

NOTE FOR RECORD

Copies to: The Governors
Mr. Payton
Mr. Kirbyshire
Mr. Sangster
Mr. Holland

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Sir Kenneth Couzens' Meeting with the Governor
9th January

The discussion centred mainly on preparation for forthcoming meetings.

Couzens said that for the Venice Summit the UK had been given the responsibility of preparing a paper on recycling. He would like to look to the Bank in the first instance for material on this. (Subsequently he telephoned to say that he would be sending me a letter in a few days suggesting some points that might be covered and that Turnbull, HMT, had already been in touch with Kent. I said that in the meantime we would be working on the subject in any case and be ready to produce some ideas.) We asked whether he had picked up any hints on what was to be in Giscard's promised proposals for a new international monetary system. Couzens said that the French officials he had met recently had all rather dismissed this and said that they knew of nothing in the offing.

Discussion then turned to the meeting of the G.5 Deputies next Monday and Ministers and Governors a week later. Couzens said a major subject would be the Substitution Account, on which he needed to take the Chancellor's mind more. He was going to recommend that, unless we were virtually to move back from any degree of enthusiasm for a Substitution Account, we should have to be prepared to put more reserves into it - say \$1 bn. The Governor was inclined to agree. Couzens took our point that it would be useful to envisage from the start that the private markets might participate in due course. For this and other reasons, he was attracted by the idea of a five-currency basket, but saw political difficulties in achieving this. Some of the IMF's gold could well play a part in backing the Substitution Account. There were in fact a number of possible uses for the IMF's gold and he personally was against any further restitution or sales. There seemed little

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point in further sales to subsidise ldc borrowings, though Ryrle had been inclined to favour this. However in the end political considerations might demand something.

He said the Chancellor had asked for a general briefing on all aspects of gold in the present conjuncture and that he would be looking to us for some help on this. (The Governor pointed out to me that he would need briefing on the interlinked subjects of gold, IMF and the Substitution Account before the Frankfurt meeting. Would JAK arrange with JLS and DGH to produce this, please.)

Cwm

10th January 1980