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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Acting Managing Director (IMF) to Ministers & Governors of Participants in the New Arrangements to Borrow (NAB) re: Proposals for Calls Under NAB in Connection with Stand-by Arrangement for Brazil (4 pages)	11/25/98	P1/b(1) Unclass.
002. memo	Acting Managing Director (IMF) to Representatives of NAB Participants re: Second Stage of Consultations for NAB Activation (1 page)	11/18/98	P1/b(1) Unclass.
003. note	re: Brazil - Stand-by Arrangement - Informal Propsal for Calls Under New Arrangements to Borrow (IMF document) (6 pages)	11/18/98	P1/b(1) Unclass.
004. letter	Stanley Fischer (IMF) to Robert Rubin re: Brazil & Financial Support from IMF (1 page)	11/30/98	P1/b(1) Unclass.
005. letter	Michael Camdessus (IMF) to Andrew Crockett re: Confirmation That IMF has Paid Federative Republic of Brazil's First Purchase Under SRF Component of IMF Arrangement (2 pages)	ca. 1998	P1/b(1) Unclass.
006. letter	Michael Camdessus (IMF) to Andrew Crockett re: Confirmation That Federative Republic of Brazil has Made Subsequent Purchase from SRF Component of Financing Provided Under IMF Arrangement (2 pages)	ca. 1998	P1/b(1) Unclass.

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1998-SE-013607

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

December 1, 1998

The Honorable Al Gore
President
United States Senate
Washington, D.C. 20510

Dear Mr. President:

The International Monetary Fund has proposed to extend an amount equivalent to approximately Special Drawing Rights 9,117.36 million to Brazil to be financed by borrowing under the New Arrangements to Borrow. As part of this financing, the United States has been requested to provide an amount equivalent to approximately Special Drawing Rights 1,961.40 million under the New Arrangements to Borrow.

Sections 17(a) and (b) of the Bretton Woods Agreements Act, 22 U.S.C. 286e-2 (amended by the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1999), require that, prior to activation of the New Arrangements to Borrow to help support the IMF's financing package for Brazil, the Secretary of the Treasury certify that supplementary resources are needed to forestall or cope with an impairment of the international monetary system and that the International Monetary Fund has fully explored other means of funding. With respect to this requirement, I hereby so certify.

Sincerely,

Robert E. Rubin

cc: The Honorable Ted Stevens
The Honorable Robert C. Byrd
The Honorable Jesse Helms
The Honorable Joseph R. Biden
The Honorable Alfonse M. D'Amato
The Honorable Paul S. Sarbanes

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

December 1, 1998

The Honorable Newt Gingrich
Speaker
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

The International Monetary Fund has proposed to extend an amount equivalent to approximately Special Drawing Rights 9,117.36 million to Brazil to be financed by borrowing under the New Arrangements to Borrow. As part of this financing, the United States has been requested to provide an amount equivalent to approximately Special Drawing Rights 1,961.4 million under the New Arrangements to Borrow.

Sections 17(a) and (b) of the Bretton Woods Agreements Act, 22 U.S.C. 286e-2 (amended by the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1999), require that, prior to activation of the New Arrangements to Borrow to help support the IMF's financing package for Brazil, the Secretary of the Treasury certify that supplementary resources are needed to forestall or cope with an impairment of the international monetary system and that the International Monetary Fund has fully explored other means of funding. With respect to this requirement, I hereby so certify.

Sincerely,

Robert E. Rubin

cc: The Honorable Bob Livingston
The Honorable David R. Obey
The Honorable James A. Leach
The Honorable John J. LaFalce

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

December 1, 1998

The Honorable Michel Camdessus
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Camdessus:

Thank you for your communication of November 27, 1998, in which you request formal acceptance of the proposal to activate the New Arrangements to Borrow (NAB) in connection with the proposed IMF program for Brazil, and set forth proposed calls on the credit lines of NAB participants.

I hereby inform you that, contingent upon approval by the Executive Board of the IMF program for Brazil, the United States agrees to the proposed activation of the NAB, and to the proposed calls on the United States totaling a dollar amount equivalent of SDR 1,961,401,293.

Sincerely,

Robert E. Rubin

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DEPARTMENT OF THE TREASURY
WASHINGTON

ASSISTANT SECRETARY

ACTION

ACTION

MEMORANDUM FOR SECRETARY RUBIN

FROM: Timothy F. Geithner *[initials]*
Assistant Secretary (International Affairs)

SUBJECT: Activation of the NAB for Brazil

ACTION-FORCING EVENT:

The Managing Director of the International Monetary Fund ("IMF") has requested the activation of the New Arrangements to Borrow ("NAB") to help support the IMF's financing package for Brazil and, specifically, that the United States accept proposed calls totaling Special Drawing Rights ("SDR") 1,961,401,293. Before notifying the IMF that we agree to the proposed calls, we must certify to Congress that the requirements in the Bretton Woods Agreements Act ("BWAA") relating to activation of the NAB have been met.

RECOMMENDATIONS:

1. That you sign the letters at Tab 1 to the President of the Senate and the Speaker of the House certifying that the requirements of Sections 17(a) and (b) of the BWAA have been met.

Agree ✓ Disagree _____ Let's discuss _____

2. That you sign the letter at Tab 2 to the Managing Director of the IMF informing him that, contingent upon approval by the Executive Board of the IMF of the Brazil program, the United States agrees to the proposed activation of the NAB and calls on the United States.

Agree ✓ Disagree _____ Let's discuss _____

BACKGROUND:

I. Certification Requirement

Sections 17(a) and (b) of the BWAA, as amended in 1998 by the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1999, include a two-prong requirement that the Secretary of the Treasury certify, prior to activation of the NAB, that "supplementary resources are needed to forestall or cope with an impairment of the international monetary system and that the Fund has fully explored other means of funding . . ."

EXECUTIVE SECRETARIAT

With respect to the first prong of the requirement -- that "supplementary resources are needed to forestall or cope with an impairment of the international monetary system . . .", the written communications from IMF Managing Director Michel Camdessus to the representatives of the NAB participants at Tab 3 confirm that the IMF believes that this condition has been met.

With respect to the second prong, requiring that "the Fund has fully explored other means of funding . . .", the letter from Managing Director Camdessus at Tab 4 confirms that the IMF has explored other means of funding and concluded that such other means are not available. The letter also notes that "in reaching this conclusion the Fund has taken into account not only the urgency of the request by Brazil, but also the financing to be provided to Brazil by multilateral development banks and also the amount of bilateral financing to be provided through the Bank for International Settlements totaling approximately $14.5 billion."

As for the timing of Treasury's certification to Congress on the above points, although Congress did not define "activation" in the BWAA or in the legislative history of this provision, our interpretation is that certification should come before we formally notify the IMF that the U.S. agrees to the IMF's proposed calls. As soon as we have sent certification letters to the President of the Senate and the Speaker of the House, and confirmed their receipt, we will send the IMF notification letter. Both the congressional certification letters and the IMF notification letter should be transmitted on Monday, November 30. This will allow the IMF sufficient time to circulate documents in advance of the Executive Board meeting on the Brazil program, currently scheduled for Wednesday, December 2.

Once the U.S. has agreed to the IMF's proposal to activate the NAB on behalf of Brazil, the IMF may make one or more additional calls on the U.S.'s credit line within the scope of this proposal. Because the U.S. already will have approved the IMF's proposal to activate the NAB to assist Brazil, and the initial certification to Congress will refer to the total amount of the IMF's proposed calls on the NAB for Brazil, Treasury will not need to provide additional certifications to Congress before responding to subsequent calls.

II. <u>Justification for Activating the NAB for Brazil</u>

The NAB can be activated for a non-participant country, such as Brazil, if this is necessary to deal with "an exceptional situation associated with balance of payments problems of members of a character or aggregate size that could threaten the stability of the international monetary system." In addition, the NAB can finance a transaction for a non-participant only to support an upper credit tranche program entailing high conditionality.

It is Treasury staff's view, as well as that of the staff of the Federal Reserve Board and of the IMF, that both these conditions are satisfied. Brazil is under intense financial pressure that threatens to unleash a financial crisis in Brazil and elsewhere. Brazil's chronic fiscal weakness has left it vulnerable to contagion from economic crises in Asia and Russia and the loss of international investor confidence. Strong support, together with strong policy adjustment especially in the fiscal area, will help to restore investor confidence and significantly improve the prospect of preserving the stability of the *real*. The stability of the *real* and the success of Brazil's economic reform program are crucial to prevent the spread of financial turbulence in Latin America and other emerging market economies.

III. Specifics of the Brazil Program and NAB Activation

Form and Amounts. The IMF will be providing support to Brazil in the form of a three-year stand-by arrangement. Total IMF support will amount to SDR 13,024.8 million (about $18,055.12 million), of which SDR 3,907.44 million will be available under credit tranches, and SDR 9,117.36 million under the Supplemental Reserve Facility (SRF). All assistance provided under the SRF will come from the NAB. The United States will contribute a total of SDR 1,961.40 million (about $2,718.91 million).

The first call on NAB participants amounts to SDR 3,256.20 million, of which the United States share amounts to SDR 700.50 million (about $971.04 million). We expect that, assuming Executive Board approval of the Brazil program on December 2, Brazil will immediately draw down the entire amount made available under the first call. A second call could occur after December 15. The size of the U.S. contribution to the proposed calls will be proportional to the U.S.'s credit arrangement with the IMF, taking into account the opting out of calls by four NAB participants (Korea, Malaysia, Saudi Arabia, and Thailand).

Repayment and Interest Premium Issues. Recently, NAB participants and IMF management have been involved in rather contentious discussions about repayment and interest premium issues: (1) when NAB participants can expect to be repaid from the IMF; and (2) how to treat the interest premium that Brazil will be obliged to pay for SRF money, and whether any portion of the interest premium could be used to finance the ESAF/HIPC Trust.

Regarding the first issue, Germany had argued strongly that the Managing Director should make a commitment to repay NAB participants as soon as the quota increase becomes effective and the bulk of the new quota resources has been paid in, most likely in mid- to end-January. The NAB agreement provides for repayment within five years unless the country that "purchases" (draws on) funds provided by the NAB, Brazil in this case, agrees to "repurchase" (repay the IMF) earlier than five years. The IMF may, at its discretion, repay earlier than these dates. Managing Director Camdessus resisted a commitment to early repayment on legal grounds and IMF liquidity considerations. Specifically, he argued that the NAB agreement does not provide for early repayment other than the case of a country making an early repurchase (i.e., early repayment triggered by a quota increase is not contemplated), and that repayment immediately after the quota increase would leave the IMF with a relatively weak liquidity position. The U.S. supported a solution that provided for the possibility of early repayment, that did not lock the

IMF into a commitment that would compromise its liquidity position, and that was consistent with the NAB agreement. In the end, the following compromise was reached:

- The Managing Director will initiate procedures for early repayment immediately after the quota increase takes effect and the bulk of the subscription has been paid in, and with the presumption that the Managing Director will not make further calls, unless NAB participants decide otherwise in light of the liquidity situation at the time.

Regarding the interest premium issue, discussion focused on paragraph 9(a) of the NAB agreement which provides that

> [t]he Fund shall pay interest on its indebtedness under this decision at a rate equal to the combined market interest rate computed by the Fund from time to time for the purpose of determining the rate at which it pays interest on holdings of special drawing rights or any such higher rate as may be agreed between the Fund and participants representing 80 percent of the total credit arrangements.

For purposes of NAB activation for Brazil, the compromise reached was that the IMF will pay NAB lending participants the SDR rate referred to above (300 basis points) plus 100 basis points for the first year after the date of approval of the IMF arrangement for Brazil, augmented by one-third of an increase of 50 basis points for each further six-month period thereafter up to a maximum increase of one-third of 200 basis points.

It was also concluded, contingent upon unanimous agreement among NAB lenders by end-January, that the IMF will transfer to the ESAF/HIPC Trust an amount equal to 100 basis points above the rate of charge levied on outstanding purchases for the first year under the SRF component of the stand-by arrangement for Brazil augmented by one-third of an increase of 50 basis points for each further six-month period thereafter up to a maximum increase of one-third of 200 basis points, as long as purchases by Brazil under the SRF component of the stand-by arrangement for Brazil remain outstanding and Brazil remains current in its financial obligations to the IMF. This outcome is the product of lengthy, sometimes contentious discussions among NAB participants and IMF management, and subsequently among Executive Board members. Between now and end-January we need to decide whether, as a legal and policy matter, we can agree to such a transfer to the ESAF/HIPC Trust. We will prepare an analysis and recommendation for you.

cc: Deputy Secretary Summers

Attachments

Tab 1: Proposed letters to the President of the Senate and the Speaker of the House certifying that the requirements of Sections 17(a) and (b) of the BWAA have been met.

Tab 2: Proposed letter to the IMF Managing Director.

Tab 3: Copy of written communications from the IMF Managing Director to representatives of NAB participants regarding activation.

Tab 4: Letter from the IMF Managing Director confirming that the IMF has explored other means of funding and NAB activation is still necessary.

Addressees for Congressional Certification Letters (NAB Activation)

The Honorable Newt Gingrich
Speaker
U.S. House of Representatives
Washington, D.C. 20515

Vice President Al Gore
President of the Senate
Old Executive Office Building
Washington, D.C. 20501

Courtesy Copies

The Honorable Bob Livingston
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

The Honorable David R. Obey
Ranking Minority Member
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

The Honorable James A. Leach
Chairman
Committee on Banking and Financial Services
U.S. House of Representatives
Washington, D.C. 20515

The Honorable John J. LaFalce
Ranking Minority Member
Committee on Banking and Financial Services
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Jesse Helms
Chairman
Committee on Foreign Relations
U.S. Senate
Washington, D.C. 20510

The Honorable Joseph R. Biden
Ranking Minority Member
Committee on Foreign Relations
U.S. Senate
Washington, D.C. 20510

The Honorable Alfonse M. D'Amato
Chairman
Committee on Banking, Housing, and Urban Affairs
U.S. Senate
Washington, D.C. 20510

The Honorable Paul S. Sarbanes
Ranking Minority Member
Committee on Banking, Housing, and Urban Affairs
U.S. Senate
Washington, D.C. 20510

The Honorable Ted Stevens
Chairman
Committee on Appropriations
U.S. Senate
Washington, D.C. 20510

The Honorable Robert C. Byrd
Ranking Minority Member
Committee on Appropriations
U.S. Senate
Washington, D.C. 20510

To PA/NCC 12/1/98

NCC to RER 12/1/98
(signature)

RER signed 12/1/98

PA originals to OASCA 12/1/98
(L. McDonald)

Please log + file.

1998-SE-013608

INFORMATION

Attached are documents relevant to the discussions about Brazil.

1. Key outstanding issues
2. Terms of reference for using the ESF
3. Brazil external financing requirements
4. Brazil financing table
5. Distribution of bilateral contributions
6. Brazil fiscal agreement with the IMF
7. Daily net outflows of reserves
8. Interest rate proxies
9. Brazil external debt stock and amortization schedule
10. Brazil external debt to banks
11. U.S. trade and investment with Brazil

[illegible]

[illegible]

[illegible]

EXECUTIVE SECRETARIAT

CHECKLIST OF BRAZIL ISSUES

1. Brazil policies:

a. fiscal. size, composition, achievability, prior actions. questions: amount of "concessions;" why so little additional adjustment in 2000 and 2001; why do total primary surpluses in 2000 and 2001 rise less than additional fiscal measures in those years.

b. monetary policy. what is monetary policy in program? what is rule on NDA?

c. exchange rate

d. transparency and reporting on futures exposue and foreign reserves position

2. Official financing:

size, modality, and timing of IMF, WB, IDB, and bilateral

-- IMF: what type of program? disbursement schedule and conditionality.

