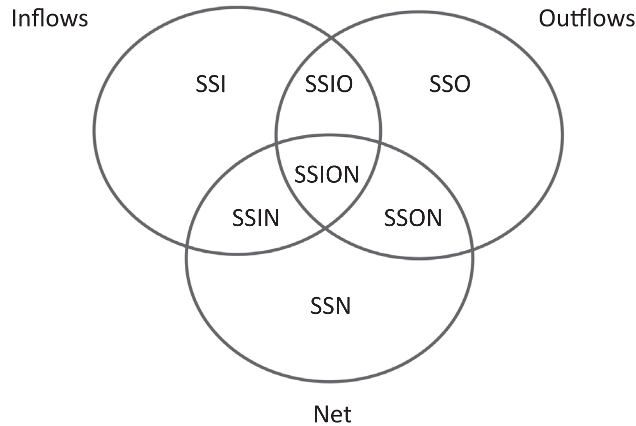
Sudden stops in gross flows do not necessarily result in sudden stops of net flows, but they can still have significant effects. Sudden stops in gross flows that arise from changes in international banking flows are associated with potentially destabilizing deleveraging within a short time.

Using data for a sample of 63 advanced, emerging market, and developing economies for the period 1980–2012, Cavallo and others (2013) create a new taxonomy of sudden stops, which they classify into seven categories that represent all possible mixes of origins of changes in flows that together constitute a sudden stop: changes in gross capital inflows, outflows, and net capital flows (Figure 4 and Table 12).

Cavallo and others (2013) find that sudden stops in gross inflows have a greater negative effect than sudden surges in gross outflows, which were not found to be followed by decreases in real GDP. A sudden stop in net flows originating from a sharp decrease in bank flows was found to have the greatest negative impact. Sudden stops in net flows are often followed by real currency depreciations and current account adjustments, which in turn lead to lower economic growth or recessions. This study also emphasizes that advanced economies are not immune to experiencing sudden stops.

[27] Openness is defined as a large supply of tradable goods that exceeds domestic demand.

Figure 4. A Taxonomy of Capital Flow Sudden Stops



Source: Cavallo and others (2013).
Note: SSI = sudden stops in gross inflows; SSIN = sudden stops in gross and net inflows; SSION = sudden stops in gross and net inflows plus sudden starts in gross outflows; SSO = sudden starts in gross outflows; SSON = sudden starts in gross outflows and sudden stops in net flows; SSN = sudden stops in net flows; SSIO = an empty set because all cases of concurrent SSI and SSO are included in SSION.

Table 12. Summary of Frequency Distribution of Episodes by Type

Type of Event		All Countries	Advanced Economies		Developing Economies	
			Before 2000	After 2000	Before 2000	After 2000
Inflows		**131**	**38**	**55**	**14**	**24**
	SSI	37%	50%	42%	7%	21%
	SSIN	44%	47%	27%	71%	58%
	SSION	20%	3%	31%	21%	21%
Outflows		**159**	**50**	**56**	**18**	**35**
	SSO	60%	82%	38%	67%	63%
	SSON	23%	16%	32%	17%	23%
	SSION	16%	2%	30%	17%	14%
Net		**141**	**35**	**58**	**19**	**29**
	SSN	15%	23%	14%	16%	7%
	SSIN	40%	51%	26%	53%	48%
	SSON	26%	23%	31%	16%	28%
	SSION	18%	3%	29%	16%	17%

Source: Cavallo and others (2013).
Note: SSI = sudden stops in gross inflows; SSIN = sudden stops in gross and net inflows; SSION = sudden stops in gross and net inflows plus sudden starts in gross outflows; SSO = sudden starts in gross outflows; SSON = sudden starts in gross outflows and sudden stops in net flows; SSN = sudden stops in net flows.

The Composition of Large Flows and the Probability of Crisis

Several studies have found that capital inflow bonanzas significantly increase the probability of banking and currency crises and, most significantly, of balance of payments crises once the surge ends (Reinhart and Reinhart 2008; Furceri, Guichard, and Rusticelli 2011). They often include a proportional comovement in the cumulative capital inflow and the probability of a sudden stop. In addition, the post-sudden-stop levels of capital inflows in about one-fourth of the capital flow episodes were found to be significantly lower than the prebonanza levels (Furceri, Guichard, and Rusticelli 2011; Forbes and Warnock 2012a).

The composition of the flows in a given episode has a large bearing on the probability of those crises: debt-driven flows significantly increase their likelihood, while equity-driven flows (portfolio flows as well as FDI) have a negligible effect. Furceri, Guichard, and Rusticelli (2011) find a near doubling of the probability of a banking or a currency crisis two years after a sudden stop of large capital inflows.[28] They also find the following factors to be significant for the various types of crisis: inflation and short-term interest rates for banking, currency, and balance of payments crises; foreign reserves for banking and currency crises; bank concentration for banking crises; and size of country, trade openness, net foreign asset position, and foreign debt for balance of payments crises. However, they conclude that while countries may not have much power to prevent a sudden stop, their institutional quality and regulatory framework greatly influence the likelihood of experiencing banking and currency crises.[29] Glick, Guo, and Hutchison (2006) find that an increase in capital account openness and financial liberalization also reduces the probability of banking and currency crises.

Role of Exchange Rate Flexibility

Exchange rate flexibility cannot prevent a sudden stop or reversal, but it can decrease the effect of inflow-driven credit booms (Elekdag and Wu 2011). Several studies examine the relationship between exchange rate flexibility and the behavior of credit in the banking sector during capital flow bonanzas. Magud, Reinhart, and Vesperoni (2012) and Magud and Vesperoni (2014) find that bank credit, especially credit denominated in foreign currency, grew more rapidly in countries with less flexible exchange rate regimes. Furceri, Guichard, and Rusticelli (2011) also find that credit expansions from large inflows were smaller in countries with higher real exchange rate flexibility.

Lane (2013) focuses on Europe and finds similar results. As exchange rates tend to depreciate during crises, the foreign currency value of domestic assets decreases, which may attract new capital inflows and partly offset the outflows. This mechanism is not available, however, to countries that do not have their own currency, as in the euro area. Overall, the likelihood of crises is reduced even when the exchange rate is less than fully flexible, such as under floating and managed float regimes.

Ghosh, Ostry, and Qureshi (2014) find that countries with hard pegs were not particularly susceptible to banking or currency crises owing to official actions to maintain such regimes, but they were significantly more susceptible to growth crises than countries with floating rate regimes. Intermediate regimes appear to be more prone to banking and currency crises, but managed floats—a subclass within such regimes—behave much more like pure floats, with significantly lower risks and fewer crises. Given the resilience of countries with managed float regimes, however, the susceptibility to crises was related to central bank actions—whether the central bank intervened to limit overvaluation or whether it abstained from intervention to maintain an overvalued exchange rate.

[28] The unconditional probability of a crisis at any point in time under the same specification is only 5 percent for a banking crisis and 4 percent for a currency crisis. The estimated probabilities of a banking or currency crisis two years after the end of a bonanza are about 9 percent and 6.5 percent, respectively.

[29] The study covers 112 advanced, emerging market, and developing economies from 1970 to 2007. Institutional quality is measured using the Worldwide Governance Indicators, which capture perceptions of a government's ability to formulate and implement sound policies and regulations that permit and promote private sector development.

Policy Advice

How can policymakers mitigate the effects of large capital inflows and their reversal? According to the IMF's institutional view on the liberalization and management of capital flows (IMF 2012b), the appropriate policy responses comprise a range of measures and involve both countries that are recipients of capital flows and those from which flows originate. For countries that have to manage the macroeconomic and financial stability risks associated with inflow surges or disruptive outflows, a key role needs to be played by macroeconomic policies, including monetary, fiscal, and exchange rate management, as well as by sound financial supervision and regulation and strong institutions.

The appropriate combination of policies for addressing these risks would depend on country circumstances. In certain circumstances, capital flow management measures (CFMs) that are designed to limit capital flows can be useful. They should not, however, substitute for warranted macroeconomic adjustment. When capital flows contribute to systemic financial risks, CFMs in combination with macroprudential measures (MPMs) more broadly can help safeguard financial stability, although their costs also need to be taken into account.[30]

The choice of which CFM to use would depend on its expected effectiveness and efficiency. The design and implementation of CFMs should be transparent, targeted, temporary, and preferably nondiscriminatory.

In general, policy options for managing inflow surges depend upon country-specific factors, which determine which options are feasible and effective. Outflows should usually be handled primarily with macroeconomic, structural, and financial policies. In crisis situations, or when a crisis may be imminent, there could be a role for the introduction of temporary CFMs on outflows.

Policymakers in all countries, including countries that generate large capital flows, should take into account how their policies may affect global economic and financial stability. Cross-border policy coordination among recipient countries, and between source and recipient countries, would help mitigate undesired spillover effects of policies and achieve globally efficient outcomes.

