

MR. BULLARD

x ref
Sir M. Palliser ✓
cc: Mr. Whitmore ✓
PS to Lord Bridges
Mr. Gladstone
Mr. Ingham H

. Hungarian Debt

Washington tel no. 911.

Bank of England say that Timar, Governor of Hungarian National Bank, told them that withdrawals from Hungary were mainly from Libya and Iraq. Bank of England consider this to be a plausible story.

Bank of England have heard a rumour from Manufacturers Hanover. The rumour is that the Soviet Union have withdrawn deposits from the Hungarian Banks in the West. The Hungarians have branch banks in London and Vienna. But the rumour the Bank of England have heard was that the Russians had withdrawn \$½ billion. This could not be accurate as the total assets of the Vienna and London banks are only \$½ billion.

Hungarian debt to the West is divided 93 per cent to Western Commercial Banks and 7 per cent to official Western creditors.

At Departmental level we have been considering the following:

- (a) Encouraging Central Banks to tell commercial banks that Hungary is a good risk;
- (b) making official statements of approval about Hungarian IMF membership;
- (c) considering whether there is any general wish among Central Banks to float the BIS loan.

Nigel Broomfield

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