-- WB and IDB: disbursement schedule and type of programs.

-- bilateral: total size; distribution by country; size of initial disbursement; BIS term sheet, including charges and reserve floor rule; accommodation of non-cash contributions, e.g., Japan; privatization backing; CRA/USAID arrears

3. Private sector participation: who approaches banks and when; what do we ask for, e.g., soft statements of support or concrete commitments; how coercive should we be, and what should be the role of regulators; what is link between success of bank initiative and willingness to provide support; coverage and conditions of bank commitments; non-bank creditor involvement?

brzchk 10/28

Draft 17 10/26/98 PM

TERM SHEET FOR BIS-COORDINATED SUPPORT FOR BRAZIL

GENERAL: In light of Brazil's economic and financial situation and the effect of recent international financial events, the BIS, acting on behalf of certain monetary authorities (the "BIS Participants") [and as agent for certain other monetary authorities (the "Other Participants"), together "the Participants"], is prepared to provide short term financial assistance in support of the IMF arrangement for Brazil, through a credit agreement between the BIS and Brazil, [and] a substitution agreement among the BIS and the BIS Participants, [and separate agreements between each Other Participant and Brazil.]

AMOUNT: [$14] billion, as specified in Schedule A. [The U.S. share will not exceed $5 billion.]

DRAWINGS: First drawing, not before the first purchase under the IMF Supplemental Reserve Facility, could be for up to $[ ] billion. Further drawings could be made available at the time of or after subsequent purchases under the IMF SRF.

- Drawing period would be open for [12] months. Each drawing would be in the form of a six month credit to the Central Bank of Brazil, guaranteed by the Government of Brazil, that could be rolled over, in whole or in part, at the discretion of the Participants for additional six-month periods. Maturity of the facility would parallel that of the IMF SRF, as amended from time to time.

- Notwithstanding the above, no roll-over or drawing may take place if a repurchase under any IMF arrangement is required to be made within the following 180 days or if an event has occurred requiring early repayment.

INTEREST RATE: The cost of funds to the Participants (a base rate -- [for the BIS Participants,] six month Eurodollar LIBOR), plus an appropriate guaranty premium determined by the Participants that is no less than [450] basis points.

For any roll-over, recalculation of the guaranty premium based on the above factors plus an additional premium of [50] basis points. There will be a further premium of [50] basis points when the total amount outstanding on a value date will increase beyond an amount equal to [50]% of the total amount offered under the bilateral facility, and an even further premium of [50] basis points when the total amount outstanding under the bilateral facility will increase beyond an amount equal to [75]% of the total amount offered under the bilateral facility. Notwithstanding the above, the guaranty premium shall not exceed [550] basis points.

CONDITIONS TO EACH DRAWING AND ONGOING OBLIGATIONS: Determination by the Participants before each drawing or roll-over that (a) Brazil needs short-term financing to supplement financing provided by the IFIs and to support the IMF Program, the Participants having made this particular finding based on consultations with the IMF Managing Director; (b) a drawing or roll-over would be appropriate; and (c):

1. The IMF Managing Director has provided written notification that either (a) in the case of the first drawing, the IMF has concluded an arrangement with Brazil and that the first SRF purchase has been made available to Brazil, or (b) in the case of roll-overs or subsequent drawings, Brazil remains eligible to make purchases as scheduled under the IMF SRF.

2. [Backing mechanism acceptable to the Participants using proceeds from future privatizations of Brazilian enterprises.]

3. In the case of drawings after the first drawing or any roll-over, the IMF and other IFIs have taken necessary steps to achieve timely disbursement under their respective programs, including acceleration of disbursement schedules where appropriate, and Brazil has taken all necessary steps to be eligible for such disbursements.

4. Brazil has fully explored, and has taken all necessary steps to gain maximum access to, new private market financing and the maintenance of an appropriate degree of existing financing.

5. [Brazil has agreed to maintain its gross international reserves at an appropriate level above the total amount to be offered under the facility, so as to provide adequate comfort to the Participants.]

6. Brazil has provided and will continue to provide regular reports on reserves, and other financial and economic information as requested by the IMF and the Participants, at the frequency requested by the IMF and the Participants, until full repayment of the facility.

7. Brazil has agreed that it will not impose any controls on capital outflows, except as provided for in its agreement with the IMF.

8. The Participants could accelerate repayment of outstanding funds if Brazil violates the conditions set forth above, or is in default under any of the IFI agreements.

9. Negative pledge and pari passu clauses.

I. Brazil external financing requirements (billions): Treasury estimates

	Q4 1998	1999	Total 98Q4-99
Requirements:			
Current account deficit	$10	$25	$35
MLT amort	$5	$25	$30
multilateral	$0.3	$1.8	$2
govt. agencies	$0.6	$1.7	$2.3
buyers credit	$0.9	$7.1	$8
suppliers credit	$ 0.8	$5.2	$6
loans/notes	$1.5	$7	$8.5
banks	$1.1	$5.9	$7
intercompany	$0.3	$1.1	$1.4
bonds	$1.2	$2.3	$3.5
Short-term debt	$36	n/a	$36
o/w res 63	$1	$5	$6
TOTAL USES			$101
Sources:			
Foreign direct investment	$5	$18	$23
Rollover 50% of mlt amort.	$4	$12	$16
Rollover short-term bank debt (ex. res 63)			$30
TOTAL SOURCES			$69
EXTERNAL FINANCING GAP			$32
Foreign exchange reserves 10/20/98			$46

Notes:
1. To the extent import financing is not rolled over, that should imply a reduction in the current account deficit by some fraction of the lost import financing.
2. Many Brazil external corporate bonds have a provision whereby holders can put them back to the issuer on specified dates. In 98Q4 $1.2 billion becomes eligible to be put; in 1999 $6.5 billion becomes eligible. Those amounts are not included in the medium- and long-term amortization figure above.
3. The table assumes foreign portfolio equity holdings, $20 billion at end-August, are rolled over.

II. IMF Preliminary Estimates of External Financing Requirements for Q4 1998-1999:

Requirements:	Current account deficit	$33
	MLT Amort	$36
Sources:	Foreign Direct Investment	$18
	MLT Amort rollover	$20-23
	Gap	$27-31

(Assumption: All short-term debt is rolled over.)

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Brazil: Financing Table
(billions of US dollars)

	IMF SBA	IMF Supple-mental	IMF Total	WB*	IDB*	Bilateral	Total	Cumulative Total
Q498	0.55	5	5.55	0.8	1.25	5	12.60	
Q199	0.55	5	5.55	0.4	0.6	5	11.55	24.15
Q299	0.55	5	5.55	0.3	0.6	4	10.45	34.6
Q399	0.55	0	0.55	0.7	0.4	0	1.65	36.25
Q499	0.55	0	0.55	0.8	0.4	0	1.75	38
2000	1.925	0	1.925	1.5	0.4	0	3.825	41.825
2001	0.825	0	0.825	0	0	0	0.825	42.65
Total	5.5	15	20.5	4.5	3.65	14	42.65	

* WB and IDB figures are incremental.

IMF:
SBA: 180% of quota = $5.5 billion over 3 years, distributed as 40% in year 1, 40% in year 2, and 20% in year 3. $2.2 b. in 4 tranches available in year 1.
Supplemental financing: $15 billion in three tranches with first available immediately.

WB: $4.5 billion over 3 years, $3 b. disbursed in 1998-99.

IDB: $3.65 billion over 3 years, $3.25 b. disbursed over next 12 months.

Bilateral: Assume $10 billion, $4 b. up front.

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Distribution of Bilateral Support to Brazil
(billions of $ US)

US	5.0
European G4 -- $1.25 ea. (UK, France, Germany, Italy)	5.0
Japan	1.5
Canada	0.5
Spain	0.75
Small European countries -- $0.25 ea. (Austria, Belgium, Netherlands, Portugal, ?)	1.25
Total	**14.0**

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Brazil: Fiscal Agreement with IMF
(in percent of GDP)

		1999	2000	2001
Total public sector surplus		+2.6	+2.8	+3.0
Federal surplus		+1.8	+2.0	+2.3
States and municipalities		+0.8	+0.8	+0.7
Baseline public sector balance		-1.84		
Baseline federal primary balance		-1.6	-1.9	-2.0
Baseline state/municipal primary balance		-0.24		
Total measures to achieve program		+4.44		
Federal		+3.4	+4.05	+4.35
State/municipal		+1.04		
Breakdown of federal measures --		1999	2000	2001
Federal level		3.13	4.05	4.35
Expenditure cuts		1.38	2.0	2.3
L	Revenue sharing	0.0	0.2	0.2
L	Civil service reform	0.05	0.2	0.2
C	Social security reform	0.33	0.6	0.9
	Other	1.0	1.0	1.0
Tax increases		1.75	2.05	2.05
L	Social security contributions	0.6	0.9	0.9
L	Excise and corporate taxes	0.25	0.25	0.25
L	Financial transactions tax	0.9	0.9	0.9
Unspecified		0.27		

Note: L means measure requires simple legislation; C means constitutional amendment required.

IMF assumes growth of -1.0% in 1999.

Prior actions:
1. Social security reform approved by Congress by early November.
2. Submit to Congress revised 1999 budget based on program.
3. Present to Congress legislation allowing taxation of financial transactions.

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Brazil: Daily Net Outflows of Reserves
(millions of US dollars)

	Commercial market	Floating market	Total	Stock of reserves[1]	FDI inflows
1-Sep	-653	-660	-1,313	66,020	
2-Sep	-704	-452	-1,156	64,864	
3-Sep	-694	-635	-1,329	63,535	
4-Sep	-1,127	-1,791	-2,918	60,617	
8-Sep	-632	-255	-887	59,730	
9-Sep	-800	-336	-1,136	58,594	
10-Sep	-1,445	-814	-2,259	56,335	
11-Sep	-949	-753	-1,702	54,633	
14-Sep	-369	-529	-898	53,735	
15-Sep	-144	-208	-352	53,383	
16-Sep	-358	-220	-578	52,805	
17-Sep	-20	-188	-208	52,597	
18-Sep	-278	-175	-453	52,144	
21-Sep	-349	-169	-518	51,626	
22-Sep	-462	-57	-519	51,107	
23-Sep	-360	-164	-524	50,583	
24-Sep	-103	-205	-308	50,275	
25-Sep	-230	-201	-431	49,844	
28-Sep	-607	-132	-739	49,105	
29-Sep	-40	-415	-455	48,650	
30-Sep	-14	-142	-156	45,838 *	
Total	-10,338	-8,501	-18,839		
1-Oct	3,181	-395	2,786	48,624	3,885
2-Oct	-331	-349	-680	47,944	
5-Oct	-206	-130	-336	47,608	
6-Oct	195	-94	101	47,709	
7-Oct	-67	-124	-191	47,518	
8-Oct	-296	-154	-450	47,068	
9-Oct	-290	795	505	47,573	850
13-Oct	-549	-102	-651	46,922	
14-Oct	-300	-140	-440	45,382	
15-Oct	-133	-207	-340	45,042	
16-Oct	239	-338	-99	44,943	
19-Oct	-102	-143	-245	44,698	
20-Oct	1544	-198	1,346	46,044	1,400
21-Oct	-163	-243	-406	45,638	
22-Oct	-366	-102	-468	45,170	
23-Oct	-275	-159	-434	44,736	
26-Oct	135	-159	-24	44,712	
27-Oct	-337	-107	-444	44,268	
Total	1,879	-2,349	-470		

[1] Reserve stock is estimated from flow data, and our estimates are consistent with private sector estimates. Those estimates do not capture some flows that do not go through the two forex markets, such as official debt service and interest on foreign reserves. Brazil paid $1.1 billion in interest on Brady bonds on Oct. 14 so the reserve stock is adjusted accordingly.

*Reserve stock figure for end-September was provided by Central Bank of Brazil.

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Brazil: Interest Rate Proxies

	Spot dollar exchange rate	3 mo. dollar futures contract	Implied 3 mo. expected rate of depreciation (annualized)	Fixed *real* 3 mo. swap rate (%)	Fixed dollar 3 mo. swap rate (%)	Implied 3 mo. expected rate of depreciation (annualized)	Fixed-interest 6 mo. government bond annual yield (%) at initial auction	Dollar-indexed 6 mo. government bond annual yield (%) at initial auction	Brazilian Eurobond maturity in 2001	
									yield (%)	spread (bps)
Aug. 97	1.0919	1.1197	9.82	21.1	10.8	9.2	10.1	na	na	189
Sept. 97	1.0960	1.1258	10.47	20.1	8.9	11.0	10.2	na	7.6	178
Oct. 97	1.1027	1.1510	16.60	36.7	13.6	20.3	40.3	9.0	11.7	501
Nov. 97	1.1095	1.1610	17.55	38.5	15.1	20.3	40.5	9.8	9.9	405
Dec. 97	1.1160	1.1635	16.15	35.7	15.0	18.0	34.5	14.4	9	329
Jan. 98	1.1234	1.1630	13.47	32.6	14.9	15.4	26.9	13.6 (12 mos.)	8.4	304
Feb. 98	1.1300	1.1615	10.73	28.1	14.9	11.5	29.9	14.4 (12 mos.)	7.6	202
Mar. 98	1.1370	1.1670	10.17	22.5	10.3	11.2	26.5 (1 mo.)	12.5 (12 mos.)	7.8	215
Apr. 98	1.1443	1.1718	9.28	23.5	12.7	9.6	25.3 (3 mos.)	11.6	7.9	222
May 98	1.1501	1.1861	12.01	26.1	11.9	12.6	26.7	11.9	8.8	322
June 98	1.1565	1.1905	11.30	22.6	9.9	11.6	*20.7	12.6 (3 mos.)	8.7	311
July 98	1.1630	1.2220	19.10	19.5	9.5	9.7	*19.7	13.2 (36 mos.)	7.9	239
Aug. 98	1.1765	1.2500	23.26	27.8	12.8	13.3	*29.8	14.1	20.7	1558
Sept. 98	1.1856	1.2750	27.74	34.5	15.1	16.8	*40.3 (9 mos.)	22 (12 mos.)	16.6	1217
1-Oct	1.1810	1.2345	17.53**	35.3	14.7	17.9		16.5 (21 mos.)	17.3	1306
8-Oct	1.1877	1.2347	16.71	33.5	12.1	19.1	*40.6 (9 mos.)	14.8 (21 mos.)	16.6	1225
9-Oct	1.1845	1.2280	15.74	32.8	12.8	17.7		15.9 (48 mos.)	15.9	1135
13-Oct	1.1877	1.2238	13.79				*41 (9 mos.)		15.4	1097
14-Oct	1.1885	1.2244	13.89						15.5	1105
15-Oct	1.1886	1.2265	14.83				*41.3 (4 mos.)	16.8 (22 mos.)	15.2	1080
16-Oct	1.1886	1.2269	15.19						14.8	1060
19-Oct	1.1899	1.2256	14.77						14.3	1014
20-Oct	1.1896	1.2253	14.98				*41.8 (9 mos.)		13.9	963
21-Oct	1.1899	1.2257	15.24						13.5	918
22-Oct	1.1905	1.2252	14.99				*41.5 (4 mos.)	16.4 (23 mos.)	13.2	887
23-Oct	1.1911	1.2240	14.44						12.9	848
26-Oct	1.1913	1.2236	14.85						13	855
27-Oct	1.1918	1.2250	15.49							

Data are from the last day of the month or closest auction to last day of month in the case of bonds unless noted otherwise.

