

NOTE FOR RECORD

Copies to The Governor  
The Deputy Governor  
Mr Loehnis o/r  
Mr Balfour  
Mr Holland  
Mr Sangster  
Mr Somerset  
Mr P J Bull o/r

## HUNGARY

Fritz Leutwiler telephoned the Deputy Governor this morning to inform him that full authorisation of the BIS facility now only required the approval of the UK. The French would participate if the UK did, and Leutwiler already had the agreement of the Germans, Belgians, Austrians and Dutch. (Ciampi had also been willing to participate but Leutwiler had told him that the Italians would probably not be needed for the first tranche.)

The Deputy Governor commented to Leutwiler that he felt certain that the UK would agree to participate; if the Treasury was not willing to do so, the Bank would probably come in on its own.

Leutwiler had arranged that the money would be available to Hungary as soon as verbal agreement on the facility had been reached. If the Hungarians had immediate liquidity problems they would be able to get funds from the Dresdner Bank. Leutwiler had also asked Schleiminger to obtain an assurance from Timar that the Hungarians would provide a full report for the next Basle meeting so that a full evaluation could be made before subsequent tranches were put in place.

The Deputy Governor brought Leutwiler up to date on developments in Washington. He warned Leutwiler that the US banks might in fact be dismayed when they heard that the BIS facility was for only \$100 mn; this was of course only the first tranche, but it would be difficult to put this point across.

Leutwiler thanked the Deputy Governor for this warning. He was himself about to leave for Washington and was due to see Volcker and Regan. He promised to inform the Bank of developments as soon as he returned.

The Deputy Governor agreed to telephone Schleiminger to let him know as soon as agreement on UK participation had been finalised.

Deputy Governor's Secretariat HO-P  
30 March 1982  
C A Enoch (4498)

CATZ