Conclusions

Capital flows are volatile and are continuously evolving in response to a wide range of factors, including macroeconomic conditions, economic development, regulatory frameworks, the business cycle, saving patterns, and investor expectations. But available knowledge, tools, and practical experience can help economic policymakers mitigate and recover from their disruptive effects. To be effective, however, any policy response requires an accurate understanding of the causes and effects of flow volatility and supportive macroeconomic and regulatory policy frameworks. Further research on the evolving nature of capital flows can help improve the effectiveness of the tools for mitigating their risks without negating their financial and developmental benefits.

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[30] MPMs are prudential tools that are primarily designed to limit systemic financial risk and maintain financial system stability. While CFMs aim to contain the scale or influence the composition of capital flows, MPMs seek to contain the buildup of systemic financial risks, irrespective of whether the origin of the risk is domestic or cross border.

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Compilation Guide

Status under IMF Articles of Agreement

Article VIII — The member country has accepted the obligations of Article VIII, Sections 2, 3, and 4, of the IMF's Articles of Agreement.

Article XIV — The member country continues to avail itself of the transitional arrangements of Article XIV, Section 2.

Exchange Measures

Restrictions and/or multiple currency practices — Exchange restrictions and multiple currency practices (MCPs) maintained by a member country under Article VIII, Sections 2, 3, and 4, or under Article XIV, Section 2, of the IMF's Articles of Agreement, as specified in the latest IMF staff reports issued as of December 31, 2013. Information on exchange restrictions and MCPs or on the absence of exchange restrictions and MCPs for countries with unpublished staff reports is published only with the consent of the authorities. If no consent has been received, the *Annual Report on Exchange Agreements and Exchange Restrictions* (AREAER) indicates "Information is not publicly available." Hence, "Information is not publicly available" does not necessarily imply that the country maintains exchange restrictions or MCPs. It indicates only that the country's relevant staff report has not been published and the authorities have not consented to publication of information on the existence of exchange restrictions and MCPs. Because in some cases the relevant staff document refers to years before the reporting period of the AREAER, more recent changes in the exchange system may not be included in those staff reports. Changes in the category restrictions and/or multiple currency practices are reflected in the subsequent edition of the AREAER, which covers the calendar year during which the IMF staff report with information on such changes is issued. Changes in the measures giving rise to exchange restrictions or MCPs that affect other categories of the country tables are reported under the relevant categories in the AREAER in accordance with the standard reporting periods.

Exchange measures imposed for security reasons — Exchange measures on payments and transfers in connection with international transactions imposed by member countries for reasons of national or international security.

In accordance with IMF Executive Board Decision No. 144-(52/51) — Security restrictions on current international payments and transfers on the basis of IMF Executive Board Decision No. 144-(52/51), which establishes the obligation of members to notify the IMF before imposing such restrictions, or, if circumstances preclude advance notification, as promptly as possible.

Other security restrictions — Other restrictions imposed for security reasons (e.g., in accordance with UN or EU regulations) but not notified to the IMF under Board Decision 144-(52/51).

References to legal instruments and hyperlinks — Specific references to the underlying legal materials and hyperlinks to the legal texts. The category is included at the end of each section.

Exchange Arrangement

Currency — The official legal tender of the country.

Other legal tender — The existence of another currency that is officially allowed to be used in the country.

Exchange rate structure — If there is one exchange rate, the system is called unitary; if there is more than one exchange rate that may be used simultaneously for different purposes and/or by different entities, and these exchange rates give rise to MCPs or differing rates for current and capital transactions, the system is called dual or multiple. Different effective exchange rates resulting from exchange taxes or subsidies, excessive exchange rate spreads between buying and selling rates, bilateral payments agreements, and broken cross rates are not included in this category. Changes in the measures in this category are reported in accordance with the standard reporting periods. Reclassification in cases related to changes in MCPs occurs in the edition of the AREAER that covers the calendar year during which the IMF staff report including information on such changes is issued.

Classification — Describes and classifies the de jure and the de facto exchange rate arrangements.

De jure

The description and effective dates of the de jure exchange rate arrangements are provided by the authorities. Under Article IV, Section 2(a), of the IMF's Articles of Agreement and Paragraph 16 of 2007 Surveillance Decision No. 13919-(07/51), each member is required to notify the IMF of the exchange arrangements it intends to apply and to notify the IMF promptly of any changes in its exchange arrangements. Country authorities are also requested to identify, whenever possible, which of the existing exchange rate arrangement categories listed below most closely corresponds to the de jure arrangement in effect. Country authorities may also wish to briefly describe their official exchange rate policy. The description includes officially announced or estimated parameters of the exchange arrangement (e.g., parity, bands, weights, rate of crawl, and other indicators used to manage the exchange rate). It also provides information on the computation of the exchange rate.

De facto

The IMF staff classifies the de facto exchange rate arrangements according to the categories below. The name and the definition of the categories describing the de facto exchange rate arrangements have been modified in accordance with the revised classification methodology, as of February 1, 2009. Wherever the description of the de jure arrangement can be empirically confirmed by the staff over at least the previous six months, the exchange rate arrangement is classified in the same way on a de facto basis. Because the de facto methodology for classification of exchange rate regimes is based on a backward-looking approach that relies on past exchange rate movement and historical data, some countries have been reclassified retroactively to the date the behavior of the exchange rate changed and matched the criteria for reclassification to the appropriate category. For these countries, if the retroactive date of reclassification precedes the period covered in this report, the effective date of change to be entered in the country chapter and the changes section is deemed to be the first day of the year in which the decision of reclassification took place.

No separate legal tender	Classification as an *exchange rate arrangement with no separate legal tender* involves confirmation of the country authorities' de jure exchange rate arrangement. The currency of another country circulates as the sole legal tender (formal dollarization). Adopting such an arrangement implies complete surrender of the monetary authorities' control over domestic monetary policy. Note: effective January 1, 2007, exchange arrangements of countries that belong to a monetary or currency union in which the same legal tender is shared by the members of the union are classified under the arrangement governing the joint currency. This classification is based on the behavior of the common currency, whereas the previous classification was based on the lack of a separate legal tender. The classification thus reflects only a definitional change and is not based on a judgment that there has been a substantive change in the exchange arrangement or other policies of the currency union or its members.
Currency board	Classification as a *currency board* involves confirmation of the country authorities' de jure exchange rate arrangement. A currency board arrangement is a monetary arrangement based on an explicit legislative commitment to exchange domestic currency for a specified foreign currency at a fixed exchange rate, combined with restrictions on the issuance authority to ensure the fulfillment of its legal obligation. This implies that domestic currency is usually fully backed by foreign assets, eliminating traditional central bank functions such as monetary control and lender of last resort, and leaving little room for discretionary monetary policy. Some flexibility may still be afforded, depending on the strictness of the banking rules of the currency board arrangement.
Conventional peg	Classification as a *conventional peg* involves confirmation of the country authorities' de jure exchange rate arrangement. For this category the country formally (de jure) pegs its currency at a fixed rate to another currency or a basket of currencies, where the basket is formed, for example, from the currencies of major trading or financial partners and weights reflect the geographic distribution of trade, services, or capital flows. The anchor currency or basket weights are public or notified to the IMF. The country authorities stand ready to maintain the fixed parity through direct intervention (i.e., via sale or purchase of foreign exchange in the market) or indirect intervention (e.g., via exchange-rate-related use of interest rate policy, imposition of foreign exchange regulations, exercise of moral suasion that constrains foreign exchange activity, or intervention by other public institutions). There is no commitment to irrevocably keep the parity, but the formal arrangement must be confirmed empirically: the exchange rate may fluctuate within narrow margins of less than ±1% around a central rate—or the maximum and minimum values of the spot market exchange rate must remain within a narrow margin of 2% for at least six months.
Stabilized arrangement	Classification as a *stabilized arrangement* entails a spot market exchange rate that remains within a margin of 2% for six months or more (with the exception of a specified number of outliers or step adjustments) and is not floating. The required margin of stability can be met either with respect to a single currency or a basket of currencies, where the anchor currency or the basket is ascertained or confirmed using statistical techniques. Classification as a stabilized arrangement requires that the statistical criteria are met and that the exchange rate remains stable as a result of official action (including structural market rigidities). The classification does not imply a policy commitment on the part of the country authorities.

