

Box 2 Exchange rate policy

Under Art. 15 of the Central Bank Act, the Bank decides, after consultation with the government, how the value of the Icelandic króna against foreign currencies should be determined. Thus exchange rate policy is the joint decision of the government and the Central Bank.

The present exchange rate policy is based on a decision from February 11, 2000. Its main principles are:

Reference: A currency index based on the composition of external trade in goods and services in the preceding year. The index is reviewed annually and its composition is announced.

Central rate: The central rate of the currency index is 115.01.

Deviation bands: 9% to either side. Thus the upper limit of the currency index is 125.36 and the lower limit 104.66.

