

AGREEMENT BETWEEN THE GOVERNMENT
OF CANADA AND THE GOVERNMENT OF THE REPUBLIC
OF HUNGARY CONCERNING THE GUARANTEE OF
A LOAN

The Government of Canada and the Government of the Republic of Hungary,

Considering that by an agreement dated *5th October, 1992* between the Government of the Republic of Hungary and the Royal Bank of Canada (hereinafter called the "Bank"), the Bank has agreed to lend the Government of the Republic of Hungary up to CDN \$13,500,000 for balance of payment purposes, on the terms and conditions set forth in the loan agreement, but only on the condition that the Government of Canada agrees to guarantee the fulfilment of the obligations of the Government of the Republic of Hungary in respect of such loan;

Considering further that by an agreement between the Bank and the Government of Canada, the Government of Canada provided to the Bank full guarantees for the payment of all indebtedness of the Government of the Republic of Hungary outstanding from time to time under the above mentioned loan agreement;

Mindful that the Group of 24 industrial countries under the chairmanship of the Commission of the European Community has pledged to support the aforesaid programme;

Recognizing that the Government of the Republic of Hungary is undertaking fundamental political and economic reforms and has decided to adopt a market economy model;

Conscious that the Government of the Republic of Hungary has entered into an agreement with the International Monetary Fund on its programme to stabilize and modernize its economy and has the intention to make its currency convertible;

have agreed as follows:

Article 1

In the event of default on the part of the Government of the Republic of Hungary, as defined by the above loan agreement between the Government of the Republic of Hungary and the Bank, the Government of Canada shall fulfil the obligations of the Government of the Republic of Hungary, as provided by the agreement between the Government of Canada and the Bank, and:

- a) the Government of Canada shall become subrogated to the rights of the Bank with respect to the Government of the Republic of Hungary; and