Crawling peg	Classification as a *crawling peg* involves confirmation of the country authorities' de jure exchange rate arrangement. The currency is adjusted in small amounts at a fixed rate or in response to changes in selected quantitative indicators, such as past inflation differentials vis-à-vis major trading partners or differentials between the inflation target and expected inflation in major trading partners. The rate of crawl can be set to generate inflation-adjusted changes in the exchange rate (backward looking) or set at a predetermined fixed rate and/or below the projected inflation differentials (forward looking). The rules and parameters of the arrangement are public or notified to the IMF.
Crawl-like arrangement	For classification as a *crawl-like arrangement*, the exchange rate must remain within a narrow margin of 2% relative to a statistically identified trend for six months or more (with the exception of a specified number of outliers), and the exchange rate arrangement cannot be considered as floating. Usually, a minimum rate of change greater than allowed under a stabilized (peg-like) arrangement is required; however, an arrangement is considered crawl-like with an annualized rate of change of at least 1%, provided the exchange rate appreciates or depreciates in a sufficiently monotonic and continuous manner.
Pegged exchange rate within horizontal bands	Classification as a *pegged exchange rate within horizontal bands* involves confirmation of the country authorities' de jure exchange rate arrangement. The value of the currency is maintained within certain margins of fluctuation of at least ±1% around a fixed central rate, or a margin between the maximum and minimum value of the exchange rate that exceeds 2%. It includes arrangements of countries in the ERM of the European Monetary System, which was replaced with the ERM II on January 1, 1999, for countries with margins of fluctuation wider than ±1%. The central rate and width of the band are public or notified to the IMF.
Other managed arrangement	This category is a residual and is used when the exchange rate arrangement does not meet the criteria for any of the other categories. Arrangements characterized by frequent shifts in policies may fall into this category.
Floating	A *floating* exchange rate is largely market determined, without an ascertainable or predictable path for the rate. In particular, an exchange rate that satisfies the statistical criteria for a stabilized or a crawl-like arrangement is classified as such unless it is clear that the stability of the exchange rate is not the result of official actions. Foreign exchange market intervention may be either direct or indirect and serves to moderate the rate of change and prevent undue fluctuations in the exchange rate, but policies targeting a specific level of the exchange rate are incompatible with floating. Indicators for managing the rate are broadly judgmental (e.g., balance of payments position, international reserves, parallel market developments). Floating arrangements may exhibit more or less exchange rate volatility, depending on the size of the shocks affecting the economy.

Free floating	A floating exchange rate can be classified as *free floating* if intervention occurs only exceptionally and aims to address disorderly market conditions and if the authorities have provided information or data confirming that intervention has been limited to at most three instances in the previous six months, each lasting no more than three business days. If the information or data required are not available to the IMF staff, the arrangement is classified as floating. Detailed data on intervention or official foreign exchange transactions will not be requested routinely of member countries—only when other information available to the staff is not sufficient to resolve uncertainties about the appropriate classification.
Official exchange rate	Provides information on the computation of the exchange rate and the use of the official exchange rate (accounting, customs valuation purposes, foreign exchange transactions with the government).
Monetary policy framework	The category includes a brief description of the monetary policy framework in effect according to the following subcategories:
Exchange rate anchor	The monetary authority buys or sell foreign exchange to maintain the exchange rate at its predetermined level or within a range. The exchange rate thus serves as the nominal anchor or intermediate target of monetary policy. These frameworks are associated with exchange rate arrangements with no separate legal tender, currency board arrangements, pegs (or stabilized arrangements) with or without bands, crawling pegs (or crawl-like arrangements), and other managed arrangements.
Monetary aggregate target	The monetary authority uses its instruments to achieve a target growth rate for a monetary aggregate, such as reserve money, M1, or M2, and the targeted aggregate becomes the nominal anchor or intermediate target of monetary policy.
Inflation-targeting framework	This involves the public announcement of numerical targets for inflation, with an institutional commitment by the monetary authority to achieve these targets, typically over a medium-term horizon. Additional key features normally include increased communication with the public and the markets about the plans and objectives of monetary policymakers and increased accountability of the central bank for achieving its inflation objectives. Monetary policy decisions are often guided by the deviation of forecasts of future inflation from the announced inflation target, with the inflation forecast acting (implicitly or explicitly) as the intermediate target of monetary policy.
Other monetary framework	The country has no explicitly stated nominal anchor, but rather monitors various indicators in conducting monetary policy. This category is also used when no relevant information on the country is available.
Exchange tax	Foreign exchange transactions are subject to a special tax. Bank commissions charged on foreign exchange transactions are not included in this category; rather, they are listed under the exchange arrangement classification.
Exchange subsidy	Foreign exchange transactions are subsidized by using separate, nonmarket exchange rates.
Foreign exchange market	The existence of a foreign exchange market.

Spot exchange market	Institutional setting of the foreign exchange market for spot transactions and market participants. Existence and significance of the parallel market.
Operated by the central bank	The role of the central bank in providing access to foreign exchange to market participants: foreign exchange standing facility, allocation of foreign exchange to authorized dealers or other legal and private persons, management of buy or sell auctions or fixing sessions. Price determination and frequency of central bank operations. A foreign exchange standing facility allows market participants to buy foreign exchange from or sell it to the central bank at predetermined exchange rates at their own initiative and is usually instrumental in maintaining a hard or soft peg arrangement. The credibility of the facility depends to a large extent on the availability of foreign exchange reserves to back the facility. Allocation involves redistribution of foreign exchange inflows by the central bank to market participants for specific international transactions or in specific amounts (rationing). Foreign exchange allocation is often used to provide foreign exchange for strategic imports such as oil or food when foreign exchange reserves are scarce. In an allocation system, companies and individuals often transact directly with the central bank, and commercial banks may buy foreign exchange only for their clients' underlying international transactions. Purchases of foreign exchange for banks' own books typically are not permitted. Auctions are organized by the central bank, usually for market participants to buy and/or sell foreign exchange. Auctions can take the form of multiple-price auctions (all successful bidders pay the price they offer) or single-price auctions (all successful bidders pay the same price, which is the market-clearing/cut-off price). The authorities may exercise discretion in accepting or rejecting offers, and sometimes a floor price is determined in advance, below which offers are not accepted. The frequency of auctions depends mainly on the amount or availability of foreign exchange to be auctioned and on the role the auction plays in the foreign exchange market. Fixing sessions are often organized by the central bank at the early stage of market development to establish a market-clearing exchange rate. The central bank monitors the market closely and often actively participates in price formation by selling or buying during the session to achieve a certain exchange rate target. The price determined at the fixing session is often used for foreign exchange transactions outside the session and/or for accounting and valuation purposes.
Interbank market	The organization and operation of the interbank market; interventions. The existence of brokerage, over-the-counter, and market-making arrangements.
Forward exchange market	The existence of a forward exchange market; institutional arrangement and market participants.
Official cover of forward operations	Official coverage of forward operations refers to the case in which an official entity (the central bank or the government) assumes the exchange risk of certain foreign exchange transactions.

Arrangements for Payments and Receipts

Prescription of currency requirements	The official requirements affecting the selection of currency and the method of settlement for transactions with other countries. When a country has payments agreements with other countries, the terms of these agreements often lead to a prescription of currency for specified categories of payments to, and receipts from, the countries concerned. This category includes information on the use of domestic currency in transactions between residents and nonresidents, both domestically and abroad; it also indicates any restrictions on the use of foreign currency among residents.
Payments arrangements	
Bilateral payments arrangements	Two countries have an agreement to prescribe specific rules for payments to each other, including cases in which private parties are also obligated to use specific currencies. These agreements can be either operative or inoperative.
Regional arrangements	More than two parties participate in a payments agreement.
Clearing agreements	The official bodies of two or more countries agree to offset with some regularity the balances that arise from payments to each other as a result of the exchange of goods, services, or—less often—capital.
Barter agreements and open accounts	The official bodies of two or more countries agree to offset exports of goods and services to one country with imports of goods and services from the same country, without payment.
Administration of control	The authorities' division of responsibility for monitoring policy, administering exchange controls, and determining the extent of delegation of powers to outside agencies (banks are often authorized to effect foreign exchange transactions).
Payments arrears	Official or private residents of a member country default on their payments or transfers in foreign exchange to nonresidents. This category includes only the situation in which domestic currency is available for residents to settle their debts, but they are unable to obtain foreign exchange—for example, because of the presence of an officially announced or unofficial queuing system; it does not cover nonpayment by private parties owing to bankruptcy of the party concerned.
Controls on trade in gold (coins and/or bullion)	Separate rules for trading in gold domestically and with foreign countries.
Controls on exports and imports of banknotes	Regulations governing the physical movement of means of payment between countries. Where information is available, the category distinguishes between separate limits for the (1) export and import of banknotes by travelers and (2) export and import of banknotes by banks and other authorized financial institutions.

Resident Accounts

Indicates whether resident accounts that are maintained in the national currency or in foreign currency, locally or abroad, are allowed and describes how they are treated and the facilities and limitations attached to such accounts. When there is more than one type of resident account, the nature and operation of the various types of accounts are also described—for example, whether residents are allowed to open foreign exchange accounts with or without approval from the exchange control authority, whether these accounts may be held domestically or abroad, and whether the balances on accounts held by residents in domestic currency may be converted into foreign currency.

Nonresident Accounts

Indicates whether local nonresident accounts maintained in the national currency or in foreign currency are allowed and describes how they are treated and the facilities and limitations attached to such accounts. When there is more than one type of nonresident account, the nature and operation of the various types of accounts are also described.

Blocked accounts	Accounts of nonresidents, usually in domestic currency. Regulations prohibit or limit the conversion and/or transfer of the balances of such accounts.

