

FINAL DRAFT

(12 DECEMBER 1976)

38/268/01
CONFIDENTIAL ANNEX

15 December 1976

Memorandum of Understanding

1. With reference to paragraph 18 of the letter dated 15 December 1976 from the Chancellor of the Exchequer to the Managing Director of the International Monetary Fund, requesting a stand-by arrangement equivalent to SDR 3,360 million, it is understood that domestic credit expansion, consistent with the intended result for the financial years 1976/77 and 1977/78 as a whole, will not exceed the following amounts during the periods indicated below.

In £ millions

(Not seasonally adjusted)

	<u>Limit</u>
6 months to 20 April 1977	4,500
9 months to 20 July 1977	7,100

The cumulative amounts for the 12 months to 19 October 1977 and 15 months to 18 January 1978 will be established during a review with the Fund before 31 July 1977.

2. With reference to paragraph 11 and paragraph 12 of the above letter, it is understood that the public sector borrowing requirement (PSBR), (excluding the receipt of £500 million from the sale of British Petroleum shares referred to in paragraph 12 of the letter dated 15 December 1976 from the Chancellor of the Exchequer to the Managing Director) consistent with the intended result for the financial years 1976/77 and 1977/78 as a whole will not exceed the following amounts during the periods indicated below.

In £ millions

(Not seasonally adjusted)

<u>Financial Year</u>		<u>Limit</u>
1976/77:	6 months to end-March 1977	5900
1977/78:	3 months to end-June 1977	3100
	6 months to end-September 1977	5200
	9 months to end-December 1977	7700
	12 months to end-March 1978	9200