

Informative Note on the Monetary Program: July 2001

The BCRP reduces its reference interest rate from 10,5 to 10,0 percent and rises the benchmark for monetary operations in 8 percent

1. For the month of July, the Board increased 8 percent the range for its operating target with respect to the previous month to **S/. 135 - S/. 145 million as a daily average**, in line with a greater volume of transactions recorded in the month of July. In June, the said balance was S/. 130 million, which fell within the announced range (S/. 125 – S/. 135 million).
2. The Central Bank Board of Directors also established that the following interest and commission rates would be used in domestic-currency Central Bank operations since July 6:
 - a. For monetary regulation credits in domestic currency, the effective interest rate would be **the weighted average of the interbank interest rates, or 10,0 percent, whichever is highest**. As a consequence, the determination of the financial cost for these credits is modified. Formerly, it considered the maximum between the top-decile of interbank interest rates and the benchmark for monetary operations. This change will allow lower volatility of interbank interest rates in domestic currency, since the Central Bank grants liquidity to the banks asking for these funds according to the average conditions recorded on that day, when there be interest rates rising pressures in that market.

It should be noted that this new level (10,0 percent) implies a reduction with respect to the rate effective since June 6 (10,5 percent).
 - b. For overnight deposits in domestic currency held by banks at the Central Bank, the effective interest rate will be **4,0 percent**. This rate is effective since March 2.
 - c. For foreign exchange temporary purchase operations (swap operations), the commission will be 0,0158 percent, equivalent to an effective **10,0 percent** annual cost. This cost is lower than that effective since June 6 (10,5 percent).
3. The following interest rates will be used in foreign-currency operations:
 - a. The effective annual rate for monetary regulation credits will be **6,5 percent**. This rate implied a reduction with respect to the rate effective since June 6 (7,0 percent), which is consistent with the evolution of the international interest rates along the year.
 - b. For overnight deposits held by banks at the Central Bank, the rate is equivalent to the average obtained by the Central Bank for similar deposits abroad.
4. The Central bank grant monetary regulation credits in domestic and foreign currency on a regular basis.
5. If justified by financial conditions, the values mentioned above could be modified in order to ensure the attainment of the objective to preserve monetary stability.

Lima, July 5, 2001