Imports and Import Payments

Describes the nature and extent of exchange and trade restrictions on imports.

Foreign exchange budget	Information on the existence of a foreign exchange plan, i.e., prior allocation of a certain amount of foreign exchange, usually on an annual basis, for the importation of specific types of goods and/or services; in some cases, also differentiating among individual importers.
Financing requirements for imports	Information on specific import-financing regulations limiting the rights of residents to enter into private contracts in which the financing options differ from those in the official regulations.
Documentation requirements for release of foreign exchange for imports	
Domiciliation requirements	The obligation to domicile the transactions with a specified (usually domestic) financial institution.
Preshipment inspection	Most often a compulsory government measure aimed at establishing the veracity of the import contract in terms of volume, quality, and price.
Letters of credit	Parties are obligated to use letters of credit as a form of payment for their imports.
Import licenses used as exchange licenses	Import licenses are used not for trade purposes but to restrict the availability of foreign exchange for legitimate trade.
Import licenses and other nontariff measures	
Positive list	A list of goods that may be imported.
Negative list	A list of goods that may not be imported.

Open general licenses	Indicates arrangements whereby certain imports or other international transactions are exempt from the restrictive application of licensing requirements.
Licenses with quotas	Refers to situations in which a license for the importation of a certain good is granted but a specific limit is imposed on the amount to be imported.
Other nontariff measures	May include prohibitions on imports of certain goods from all countries or of all goods from a certain country. Several other nontariff measures are used by countries (e.g., phytosanitary examinations, setting of standards), but these are not covered fully in the report.
Import taxes and/or tariffs	A brief description of the import tax and tariff system, including taxes levied on the foreign exchange made available for imports.
Taxes collected through the exchange system	Indicates if any taxes apply to the exchange side of an import transaction.
State import monopoly	Private parties are not allowed to engage in the importation of certain products, or they are limited in their activity.

Exports and Export Proceeds

	Describes restrictions on the use of export proceeds, as well as regulations on exports.
Repatriation requirements	The obligation of exporters to repatriate export proceeds.
Surrender requirements	
Surrender to the central bank	Regulations requiring the recipient of repatriated export proceeds to sell, sometimes at a specified exchange rate, any foreign exchange proceeds in return for local currency to the central bank.
Surrender to authorized dealers	Regulations requiring the recipient of repatriated export proceeds to sell, sometimes at a specified exchange rate, any foreign exchange proceeds in return for local currency to commercial banks or exchange dealers authorized for this purpose or on a foreign exchange market.
Financing requirements	Information on specific export-financing regulations limiting the rights of residents to enter into private contracts in which the financing options differ from those in the official regulations.
Documentation requirements	The same categories as in the case of imports are used.
Export licenses	Restrictions on the right of residents to export goods. These restrictions may take the form of quotas (where a certain quantity of shipment abroad is allowed) or the absence of quotas (where the licenses are issued at the discretion of the foreign trade control authority).
Export taxes	A brief description of the export tax system, including any taxes that are levied on foreign exchange earned by exporters.

Payments for Invisible Transactions and Current Transfers

Describes the procedures for effecting payments abroad in connection with current transactions in invisibles, with reference to prior approval requirements, the existence of quantitative and indicative limits, and/or bona fide tests. Detailed information on the most common categories of transactions is provided only when regulations differ for the various categories. Indicative limits establish maximum amounts up to which the purchase of foreign exchange is allowed on declaration of the nature of the transaction, mainly for statistical purposes. Amounts above those limits are granted if the bona fide nature of the transaction is established by the presentation of appropriate documentation. Bona fide tests also may be applied to transactions for which quantitative limits have not been established.

Trade-related payments	Includes freight and insurance (including possible regulations on non-trade-related insurance payments and transfers), unloading and storage costs, administrative expenses, commissions, and customs duties and fees.
Investment-related payments	Includes profits and dividends, interest payments (including interest on debentures, mortgages, etc.), amortization of loans or depreciation of foreign direct investments, and payments and transfers of rent.
Payments for travel	Includes international travel for business, tourism, etc.
Personal payments	Includes medical expenditures abroad, study expenses abroad, pensions (including regulations on payments and transfers of pensions by both government and private pension providers on behalf of nonresidents, as well as the transfer of pensions due to residents living abroad), and family maintenance and alimony (including regulations on payments and transfers abroad of family maintenance and alimony by residents).
Foreign workers' wages	Transfer abroad of earnings by nonresidents working in the country.
Credit card use abroad	Use of credit and debit cards to pay for invisible transactions.
Other payments	Includes subscription and membership fees, authors' royalties, consulting and legal fees, etc.

Proceeds from Invisible Transactions and Current Transfers

Describes regulations governing exchange receipts derived from transactions in invisibles—including descriptions of any limitations on their conversion into domestic currency—and the use of those receipts.

Repatriation requirements	The definitions of repatriation and surrender requirements are similar to those applied to export proceeds.
Surrender requirements	
Surrender to the central bank	
Surrender to authorized dealers	
Restrictions on use of funds	Refers mainly to the limitations imposed on the use of receipts previously deposited in certain types of bank accounts.

Capital Transactions

Describes regulations influencing both inward and outward capital flows. The concept of controls on capital transactions is interpreted broadly. Thus, controls on capital transactions include prohibitions; need for prior approval, authorization, and notification; dual and multiple exchange rates; discriminatory taxes; and reserve requirements or interest penalties imposed by the authorities that regulate the conclusion or execution of transactions or transfers and the holding of assets at home by nonresidents and abroad by residents. The coverage of the regulations applies to receipts as well as to payments and to actions initiated by nonresidents and residents. In addition, because of the close association with capital transactions, information is also provided on local financial operations conducted in foreign currency, describing specific regulations in effect that limit residents' and nonresidents' issuance of securities denominated in foreign currency or, generally, limitations on contract agreements expressed in foreign exchange.

Repatriation requirements	The definitions of repatriation and surrender requirements are similar to those applied to export proceeds.
Surrender requirements	
Surrender to the central bank	
Surrender to authorized dealers	
Controls on capital and money market instruments	Refers to public offerings or private placements on primary markets or their listing on secondary markets.
On capital market securities	Refers to shares and other securities of a participating nature and bonds and other securities with an original maturity of more than one year.
Shares or other securities of a participating nature	Includes transactions involving shares and other securities of a participating nature if they are not effected for the purpose of acquiring a lasting economic interest in the management of the enterprise concerned. Investment for the purpose of acquiring a lasting economic interest is addressed under foreign direct investment.
Bonds or other debt securities	Refers to bonds and other securities with an original maturity of more than one year. The term "other debt securities" includes notes and debentures.
On money market instruments	Refers to securities with an original maturity of one year or less and includes short-term instruments, such as certificates of deposit and bills of exchange. The category also includes treasury bills and other short-term government paper, bankers' acceptances, commercial paper, interbank deposits, and repurchase agreements.
On collective investment securities	Includes share certificates and registry entries or other evidence of investor interest in an institution for collective investment, such as mutual funds, and unit and investment trusts.

Controls on derivatives and other instruments	Refers to operations in other negotiable instruments and nonsecured claims not covered under the above subsections. These may include operations in rights; warrants; financial options and futures; secondary market operations in other financial claims (including sovereign loans, mortgage loans, commercial credits, negotiable instruments originating as loans, receivables, and discounted bills of trade); forward operations (including those in foreign exchange); swaps of bonds and other debt securities; credits and loans; and other swaps (e.g., interest rate, debt/equity, equity/debt, foreign currency, and swaps of any of the instruments listed above). Controls on operations in foreign exchange without any other underlying transaction (spot or forward trading on the foreign exchange markets, forward cover operations, etc.) are also included.
Controls on credit operations	
Commercial credits	Covers operations directly linked with international trade transactions or with the rendering of international services.
Financial credits	Includes credits other than commercial credits granted by all residents, including banks, to nonresidents, or vice versa.
Guarantees, sureties, and financial backup facilities	Includes guarantees, sureties, and financial backup facilities provided by residents to nonresidents and vice versa. It also includes securities pledged for payment or performance of a contract—such as warrants, performance bonds, and standby letters of credit—and financial backup facilities that are credit facilities used as a guarantee for independent financial operations.
Controls on direct investment	Refers to investments for the purpose of establishing lasting economic relations both abroad by residents and domestically by nonresidents. These investments are essentially for the purpose of producing goods and services, and, in particular, in order to allow investor participation in the management of an enterprise. The category includes the creation or extension of a wholly owned enterprise, subsidiary, or branch and the acquisition of full or partial ownership of a new or existing enterprise that results in effective influence over the operations of the enterprise.
Controls on liquidation of direct investment	Refers to the transfer of principal, including the initial capital and capital gains, of a foreign direct investment as defined above.
Controls on real estate transactions	Refers to the acquisition of real estate not associated with direct investment, including, for example, investments of a purely financial nature in real estate or the acquisition of real estate for personal use.
Controls on personal capital transactions	Covers transfers initiated on behalf of private persons and intended to benefit other private persons. It includes transactions involving property to which the promise of a return to the owner with payments of interest is attached (e.g., loans or settlements of debt in their country of origin by immigrants) and transfers effected free of charge to the beneficiary (e.g., gifts and endowments, loans, inheritances and legacies, and emigrants' assets).

