**BANCO CENTRAL DE RESERVA DEL PERÚ**

***Press release***

## *MONETARY PROGRAM APPROVED BY THE BOARD OF THE BANK FOR OCTOBER 2002*

1. In September, the daily average balance of the banks' current account was **S/. 190 million**, within the range announced for that month (S/. 175 million to S/. 195 million). The interbank interest rate in domestic currency passed from 3,0 percent in August to 5,6 percent in September, into a context of deeper regional financial uncertainty.

2. The Board of the Bank assessed the monetary policy stance for October and established the following:

   a. The targeted range for the banks' current account balance held at the Central Bank will be **S/. 180 million to S/. 200 million on a daily average basis**. This range considers the new methodology used for reserve requirement computation.
   b. For monetary regulation credits and temporary purchase of CDBCRP and Treasury bonds out of auction, the effective interest rate will be **the weighted average of the interbank interest rates, or 4,75 percent, whichever is highest**. The former rate was 3,75 percent. The disposal of these resources will be based on liabilities subject to reserve requirement in domestic currency of each bank.
   c. For overnight deposits in domestic currency held by banks at the Central Bank, the effective interest rate will be **3,0 percent**. The former rate was 1,9 percent.
   d. For foreign exchange temporary purchase operations (swap operations), the commission is raised to an implicit effective annual cost of **4,75 percent**.

3. The following interest rates will be used in foreign-currency operations:

   a. The effective annual rate for monetary regulation credits will be the 1-month LIBOR plus one percentage point.
   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.

5. The previous framework is consistent with the current annual inflation forecast (2,5 percent with a 1-percentage point margin).

6. 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, which mean avoiding inflationary or deflationary pressures.

Lima, October 3, 2002