

CONFIDENTIAL

#



Prime Minister

TA

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

6/6

6 June 1983

M C Scholar Esq
10 Downing Street
LONDON SW1

ms

New Michael,

BRAZIL

I wrote to you on 26 ^{with PM} May with our latest assessment of the international financial scene which included a report on the deterioration in Brazil's financial situation.

I can now confirm that, as expected, the IMF withheld the drawing by Brazil scheduled for 31 May pending new negotiations with the Brazilian authorities. As a direct consequence, and also as expected, the Central Bank of Brazil sought the postponement of the \$400m BIS repayment due on the same date, and the BIS agreed to postpone it for one month.

The Treasury indemnity (which is valid until the end of August) remains in force, covering the Bank of England's commitment to the BIS facility. The amount at stake now stands at \$47m, having been reduced from the original \$110m by previous repayments. But there is now no question of the indemnity being called before the postponed repayment date of 30 June, and in practice, if IMF funds were still not available, the BIS might then consider a further postponement

I am sending copies of this letter to Tim Allen (Bank of England), Brian Fall (FCO) and John Rhodes (DOT).

Yours ever,
J O Kerr

J O KERR

Postmaster



PAID

RE

POSTAGE WILL BE PAID BY ADDRESSEE

E6 JUN 1953