Provisions Specific to the Financial Sector

Provisions specific to commercial banks and other credit institutions	Describes regulations that are specific to these institutions, such as monetary, prudential, and foreign exchange controls. Inclusion of an entry in this category does not necessarily signify that the aim of the measure is to control the flow of capital. Some of these items (e.g., borrowing abroad, lending to nonresidents, purchase of locally issued securities denominated in foreign exchange, investment regulations) may be repetitions of entries under respective categories of controls on capital and money market instruments, on credit operations, or on direct investments, when the same regulations apply to commercial banks as well as to other residents.
Open foreign exchange position limits	Describes regulations on certain commercial bank balance sheet items (including capital) and on limits covering commercial banks' positions in foreign currencies (including gold).
Provisions specific to institutional investors	Describes controls specific to institutions, such as insurance companies, pension funds, investment firms (including brokers, dealers, or advisory firms), and other securities firms (including collective investment funds). Incorporates measures that impose limitations on the composition of the institutional investors' foreign or foreign currency assets (reserves, accounts) and liabilities (e.g., investments in equity capital of institutional investors or borrowing from nonresidents) and/or that differentiate between residents and nonresidents. Examples of such controls are restrictions on investments because of rules regarding the technical, mathematical, security, or mandatory reserves; solvency margins; premium reserve stocks; or guarantee funds of nonbank financial institutions. Inclusion of an entry in this category does not necessarily signify that the aim of the measure is to control the flow of capital.
Insurance companies	
Pension funds	
Investment firms and collective investment funds	

Listing conventions used in the report are as follows:

- When it is unclear whether a particular category or measure exists—because pertinent information is not available at the time of publication—the category is displayed with the notation "n.a."
- If a measure is known to exist but specific information on it is not available, the category is displayed with the notation "yes."
- If no measures exist on any item within a category, the category is displayed with the notation "no."
- If members have provided the IMF staff with information indicating that a category or an item is not regulated, these are marked "n.r."
- When relevant documents have not been published and the authorities have not consented to the publication of the information as included in the IMF staff report, the text reads, "Information is not publicly available."

Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries

(As of date shown on first page of country chapter; symbol key at end of table)

	Total number of member countries with these features	Afghanistan	Albania	Algeria	Angola	Antigua and Barbuda	Argentina	Armenia	Australia	Austria	Azerbaijan	The Bahamas	Bahrain	Bangladesh	Barbados	Belarus	Belgium	Belize	Benin	Bhutan	Bolivia
Status under IMF Articles of Agreement Article VIII	168			●		●	●	●	●	●	●	●	●	●	●	●	●	●	●		●
Article XIV	20	●	●		●															●	
Exchange Rate Arrangements																					
No separate legal tender	13																				
Currency board	11					◊															
Conventional peg	42											◊	◊		◊			◊	▲	✚	
Stabilized arrangement	21				◊						◊			◊							◊
Crawling peg	2																				
Crawl-like arrangement	15						◊	◊								◊					
Pegged exchange rate within horizontal bands	1																				
Other managed arrangement	18			*																	
Floating	36	●	●																		
Free floating	29								●	⊕							⊕				
Exchange rate structure Dual exchange rates	16						●					●									
Multiple exchange rates	6				●																
Arrangements for Payments and Receipts Bilateral payments arrangements	66	●		●	●		●	●			●		●	●	●	●		●	●	●	
Payments arrears	28		●		●	●															
Controls on payments for invisible transactions and current transfers	100			●	●	●	●				●	●		●	●	●		●	●	●	●
Proceeds from exports and/or invisible transactions Repatriation requirements	86		●	●	●	–	●				●	●		●	●	●		●	●	●	
Surrender requirements	60			●	●		●					●		●	●	●		●	●	●	
Capital Transactions Controls on: *Capital market securities*	151		●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Money market instruments	127	●	●	●	●		●			●		●		●	●	●	●	●	●	●	●
Collective investment securities	127		●	●	●		●	●	●	●	●	●		●	●	●	●	●	●	●	●
Derivatives and other instruments	101		●	●	■		●	●		●	●	●	●	●	●	●	●	●	●	●	
Commercial credits	85			●								●		●	●	●		●	●	●	●
Financial credits	115			●	●	●	●			●		●		●	●	●	●	●	●	●	●
Guarantees, sureties, and financial backup facilities	78			●	●		●					●		●	●	●		●	●	●	
Direct investment	151			●	●		●		●	●	●	●	●	●	●	●	●	●	●	●	
Liquidation of direct investment	42			●	●		●							●	●			●		●	
Real estate transactions	144	●	●	●	●	●	●	●	●	●		●	●	●	●	●		●	●	●	
Personal capital transactions	94			●	●	–	●		●		●	●		●	●	●		●	●	●	
Provisions specific to: *Commercial banks and other credit institutions*	170	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●
Institutional investors	143		●	●	■	–	●	●	●	●	●	●		●	●	●	●	●	●	●	●

Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries
(As of date shown on first country page; symbol key at end of table)

	Bosnia and Herzegovina	Botswana	Brazil	Brunei Darussalam	Bulgaria	Burkina Faso	Burundi	Cabo Verde	Cambodia	Cameroon	Canada	Central African Republic	Chad	Chile	China	Colombia	Comoros	Congo, Dem. Rep. of	Congo, Republic of	Costa Rica	Côte d'Ivoire	Croatia
Status under IMF Articles of Agreement Article VIII		●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Article XIV	●						●															
Exchange Rate Arrangements																						
No separate legal tender																						
Currency board	▲			✚	▲																	
Conventional peg						▲		▲		▲		▲	▲				▲		▲		▲	
Stabilized arrangement							◊											◊				
Crawling peg		*																				
Crawl-like arrangement															◊							▲
Pegged exchange rate within horizontal bands																						
Other managed arrangement									◊											●		
Floating			●													●						
Free floating											●			●								
Exchange rate structure Dual exchange rates							●															
Multiple exchange rates																						
Arrangements for Payments and Receipts Bilateral payments arrangements		●	●		●	●	●	●	●									●				●
Payments arrears						–		●	●								●				●	
Controls on payments for invisible transactions and current transfers	●			●		●	●	●		●		●	●		●		●	●	●		●	
Proceeds from exports and/or invisible transactions Repatriation requirements	●					●	●	●	●	●		●	●		●	●	●	●	●		●	
Surrender requirements			●			●		●	●	●		●	●				●		●		●	
Capital Transactions Controls on: *Capital market securities*	●	●	●		●	●	●			●	●	●	●	●	●	●	●	●	●		●	●
Money market instruments	●	●	●			●	●	●		●		●	●	●	●	●		●	●		●	●
Collective investment securities	●	●	●			●	●			●		●	●	●	●	●		●	●		●	●
Derivatives and other instruments			●			●	●	■		■		■	■	●	●	●	■	●	■		●	●
Commercial credits		●				●	●	●		●		●	●			●	●	●	●		●	
Financial credits	●		●			●	●	●		●		●	●		●	●		●	●	●	●	
Guarantees, sureties, and financial backup facilities						●	●	●		■		■	■	●	●		●	●	■		●	
Direct investment	●		●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	
Liquidation of direct investment										●		●	●		●	●	●	●	●			
Real estate transactions	●		●	●	●	●	●	●	●	●		●	●	●	●			●	●		●	●
Personal capital transactions	●			●		●	●	●		●		●	●		●	●	●	●	●		●	
Provisions specific to: *Commercial banks and other credit institutions*	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Institutional investors	●	●	●	●	●	●	●	–		●	●	●	●	●	●	●	–		●	●	●	●

Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries

(As of date shown on first page of country chapter; symbol key at end of table)

