

### 3. UNITED KINGDOM - REQUEST FOR STAND-BY ARRANGEMENT


The Chairman informed the Executive Directors that discussions between the staff and the U.K. authorities had been concluded successfully over the past weekend, so that on December 14, he had been able to indicate to the U.K. authorities his final agreement with the results of those discussions. The Chancellor of the Exchequer, Mr. Healey, was presently addressing the House of Commons. In that connection, he would release publicly the text of the Letter of Intent to the Fund and he would include in his speech a statement as to the Managing Director's attitude, which read: "the Managing Director has told me that he supports both the economic strategy which I have described and the measures which the Government are taking, and is prepared to recommend acceptance of my request for the stand-by arrangement to the Executive Directors of the Fund."

The Letter of Intent from the Chancellor of the Exchequer would be circulated to the Executive Directors in the course of the day, the Chairman continued. It should be emphasized that it contained a confidential annex that was not being released publicly. The staff paper on the proposed stand-by arrangement and the text of the stand-by arrangement to which the text of the Letter of Intent would be attached would be circulated as soon as possible.

He had already begun consultations with the Executive Directors appointed or elected by the participants in the General Arrangements to Borrow about its activation for the contemplated U.K. stand-by arrangement, over the coming two-year period, the Chairman indicated.

The stand-by arrangement would be for a 2-year period, the Chairman explained. The phased amount to be available to the United Kingdom in the first year corresponding to calendar 1977 would be equal to SDR 1.95 billion, while the amount available for the second year--1978-- would be SDR 1.41 billion. All but the final SDR 500 million would be financed from borrowing. It appeared reasonable to assume that by the time the final SDR 500 million was drawn during the second half of 1978, the quota increase would have become effective. At the end of the first year he would consult again with the Executive Directors to determine whether or not he should propose a change in the financing arrangements for the second year of the stand-by.

A meeting of Working Party 3 of the OECD was scheduled for December 21, the Chairman noted, to be followed by a meeting of the Deputies of the Group of Ten on December 22. The Fund would be appropriately represented at those meetings. Finally, he proposed to place the matter of the proposed U.K. stand-by on the agenda of the Executive Board on Monday, January 3, 1977.

 commented that he was pleased that discussions had reached the stage at which the Managing Director felt able to recommend the U.K. request for a stand-by arrangement to the Executive Board. He would circulate the full text of the statement that the Chancellor of the Exchequer was making in Parliament to the Executive Directors for their information in the afternoon.

After some discussion, the Executive Directors agreed to consult in the afternoon on the means of financing the proposed U.K. stand-by arrangement.