The *annualized market expected rate of depreciation* from the spot and future rates is: (1-spot/future)*(360/days remaining until contract expiration).

*Beginning in June 1998, the Brazilian government offered bonds indexed to benchmark overnight domestic interest rate (Selic) and ceased offering fixed-rate bonds.

** Break in expected depreciation due to change from contract expiring in December to contract expiring in January, meaning that days to contract expiration increase from 2 months and 1 day to 90 days.

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I. **Brazil: External Debt Stock (latest)**
(millions of $US)

	December 1997	August 1998 est.
Total external debt	199,998	232,271
Medium and long-term	163,283	195,586
Non-financial public sector	78,381	78,953
Private sector	84,902	116,633
Short-term[1]	36,715	36,685
Non-financial public sector	5,737	4,694
Central Bank	42	0
Credit lines	5,695	4,694
Private sector	30,978	31,991
Commercial banks	26,501	26,000

II. **Amortization Schedule**
(millions of $US)

	1998 Q4	1999
Total	5,327	25,102
Multilateral	278	1,783
Government agencies	601	1,773
Buyers	981	7,062
Suppliers	814	5,235
Currency loans	1,448	6,964
Banks	1,148	5,851
Intercompanies	300	1,113
Bonds (sovereign)	1,198	2,253
Other	7	32

[1] All short-term debt is to commercial banks. Brazil Central Bank says virtually 100% of this is trade finance.

III. External Debt Stock Dec. 1997 (more complete breakdown) (millions of $US)

Total Medium and long-term	163,736
Public sector	85,512
Bonds	49,070
to Paris Club	10,760
to Multilateral	9,445
to Banks	10,978
Other	5,259
Private sector	78,224
of which: notes/bonds	36,903
Non-bank	57,131
Multilateral	1,781
to banks[2]	37,058
of which: trade finance	7,295
suppliers credits	10,075
intercompany	6,880
other	1,337
Bank	21,093
to banks	20,480
of which: Commercial paper	2,809
Trade finance	3,495
Intercompany	141
Other	472
Total Short-term	36,260
Public sector	9,154
to banks	9,112
credit lines to public enterprises	5,695
Private sector	27,106
to banks	27,056
credit lines	23,083
other	4,023

[2] Brazil classifies private Eurobond issues as owed to foreign banks. However, a large portion of those are only intermediated through banks and held by the foreign non-bank sector. Therefore actual exposure to banks should be significantly smaller.

Brazil: External Debt to Banks
(millions of $US)

	December 1997
Total medium and long-term debt to banks	68,516
Private	57,538
1/ notes/bonds	36,903
commercial paper	2,809
buyers credits	10,790
loans	6,872
Public	10,977
1/ notes/bonds (of public companies)	4,951
buyers credits	3,278
loans	2,749
Short-term	36,168
2/ Credit lines	32,195
to private banks	23,083
to public enterprises	5,695
to public banks	3,417
Resolution 63	4,023
Total	104,684

NOTES:
1/ Notes include issues by non-bank sector -- estimated by BIS to be $15 billion.
2/ GOB tells us virtually 100% of credit lines are in fact trade finance.

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Brazil: Trade and Investment with the U.S.
(billions of US $)

TRADE	1997	1998 (thru July)	1998 % change from 1997 (thru July)
US Exports to Brazil	15.9	8.5	-0.85
% of US exports to LAC	11.8%	10.3%	
% of US total exports	2.3%	2.2%	
US exports to LAC	134.4	82.4	12.8
US total exports	688.9	394.9	0.04
US Imports from Brazil	9.6	5.9	1.6
% of US imports from LAC	6.9%	7.1%	
% of US total imports	1.1%	1.1%	
US imports from LAC	139.5	82.8	4.64
US total imports	870.7	520.2	5.63
US Trade Balance with Brazil	6.3	2.6	-5.7
US trade balance with LAC	-5.1	-0.4	
US total trade balance	-181.8	-125.3	

INVESTMENT	
US Investment in Brazil	
Stock (historical cost basis)	35.7
Capital outflows (inflows(-))	6.5
Income	4.6
% of US total:	
Stock (historical cost basis)	4.1%
Capital outflows (inflows(-))	5.7%
Income	4.6%
US total investment	
Stock (historical cost basis)	860.7
Capital outflows (inflows(-))	114.5
Income	100.7

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FISCAL AJUSTMENT

The Fiscal Stability Program

Introduction

For a long time, the desequilibria of the Brazilian fiscal regime were hidden by inflation. Inflation worked as a tax imposed on the poor and became an important source of public sector financing. Moreover, as revenues were indexed to inflation and many expenditures were not, inflation worked as a mechanism to arbitrage pressures for public expenditure increases.

With the introduction of the new currency, the Real, this situation has radically changed. Since July 1944, budgets started to reflect a different reality. A number of problems that were not clearly visible until then started to be exposed. The social security regime showed growing deficits, transfers of taxes collected by the Federal government to States and municipalities increased considerably, increases in public sector salaries in States and municipalities absorbed a larger proportion of revenues, and unsound budget practices with a good amount of revenues earmarked for pre-determined expenditures introduced a high level of rigidity in the use of public resources.

The changes occurred in the international reality brought a sense of urgency to the need to strengthen the fiscal results. A number of measures have already been taken in 1998. They include the establishment of the National Fiscal Council, huge federal budget cuts for 1998 and 1999, the conclusion of agreements with States covering the renegotiation of debt fiscal efforts at the State level. They were adopted in addition to measures of institutional and structural nature in the areas of privatization, debt management, restructuring of the financial system and tax administration at the Federal government level as well as in States.

In Brazil, fiscal and public debt statistics cover the three spheres of government, namely the Federal government (encompassing the Treasury, the Central Bank and social security), all States and five thousand and five hundred municipalities as well as State companies controlled by the public sector at the three levels of government. The results already achieved and projected for the future are published with a high degree of tansparency and can be easily assessed.

What the Brazilian government is proposing now is a new agenda to put the country in a safe path of fiscal solvency. It encompasses both structural and institutional reforms, which will change the quality of fiscal management and fiscal results, a new approach to the budget process, strict regulation on fiscal responsibility and a Plan of Action for 1999-2001 covering mainly the Federal government budget but also action at local level and putting special emphasis on the need for a rational management of the social security accounts.

This document contains an extract of a larger document covering the diagnosis of the fiscal desequilibria in Brazil and the Fiscal Stability Plan.

The Fiscal Stability Program has two components:

1. Measures of structural and institutional nature aimed at dealing with the roots of the

fiscal account desequilibria;
2. The Action Plan for 1999-2001;

The first component includes the approval of constitutional and legal reforms in areas such as social security, labor, public administration, taxes as well as the introduction of a Fiscal Responsibility Law, covering the fundamentals of fiscal responsibility at the three levels of government (Federal, States and municipalities) and the three branches of government (the Executive branch, Congress and the Judiciary).

The Plan of Action for 1999-2001 follows the commitment of President Cardoso with a medium term fiscal program aimed at stabilizing the debt/GDP ratio. It was formulated with the purpose of guaranteeing stability, creating the necessary environment for growth as well as protecting the real against speculative market pressure. Measures of immediate impact cover the reduction of budget expenditures as well as revenue increases. They shall create the basis for a reduction of interest rates in the shortest possible period of time. Particular attention is attached to the main cause of fiscal desequilibria, namely the social security deficit at the three levels of government.

1. Measures of structural and institutional nature

1.1. Regulation of the administrative reform:

The constitutional ammendment on the administrative reform was approved in June 1998. The regulation of the reform covers the following points: i) the establishment of a ceiling for payroll expenditures at the Federal government level ; ii)specific obligations imposed on States and municipalities to limit payroll expenditures to 60% of their revenues. Implementation should be in effect in a period of maximum two years. Sanctions are established for non-compliance. In the transition period States cannot increase salaries or benefits nor are they allowed to admit new officials; ii) rules governing the dismissal of public officials and savings associated with it; iii) establishment of a new regime for the Federal government public officials introducing greater flexibility to the present regime and a swifter process of dismissal in case of irregular behavior.

1.2. Social security reform

The social security constitutional ammendment is pending a final vote in the House. When approved, it will establish a new regime for public and private employees, the main features of which are the folowing: i) elimination of the possibility of retirement based on the number of years in service; ii) establishment of a minimum age for retirement (60 for men and 55 for women) as well as of a minimum period of contribution to social security before retirement (35 years for men and 30 years for women); iii) elimination of exceptions to the retirement rules and of special privileges associated to it; iv) establishment of a ceiling for social security benefits' payments; v) prohibition of the establishment of special funds within public administration to grant special retirement benefits;

After approval in the House, the social security reform will be regulated by ordinary law. The two regimes in effect today, one covering private sector workers and the other public sector employees, will be maintained, but they will both be required to maintain a financial and actuarial balance.

General rules will be established for the functioning of the specific regimes within the the three levels of government. Some of the points to be contemplated by the rules are the following:

i. Minimum criteria will be set for the establishment of social security funds. Such funds must involve at least five thousand participants. Today, some small municipalities operate funds with two thousand participants;

ii. Employers' contribution cannot exceed twice the amount of the contribution of employees;
iii. The funds must be based on individual capitalization of contributions, with retirement benefits calculated on the basis of contributions as well as the employee's life expectation at the time of retirement;
iv. Employees' contributions will be automatically adjusted when net expenditures exceed 12% of net revenues;
v. The Federal government will have the authority to monitor and supervise the existing funds.

A new legislation combatting fraud in social security will be proposed to Congress.

1.3. The Fiscal Responsibility Law:

The absence of a general law regulating transparency in fiscal management and disciplining expenditure and indebtedness decisions is one of the main structural causes of public sector fiscal desequilibria. A Fiscal Responsibility draft law, to be sent to Congress up to December 4, 1998 will incorporate national and international best practices, such as those enshrined in the Budget Enforcement Act and the Maastricht Treaty. The draft law will define principles and rules of a prudent management of public resources. It will also regulate the existance of ceilings to public sector expenditure at the three levels of government, indebtedness at all levels of government, as well as the imposition of sanctions associated with non-compliance of the established principles and rules. States will be required to define fiscal targets and give them legal force.

1.4. The Tax reform

The main objectives of the tax reform are: i) to reduce the number of taxes and other contributions of a social nature on consumption; ii) to simplify the tax system and reduce the cost of tax collection without reducing tax related revenues in the three levels of government; iii) to ensure a tax burden level not lower to the present level; iv) to restructure the public sector management of tax collection.

1.5. The labor market flexibilization reform

The main features of the labor market reform are: i) approval of constitutional ammendments eliminating the compulsory contribution of workers to trade unions and introducing flexibilization in labor representation; ii) revision of the constitutional principle concerning the legal power of Labor Justice; iii) reduction of the State participation in negotiations between employers and employees through the establishment of conciliation commissions; iv) introduction of the possibility of temporary dismissals of employees; v) greater support to the unemployed; v) creation of job opportunities for young citizens

1.6. Restructuring of the Budget process

A new effort to rationalize and restructure budget management will be launched. It will aim at inscribing Federal government action within the context of well designed and well defined programs following the directives of the Multi-year budget plan. Management techniques successfuly applied in governmental programs under way will be extended to public sector action at large.

1.7. Deregulation of the fuel sector

The present process of deregulation of the fuel sector will be intensified.

2. The action plan 1999-2001

The effort at the Federal level will address mainly expenditure reductions and the social security deficit. Action in these two areas will represent 55% of the adjustment in 1999 and 70% in 2000/2001. However, given the magnitude of the fiscal surplus needed to stabilize the debt/GDP ratio, an increase in revenues is also proposed.

The fiscal trajectory agreed upon with the IMF encompasses primary surpluses of 2.6% of GDP in 1999, 2.8% in 2000 and 3% in 2001.

The parameters utilized for the formulation of the plan were the following:

Inflation and growth

	1998	1999	2000	2001
Inflation	1.5%	2.0%	2.0%	2.0%
GDP growth	0.5%	-1.0%	3.0%	4.0%

Distribution of the fiscal effort

	1999	2000	2001
Primary surplus (% of GDP)	2.6%	2.8%	3.0%
Federal government	1.8%	2.0%	2.3%
States and municipal	0.4%	0.5%	0.5%
State enterprises	0.4%	0.3%	0.2%

Primary surplus
In R$ million

	1999	2000	2001
Federal government	16,385.4	19,127.2	23,333.6
States and municip.	3,641.2	4,781.8	5,072.5
State enterprises	3,641.2	2,869.1	2,029.0
Total	23,667.8	26,778.1	30,435.2
Interest rates (average Selic)	21.89%	16.88%	13.37%
Privatization revenues (R$ billion)	24.7	16.4	
Hidden liabilities (R$ billion)	15.2	6.8	1.3
Debt/GDP	44.9%	44.8%	44.4%

Comments on the parameters:

1. The fiscal effort at the Federal government level to produce a primary surplus of 1.8% of GDP in 1999 amounts to R$ 28 billion. If no measures were taken to improve the fiscal situation the projected primary result for the Federal government would be a deficit of R$ 11.6 billion;
2. The trajectory of States and municipalities' primary is based on the debt roll over / structural reform agreements in effect between the Federal government and twenty six States as well as on controls recently established over States and municipalities indebtedness;
3. The trajectory of the fiscal result for State companies is based on expenditure and investment cuts recently regulated as well as on the continuation of the privatization program;
4. Estimated savings based on the approval of structural and institutional reforms previously described are projected to amount to R$ 3.5 billion in 1999 and R$ 12.6 billion in 2001.

Main measures of expenditure reduction and revenue increase:

1. The federal government budget cuts for 1999 vis-à-vis the budget previously sent to Congress will amount to R$ 8.7 billion;
2. State enterprises' expenditure cuts for 1999 to 2001 will amount to R$ 2.7 billion (0.27% of GDP) vis-à-vis actual expenditures in 1998 and projected expenditures for 1999;
3. Emergency measures to combat fiscal evasion in social security will have an impact of the order of R$ 2 billion for a period of twelve months after they enter into effect;
4. The present social security contribution amounting to 11% of salaries will be extended to all public officials including retirees and pensionists. This measure will affect 446,942 employees and will have a financial impact of R$ 841 million billion in 1999, R$ 1.6 billion in 2000 and R$ 1.65 billion in 2001;
5. A 9% social security additional contribution will be imposed on salaries over R$ 1,200 for a period of five years. This measure will affect 488,989 employees and will have a financial impact of R$ 1.7 billion in 1999, R$ 2.6 billion in 2000 and R$ 2.6 billion in 2001;
6. The present CPMF (tax on financial transactions), which was projected to be extinguished at the end of 1998, will be extended. It will increase from the present 0.20% to 0.38% in 1999 and 0.30% in 2000 and 2001. Projected increase in revenue amounts to R$ 7.3 in 1999, R$ 4.2 billion in 2000 and R$ 4.5 billion in 2001;
7. The present contribution for social purposes (COFINS) will have an increase of one percentage point. It will not affect small and medium companies, which usually choose to pay taxes based on projected profits. Impact on revenue will amount to R$ 3.3 billion in 1999, R$ 4.5billion in 2000 and R$ 4.7 billion in 2001;
8. Judicial deposits made in connection with a Court decision or with a dispute with the Tax collection authority will be incorporated into current tax revenue. This measure will make available resources in the amount R$ 1.4 billion per year for the next two years and R$ 1.5 billion in 2001;
9. Increase of the tax base of COFINS, which will charged on financial institutions. This measure will have an impact of R$ 1.2 billion per year for the next three years;
10. Extension of the Fiscal Stabilization Fund (FEF) until 2006. The Fund is composed of resources originating from taxes collected by the Federal government and witheld by Treasury in lieu of being transferred to States. The extension of the FEF is neutral from a fiscal point of view, but it helps to increase resources available at the Federal level. It is expected that new resources available to the Federal government will amount to R$ 2.226 billion in the year 2000 and R$ 2.233 in 2001.The present regulation of the FEF expires in December 1999. 20% of taxes to which States usually

have access are retained. From 2000 to 2006 the proposal is to increase the percentage of taxes retained to 40%.