	Cyprus	Czech Republic	Denmark	Djibouti	Dominica	Dominican Republic	Ecuador	Egypt	El Salvador	Equatorial Guinea	Eritrea	Estonia	Ethiopia	Fiji	Finland	France	Gabon	Gambia, The	Georgia	Germany	Ghana	Greece
Status under IMF Articles of Agreement																						
Article VIII	●	●	●	●	●	●	●	●	●	●		●		●	●	●	●	●	●	●	●	●
Article XIV											●		●									
Exchange Rate Arrangements																						
No separate legal tender							◊		◊													
Currency board				◊	◊																	
Conventional peg			❖							▲	◊			*			▲					
Stabilized arrangement								◊														
Crawling peg																						
Crawl-like arrangement						◊							◊									
Pegged exchange rate within horizontal bands																						
Other managed arrangement		●																●				
Floating																			●		●	
Free floating	⊕											⊕			⊕	⊕				⊕		⊕
Exchange rate structure																						
Dual exchange rates											●										●	
Multiple exchange rates																						
Arrangements for Payments and Receipts																						
Bilateral payments arrangements						●	●	●				●									●	
Payments arrears				●	●		●	●			●	●										
Controls on payments for invisible transactions and current transfers	●						●	●		●	●		●	●		●	●				●	
Proceeds from exports and/or invisible transactions																						
Repatriation requirements					●					●	●		●	●			●				●	
Surrender requirements					●			●		●	●		●	●			●				●	
Capital Transactions																						
Controls on:																						
Capital market securities	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●
Money market instruments	●	●				●	●	●	●	●	●		●	●	●	●	●			●	●	●
Collective investment securities	●	●		●	●	●	●	●	●	●	–		●	●	●	●	●			●	●	●
Derivatives and other instruments	●	●			–	●	●	●	●	■	–		●	●	●		■			●	●	●
Commercial credits	●			●	●		●			●	●		●	●			●					
Financial credits	●	●		●	●		●			●	●		●	●	●		●	●		●		●
Guarantees, sureties, and financial backup facilities	●			●	●	●	●			■	–		●	●			■					
Direct investment	●	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●		●	●	●	●
Liquidation of direct investment	●									●			●	●			●					
Real estate transactions	●	●	●		●					●		●	●	●	●		●		●	●	●	●
Personal capital transactions	●				●					●	●	●	●	●			●					
Provisions specific to:																						
Commercial banks and other credit institutions	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
Institutional investors	●	●	●	●	●	●	●	●	●	●	–	●	●	●	●	●	●	●	●	●	●	●

Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries
(As of date shown on first country page; symbol key at end of table)

	Grenada	Guatemala	Guinea	Guinea-Bissau	Guyana	Haiti	Honduras	Hungary	Iceland	India	Indonesia	Iran	Iraq	Ireland	Israel	Italy	Jamaica	Japan	Jordan	Kazakhstan	Kenya	Kiribati
Status under IMF Articles of Agreement Article VIII	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●	●
Article XIV													●									
Exchange Rate Arrangements																						
No separate legal tender																						✚
Currency board	◊																					
Conventional peg				▲															◊			
Stabilized arrangement			◊		◊								◊							◊		
Crawling peg																						
Crawl-like arrangement		◊				◊	◊										◊					
Pegged exchange rate within horizontal bands																						
Other managed arrangement												*										
Floating								●	●	●	●				●						●	
Free floating														⊕		⊕		●				
Exchange rate structure Dual exchange rates			●									●										
Multiple exchange rates																						
Arrangements for Payments and Receipts Bilateral payments arrangements		●	●		●		●			●			●						●			
Payments arrears			●		●				●													
Controls on payments for invisible transactions and current transfers	●		●	●			●		●	●		●	●					●		●		
Proceeds from exports and/or invisible transactions Repatriation requirements	●		●	●			●		●	●	●									●		■
Surrender requirements	●			●			●			●												
Capital Transactions Controls on: *Capital market securities*	●		●	●			●	●	●	●	●	●	●		●		●	●		●	●	●
Money market instruments	●		●	●			●	●	●	●	●	●	●				●			●	●	●
Collective investment securities	●		●	●			●	●	●	●	●	●	●			●	●			●	●	●
Derivatives and other instruments	●		●	●					●	●	●	●	●		●		●			●	●	●
Commercial credits	●		●	●	●		●			●	●	●					●			●		●
Financial credits	●		●	●	●		●	●	●	●	●	●	●				●			●		●
Guarantees, sureties, and financial backup facilities			●	●	●		●		●	●	●	●					●					●
Direct investment	●		●	●			●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Liquidation of direct investment	●								●	●			●				●					■
Real estate transactions	●		●	●			●	●	●	●	●	●	●	●	●		●		●		●	●
Personal capital transactions	●		●	●					●	●		●	●				●			●		■
Provisions specific to: *Commercial banks and other credit institutions*	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●		●	●	●	■
Institutional investors		●	–	●	–		●	●	●	●	●	–			●	●	●		●	●	●	–

Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries
(As of date shown on first page of country chapter; symbol key at end of table)

	Korea	Kosovo	Kuwait	Kyrgyz Republic	Lao P.D.R.	Latvia	Lebanon	Lesotho	Liberia	Libya	Lithuania	Luxembourg	Macedonia, fmr. Yugoslav Rep.	Madagascar	Malawi	Malaysia	Maldives	Mali	Malta	Marshall Islands	Mauritania	Mauritius
Status under IMF Articles of Agreement Article VIII	●		●	●	●	●	●	●		●	●	●	●	●	●	●		●	●	●	●	●
Article XIV		●							●								●					
Exchange Rate Arrangements																						
No separate legal tender		▲																		◊		
Currency board											❖											
Conventional peg			*					✚		○								▲				
Stabilized arrangement							◊						▲				◊					
Crawling peg																						
Crawl-like arrangement					◊																	
Pegged exchange rate within horizontal bands																						
Other managed arrangement				●					◊							●					●	
Floating	●													●	●							●
Free floating						⊕						⊕							⊕			
Exchange rate structure Dual exchange rates				●													●					
Multiple exchange rates																						
Arrangements for Payments and Receipts Bilateral payments arrangements				●	●					●			●	●		●					●	
Payments arrears				●	–				●													
Controls on payments for invisible transactions and current transfers		●		●	●			●		●			●		●	●		●			●	
Proceeds from exports and/or invisible transactions Repatriation requirements	●				●			●		●				●	●	●		●			●	
Surrender requirements					●			●		●					●			●				
Capital Transactions Controls on: *Capital market securities*	●	●	●	●	●		●	●		●	●	●	●	●	●	●	●	●	●	–	●	●
Money market instruments			●	●	●		●	●		●	●	●	●	●	●	●		●		–	●	●
Collective investment securities			●	●	●		●	●		●	●	●	●	●	●	●		●		–	■	●
Derivatives and other instruments	●		●	■	●		●	■		■	●	●	●	●	●	●	■	●		–	■	
Commercial credits				●	●		●	●		●				●	●	●		●		–		
Financial credits				●	●		●	●		●		●		●	●	●	●	●		–	●	
Guarantees, sureties, and financial backup facilities							●			●				●	●	●		●		–	●	
Direct investment	●		●	●	●	●	●	●		●	●	●	●	●	●	●	●	●		●	●	●
Liquidation of direct investment										●				●						–		
Real estate transactions			●	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●
Personal capital transactions					●			●		●			●	●	●	●	●	●		–	●	
Provisions specific to: *Commercial banks and other credit institutions*	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	–	●	●
Institutional investors	●	●		●	–	●	●	●		●	●	●	●	–		●	●	●	●	●	–	●

Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries

(As of date shown on first country page; symbol key at end of table)

	Mexico	Micronesia	Moldova	Mongolia	Montenegro	Morocco	Mozambique	Myanmar	Namibia	Nepal	Netherlands	New Zealand	Nicaragua	Niger	Nigeria	Norway	Oman	Pakistan	Palau	Panama	Papua New Guinea	Paraguay
Status under IMF Articles of Agreement Article VIII	●	●	●	●	●	●	●		●	●	●	●	●	●		●	●	●	●	●	●	●
Article XIV								●							●							
Exchange Rate Arrangements																						
No separate legal tender		◊			▲														◊	◊		
Currency board																						
Conventional peg						*			✚	✚				▲			◊					
Stabilized arrangement																						
Crawling peg													◊									
Crawl-like arrangement																						
Pegged exchange rate within horizontal bands																						
Other managed arrangement								●							●			●				
Floating			●	●			●					●									●	●
Free floating	●										⊕					●						
Exchange rate structure Dual exchange rates								●														
Multiple exchange rates				●											●							
Arrangements for Payments and Receipts Bilateral payments arrangements	●		●	●																	●	
Payments arrears				●				●					●									
Controls on payments for invisible transactions and current transfers			●		●	●	●	●	●	●				●	●			●	●		●	●
Proceeds from exports and/or invisible transactions Repatriation requirements			●			●	●	●	●	●				●	●			●				
Surrender requirements						●	●		●	●				●	●			●				
Capital Transactions Controls on: *Capital market securities*	●	●	●	●	●	●	●	●	●	●		●		●	●	●	●	●				●
Money market instruments	●	■	●		●	●	●	●	●	●				●	●			●				●
Collective investment securities	●		●			●	●	●	●	●				●				●				
Derivatives and other instruments	●		●			●	●	●		●				●		●	●	●				
Commercial credits		■	●			●	●	●	●	●			●	●	●			●				
Financial credits	●	■	●			●	●	●	●	●			●	●				●				●
Guarantees, sureties, and financial backup facilities	●	■	●			●	●	●	●	●				●				●			●	●
Direct investment	●	●	●			●	●	●	●	●	●	●	●	●		●	●	●	●			
Liquidation of direct investment			●				●	●		●												
Real estate transactions	●	●	●	●	●	●	●	●	●	●		●		●		●	●	●	●			●
Personal capital transactions		■	●	●		●	●	●	●	●			●	●	●	●		●				
Provisions specific to: *Commercial banks and other credit institutions*	●	●	●	●		●	●	●	●	●			●	●	●	●	●	●			●	●
Institutional investors	●	–	●	–	●	●	●	●	●	●		●	●	●	–	●	–	●	●		●	●

Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries

(As of date shown on first page of country chapter; symbol key at end of table)

	Peru	Philippines	Poland	Portugal	Qatar	Romania	Russia	Rwanda	Samoa	San Marino	São Tomé and Príncipe	Saudi Arabia	Senegal	Serbia	Seychelles	Sierra Leone	Singapore	Slovak Republic	Slovenia	Solomon Islands	Somalia	South Africa
Status under IMF Articles of Agreement																						
Article VIII	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●	●	●		●
Article XIV											●										●	
Exchange Rate Arrangements																						
No separate legal tender										▲												
Currency board																						
Conventional peg					◊				*		▲	◊	▲							*		
Stabilized arrangement																	*					
Crawling peg																						
Crawl-like arrangement																						
Pegged exchange rate within horizontal bands																						
Other managed arrangement							●	●														
Floating	●	●				●								●	●	●						●
Free floating			●	⊕														⊕	⊕		●	
Exchange rate structure																						
Dual exchange rates																					●	
Multiple exchange rates																●						
Arrangements for Payments and Receipts																						
Bilateral payments arrangements	●	●	●		●	●	●				●				●				●		–	
Payments arrears											●			●	●						–	
Controls on payments for invisible transactions and current transfers		●	●					●	●				●	●		●		●		●		●
Proceeds from exports and/or invisible transactions																						
Repatriation requirements		●					●		●		●		●	●		●				●		●
Surrender requirements		●							●				●							●		●
Capital Transactions																						
Controls on:																						
Capital market securities		●	●	●	●		●		●	●		●	●	●		●		●	●	●		●
Money market instruments		●	●	●			●		●	●		●	●	●		●			●	●		●
Collective investment securities		●	●	●			●		●	●		●	●	●		●		●	●	●	–	●
Derivatives and other instruments		●	●		●					●		●	●	●		●			●	●	–	●
Commercial credits		●	●							●	–	●	●									●
Financial credits		●	●						●	●	–	●	●	●		●	●		●	●		●
Guarantees, sureties, and financial backup facilities		●									–	●	●	●		●				●		●
Direct investment		●	●	●	●		●		●	●	●	●	●	●		●		●	●	●		●
Liquidation of direct investment									●											●		
Real estate transactions		●	●	●	●				●	●	●	●	●	●	●	●	●	●	●	●		●
Personal capital transactions		●			●				●	●	●		●	●		●				●	–	●
Provisions specific to:																						
Commercial banks and other credit institutions	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	–	●
Institutional investors	●	●	●	●	●	●		●	●	●	–	●	●	●		–	●	●	●	●	–	●

Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries
(As of date shown on first country page; symbol key at end of table)

	South Sudan	Spain	Sri Lanka	St. Kitts and Nevis	St. Lucia	St. Vincent and the Grenadines	Sudan	Suriname	Swaziland	Sweden	Switzerland	Syria	Tajikistan	Tanzania	Thailand	Timor-Leste	Togo	Tonga	Trinidad and Tobago	Tunisia	Turkey	Turkmenistan
Status under IMF Articles of Agreement Article VIII		•	•	•	•	•	•	•	•	•	•		•	•	•	•	•	•	•	•	•	
Article XIV	•											•										•
Exchange Rate Arrangements																						
No separate legal tender																◊						
Currency board				◊	◊	◊																
Conventional peg	◊								✚								▲					◊
Stabilized arrangement			◊					◊					◊						◊			
Crawling peg																						
Crawl-like arrangement											▲									*		
Pegged exchange rate within horizontal bands																		*				
Other managed arrangement							•					*										
Floating														•	•						•	
Free floating		⊕								•												
Exchange rate structure Dual exchange rates	•							•				•										
Multiple exchange rates							•															
Arrangements for Payments and Receipts Bilateral payments arrangements	–						•					•		•							•	•
Payments arrears	–													•								
Controls on payments for invisible transactions and current transfers	•		•	•	•	•	•	•	•			•	•	•	•		•	•		•	•	•
Proceeds from exports and/or invisible transactions Repatriation requirements	–		•	•		•	•	•	•			•	•	•	•		•			•		•
Surrender requirements	–			•		•	•		•			•					•			•		•
Capital Transactions Controls on: *Capital market securities*	–	•	•	•	•	•	•	•	•	•	•	•	•	•	•		•	•	•	•	•	•
Money market instruments	–	•	•	–	•	•	•	•	•	•	•	•	•	•	•		•	•		•	•	•
Collective investment securities	–	•	•	•	•	•	■	•	•	•	•	•	•	•	•		•	•		•	•	•
Derivatives and other instruments	–	•	•	■	•		■	•	•	•	•	•	•	•	•		•	•		•	•	
Commercial credits	–		•		•	•		•	•		•	•	•	•			•	•		•	•	•
Financial credits	–	•	•	•	•	•		•	•	•	•	•	•	•	•		•	•		•	•	•
Guarantees, sureties, and financial backup facilities	–		•		•	•		•	•			•		•	•		•	•		•		•
Direct investment	–	•	•	•	•	•		•	•	•	•	•	•	•	•		•	•	•	•	•	•
Liquidation of direct investment	–		•		–			•						•				•				•
Real estate transactions	–	•	•	•	•	•		•	•	•	•	•		•	•	•	•	•	•	•	•	•
Personal capital transactions	–		•		•	•	•	•	•			•	•	•	•		•	•		•		•
Provisions specific to: *Commercial banks and other credit institutions*	–	•	•	•	•	•	•	•	•	•		•	•	•	•	•	•	•	•	•	•	•
Institutional investors	–	•	•	•	•	•	•	•	•	•	•	–		•	•		•		•	•	•	•

Summary Features of Exchange Arrangements and Regulatory Frameworks for Current and Capital Transactions in IMF Member Countries

(As of date shown on first page of country chapter; symbol key at end of table)

	Tuvalu	Uganda	Ukraine	United Arab Emirates	United Kingdom	United States	Uruguay	Uzbekistan	Vanuatu	Venezuela	Vietnam	Yemen	Zambia	Zimbabwe	Aruba	Hong Kong SAR	Curaçao and Sint Maarten
Status under IMF Articles of Agreement																	
Article VIII		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Article XIV	•																
Exchange Rate Arrangements																	
No separate legal tender	✚													◊			
Currency board																◊	
Conventional peg				◊						◊					◊		◊
Stabilized arrangement											◊	◊					
Crawling peg																	
Crawl-like arrangement								◊									
Pegged exchange rate within horizontal bands																	
Other managed arrangement									•								
Floating		•	•				•						•				
Free floating					•	•											
Exchange rate structure																	
Dual exchange rates			•							•							
Multiple exchange rates								•									
Arrangements for Payments and Receipts																	
Bilateral payments arrangements		•	•			•	•		■	•	•			•			
Payments arrears	–	•							■			•	•				
Controls on payments for invisible transactions and current transfers	–		•					•		•				•	•		•
Proceeds from exports and/or invisible transactions																	
Repatriation requirements	–		•					•	■	•	•			•	•		
Surrender requirements	–		•					•	■	•					•		
Capital Transactions																	
Controls on:																	
Capital market securities	–		•	•	•	•		•	■	•	•			•	•		•
Money market instruments	–		•		•	•	•	•	■	•	•			•	•		•
Collective investment securities	–		•	•	•	•		•	■	•	•			•	•		•
Derivatives and other instruments	–		•			•		■	■	•	•			•	•	•	•
Commercial credits	–		•					•	■	•	•			•	•		•
Financial credits	–		•					•	■	•	•	•		•	•		•
Guarantees, sureties, and financial backup facilities	–		•			•		•	■	•	•			•	•		•
Direct investment	–		•	•	•	•		•	■	•	•	•		•	•		•
Liquidation of direct investment	–		•					•	■	•				•	•		•
Real estate transactions	–	•	•	•	•	•		•	■		•			•	•	•	
Personal capital transactions	–		•					•		•	•			•	•		•
Provisions specific to:																	
Commercial banks and other credit institutions	–	•	•	•	•		•	•	•	•	•	•	•	•	•	•	•
Institutional investors	–		•	–	•	•	•	•	■	•	•	•		•	•	•	•

Key

- • Indicates that the specified practice is a feature of the exchange system.
- – Indicates that data were not available at the time of publication.
- ■ Indicates that the specified practice is not regulated.
- ⊕ Indicates that the country participates in the euro area.
- ❖ Indicates that the country participates in the European Exchange Rate Mechanism (ERM II).
- ◊ Indicates that flexibility is limited vis-à-vis the U.S. dollar.
- ▲ Indicates that flexibility is limited vis-à-vis the euro.
- ✚ Indicates that flexibility is limited vis-à-vis another single currency.
- ○ Indicates that flexibility is limited vis-à-vis the SDR.
- ✱ Indicates that flexibility is limited vis-à-vis another basket of currencies.

