

TELEGRAM

INCOMING

BRASILIA

Foreign Service of the
United States of America

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1. DAVID CANNON, REPRESENTATIVE IN BRAZIL OF BANK OF AMERICA, HAS INFORMED EMBOFF THAT CENTRAL BANK HAS IN EFFECT TURNED DOWN BANK OF AMERICA'S APPLICATION FOR PERMISSION PURCHASE CONTROLLING INTEREST IN BANCO GUANABARA. GANNON HAS BEEN UNABLE OBTAIN RESPONSE IN WRITING TO BANK'S APPLICATION, BUT CENTRAL BANK PRESIDENT RIO LEME HAS TOLD HIM PURCHASE NOT QUOTE VIABLE UNQUOTE AT PRESENT TIME. ACCORDING GANNON, LEME STATED TWENTY FOREIGN BANKS ARE SEEKING TO ENTER BRAZIL AND IMPLIED APPROVAL BANK OF AMERICA APPLICATION WOULD ESTABLISH PRECEDENT WHIC WOULD MAKE IT DIFFICULT PREVENT EXCESSIVE PARTICIPATION IN BRAZILIAN BANKING BY FOREIGN BANKS. (COMMENT: WE THINK IT HIGHLY UNLIKELY THAT 20 FOREIGN BANKS HAVE FIRM PLANS TO BEGIN OPERATIONS HERE, AND PRESUME THIS NUMBER, IF IT HAS ANY VALIDITY, MUST INCLUDE BANKS WHICH PROPOSE TO ESTABLISH REPRESENTATION HERE.)

2. GANNON STATES CENTRAL BANK HAS AT SAME TIME CALLED IN OWNERS OF BANCO GUANABARA AND INFORMED THEM THEY WILL NOT BE PERMITTED SELL SHARES TO FOREIGN BANK. GANNON ATTRIBUTES CENTRAL BANK DECISION TO INFLUENCE OF SMALL NUMBER OF BRAZILIAN BANKERS HEADED BY GASTON VIDIGAL, WHO AS MEMBER MONETARY COUNCIL HAS BEEN IN STRATEGIC POSITION TO INFLUENCE THE DECISION, AND TO OPPOSITION MAGALHAES PINTO, FOREIGN MINISTER AND IMPORTANT MINAS BANKER.

3. BANK OF AMERICA HAS NOT YET DECIDED ON ITS NEXT STEP. ONE POSSIBILITY WOULD BE TO APPLY TO OPEN A BRANCH HERE.

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SUBJECT