1998-SE-013965

DEPARTMENT OF THE TREASURY
WASHINGTON

ASSISTANT SECRETARY

December 9, 1998

ACTION

ACTION

MEMORANDUM FOR SECRETARY RUBIN

FROM: Timothy F. Geithner sent for TFG
Assistant Secretary (International Affairs)

SUBJECT: Brazil and the ESF: Authorization to Take Steps Needed for Use of the ESF in Support of the BIS Credit Facility for Brazil, Including "Indemnity Letter" for the FRBNY

ACTION-FORCING EVENT:

You agreed on November 6, 1998 (with Presidential concurrence), that the United States would provide up to $5 billion from the Exchange Stabilization Fund ("ESF") to participate in a multilateral guarantee of nearly all of the $13.28 billion credit facility that the BIS will provide to the Banco Central do Brasil ("Banco Central"). The BIS facility will support the International Monetary Fund's ("IMF") three-year package for Brazil, totaling approximately $18.1 billion, which is designed to alleviate Brazil's financial crisis. To parallel the BIS facility, the Government of Japan is providing a swap facility of $1.25 billion to Brazil.

RECOMMENDATION:

1. That you approve the proposed Credit Facility Agreement at Tab A and the proposed Substitution Agreement at Tab B.

   Agree ✓ Disagree _____ Let's discuss _____

2. That you sign the "indemnity letter" at Tab C authorizing the FRBNY to be substituted for the U.S. portion of possible BIS claims against Brazil.

   Agree ✓ Disagree _____ Let's discuss _____

3. That you sign the memorandum at Tab D, authorizing me to make all necessary arrangements to conclude the guarantee of the BIS facility once the Brazilian Senate has accepted the Credit Facility Agreement and related documents.

   Agree ✓ Disagree _____ Let's discuss _____

EXECUTIVE SECRETARIAT

BACKGROUND:

A. Terms of the Credit Facility Agreement and the Substitution Agreement

Treasury's staff has worked closely with staff of the BIS, the Federal Reserve Board, and the FRBNY to draft the Credit Facility Agreement and the Substitution Agreement and to ensure that the language of the Bank of Japan's swap agreement with the Banco Central will be consistent with the language of the Credit Facility Agreement.

The Credit Facility Agreement (see Tab A): Drawings under the BIS facility mature in six months, with an option for additional six-month renewals. The Banco Central's first drawing under the facility may not exceed $4.18 billion. This amount will proportionally not exceed the proportion of Brazil's first purchase under the IMF SRF in relation to the total amount of the SRF. The ESF's "share" of that first drawing will be up to approximately $1.62 billion (based on the ESF's percentage share of the overall BIS facility – 5/13.28). If the Banco Central seeks a subsequent drawing or a renewal, I will seek your authorization to approve the request.

The Substitution Agreement (see Tab B): In the event of Brazilian non-payment, the BIS may require the FRBNY, acting on behalf of Treasury, and the other participating central banks to be substituted for the BIS in proportion to each participating central bank's contribution to the guarantee of the BIS facility. Following a substitution, the BIS must transfer any repayments it receives for drawings or renewals made under the BIS facility to the FRBNY, for repayment to the other guarantors in proportion to their contributions to the guarantee of the BIS facility. Each participating central bank must share all repayments it receives for drawings or renewals made under the BIS facility with the other guarantors in proportion to each bank's contribution to the guarantee.

The "Indemnity Letter" (see Tab C): The letter to the President of the FRBNY authorizes the FRBNY to be substituted for the ESF's portion of the guarantee of the BIS's claim against Brazil. You signed a similar letter in 1995 to support the BIS facility for Argentina.

Protections under the Credit Facility Agreement and the Substitution Agreement: The Credit Facility Agreement and the Substitution Agreement contain conditions that minimize risks to the ESF, the most important of which are listed below.

- The Credit Facility Agreement is parallel to the IMF SRF in timing and maturity.
- The participating central banks and the BIS must approve each drawing and renewal.
- The participating central banks or the BIS may accelerate repayment should they determine that Brazil has failed to meet any condition of the Credit Facility Agreement or that Brazil has failed to meet any material obligation to the IMF.

- The percentage represented by the aggregate amount of Brazil's outstanding drawings and/or renewals under the facility in relation to the overall size of the BIS facility may not exceed the percentage of the aggregate amount of Brazil's purchases under the IMF SRF in relation to the overall amount of the SRF.

- The BIS will be repaid no slower than and at least in proportion to the IMF SRF and to the Bank of Japan's swap facility.

C. Steps Needed to Conclude the Credit Facility Agreement

Before the Banco Central can make its first drawing under the BIS facility, the BIS, the Government of Brazil, Treasury, and the participating central banks must complete several final steps.

- The BIS has asked the participating central banks to give their approval to the proposed Credit Facility Agreement and the proposed Substitution Agreement by December 8. I do not anticipate that any participating central bank will request significant substantive changes to the proposed documents, but will inform you if one does.

- Then, the Brazilian Senate must approve the proposed Credit Facility Agreement. The BIS expects the Brazilian Senate to give its approval by December 10 or 11, and I will inform you if the Senate requests major changes to the document.

- Pursuant to your authorization at Tab D, I will then take measures necessary to conclude the ESF's participation in the guarantee of the BIS facility, including transfers of funds into the ESF dollar account at the FRBNY.

- Once the Banco Central requests its first drawing under the BIS facility (for a value date five days later) and pursuant to your authorization at Tab D, I plan to send a six-month notification package, a draft of which is attached at Tab E, to the White House. This package will contain letters for President Clinton to notify Congress on the value date that it will be necessary to extend the use of the ESF for more than six months to participate in the guarantee of the BIS facility.

After all of the steps described above are completed, the BIS intends to issue a press release, a draft of which is attached at Tab F.

cc: Deputy Secretary Summers

Attachments:

Tab A: Proposed Credit Facility Agreement.

Tab B: Proposed Substitution Agreement.

Tab C: Letter authorizing the FRBNY to be substituted for a portion of possible BIS claims against Brazil.

Tab D: Authorization to take necessary measures set forth in this memorandum to conclude the ESF's participation in the guarantee once the Brazilian Senate has approved the Credit Facility Agreement and related documents.

Tab E: Draft letters from President Clinton to the Speaker of the House of Representatives and the President of the Senate regarding the use of the ESF for more than six months.

Tab F: BIS press release describing the BIS credit facility.

5th December 1998

BIS CREDIT FACILITY (DECEMBER 1998) IN FAVOUR OF BANCO CENTRAL DO BRASIL

The Bank for International Settlements ("the BIS"), acting with the backing of certain participating central banks ("the Participating Central Banks") and on its own behalf, and the Banco Central do Brasil ("the Borrower"),

Considering that, in the light of the effect of recent international financial events on the economic and financial situation of Brazil, the international community is preparing an international financial support program for Brazil, including, in particular:

(i) a stand-by arrangement from the International Monetary Fund ("the IMF Arrangement") in an aggregate amount of up to SDR 13,024.8 million (approximately US dollars 18 billion), with access being provided under the IMF Supplemental Reserve Facility ("the SRF") and under the IMF Credit Tranche Policies, as part of a new IMF supported program for Brazil ("the IMF Program");

(ii) certain loans from the International Bank for Reconstruction and Development ("the World Bank") for up to US dollars 4.5 billion ("the World Bank Loans");

(iii) certain loans from the Inter-American Development Bank ("the IDB") for up to US dollars 4.5 billion ("the IDB Loans");

(iv) a credit facility in an aggregate amount of up to US dollars 13.28 billion, established by the BIS under this Agreement ("the BIS Facility"); and

(v) a swap facility in an aggregate amount of up to US dollars 1.25 billion, established by the Bank of Japan, acting as agent of the Japanese Minister of Finance ("the Separate Lender") under a separate agreement ("the Separate Facility").

Considering that the BIS Facility and the Separate Facility are to be activated in support of and in conjunction with the IMF Arrangement, the World Bank Loans and the IDB Loans and that the disbursement and the repayment of drawings under the BIS Facility are to be made pari passu with the disbursement and the repayment of drawings under the Separate Facility, in accordance with the relevant terms of a memorandum of understanding concluded among the BIS, the Separate Lender, the Federal Reserve Bank of New York ("the FRBNY") and the Borrower ("the Memorandum of Understanding");

have agreed as follows:

1. The BIS Facility

The BIS hereby grants to the Borrower the BIS Facility, which the Borrower accepts, for not more than US dollars 13.28 billion which may be drawn (in accordance with the provisions set forth in paragraphs 2 and 3 below and subject to the conditions precedent set forth in paragraph 4 below), in one or more drawings as follows:

(a) a first drawing for an amount of up to US dollars 4.18 billion shall be made available to the Borrower at its request, provided, however, that the percentage represented by the amount of such first drawing in relation to the maximum amount of the BIS Facility shall be no greater than the percentage of Brazil's first purchase under the SRF in relation to the total amount of the SRF; and

(b) any further drawings shall be made available only upon the mutual agreement of the Borrower and the BIS (acting in consultation with the Participating Central Banks and the Separate Lender).

Once an amount available to the Borrower hereunder is drawn and repaid, it may not be redrawn.

2. Notice for drawings and roll-overs

Subject to paragraph 1 above and to compliance with the conditions precedent to drawings specified in paragraph 4 below, the Borrower may request one or more drawings or renewal of drawings, in whole or in part, (each such renewal, a "roll-over") under the BIS Facility for a Value Date (in the case of drawings) not later than 12 months from the effective date of this Agreement, by giving at least 5 Business Days' prior notice by authenticated telecommunication to the BIS; provided, however, that the Borrower may not request a drawing or roll-over with a Value Date that will occur less than six months before the date of the final repurchase under the SRF. The BIS shall immediately send by authenticated telecommunication to each Participating Central Bank a copy of any notice for drawing or roll over received from the Borrower.

The percentage represented by the aggregate amount of drawings and/or roll-overs outstanding at any time under the BIS Facility in relation to the maximum amount of the BIS Facility may not at any time exceed the percentage of the aggregate amount outstanding under the SRF in relation to the total amount of the SRF.

A "Business Day" shall be a day on which banks are open for business in Basle, New York, Tokyo and Brasilia. The Business Day on which a drawing or a roll-over is effected shall be the "Value Date" for such drawing or roll-over.

Each drawing or roll-over shall be for an amount of US dollars 50,000,000 or an integral multiple thereof and shall mature 6 months after the Value Date of such drawing or roll-over, and in any event not later than the date of the final repurchase under the SRF ("the Final Maturity Date").

3. Disbursement of Drawings

Upon receiving a drawing request, and subject to the satisfaction of the conditions precedent set out in paragraph 4 below, the BIS shall cause the amount of each drawing to be credited on the Value Date to the account of the Borrower with the FRBNY.

4. Conditions Precedent

(a) As a condition precedent to the first drawing, the Borrower shall have provided to the BIS

(i) original letters from the Government of the Federative Republic of Brazil, in the terms which are respectively set forth in Schedule A, Schedule B and Schedule B-1 to this Agreement, stating

(A) that the Government of the Federative Republic of Brazil unconditionally guarantees on first demand the full and timely payment or performance by the Borrower of all obligations, duties and liabilities of the Borrower under this Agreement, and

(B) that the Government of the Federative Republic of Brazil undertakes unconditionally to provide to the IMF for dissemination to the Participating Central Banks, the BIS and the Separate Lender economic and financial information as set forth in Annex 1 to Schedule B to this Agreement, from the effective date of this Agreement until its expiration, and

(C) that the Government of the Federative Republic of Brazil has agreed that it will not impose any controls on capital outflows, except as provided for in the IMF Program, and

(D) that the Government of the Federative Republic of Brazil has agreed to maintain its Gross International Reserves (as defined in Schedule B-1 to this Agreement) at a level no lower than the sum of the principal amount outstanding under this Agreement, the principal amount outstanding under the Separate Agreement and a margin of US dollars 10 billion, and

(ii) legal opinions from the Attorney General of the National Treasury of Brazil and from the General Counsel of the Borrower, in the form set forth in Schedule C and Schedule D to this Agreement.

(b) As a condition precedent to the first drawing, the Managing Director of the IMF shall have provided to the BIS, in the form of Schedule E to this Agreement, an authenticated telecommunication describing the IMF Arrangement and confirming that: (i) the IMF has concluded an IMF Program and that the first purchase under the SRF has been made by Brazil (and specifying the amount of that first purchase and the percentage of the total SRF represented by such first purchase); (ii) in the opinion of the Managing Director of the IMF, Brazil needs short-term financing to supplement financing provided under the IMF Arrangement, the World Bank Loans and the IDB Loans to support the IMF Program; and (iii) in the opinion of the Managing Director of the IMF, the degree of existing private sector financing for Brazil provides sufficient comfort concerning the viability of the IMF Program.

(c) As a condition precedent to the first drawing, the BIS and each of the Participating Central Banks shall have determined that (i) on the basis of the opinion of the Managing Director of the IMF provided pursuant to sub paragraph (b)(iii) above, the degree of private sector financing for Brazil provides sufficient comfort concerning the viability of the IMF Program, and that (ii) they do not object to the requested drawing, and the BIS shall have not received, no later than 2 Business Days prior to the Value Date of the first drawing, a notice from any one Participating Central Bank objecting to the requested drawing.

(d) As a condition precedent to any roll-over or to any drawing after the first drawing, the BIS shall have received:

(i) an authenticated telecommunication from the Managing Director of the IMF, in the form of Schedule F to this Agreement, confirming that: (A) Brazil has made a corresponding purchase under the SRF (and specifying the amount of that purchase and the percentage of the SRF outstanding following such purchase), as evidence that Brazil is satisfactorily implementing the IMF Program; (B) in the opinion of the Managing Director of the IMF, Brazil needs short-term financing to supplement financing provided under the IMF Arrangement, the World Bank Loans and the IDB Loans to support the IMF Program; and (C) in the opinion of the Managing Director of the IMF, the degree of existing private sector financing for Brazil provides sufficient comfort concerning the viability of the IMF Program; and

(ii) an authenticated telecommunication from the President of the World Bank, in a form acceptable to the BIS, to the effect that Brazil has taken all steps required to be taken pursuant to the World Bank Loans as of the date of such request for a drawing or a roll-over in order to be eligible for disbursements under the World Bank Loans; and

(iii) an authenticated telecommunication from the President of the IDB, in a form acceptable to the BIS, to the effect that Brazil has taken all steps required to be taken pursuant to the IDB Loans as of the date of such request for a drawing or a roll-over in order to be eligible for disbursements under the IDB Loans; and

(iv) no notice or communication from either the Borrower or from any one of the Participating Central Banks to the effect that the Borrower has failed to comply with the covenants set forth in paragraph 5 below.