Country Table Matrix

Status under IMF Articles of Agreement

Date of membership

Article VIII
Article XIV

Exchange Measures

Restrictions and/or multiple currency practices

Exchange measures imposed for security reasons

In accordance with IMF Executive Board Decision No. 144-(52/51)

Other security restrictions

References to legal instruments and hyperlinks

Exchange Arrangement

Currency

Other legal tender

Exchange rate structure

Unitary

Dual

Multiple

Classification

No separate legal tender

Currency board

Conventional peg

Stabilized arrangement

Crawling peg

Crawl-like arrangement

Pegged exchange rate within horizontal bands

Other managed arrangement

Floating

Free floating

Official exchange rate

Monetary policy framework

Exchange rate anchor

Monetary aggregate target

Inflation-targeting framework

Other monetary framework

Exchange tax

Exchange subsidy

Foreign exchange market

Spot exchange market

Operated by the central bank

Foreign exchange standing facility

Allocation

Auction

Fixing

Interbank market

Over the counter

Brokerage

Market making

Forward exchange market

Official cover of forward operations

References to legal instruments and hyperlinks

Arrangements for Payments and Receipts

Prescription of currency requirements

Controls on the use of domestic currency

For current transactions and payments

For capital transactions

Transactions in capital and money market instruments

Transactions in derivatives and other instruments

Credit operations

Use of foreign exchange among residents

Payments arrangements

Bilateral payments arrangements

Operative

Inoperative

Regional arrangements

Clearing agreements

Barter agreements and open accounts

Administration of control

Payments arrears

Official

Private

Controls on trade in gold (coins and/or bullion)

On domestic ownership and/or trade

On external trade

Controls on exports and imports of banknotes

On exports

Domestic currency

Foreign currency

On imports

Domestic currency

Foreign currency

References to legal instruments and hyperlinks

Resident Accounts

Foreign exchange accounts permitted

Held domestically

Approval required

Held abroad

Approval required

Accounts in domestic currency held abroad

Accounts in domestic currency convertible into foreign currency

References to legal instruments and hyperlinks

Nonresident Accounts

Foreign exchange accounts permitted

Approval required

Domestic currency accounts

Convertible into foreign currency

Approval required

Blocked accounts

References to legal instruments and hyperlinks

Imports and Import Payments

Foreign exchange budget

Financing requirements for imports

Minimum financing requirements

Advance payment requirements

Advance import deposits

Documentation requirements for release of foreign exchange for imports

Domiciliation requirements

Preshipment inspection

Letters of credit

Import licenses used as exchange licenses

Other

Import licenses and other nontariff measures

Positive list

Negative list

Open general licenses

Licenses with quotas

Other nontariff measures

Import taxes and/or tariffs

Taxes collected through the exchange system

State import monopoly

References to legal instruments and hyperlinks

Exports and Export Proceeds

Repatriation requirements

Surrender requirements

Surrender to the central bank

Surrender to authorized dealers

Financing requirements

Documentation requirements

Letters of credit

Guarantees

Domiciliation

Preshipment inspection

Other

Export licenses

Without quotas

With quotas

Export taxes

Collected through the exchange system

Other export taxes

References to legal instruments and hyperlinks

Payments for Invisible Transactions and Current Transfers

Controls on these transfers

Trade-related payments

Prior approval

Quantitative limits

Indicative limits/bona fide test

Investment-related payments

Prior approval

Quantitative limits

Indicative limits/bona fide test

Payments for travel

Prior approval

Quantitative limits

Indicative limits/bona fide test

Personal payments

Prior approval

Quantitative limits

Indicative limits/bona fide test

Foreign workers' wages

Prior approval

Quantitative limits

Indicative limits/bona fide test

Credit card use abroad

Prior approval

Quantitative limits

Indicative limits/bona fide test

Other payments

Prior approval

Quantitative limits

Indicative limits/bona fide test

References to legal instruments and hyperlinks

Proceeds from Invisible Transactions and Current Transfers

Repatriation requirements

Surrender requirements

Surrender to the central bank

Surrender to authorized dealers

Restrictions on use of funds

References to legal instruments and hyperlinks

Capital Transactions

Controls on capital transactions

Repatriation requirements

Surrender requirements

Surrender to the central bank

Surrender to authorized dealers

Controls on capital and money market instruments

On capital market securities

Shares or other securities of a participating nature

Purchase locally by nonresidents

Sale or issue locally by nonresidents

Purchase abroad by residents

Sale or issue abroad by residents

Bonds or other debt securities

Purchase locally by nonresidents

Sale or issue locally by nonresidents

Purchase abroad by residents

Sale or issue abroad by residents

On money market instruments

Purchase locally by nonresidents

Sale or issue locally by nonresidents

Purchase abroad by residents

Sale or issue abroad by residents

On collective investment securities

Purchase locally by nonresidents

Sale or issue locally by nonresidents

Purchase abroad by residents

Sale or issue abroad by residents

Controls on derivatives and other instruments

Purchase locally by nonresidents

Sale or issue locally by nonresidents

Purchase abroad by residents

Sale or issue abroad by residents

Controls on credit operations

Commercial credits

By residents to nonresidents

To residents from nonresidents

Financial credits

By residents to nonresidents

To residents from nonresidents

Guarantees, sureties, and financial backup facilities

By residents to nonresidents

To residents from nonresidents

Controls on direct investment

Outward direct investment

Inward direct investment

Controls on liquidation of direct investment

Controls on real estate transactions

Purchase abroad by residents

Purchase locally by nonresidents

Sale locally by nonresidents

Controls on personal capital transactions

Loans

By residents to nonresidents

To residents from nonresidents

Gifts, endowments, inheritances, and legacies

By residents to nonresidents

To residents from nonresidents

Settlement of debts abroad by immigrants

Transfer of assets

Transfer abroad by emigrants

Transfer into the country by immigrants

Transfer of gambling and prize earnings

References to legal instruments and hyperlinks

Provisions Specific to the Financial Sector

Provisions specific to commercial banks and other credit institutions

Borrowing abroad

Maintenance of accounts abroad

Lending to nonresidents (financial or commercial credits)

Lending locally in foreign exchange

Purchase of locally issued securities denominated in foreign exchange

Differential treatment of deposit accounts in foreign exchange

Reserve requirements

Liquid asset requirements

Interest rate controls

Credit controls

Differential treatment of deposit accounts held by nonresidents

Reserve requirements

Liquid asset requirements

Interest rate controls

Credit controls

Investment regulations

Abroad by banks

In banks by nonresidents

Open foreign exchange position limits

On resident assets and liabilities

On nonresident assets and liabilities

Provisions specific to institutional investors

Insurance companies

Limits (max.) on securities issued by nonresidents

Limits (max.) on investment portfolio held abroad

Limits (min.) on investment portfolio held locally

Currency-matching regulations on assets/liabilities composition

Pension funds

Limits (max.) on securities issued by nonresidents

Limits (max.) on investment portfolio held abroad

Limits (min.) on investment portfolio held locally

Currency-matching regulations on assets/liabilities composition

Investment firms and collective investment funds

Limits (max.) on securities issued by nonresidents

Limits (max.) on investment portfolio held abroad

Limits (min.) on investment portfolio held locally

Currency-matching regulations on assets/liabilities composition

References to legal instruments and hyperlinks

Changes during 2013

Status under IMF Articles of Agreement

Exchange measures

Exchange arrangement

Arrangements for payments and receipts

Resident accounts

Nonresident accounts

Imports and import payments

Exports and export proceeds

Payments for invisible transactions and current transfers

Proceeds from invisible transactions and current transfers

Capital transactions

Repatriation and surrender requirements

Controls on capital and money market instruments

Controls on derivatives and other instruments

Controls on credit operations

Controls on direct investment

Controls on liquidation of direct investment

Controls on real estate transactions

Controls on personal capital transactions

Provisions specific to the financial sector

Provisions specific to commercial banks and other credit institutions

Provisions specific to institutional investors

Changes during 2014

Status under IMF Articles of Agreement

Exchange measures

Exchange arrangement

Arrangements for payments and receipts

Resident accounts

Nonresident accounts

Imports and import payments

Exports and export proceeds

Payments for invisible transactions and current transfers

Proceeds from invisible transactions and current transfers

Capital transactions

Repatriation and surrender requirements

Controls on capital and money market instruments

Controls on derivatives and other instruments

Controls on credit operations

Controls on direct investment

Controls on liquidation of direct investment

Controls on real estate transactions

Controls on personal capital transactions

Provisions specific to the financial sector

Provisions specific to commercial banks and other credit institutions

Provisions specific to institutional investors