

**Joint Economic Committee**  
**Robert F. Bennett, Vice Chairman**

The People's Bank of China, China's central bank, announced today that it is adopting a more flexible exchange rate system.

Highlights of today's announcement:

- The yuan (a.k.a. the renminbi, or RMB), China's currency, changed the exchange rate to 8.11 yuan to the U.S. dollar, from 8.277 where it had been for many years.
- After today, the yuan will float against the dollar, although the extent to which the yuan-dollar exchange rate will be allowed to fluctuate will be managed by the People's Bank of China.
- The People's Bank of China will announce the closing price of foreign currencies, such as the dollar, which will be traded against the yuan in an inter-bank foreign exchange market, after the close of the market on each working day.
- The daily trading price of the U.S. dollar against the yuan in the inter-bank market will be allowed to float within a band of plus or minus 0.3% around the central parity published by the People's Bank of China. Trading prices of non-U.S. dollar currencies against the yuan will be allowed to move within a central band established by the People's Bank of China.
- The People's Bank of China will make adjustments to the yuan exchange-rate bands "when necessary" according to foreign-exchange market developments as well as more general economic and financial conditions.
- The People's Bank of China will no longer peg the yuan only to the U.S. dollar, but will manage a floating exchange rate between the yuan and a reference basket of foreign currencies, which includes the dollar. Exactly what the reference basket will be has not yet been made clear.
- Almost simultaneous with China's announcement, Malaysia decided to remove the peg of the ringgit (Malaysia's currency) to the U.S. dollar and said it would move to a managed float.

Today's announcement by the People's Bank of China can be seen at:

<http://www.pbc.gov.cn/english/detail.asp?col=6400&id=542>