(e) As a condition precedent to any drawing after the first drawing, the BIS (acting in consultation with the Participating Central Banks and the Separate Lender) and the Borrower shall have agreed the conditions precedent to any such drawing and entered into arrangements that address, among other things, pari passu sharing among the BIS, participating central banks and the Separate Lender.

(f) As a condition precedent to any roll-over, the BIS and each of the Participating Central Banks shall have determined that (i) on the basis of the opinion of the Managing Director of the IMF provided pursuant to sub-paragraph (d)(i)(C) above, the degree of private sector financing for Brazil provides sufficient comfort concerning the viability of the IMF Program, and that (ii) they do not object to such roll-over, and the BIS shall not have received, no later than 2 Business Days prior to the Value Date of the requested roll-over, a notice from any one of the Participating Central Banks objecting to such roll-over.

(g) As a condition precedent to any drawing or roll-over, no event of default, as provided in paragraph 11 below, shall have occurred and be continuing.

5. Covenants

The Borrower, acting on behalf of the Government of the Federative Republic of Brazil, with respect to sub-paragraphs (a), (b), (c), (e) and (f) below and on its own behalf with respect to sub-paragraphs (b), as appropriate, (d) and (g), agrees upon effectiveness of this Agreement and until each drawing or roll-over under this Agreement has been repaid in full, including accrued and unpaid interest thereon:

(a) to take all necessary steps to maintain a degree of private sector financing sufficient for the viability of the IMF Program;

(b) on any date to take all steps required to be taken pursuant to the Separate Facility, the IMF Arrangement, the World Bank Loans and the IDB Loans as of any such date to be eligible for disbursements under the Separate Facility, the IMF Arrangement, the World Bank Loans and the IDB Loans;

(c) to continue to carry out fully all the commitments set forth in Schedules A, B and B-1;

(d) to take all necessary steps to obtain all necessary authorisations for the making of all payments required pursuant to this Agreement at the time such payments are due;

(e) to maintain Gross International Reserves (as defined in Schedule B-1 to this Agreement) at a level no less than the sum of the principal amount outstanding under the BIS Facility, the principal amount outstanding under the Separate Agreement and a margin of US dollars 10 billion;

(f) to inform immediately the BIS of

(i) any change in law, rule, regulation, act, decision of any competent tribunal, fact or circumstance which would or could materially adversely affect or modify the Borrower's ability to perform its obligations under this Agreement, and

(ii) the remedial steps the Borrower or the Government of the Federative Republic of Brazil plans to take in response; and

(g) to refrain from assigning, transferring, delegating, charging or otherwise dealing in its obligations under this Agreement without the prior written consent of the BIS (acting in consultation with the Participating Central Banks).

6. Notification Obligation

The Borrower shall immediately notify the BIS of any of the following events:

- the Government of the Federative Republic of Brazil or the Borrower is not in a position to pay, resell or repurchase any amount due pursuant to the Separate Facility or pursuant to any of its arrangements with the IMF, the World Bank or the IDB;
- the Government of the Federative Republic of Brazil or the Borrower is refused any further credit facility, loan or other financial arrangement, or extension or renewal thereof, by the Separate Lender;
- the Government of the Federative Republic of Brazil or the Borrower makes any repayment, resale or repurchase ahead of schedule to the Separate Lender or to the IMF, the World Bank or the IDB; or
- the terms and conditions of the Separate Facility or any of the arrangements with the IMF, the World Bank or the IDB are modified.

The BIS shall immediately send by authenticated telecommunication to each Participating Central Bank a copy of any notice received from the Borrower pursuant to this paragraph.

7. Interest

(a) The interest rate on drawings under the BIS Facility shall be calculated by the BIS for the Value Date of such drawings on the basis of the six-month US dollar LIBOR rate published by the British Bankers Association (to be found on Telerate page 3750) two London business days immediately preceding the Value Date of such drawings, increased by a premium of 460 basis points. For any roll-over, an additional premium of 50 basis points shall apply for such roll-over. In case of a drawing or roll-over, when the total amount outstanding under the BIS Facility on the Value Date of such a drawing or roll-over (taking into consideration such drawing or roll-over) equals or exceeds 50 per cent of the maximum amount of the BIS Facility, an additional premium of 50 basis points shall apply for such drawing or roll-over. When the total amount outstanding under the BIS Facility on the Value Date of any such drawing or roll-over (taking into consideration such drawing or roll-over) equals or exceeds 75 per cent of the maximum amount of the BIS Facility, a further additional premium of 50 basis points shall apply for such drawing or roll-over, provided, however, that the total premium shall not exceed 560 basis points.

(b) Interest shall be payable on each of the Repayment Dates pursuant to paragraph 8 of this Agreement with respect to the amount of principal repaid or rolled over.

(c) In the event that any amount due for payment under the BIS Facility pursuant to paragraph 8 of this Agreement is not paid when due, interest shall thereafter be payable by the Borrower at monthly intervals on the overdue amount, calculated by the BIS on the basis of one-month US dollar LIBOR published by the British Bankers Association two London business days immediately preceding the relevant value date, increased by 560 basis points per annum, compounded on the original maturity date and every one month thereafter, until final payment of such overdue amount and interest.

8. Repayments

(a) The Borrower shall repay each drawing or roll-over, together with accrued interest thereon, on the maturity date of such drawing or roll-over; provided that the Borrower shall, in the case of a roll-over, pay accrued interest on the drawing so rolled over on the new Value Date of such roll-over (each a "Repayment Date"). The Borrower shall cause the US dollar amounts being paid or repaid, together with interest accrued thereon, to be credited, on the Repayment Date, to the account of the BIS with the FRBNY.

(b) If, at any time, the Borrower makes any payment with respect to a drawing or roll-over to the Separate Lender under the Separate Facility, it shall simultaneously make a pari passu payment with respect to the corresponding drawing or roll-over under the BIS Facility.

9. Advance Repayment

(a) The Borrower shall have the right, at any time, on giving at least 5 Business Days' notice by authenticated telecommunication to the BIS, to repay in advance of the Repayment Date, without penalty, all or part of any drawing or roll-over, including accrued interest due thereon, provided, however, that the notice so given shall specify the drawing or roll-over so repaid.

(b) In the event of an advance repayment under this paragraph 9, the relevant rate of interest for the drawing or roll-over repaid may be adjusted by the BIS, on the basis of market conditions prevailing at the time of such advance repayment.

10. Pari Passu

(a) The obligations undertaken by the Borrower pursuant to this Agreement shall rank at least pari passu with all other present or future direct, unsecured or unsubordinated obligations resulting from any external indebtedness of the Borrower. The Borrower shall make payments in due proportion to the BIS and to the Separate Lender under the Separate Agreement.

(b) Without the approval of the BIS (acting in consultation with the Participating Central Banks), the Borrower shall not create, incur, assume or suffer to exist any mortgage, pledge, lien, charge or other security interest to secure any external indebtedness of the Borrower. If any such indebtedness is so secured, all obligations under the BIS Facility shall be equally and ratably secured.

11. Events of Default

The BIS (acting in consultation with the Participating Central Banks and at the direction of any one of them) shall require the Borrower to make immediate repayment of any and all amounts outstanding under the BIS Facility, together with accrued interest thereon, upon the occurrence of any of the following:

(a) any case of non fulfilment by the Borrower or by the Government of the Federative Republic of Brazil, as the case may be, for whatever reason, of any obligation under the BIS Facility (including, without limitation, any of the covenants set forth in paragraph 5 above) or any commitments contained in the Schedules to this Agreement, or of any obligation towards the Separate Lender under the Separate Facility, or of any ~~financial~~ material (agreed 12/9) obligation to the IMF, or to the World Bank or to the IDB, including, without limitation, any failure to repay the amount of any drawing or roll-over under the BIS Facility, and/or accrued interest thereon, or any amount due and payable under the Separate Agreement, in each case when due; and

(b) any payment to the Separate Lender of any amount due under the Separate Facility if a payment to the BIS is not made contemporaneously and in due proportion to that made to the Separate Lender; and

(c) any repayment under the SRF if a repayment is not made contemporaneously and in due proportion under the BIS Facility; and

(d) the Borrower or the Government of the Federative Republic of Brazil, as the case may be, has taken, or has omitted to take, any material action that may undermine the objectives of this Agreement.

12. Warranties

The Borrower hereby warrants that:

(a) it has full power and authority to enter into and perform its obligations under this Agreement and has taken, and if necessary will take, all actions which may be required to authorise the performance of the terms and conditions of this Agreement;

(b) this Agreement and the performance by the Borrower of its obligations under this Agreement do not contravene any law or other restriction binding upon the Borrower or any of its property, and there is no legal or regulatory hindrance which could affect the legality, validity or enforceability of this Agreement or of obligations hereunder or have a material adverse effect upon the ability of the Borrower to perform such obligations; and

(c) all payments by the Borrower under this Agreement shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Federative Republic of Brazil or any authority therein or thereof having power to tax. In the event that the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law, the Borrower shall pay such additional amounts as may be necessary in order that the net amounts receivable by the BIS after such withholding or deduction shall equal the amounts which would have been receivable under this Agreement in the absence of such withholding or deduction.

13. Substitution

(a) The Borrower agrees that as from the commencement of the BIS Facility any one or more Participating Central Banks designated by the BIS may at any time be wholly or partly substituted for the BIS, and thereafter such Participating Central Banks shall benefit from the same rights and be subject to the same obligations as are applicable to the BIS under this Agreement. After such substitution, all obligations of the Borrower under this Agreement shall continue in effect.

(b) In the event that one or more Participating Central Banks are substituted for the BIS with respect to any or all of the claims of the BIS under the BIS Facility in accordance with clause (a) above, each Participating Central Bank so substituted shall be entitled to independent application of the provisions of paragraph 18(b).

(c) The rights of the BIS, and of any Participating Central Bank substituted for the BIS under this Agreement, shall continue in effect until such time as the Borrower has fulfilled all of its obligations under this Agreement.

(d) The Borrower agrees that in the event that one or more Participating Central Banks are substituted for the BIS in accordance with clause (a) above, each Participating Central Bank so substituted may at any time designate and assign to its Government, or to any other public entity of the country of the Participating Central Bank in question, all its rights and obligations under this Agreement.

14. Indemnification

The Borrower hereby indemnifies and holds harmless the BIS, the Participating Central Banks (and any public entity which may be substituted for them in accordance with paragraph 13(d) above) and any of their agents, directors, officers or employees (each such indemnified person being an "Indemnified Party") from and against any and all liabilities, obligations, losses, damages, penalties, judgments, costs, expenses or disbursements of any kind whatsoever that may be imposed on or incurred by, or asserted against, such Indemnified Party in any way relating to or arising out of this Agreement or any transaction hereunder, or any action taken or omitted to be taken by such Indemnified Party in connection with this Agreement or any transaction hereunder including, without limitation, any action taken or omitted to be taken in connection with the preparation of this Agreement before the effective date of this Agreement by such Indemnified Party. The Borrower shall not, however, be liable for any portion of any such amount resulting from the gross negligence or wilful misconduct of such Indemnified Party.

15. No Waiver

No failure, delay or refrainment by the BIS in the exercise of any right or remedy accruing to the BIS under this Agreement shall operate as a waiver by the BIS of such right or remedy, nor shall any single or partial exercise of any such right or remedy operate as a waiver of any other right or remedy. The rights and remedies provided herein are cumulative, and not exclusive of any rights or remedies provided by law.

16. Communications – Amendments

(a) All notices and communications hereunder shall be in the English language and shall be made in writing or by authenticated telecommunication, in a manner acceptable to the BIS.

(b) This Agreement may be amended by the consent in writing or by authenticated telecommunication of the Borrower and of the BIS (acting in consultation with the Participating Central Banks). The consent of the guarantor shall also be required for the continued validity of the guarantee of the Government of the Federative Republic of Brazil provided pursuant to paragraph 4(a)(i)(A) of this Agreement. No amendment or waiver shall affect the rights and duties of the parties under this Agreement unless accepted by them, either in writing or by authenticated telecommunication.

17. Entry into Effect - Termination

(a) The Borrower shall indicate its consent to the terms of this Agreement by transmitting an authenticated telecommunication to the BIS containing the word and its name. No message shall be effective to alter the terms of such notices.

(b) This Agreement shall take effect, together with the Memorandum of Understanding and the Separate Agreement, in accordance with the Entry into Effect provisions set forth in Section 13 of the Memorandum of Understanding.

(c) This Agreement shall terminate 12 months from the date of its entry into effect or on the date when each drawing or roll over under this Agreement has been repaid in full, including accrued and unpaid interest thereon, whichever is later.

18. Governing Law - Arbitration – Execution

(a) This Agreement shall be governed by and construed in accordance with the Laws of Switzerland.

(b) Any dispute arising out of this Agreement between the BIS and the Borrower shall be finally settled in accordance with the arbitration rules of the United Nations Commission for International Trade Law. The language of the arbitral proceedings (and of any evidence or other submissions to the arbitral tribunal) shall be the English language, the number of arbitrators shall be three and the place of arbitration shall be Basle, Switzerland. The parties hereby irrevocably consent in advance to the execution of any arbitral award rendered under this clause to the fullest extent permitted by applicable law and will not invoke any exception or objection or any other defence which would hinder or prevent such execution.

SCHEDULE A

GUARANTEE OF THE GOVERNMENT OF THE FEDERATIVE REPUBLIC OF BRAZIL

To: **Bank for International Settlements**

Dear Sirs,

This letter refers to the Agreement dated __________ between the Bank for International Settlements (the "BIS") and the Banco Central do Brasil as to the provision of short-term financial assistance for an aggregate amount of up to US dollars 13.28 billion ("the Agreement").

The Federative Republic of Brazil hereby unconditionally guarantees on first demand the full and timely payment or performance by the Banco Central do Brasil of all obligations, duties and liabilities of the Banco Central do Brasil under the Agreement.

Furthermore, should the Federative Republic of Brazil secure, collateralise or permit to subsist any security or collateral (other than security or collateral provided for under existing arrangements, including substitutions therefor permitted thereby, or any extension thereof which will be notified to the BIS if their aggregate value exceeds US dollars 10 million) for any present or future external indebtedness for borrowed money or any guarantee thereof by any mortgage, pledge, lien, charge or other security interest on any of its present or future assets or revenues, the amounts secured by this guarantee shall share in and be secured by such mortgage, pledge, lien, charge or other security interest equally and rateably with such other external indebtedness or guarantee, so as to rank pari passu with such other external indebtedness or guarantee in right of application in respect of such security interest.

The benefit of this guarantee shall extend to any Participating Central Bank which may be substituted for the BIS (and to any public entity which may be substituted for any Participating Central Bank) in accordance with paragraph 13 of the Agreement.

The terms of this letter shall be governed by, and construed in accordance with, Swiss law.

