

NOTE FOR RECORD

Copies to: The Governor
The Deputy Governor o/r
Mr Loehnis
Mr Balfour

ARGENTINA AND HUNGARY:
THE GOVERNOR'S CONVERSATION WITH LEUTWILER

Argentina

Fritz Leutwiler telephoned the Governor this afternoon in response to their telephone discussion of 8 April. Leutwiler said that, as promised, he had spoken to the big three Swiss banks and had learned that they had received no fresh credit demands from Argentina. Payments had so far been executed without problem. Leutwiler emphasised to the Governor that he was simply seeking information from the banks, not making recommendations to them.

The Governor asked whether the Swiss banks would be likely to make any new credit available to the Argentinians for the time being. Leutwiler doubted whether they would, country limits being exhausted. He did make the point, however, that the Swiss have had traditionally friendly banking relations with Argentina.

The Governor mentioned the Argentinian desire to pay sums owing to British banks into an escrow account. He explained that the problem was that both sides must agree before an escrow account can be set up. The idea of establishing it with the Banco de la Nacion in Argentina was clearly not acceptable. The Argentinians had then been thinking of establishing it in New York, the Governor continued, and it was possible that they would also look to the Swiss. The Governor explained that the problem likely to be encountered was that repayments of syndicated credits cannot be hypothecated to individual lenders but must be divided pro rata between members of the syndicate. Leutwiler did not comment on any of this. He did say that the Swiss banks would keep him informed, and he in turn would keep the Governor informed. Meanwhile, he had been talking

to Schleiminger about BIS actions in connexion with Argentina and he assured the Governor that nothing would happen until he (the Governor) and the Board had been informed.

Hungary

The Governor suggested that, in view of the probability that the news of the BIS loan would become public knowledge one way or another, it might be desirable for the BIS to set it in the context of total credit made available to the Hungarians, both past and present. This would put the whole operation into a better light. Leutwiler agreed that this was a good idea presentationally, and he agreed with the Governor's further suggestion that Schleiminger should be asked to look at how it might be done.

Leutwiler also mentioned that Lamfalussy had already prepared some figures. There would be a special meeting of the Board at which presentations by both Schleiminger and Lamfalussy would be made. Leutwiler had also arranged for information to be made available bilaterally to Koren. Koren would be in Basle on Monday and Leutwiler would be speaking to him late that afternoon.

In response to a final question from the Governor, Leutwiler said that Fekete would not be in Basle next week.

April Basle

The Governor will be met at Zurich airport on Sunday by Leutwiler and they will probably be joined by Pöhl for a dinner à trois that evening.

Governor's Office HO-P
13 April 1982

S P Collins (4121)

SPC

Te'G

12 JUN 1985