

NOTE FOR RECORD

Copies to The Governor
The Deputy Governor
Mr Loehnis
Mr Balfour
Mr Holland
Mr Sangster
Mr Somerset
Mr P J Bull/Mr L F T Smith

HUNGARY

The Deputy Governor telephoned Sir Kenneth Couzens this morning to bring him up to date on the proposed BIS facility to Hungary and the Bundesbank's agreement in principle to participate.

Sir Kenneth Couzens restated his concern at the public expenditure implications of the facility, and that this had to be cleared within the Treasury. Furthermore, he again expressed concern that this initial facility might presage a commitment to granting further loans. The Deputy Governor, however, stressed that the present facility was entirely self-contained; it was required now to meet an immediate liquidity crisis, but implied no commitment to proceed beyond this 'fire-fighting' assistance.

Sir Kenneth also queried whether \$20 mn might be an excessive share for the UK to assume, given the relative strength and exposure of the Germans and others. The Deputy Governor replied strongly that we too have a significant interest because of London's heavy involvement in the euromarkets. Furthermore, the sort of assistance being considered now is similar to that which we ourselves received from other central banks between 1966 and 1976. Sir Kenneth remarked that these agreements had not involved Hungary.

Sir Kenneth Couzens then suggested that the risk of the facility might perhaps be split, and that the Bank should

itself assume a share, as it had during the secondary banking crisis. The Deputy Governor did not respond at the time, but commented later that this was a most significant suggestion.

It was agreed to work towards finalising a decision on UK participation by next Monday.

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25 APR 1985

Deputy Governor's Secretariat HO-P
26 March 1982

C A Enoch (4498)

CAE