Sincerely yours,

____

SCHEDULE B

AGREEMENT OF THE GOVERNMENT OF THE FEDERATIVE REPUBLIC OF BRAZIL

[Letterhead of the Appropriate Brazilian Government Ministry]

[Date]

Mr. Andrew Crockett
General Manager
Bank for International Settlements
Centralbahnplatz 2
CH-4002
Switzerland

and

[appropriate official at the Ministry of Finance of Japan]

Ladies and Gentlemen:

This letter refers to the "BIS Credit Facility (December 1998) in Favour of Banco Central do Brasil" between the Bank for International Settlements ("BIS") and the Banco Central do Brasil (the "Banco Central") (the "BIS Agreement") and to the "Agreement between the Bank of Japan, Acting as Agent of the Minister of Finance of Japan, and the Banco Central do Brasil" (the "Japanese Agreement") as to the provision of short-term financial assistance to Brazil of an aggregate amount of up to U.S. dollars 14.53 billion. Capitalised terms used herein without definition shall have the respective meanings specified in the BIS Agreement or the Japanese Agreement.

Under paragraph 4(a)(i)(B) of the BIS Agreement and Article 3(a) of the Japanese Agreement, the Government of the Federative Republic of Brazil (the "Government") hereby undertakes unconditionally to provide, in a timely manner and on a regular basis, to the [Brazil Desk Office] at the International Monetary Fund (the "IMF") for dissemination as set forth below, from the effective date of the BIS Agreement and the Japanese Agreement until both agreements have expired, (a) that economic and financial information currently provided to the IMF, and (b) other economic and financial information requested by the BIS, based on consultations among the Participating Central Banks and the Bank of Japan.

The Government agrees, and will instruct the IMF, in a form substantially similar to that of Annex 1 hereto, to distribute such economic and financial information on an "as requested" basis, to the Executive Directors representing Belgium, Canada, Denmark, Germany, the United Kingdom, Spain, Finland, France, Greece, Ireland, Italy, Luxembourg, Austria, the Netherlands, Portugal, Switzerland, Sweden, the United States of America and Norway; to the BIS; and to the Executive Director for Japan.

Sincerely yours,

[Authorised Official]

cc: [Name of Office and of Authorised Official]
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431

Mr. Andrew Crockett
General Manager
Bank for International Settlements
Centralbahnplatz 2
CH-4002
Basel, Switzerland

[Appropriate Official]
Ministry of Finance of Japan

ANNEX 1 TO SCHEDULE B

INSTRUCTION FROM THE GOVERNMENT OF THE FEDERATIVE REPUBLIC OF BRAZIL

[Letterhead of the Appropriate Brazilian Government Ministry]

[Date]

[Appropriate Official]
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431

Ladies and Gentlemen:

This letter refers to the "BIS Credit Facility (December 1998) in Favour of Banco Central do Brasil" between the Bank for International Settlements (the "BIS") and the Banco Central do Brasil (the "Banco Central") (the "BIS Agreement") and the "Agreement between the Bank of Japan, Acting as Agent of the Minister of Finance of Japan, and the Banco Central do Brasil" (the "Japanese Agreement"), as to the provision of short-term financial assistance to Brazil of an aggregate amount of up to U.S. dollars 14.53 billion. Capitalised terms used herein without definition shall have the respective meanings specified in the BIS Agreement or the Japanese Agreement.

Under paragraph 4(a)(i)(B) of the BIS Agreement and Article 3(a) of the Japanese Agreement, and pursuant to Schedule B to the BIS Agreement and Schedule B to the Japanese Agreement, the Government of the Federative Republic of Brazil (the "Government") hereby instructs the International Monetary Fund (the "IMF") to distribute the economic and financial information provided by the Government to the IMF, on an "as requested" basis, to the Executive Directors representing countries whose central banks and monetary authorities are Participating Central Banks, to the Executive Director of Japan and to the BIS. For the purposes of this paragraph, "economic and financial information" means all information required to be provided pursuant to Schedule B to the BIS Agreement and Schedule B to the Japanese Agreement.

Sincerely yours,

[Authorised Official]

SCHEDULE B-1

AGREEMENT OF THE GOVERNMENT OF THE FEDERATIVE REPUBLIC OF BRAZIL

[Letterhead of the Appropriate Brazilian Government Ministry]

[Date]

Mr. Andrew Crockett
General Manager
Bank for International Settlements
Centralbahnplatz 2
CH-4002
Basel, Switzerland

and

[appropriate official at the Ministry of Finance of Japan]

Ladies and Gentlemen:

This letter refers to the "BIS Credit Facility (December 1998) in Favour of Banco Central do Brasil" between the Bank for International Settlements (the "BIS") and the Banco Central do Brasil (the "Banco Central") (the "BIS Agreement") and to the "Agreement between the Bank of Japan, Acting as Agent of the Minister of Finance of Japan, and the Banco Central do Brasil" (the "Japanese Agreement"), as to the provision of short-term financial assistance to Brazil of an aggregate amount of up to U.S. dollars 14.53 billion. Capitalised terms used herein without definition shall have the respective meanings specified in the BIS Agreement or the Japanese Agreement.

Under paragraphs 4(a)(i)(C), 4(a)(i)(D) and 5(c) of the BIS Agreement and Articles 3(a) and 8(c) of the Japanese Agreement, the Government of the Federative Republic of Brazil (the "Government") hereby undertakes unconditionally:

(1) on behalf of itself and the Banco Central, that it will not impose any controls on capital outflows from Brazil, except as provided in the IMF Program; and

(2) on behalf of itself and the Banco Central, as a condition for any drawing from the BIS Facility and the Swap Facility, to maintain its Gross International Reserves[1] at a level no lower than the sum of (a) the principal amount outstanding under the BIS Agreement, (b) the principal amount outstanding under the Japanese Agreement and (c) a margin of U.S. dollars 10 billion.

Sincerely yours,

[Authorised Official]

---

1 Gross International Reserves are defined for the purposes of the BIS Agreement and the Japanese Agreement (and as set forth by the IMF), as the amount of liquid foreign currency-denominated claims in the Banco Central, which include the Banco Central's: (i) monetary claims, (ii) free gold, (iii) holdings of Special Drawing Rights ("SDRs"), (iv) reserve position in the IMF and (v) holdings of fixed income instruments. After October 31, 1998, any increase in foreign currency-denominated claims (both spot and forward) against residents, or against foreign branches or subsidiaries of Brazilian institutions, will be counted as a reduction in Gross International Reserves, as defined above.

SCHEDULE C

LEGAL OPINION OF THE ATTORNEY GENERAL OF THE NATIONAL TREASURY OF BRAZIL

[Letterhead of the Attorney General]

[Date]

Mr. Andrew Crockett
General Manager
Bank for International Settlements
Centralbahnplatz 2
CH-4002
Switzerland

[Japanese Addressees]

Ladies and Gentlemen:

This letter refers to the ["BIS Credit Facility (December 1998) in Favour of Banco Central do Brasil" between the Bank for International Settlements (the "BIS") and the Banco Central do Brasil (the "Banco Central") (the "BIS Agreement")] [or] ["Agreement between the Bank of Japan, Acting as Agent of the Minister of Finance of Japan, and the Banco Central do Brasil" (the "Japanese Agreement")] as to the provision of short-term financial assistance to Brazil of an aggregate amount of up to U.S. dollars 13.28 [or] 1.25 billion. Capitalized terms used herein without definition shall have the respective meanings specified in the [BIS Agreement] or the [Japanese Agreement].

I am the Attorney General of the National Treasury of Brazil and have acted as Counsel to Brazil in connection with the preparation, execution and delivery by Brazil of a guarantee (the "Guarantee") of the full performance by the Banco Central of all obligations, duties and liabilities under the [BIS Agreement] [or] [Japanese Agreement].

I have examined, *inter alia*, the following:

(1) the Constitution of Brazil as in effect on the date hereof (the "Constitution");

(2) evidence of governmental authorisations and approvals issued in connection with the Guarantee;

(3) all such other laws, regulations and documents as I have considered necessary or desirable;

(4) the Agreement; and

(5) the Guarantee.

Based upon such examination, I am of the following opinion:

(A) Brazil has full power and authority (i) to incur the obligations referred to in the Agreement and in the Guarantee, (ii) to execute and deliver the Guarantee, (iii) to comply with the provisions thereof and (iv) to perform the obligations expressed to be binding upon Brazil in the Guarantee.

(B) The Guarantee has been duly executed and delivered by Brazil and constitutes a legal, valid and binding obligation of Brazil, enforceable in accordance with its terms, and the financial obligations of Brazil thereunder are and will constitute the direct, unconditional and general indebtedness of Brazil for which the full faith and credit of Brazil is pledged, and will rank at least *pari passu* in all respects with all other present or future direct, unconditional and general, unsecured and unsubordinated external indebtedness of Brazil.

(C) All governmental authorisations and approvals required for or in connection with the execution, delivery and performance of the Guarantee in order to render all of the obligations of Brazil thereunder valid, binding and enforceable in accordance with their respective terms, have been obtained in due and strict compliance with the Constitution, all applicable laws of Brazil and any applicable agreement, regulation, or regulatory requirement, and are in full force and effect, except for the Banco Central authorisations of the making of payments outside Brazil in a currency other than reais, which must be issued within 30 calendar days.

(D) The execution and delivery of the Guarantee, the performance by Brazil of its obligations thereunder and compliance by Brazil with the terms thereof have been duly authorised by all necessary actions of Brazil, and do not and will not:

(i) violate any provisions of the Constitution or any law, rule, regulation, order, judgement, injunction, decree, resolution, determination or award of any court or any judicial, administrative, or governmental authority or organisation having applicability to Brazil; or

(ii) conflict or be inconsistent with, or result in a breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under, any agreement or other instrument, arrangement, or obligation to which Brazil is a party or by which it or any of its property, assets or revenues may be bound or affected.

(E) The officer[s] of Brazil executing the Guarantee, and all notices and other documents required thereunder or otherwise related thereto, are and will be fully authorised to execute the same for and on behalf of Brazil.

(F) No event of default or other event which, with the giving of notice and/or lapse of time, would constitute an event of default has occurred and is continuing unremedied, nor will any event of default or other event as aforesaid result from any action taken under the [BIS Agreement] [or] [Japanese Agreement] or the Guarantee under any other agreement that Brazil has executed.

(G) No litigation or administrative or arbitration proceedings before or of any court, tribunal, arbitrator or governmental authority are presently in process, pending or, to the best of my knowledge, threatened against Brazil or any of its property, assets, or revenues which would materially affect the ability of Brazil to perform its obligations under the Guarantee.

(II) Brazil is not in default under any such law, rule, regulation, order, judgement, injunction, decree, resolution, determination, or award as is referred to in paragraph (D)(1) of this opinion, nor is Brazil in default under any agreement, instrument, arrangement, or obligation as is referred to in paragraph (D)(2) of this opinion, in any such case being a default which might have a material adverse effect on the property, assets, revenues, or financial condition of Brazil or on Brazil's ability duly to perform and observe its obligations under the Guarantee.

(I) Banco Central was duly authorised to enter into the paragraph 5 covenants in the [BIS] Agreement [or] [and the Article 8 covenants of the Japanese Agreement] on behalf of Brazil. In this opinion references to the Guarantee should be construed as including references to such paragraph 5 covenants and each of the commitments of Brazil in the forms set out in Schedules B and B-1 to the [BIS] Agreement [or] [the Japanese Agreement].

(J) It is valid to provide that the Guarantee be governed by, and construed in accordance with, [the Laws of Switzerland] [or] [the Laws of Japan].

(K) It is not necessary or advisable in order to ensure the legality, validity, enforceability or admissibility in evidence of the Guarantee in Brazil that the Guarantee or any other document be filed, recorded, registered or enrolled with any court or authority in Brazil or that any stamp, registration or similar tax be paid on or in relation to the same.

This opinion is limited to matters of Brazilian law and I do not purport to pass on any question arising under the laws of any jurisdiction other than Brazil. This opinion speaks only as of its date. In the absence of a specific request, I assume no obligation to supplement or update this opinion as of any date occurring hereafter. This opinion may not be relied upon by any person other than the addressees hereof[, the Participating Central Banks (as that term is defined in the BIS Agreement) and any public entity which may be substituted for any Participating Central Bank in accordance with paragraph 13(d) of the BIS Agreement].*

* Insert for BIS Agreement only.

Sincerely,

[Name]
Attorney General of the National Treasury

SCHEDULE D

LEGAL OPINION OF THE GENERAL COUNSEL OF THE BANCO CENTRAL DO BRASIL

[Letterhead of the Banco Central do Brasil]

[Date]

Mr. Andrew Crockett
General Manger
Bank for International Settlements
Centralbahnplatz 2
CH-4002
Switzerland

(Japanese Addressees)

(Federal Reserve Bank of New York)

Ladies and Gentlemen:

This letter refers to (i) the Memorandum of Understanding (Facilities in favour of Banco Central do Brasil) dated December ____, 1998 among the Banco Central do Brasil (the "Banco Central"), the Bank for International Settlements (the "BIS"), the Bank of Japan, acting as agent of the Minister of Finance ("JAPAN"), and the Federal Reserve Bank of New York (the "Memorandum of Understanding"), (ii) the "BIS Credit Facility (December 1998) in Favour of Banco Central do Brasil" between the BIS and the Banco Central (the "BIS Agreement") as to the provision of short-term financial assistance of an aggregate amount of up to U.S. dollars 13.28 billion for Brazil; and (iii) the "Agreement between the Bank of Japan, Acting as Agent of the Minister of Finance of Japan, and the Banco Central do Brasil" (the "Japanese Agreement"). The BIS Agreement and the Japanese Agreement are referred to herein collectively as the "Separate Agreements". Capitalised terms used herein without definition have the respective meanings specified in the Memorandum of Understanding.

I am the General Counsel of the Banco Central and have acted as Counsel to the Banco Central in connection with the preparation, execution and delivery by the Banco Central of the Memorandum of Understanding and the Separate Agreements.

I have examined, *inter alia*, the following:

(1) Law No. 4595/65, as amended;

(2) evidence of governmental authorisations and approvals issued in connection with the Memorandum of Understanding and the Separate Agreements;

(3) all such other laws, regulations and documents as I have considered necessary or desirable;

(4) the Memorandum of Understanding; and

(5) the Separate Agreements.

Based upon such examination, I am of the following opinion:

(A) The Banco Central is an institution duly organised and validly existing under the laws of the Federative Republic of Brazil as the central bank of the country and has full power and authority (i) to own and maintain its properties and assets and (ii) to carry on its functions as they are now being conducted.

(B) The Banco Central has full power and authority (i) to incur the obligations referred to in the Memorandum of Understanding and the Separate Agreements, (ii) to execute and deliver the Memorandum of Understanding and the Separate Agreements, (iii) to comply with the provisions thereof and (iv) to perform the obligations expressed to be binding upon the Banco Central in the Memorandum of Understanding and the Separate Agreements.

(C) The Memorandum of Understanding and both Separate Agreements have been duly executed and delivered by the Banco Central and constitute legal, valid and binding obligations of the Banco Central, enforceable in accordance with their respective terms, and the financial obligations of the Banco Central thereunder are and will constitute the direct, unconditional and general indebtedness of the Banco Central and will rank at least pari passu in all respects with all other present or future direct, unsecured and unsubordinated external indebtedness of the Banco Central.

