

August 27, 1986

TO: Federal Open Market Committee
All Federal Reserve Bank Presidents
FROM: Norman Bernard *N.B.*

Subject: Bridging Arrangements for Mexico

STRICTLY CONFIDENTIAL (F.R.)
Class I -- FOMC

The technical arrangements in connection with the multilateral short-term bridge financing for Mexico that was discussed at the August FOMC meeting are almost complete. On the assumption that they will be complete by 2:00 p.m. EDT today, the Treasury and Federal Reserve plan at that time to put out the press release below.

Mexico intends to draw \$850 million on Friday. (This information will not be made public.) The Federal Reserve share of that drawing would be \$210.2 million which would be provided under the System's swap line with the Bank of Mexico as approved at the August FOMC meeting.

"The U.S. Treasury and the Federal Reserve announced today their participation in completed arrangements to provide a \$1.6 billion facility for near-term contingency support for Mexico's international reserves. The official component of the facility is \$1,100 million; the remaining \$500 million will be provided through a parallel arrangement by a group of international commercial banks. Up to \$850 million of the official component will be available to Mexico immediately if needed.

Of these amounts, the U.S. monetary authorities will provide \$545 million in cooperation with the BIS -- acting with the support of the central banks of the other Group of Ten countries and Spain -- and with the central banks of Argentina, Brazil, Colombia and Uruguay, which will together provide the balance of \$555 million. The U.S. Treasury Department, through the Exchange Stabilization Fund, will provide \$273 million and the Federal Reserve will provide \$272 million through swap arrangements.

This facility is being made available in light of the agreement between the United Mexican States and the managements of the IMF and World Bank on a growth-oriented economic program. Any drawings on the official component are to be repaid from disbursements by these two international institutions. Any drawings on the commercial bank portion are to be repaid from disbursements by commercial banks under their more permanent financing arrangements for Mexico now being formulated."