(D) All governmental authorisations and approvals required for or in connection with the execution, delivery and performance of the Memorandum of Understanding and the Separate Agreements in order to render all of the obligations of the Banco Central thereunder valid, binding and enforceable in accordance with their respective terms, have been obtained in due and strict compliance with Law No. 4595/65, as amended, all applicable laws of Brazil, and any applicable agreement, regulation or regulatory requirement, and are in full force and effect, except for the Banco Central authorisations of the making of payments outside Brazil in currencies other than reais, which must be issued within 30 calendar days.

(E) The execution and delivery of the Memorandum of Understanding and the Separate Agreements, the performance by the Banco Central of its obligations thereunder and compliance by the Banco Central with the terms thereof have been duly authorised by all necessary actions of the Banco Central, and do not and will not:

(i) violate any provisions of Law No. 4595/65, as amended, or any law, rule, regulation, order, judgement, injunction, decree, resolution, determination, or award of any court or any judicial, administrative or governmental authority or organization having applicability to the Banco Central; or

(ii) conflict or be inconsistent with, or result in a breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under, any agreement or other instrument, arrangement or obligation to which the Banco Central is a party or by which it or any of its property, assets or revenues may be bound or affected.

(F) The officer[s] of the Banco Central executing the Memorandum of Understanding and the Separate Agreements, and all notices and other documents required thereunder or otherwise related thereto, are and will be fully authorised to execute the same for and on behalf of the Banco Central

(G) No event of default or other event which, with the giving of notice and/or lapse of time, would constitute an event of default has occurred and is continuing unremedied, nor will any event of default or other event as aforesaid result from any action taken under the Separate Agreements or the Guarantee under any other agreement that Banco Central has executed.

(H) No litigation or administrative or arbitration proceedings before or of any court, tribunal, arbitrator, or governmental authority are presently in process, pending or, to the best of my knowledge, threatened against the Banco Central or any of its property, assets, or revenues which would materially affect the ability of the Banco Central to perform its obligations under the Memorandum of Understanding and the Separate Agreements.

(I) The Banco Central is not in default under any such law, rule, regulation, order, judgement, injunction, decree, resolution, determination or award as is referred to in paragraph (E)(1) of this opinion, nor is the Banco Central in default under any agreement, instrument, arrangement or obligation as is referred to in paragraph (E)(2) of this opinion, in any such case being a default which might have a material adverse effect on the property, assets, revenues or financial condition of the Banco Central or on the Banco Central's ability duly to perform and observe its obligations under the Memorandum of Understanding and the Separate Agreements.

(J) The provisions of paragraph [18(b)] of the BIS Agreement and article 11(b) of the Japanese Agreement [arbitration, execution] are irrevocably binding on the Banco Central. Any decision or award of an arbitral tribunal under and pursuant to such provisions will be enforceable against Banco Central in the Federal courts of Brazil without reconsideration of the merits. Such enforcement will occur if such award (i) fulfills all formalities required for the enforceability thereof under the laws of the country where the same was granted; (ii) was issued by a competent arbitral tribunal after service of such process upon the parties to the action as is required by the rules of the arbitral tribunal; (iii) is not subject to appeal; (iv) was authenticated by a Brazilian consulate in the country where the same was issued; and (v) is not against the principles of Brazilian public policy as set forth in article 17 of Decree-Law 4,567.

(K) It is not necessary or advisable in order to ensure the legality, validity, enforceability or admissibility in evidence of the Memorandum of Understanding and the Separate Agreements in Brazil that the Memorandum of Understanding and the Separate Agreements or any other documents be filed, recorded, registered, or enrolled with any court or authority in Brazil or that any stamp, registration or similar tax be paid on or in relation to the same.

(L) It is valid to provide that the BIS Agreement be governed by, and construed in accordance with, the Laws of Switzerland. It is valid to provide that the Japanese Agreement be governed by, and construed in accordance with, Japanese law.

This opinion is limited to matters of Brazilian law and I do not purport to pass on any question arising under the laws of any jurisdiction other than Brazil. This opinion speaks only as of its date. In the absence of a specific request, I assume no obligation to supplement or update this opinion as of any date occurring hereafter. This opinion may not be relied upon by any person other than the addressees hereof[, the Participating Central Banks (as that term is defined in the BIS Agreement) and any public entity which may be substituted for any Participating Central Bank in accordance with paragraph 13(d) of the BIS Agreement].*

* To be inserted to BIS Agreement only.

Sincerely yours,

[Name]
General Counsel
Banco Central do Brasil

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005. letter	Michael Camdessus (IMF) to Andrew Crockett re: Confirmation That IMF has Paid Federative Republic of Brazil's First Purchase Under SRF Component of IMF Arrangement (2 pages)	ca. 1998	P1/b(1) Unclass.

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[History of the Department of the Treasury - Supplementary Documents] [24]

jp22

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
006. letter	Michael Camdessus (IMF) to Andrew Crockett re: Confirmation That Federative Republic of Brazil has Made Subsequent Purchase from SRF Component of Financing Provided Under IMF Arrangement (2 pages)	ca. 1998	P1/b(1) Unclass.

This marker identifies the original location of the withdrawn item listed above. For a complete list of items withdrawn from this folder, see the Withdrawal/Redaction Sheet at the front of the folder.

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5th December 1998

SUBSTITUTION AGREEMENT BETWEEN THE BANK FOR INTERNATIONAL SETTLEMENTS AND PARTICIPATING CENTRAL BANKS

(DECEMBER 1998 CREDIT FACILITY IN FAVOUR OF BANCO CENTRAL DO BRASIL)

The Bank for International Settlements (the "BIS"), of the one part, and Banque Nationale de Belgique, Bank of Canada, Danmarks Nationalbank, Deutsche Bundesbank, Bank of England, Banco de España, Suomen Pankki – Finlands Bank, Banque de France, Bank of Greece, Central Bank of Ireland, Banca d'Italia, Banque Centrale du Luxembourg, Österreichische Nationalbank, De Nederlandsche Bank N.V., Banco de Portugal, Schweizerische Nationalbank, Sveriges Riksbank, Federal Reserve Bank of New York ("FRBNY"), as representative of the US Department of the Treasury, and Norges Bank (the "Participating Central Banks"), of the other part,

Considering that, on behalf of the Participating Central Banks, the BIS is prepared to offer the Banco Central do Brasil (the "BCB") a short-term credit facility of up to US dollars 13.28 billion on the terms and conditions set forth in the First Schedule hereto (the "BIS Facility"); and

Considering that the Participating Central Banks are prepared to afford the BIS cover for the risks incurred by it under the BIS Facility in the proportions set against their respective names in the Second Schedule hereto;

have agreed as follows:

1. The BIS will notify the Participating Central Banks by authenticated telecommunication of the value date and amount of each drawing or roll-over to be made by the BCB under the BIS Facility and of the dates and amounts of all repayments of such drawings or roll-overs.

2. If, for whatever reason, any amount drawn by the BCB under the BIS Facility, including interest thereon, remains unpaid on the due date or dates for repayment, the BIS shall notify the Participating Central Banks by authenticated telecommunication of the amount of principal and interest then due and unpaid to the BIS.

3. The Participating Central Banks agree that, as from the date of any notification pursuant to clause 2 of this Agreement, the BIS shall have the right at any time, at its sole discretion, to require the Participating Central Banks, by giving at least 5 business days prior notice, to be substituted for the BIS, in the proportions set against their respective names in the Second Schedule hereto, with respect to all claims of the BIS against the BCB (other than any claims that arise with respect to amounts owed to the BIS for its own account) which then subsist under or in connection with the BIS Facility. The BIS shall notify the Participating Central Banks by authenticated telecommunication of the date of any such substitution.

4. To give effect to any substitution under clause 3 of this Agreement:

(a) on the date of substitution the BIS shall assign to the Participating Central Banks their respective proportionate shares of the outstanding claims of the BIS against the BCB under the BIS Facility on the date of substitution, and

(b) on the date of substitution each of the Participating Central Banks shall transfer the US dollar amount of its respective proportionate share of the claims so assigned to the account of the BIS entitled "BISACF" with the FRBNY.

5. As from any substitution under clause 3 of this Agreement and from time to time thereafter, the BIS shall transfer any amounts received from the BCB or on its behalf pursuant to the BIS Facility to the Participating Central Banks (or to their respective public entities, as from any assignment under clause 6(b) of this Agreement) in the proportions set against their respective names in the Second Schedule hereto.

6. In the event of any substitution pursuant to clauses 3, 4 and 5 of this Agreement,

(a) each Participating Central Bank shall benefit from the same rights and be subject to the same obligations as are applicable to the BIS under the BIS Facility and under the Memorandum of Understanding dated [________] among the BCB, the BIS, the Bank of Japan, acting as agent of the Minister of Finance of Japan and the FRBNY; the BIS shall notify the BCB of any such substitution and shall confirm the related assignment of claims against the BCB and any related transfer in respect of amounts received to the Participating Central Banks in writing;

(b) each Participating Central Bank shall be entitled to assign to its Government, or to any other public entity of its country, all of its rights and obligations resulting from such substitution; the Participating Central Bank shall notify in writing the BCB, the BIS and the other Participating Central Banks of any such assignment;

(c) upon substitution, the BIS shall assist the Participating Central Banks (or their respective public entities, in the event of an assignment) as coordinating agent in connection with repayments made by the BCB; and

(d) each Participating Central Bank shall share all payments received from the BCB or on its behalf pursuant to the BIS Facility with the other Participating Central Banks and the BIS pari passu in the proportions listed in the Second Schedule hereto.

7. The obligation of each Participating Central Bank to transfer the US dollar amount of its proportionate share of the claims assigned pursuant to clause 4 of this Agreement shall not exceed the total of

(a) the maximum US dollar amount of principal set against its name in the Second Schedule hereto, and

(b) its proportionate share of all unpaid interest under the BIS Facility.

8 In consideration of their undertakings pursuant to this Agreement, the Participating Central Banks shall receive in respect of each drawing or roll-over by the BCB under the BIS Facility a commission which shall be calculated for each drawing or roll-over on the basis of (i) the actual interest rate (determined in accordance with paragraph 7 of the BIS Facility) less (ii) the relevant LIBOR rate published by the British Bankers Association 2 London business days (as defined in the BIS Facility) immediately preceding the value date for such drawing or roll-over, increased by 10 basis points. Such commission shall accrue as the corresponding

interest payments from BCB are effectively received by the BIS and shall be payable to the Participating Central Banks in the proportions set against their respective names in the Second Schedule hereto as soon as practicable after such receipt.

9. (a) The BIS shall provide each Participating Central Bank with a copy of the original letters received by the BIS from the Government of the Federative Republic of Brazil in accordance with paragraph 4(a)(i) of the BIS Facility.

(b) The BIS shall consult with and obtain the prior approval (by authenticated telecommunication or in writing) from each Participating Central Bank (or public entity, in the event of an assignment pursuant to clause 6(b) of this Agreement) before taking any action pursuant to paragraphs 1(b), 4(e), 5(g), 10(b) or 16(b) of the BIS Facility.

(c) The BIS shall consult with each Participating Central Bank (or public entity in the event of an assignment pursuant to clause 6(b) of this Agreement) upon the occurrence of any of the events listed in paragraph 11 of the BIS Facility and, upon any such occurrence, the BIS shall at the direction of any one Participating Central Bank (by authenticated telecommunication or in writing) require the Borrower to make immediate repayment of any and all amounts outstanding under the BIS Facility, together with accrued interest thereon.

10. This substitution agreement shall be governed by and construed in accordance with Swiss law.

THE FIRST SCHEDULE

(Text of the BIS Facility: BIS Facility (December 1998) in favour of Banco Central do Brasil)

THE SECOND SCHEDULE

THE SECOND SCHEDULE

(Schedule of Participations in the BIS Facility)

	Proportions	Maximum amounts of principal (in millions of US dollars)
Banque Nationale de Belgique		300
Bank of Canada		500
Danmarks Nationalbank		50
Deutsche Bundesbank		1,250
Bank of England		1,250
Banco de España		1,000
Suomen Pankki - Finlands Bank		50
Banque de France		1,250
Bank of Greece		50
Central Bank of Ireland		50
Banca d'Italia		830
Banque Centrale du Luxembourg		50
Österreichische Nationalbank		50
De Nederlandsche Bank N.V.		300
Banco de Portugal		350
Schweizerische Nationalbank		750
Sveriges Riksbank		300
FRBNY, as representative of the US Department of the Treasury		5,000
Norges Bank		50
BIS		350
Total		13,280

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

December 9, 1998

Mr. William J. McDonough
President
Federal Reserve Bank of New York
33 Liberty Street
New York, N.Y. 10045

Dear Bill:

I hereby authorize and instruct the Federal Reserve Bank of New York (the "FRBNY") to act as fiscal agent of the United States in connection with the proposed Credit Facility (the "Credit Facility") to be provided by the Bank for International Settlements (the "BIS") in favor of the Banco Central do Brasil ("Borrower"), and the proposed Substitution Agreement (the "Substitution Agreement") between the BIS and the Participating Central Banks (as such term is defined in the Substitution Agreement). As fiscal agent, the FRBNY is hereby authorized to enter into the Substitution Agreement, as representative of the United States Department of the Treasury (the "Treasury"), in order to enable the BIS to enter into the Credit Facility with the Borrower.

Should the FRBNY receive notification from the BIS that the FRBNY, as the representative of the Treasury, is to be substituted for a portion of the BIS claims against the Borrower under the Substitution Agreement, the FRBNY is authorized (i) to be so substituted, (ii) to debit the "Secretary of the Treasury Special Account No. 1" on the books of the FRBNY (the "ESF Account") in the amount of the FRBNY's proportionate share of the BIS claims as so notified by the BIS to the FRBNY, and (iii) to fulfill all obligations and exercise all rights as provided in the Substitution Agreement. The FRBNY shall immediately provide a copy of such BIS notice to the Treasury. The Treasury agrees to maintain an amount in U.S. dollars in the ESF Account, which is otherwise unencumbered by another support or swap facility, sufficient to support the FRBNY's obligation to substitute for the BIS under the Substitution Agreement, and not to transfer such funds out of the ESF Account unless the Treasury and the FRBNY mutually agree.

The FRBNY agrees that after it has been fully reimbursed by the Treasury pursuant to the preceding paragraph, the FRBNY will immediately assign to the Treasury any and all claims it acquired from the BIS as a result of the substitution. Subject to further satisfactory agreement on reimbursement of all obligations, costs, and expenses by the Treasury, the FRBNY will represent the Treasury in any proceeding in which the Treasury wishes to assert claims that have been transferred from the FRBNY pursuant to the preceding sentence.

The FRBNY, as fiscal agent, will incur no liability in connection with any acts, arrangements, or agreements entered into or performed in accordance with this authorization, except for its own negligence, bad faith, or willful misconduct. The Treasury will reimburse the FRBNY for any losses, damages, judgments or costs and other necessary expenses, including any out-of-pocket expenses and customary charges, incurred by the FRBNY with prior approval of the Treasury, in connection with any acts, arrangements, or agreements entered into or performed in accordance with this letter.

Sincerely,

Robert E. Rubin

Robert E. Rubin

cc: The Honorable Alan Greenspan
Chairman, Board of Governors of the
Federal Reserve System

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

December 9, 1998

SUBJECT: Authorization to the Assistant Secretary for International Affairs

By virtue of the authority vested in me as Secretary of the Treasury, including 31 U.S.C. 301(b), 31 U.S.C. 321, and 31 U.S.C. 5302, I hereby authorize the Assistant Secretary for International Affairs to conclude arrangements, by January 15, 1999, with the Bank for International Settlements ("BIS") and the Federal Reserve Bank of New York in support of a BIS facility for the Banco Central do Brasil, as set forth in his memorandum to me of December 9, 1998.

Robert E. Rubin

Robert E. Rubin

DRAFT

The Honorable Al Gore
President
United States Senate
Washington, D.C. 20510

Dear Mr. President:

The Exchange Stabilization Fund ("ESF") is providing up to $5 billion to participate in a multilateral guarantee of a credit facility that the Bank for International Settlements ("BIS") is providing to the Banco Central do Brasil ("Banco Central"). Eighteen other central banks are guaranteeing the remainder of the BIS's $13.28 billion credit facility, except for $350 million provided from the BIS's own funds without a guarantee. The BIS facility is provided in support of an International Monetary Fund ("IMF") stand-by arrangement, which is designed to help restore financial market confidence in Brazil and its currency, the *real*, and to restore conditions for long-term sustainable growth. Consistent with the requirements of 31 U.S.C. sec. 5302(b), I am hereby notifying Congress that I have determined that unique or emergency circumstances require the ESF financing to be available for more than six months.

Brazil's Financial Crisis

The IMF arrangement for Brazil and the BIS facility are important responses to Brazil's financial crisis. Brazil is under intense external financial pressure that threatens to unleash a financial crisis in Brazil and elsewhere. Brazil's chronic fiscal weakness has left it vulnerable to contagion from economic crises in Asia and Russia and the loss of international investor confidence. A failure to support Brazil as it responds to this financial crisis could increase the risk of financial instability in Brazil which could spread to other Latin American countries and to other emerging market economies. Instability in Brazil, Latin America, and other emerging markets ultimately would hurt U.S. exports and the U.S. economy. Strong support, together with strong policy adjustment especially in the fiscal area, will help to restore confidence and significantly improve the prospect of preserving stability in Brazil.

As a member of the IMF, the U.S. has an obligation to pursue policies that are consistent with the IMF's goal of promoting and maintaining orderly exchange arrangements and a stable system of exchange values. Using the ESF to respond to Brazil's financial crisis, in support of the IMF's program for Brazil, is therefore consistent with the purpose of 31 U.S.C. sec.

5302(b)(the enabling law for the ESF): to enable the United States to take action consistent with its obligations as a member of the IMF by making ESF credit available to a foreign government.

The BIS Credit Facility and the ESF

The BIS credit facility is part of a broad multilateral effort to support the IMF's three-year arrangement for Brazil, totaling approximately $18.1 billion, which the Executive Board of the IMF approved on December 2, 1998. The IMF is providing its package through credit tranche policies and the Supplemental Reserve Facility ("SRF"). Through the Bank of Japan, the Government of Japan is providing a swap facility of $1.25 billion to Brazil under terms consistent with the terms of the BIS facility. In addition, the World Bank and the Inter-American Development Bank will be providing up to $9 billion in assistance to Brazil.

Drawings under the BIS facility mature in six months, with an option for additional six-month renewals. The Banco Central will be making drawings under the BIS facility in the same proportion as its purchases from the IMF's SRF, and the Banco Central's first drawing under the facility may not exceed $4.18 billion. This amount will proportionally not exceed the proportion of Brazil's first purchase under the IMF SRF in relation to the total amount of the SRF. The ESF's "share" of that first drawing will be up to approximately $1.62 billion (based on the ESF's percentage share of the overall BIS facility – 5/13.28).

The interest rate on the Banco Central's drawings is equal to the six-month LIBOR rate plus a premium of 460 basis points, which will cover U.S. credit risk. Though the Banco Central may make subsequent drawings (upon the agreement of the central banks) for up to one year and renew drawings for six month periods, it must pay interest penalties to do so.

I am enclosing a press release that the BIS plans to issue when the BIS facility becomes effective.

Conditions to Minimize Risks to the ESF

The BIS's agreement with the Banco Central contains conditions that minimize risks to the ESF. For example, the participating central banks and the BIS will approve each BIS drawing and renewal on a case-by-case basis. The participating central banks or the BIS may accelerate repayment should they determine that Brazil has failed to meet any condition of the Credit Facility Agreement or that Brazil has failed to meet any material obligation to the IMF. The BIS will be repaid no slower than and at least in proportion to the IMF SRF and to the Bank of Japan's swap facility.

The BIS credit facility will provide a crucial supplement to the IMF's reform program for Brazil and is vital to Brazil's ability to fulfil its economic and financial plan, which we believe is achievable with strong support from the U.S., other governments, and multilateral institutions. The availability of assistance for more than six months is necessary to help ensure that further pressure on the exchange rate of the Brazilian *real* does not force the Brazilian government to devalue its currency and abandon its economic and financial plan. In these unique and emergency circumstances, it is both appropriate and necessary to make the ESF available to guarantee the BIS facility for more than six months.

Sincerely yours,

William J. Clinton

Enclosure

DRAFT

The Honorable Newt Gingrich
Speaker
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

The Exchange Stabilization Fund ("ESF") is providing up to $5 billion to participate in a multilateral guarantee of a credit facility that the Bank for International Settlements ("BIS") is providing to the Banco Central do Brasil ("Banco Central"). Eighteen other central banks are guaranteeing the remainder of the BIS's $13.28 billion credit facility, except for $350 million provided from the BIS's own funds without a guarantee. The BIS facility is provided in support of an International Monetary Fund ("IMF") stand-by arrangement, which is designed to help restore financial market confidence in Brazil and its currency, the *real*, and to restore conditions for long-term sustainable growth. Consistent with the requirements of 31 U.S.C. sec. 5302(b), I am hereby notifying Congress that I have determined that unique or emergency circumstances require the ESF financing to be available for more than six months.

Brazil's Financial Crisis

The IMF arrangement for Brazil and the BIS facility are important responses to Brazil's financial crisis. Brazil is under intense external financial pressure that threatens to unleash a financial crisis in Brazil and elsewhere. Brazil's chronic fiscal weakness has left it vulnerable to contagion from economic crises in Asia and Russia and the loss of international investor confidence. A failure to support Brazil as it responds to this financial crisis could increase the risk of financial instability in Brazil which could spread to other Latin American countries and to other emerging market economies. Instability in Brazil, Latin America, and other emerging markets ultimately would hurt U.S. exports and the U.S. economy. Strong support, together with strong policy adjustment especially in the fiscal area, will help to restore confidence and significantly improve the prospect of preserving stability in Brazil.

As a member of the IMF, the U.S. has an obligation to pursue policies that are consistent with the IMF's goal of promoting and maintaining orderly exchange arrangements and a stable system of exchange values. Using the ESF to respond to Brazil's financial crisis, in support of the IMF's program for Brazil, is therefore consistent with the purpose of 31 U.S.C. sec.

5302(b)(the enabling law for the ESF): to enable the United States to take action consistent with its obligations as a member of the IMF by making ESF credit available to a foreign government.

The BIS Credit Facility and the ESF

The BIS credit facility is part of a broad multilateral effort to support the IMF's three-year arrangement for Brazil, totaling approximately $18.1 billion, which the Executive Board of the IMF approved on December 2, 1998. The IMF is providing its package through credit tranche policies and the Supplemental Reserve Facility ("SRF"). Through the Bank of Japan, the Government of Japan is providing a swap facility of $1.25 billion to Brazil under terms consistent with the terms of the BIS facility. In addition, the World Bank and the Inter-American Development Bank will be providing up to $9 billion in assistance to Brazil.

Drawings under the BIS facility mature in six months, with an option for additional six-month renewals. The Banco Central will be making drawings under the BIS facility in the same proportion as its purchases from the IMF's SRF, and the Banco Central's first drawing under the facility may not exceed $4.18 billion. This amount will proportionally not exceed the proportion of Brazil's first purchase under the IMF SRF in relation to the total amount of the SRF. The ESF's "share" of that first drawing will be up to approximately $1.62 billion (based on the ESF's percentage share of the overall BIS facility – 5/13.28).

The interest rate on the Banco Central's drawings is equal to the six-month LIBOR rate plus a premium of 460 basis points, which will cover U.S. credit risk. Though the Banco Central may make subsequent drawings (upon the agreement of the central banks) for up to one year and renew drawings for six month periods, it must pay interest penalties to do so.

I am enclosing a press release that the BIS plans to issue when the BIS facility becomes effective.

Conditions to Minimize Risks to the ESF

The BIS's agreement with the Banco Central contains conditions that minimize risks to the ESF. For example, the participating central banks and the BIS will approve each BIS drawing and renewal on a case-by-case basis. The participating central banks or the BIS may accelerate repayment should they determine that Brazil has failed to meet any condition of the Credit Facility Agreement or that Brazil has failed to meet any material obligation to the IMF. The BIS will be repaid no slower than and at least in proportion to the IMF SRF and to the Bank of Japan's swap facility.

The BIS credit facility will provide a crucial supplement to the IMF's reform program for Brazil and is vital to Brazil's ability to fulfil its economic and financial plan, which we believe is achievable with strong support from the U.S., other governments, and multilateral institutions. The availability of assistance for more than six months is necessary to help ensure that further pressure on the exchange rate of the Brazilian *real* does not force the Brazilian government to devalue its currency and abandon its economic and financial plan. In these unique and emergency circumstances, it is both appropriate and necessary to make the ESF available to guarantee the BIS facility for more than six months.

Sincerely yours,

William J. Clinton

Enclosure

DRAFT

PRESS RELEASE

Multilateral financial assistance to the Banco Central do Brasil

Within the framework of an international financial support programme for Brazil, the BIS is coordinating a Credit Facility of up to USD 13.28 billion in favour of the Banco Central do Brasil, with the backing of 19 participating central banks: Banque Nationale de Belgique, Bank of Canada, Danmarks Nationalbank, Deutsche Bundesbank, Bank of England, Banco de España, Suomen Pankki - Finlands Bank, Banque de France, Bank of Greece, Central Bank of Ireland, Banca d'Italia, Banque Centrale du Luxembourg, Österreichische Nationalbank, De Nederlandsche Bank N.V., Banco de Portugal, Schweizerische Nationalbank, Sveriges Riksbank, Federal Reserve Bank of New York, as representative of the US Department of the Treasury and Norges Bank.

This Facility, together with a parallel Facility of USD 1.25 billion granted by the Japanese authorities, became effective [today] [on ... 1998] and has a draw-down period lasting one year. Drawings are linked to disbursements under the IMF's Supplemental Reserve Facility. A first draw-down on the BIS Facility amounting to up to [USD 4.18 billion] is scheduled for .... December 1998, subject to approval by the Brazilian Senate of a guarantee by the Federal Republic of Brazil.

TREASURY CLEARANCE SHEET

NO.________
DATE:______

MEMORANDUM FOR: ☒ SECRETARY ☐ DEPUTY SECRETARY ☐ EXECUTIVE SECRETARY

☐ ACTION ☐ BRIEFING ☐ INFORMATION ☐ LEGISLATION
☐ PRESS RELEASE ☐ PUBLICATION ☐ REGULATION
☐ SPEECH ☐ TESTIMONY ☐ OTHER ______________

FROM: Assistant Secretary Geithner
THROUGH:
SUBJECT: **Brazil and the ESF: Authorization to Take Steps Needed for Use of the ESF in Support of the BIS Credit Facility for Brazil, Including "Indemnity Letter" for the FRBNY**

REVIEW OFFICES (Check when office clears)

☐ Under Secretary for Finance
☐ Domestic Finance
☐ Economic Policy
☐ Fiscal
☐ FMS
☐ Public Debt

☐ Under Secretary for International Affairs
☐ International Affairs

☐ Enforcement
☐ ATF
☐ Customs
☐ FLETC
☐ Secret Service
☐ General Counsel
☐ Inspector General
☐ IRS
☐ Legislative Affairs
☐ Management
☐ OCC

☐ Policy Management
☐ Scheduling
☐ Public Affairs/Liaison
☐ Tax Policy
☐ Treasurer
☐ E & P
☐ Mint
☐ Savings Bonds

☐ Other ______________

NAME (Please Type)	INITIAL	DATE	OFFICE	TEL. NO.
INITIATOR(S)				
E. Wilcox/D. Joy	ERW DOJ	12/8/98	Office of the General Counsel	622-0929/1945
REVIEWERS				
L. McDonald	see attached	12/8/98	Office of International Monetary Policy	622-0159
T. Dulaney	TD		Director, Foreign Exchange Operations	622-2052
W. McGrew	see attached		Dir., Office of Latin American and Caribbean Nations	622-2876
D. Zelikow	see attached		DAS, Office of Asia, the Americas & Africa	622-7222
C. Atkinson	see attached		DAS, Int'l Monetary & Financial Policy	622-0489
R. Sinkfield	See attached		DAS, Legislative Affairs	622-1960
R. Munk	RXM	12/8/98	Asst. General Counsel, Int'l Affairs	622-1899/1949
E. Knight	EGK	12/9/98	General Counsel	622-0287
L. Robertson	LR	12/8/98	Asst. Secretary, Legislative Affairs	622-1920
T. Truman	EMT		Acting Principal Deputy Asst. Secretary	622-1270
T. Geithner	SMT [illegible]		Asst. Secretary, Int'l Affairs	622-0656

SPECIAL INSTRUCTIONS

☐ Review Officer Date ______________ ☐ Executive Secretary Date ______________

TREASURY CLEARANCE SHEET

NO.________
DATE:______

MEMORANDUM FOR: ☐ SECRETARY ☐ DEPUTY SECRETARY ☐ EXECUTIVE SECRETARY

☐ ACTION ☐ BRIEFING ☐ INFORMATION ☐ LEGISLATION
☐ PRESS RELEASE ☐ PUBLICATION ☐ REGULATION
☐ SPEECH ☐ TESTIMONY ☐ OTHER ____________

FROM: Assistant Secretary Geithner
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☐ Inspector General
☐ IRS
☐ Legislative Affairs
☐ Management
☐ OCC

☐ Policy Management
☐ Scheduling
☐ Public Affairs/Liaison
☐ Tax Policy
☐ Treasurer
☐ E & P
☐ Mint
☐ Savings Bonds

☐ Other ____________

NAME (Please Type)	INITIAL	DATE	OFFICE	TEL. NO.
INITIATOR(S)				
E. Wilcox/D. Joy	EKW	12/8/98	Office of the General Counsel	622-0929/1945
REVIEWERS				
L. McDonald	[illegible] for	12/8/98	Office of International Monetary Policy	622-0159
T. Dulaney			Director, Foreign Exchange Operations	622-2052
W. McGrew	WM	12/8/98	Dir., Office of Latin American and Caribbean Nations	622-2876
D. Zelikow	DMZ		DAS, Office of Asia, the Americas & Africa	622-7222
C. Atkinson	CA	12/8/98	DAS, Int'l Monetary & Financial Policy	622-0489
R. Sinkfield ✓			DAS, Legislative Affairs	622-1960
R. Munk			Asst. General Counsel, Int'l Affairs	622-1899/1949
E. Knight			General Counsel	622-0287
L. Robertson			Asst. Secretary, Legislative Affairs	622-1920
T. Truman			Acting Principal Deputy Asst. Secretary	622-1270
T. Geithner			Asst. Secretary, Int'l Affairs	622-0656

SPECIAL INSTRUCTIONS

☐ Review Officer Date ______ ☐ Executive Secretary Date ______

NCC ok to autopen
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12/9/98