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REIMBURSEMENT TO CONTRIBUTORS OF THE BALANCE ON THE
TANIO MAJOR CLAIMS FUND

Note by the Director

Introduction

1 In document FUND/A.11/10, the Director estimated that the balance on the TANIO major claims fund would be approximately £13.8 million as at 1 February 1989. He proposed that an amount of £13.7 million should be distributed to the contributors to that major claims fund on 1 February 1989, and that any amount in excess of £13.7 million should be transferred to the general fund in accordance with Internal Regulation 4.4.2. In view of the fact that he is now able to make a more accurate assessment of the balance on the TANIO major claims fund as at that date, the Director would like to adjust his proposal.

Investment of Balance on the TANIO Major Claims Fund

2 The amount recovered as a result of the out-of-court settlement in the TANIO case (£9 537 856 plus interest of £3 362) was invested on 17 December 1987. At the time of these investments, the London clearing bank base rate was 8.5% and was expected to fall further. This rate was raised to 9% on 2 February 1988, reduced to 8.5% on 17 March 1988 and progressively reduced by half percentage points at monthly intervals to 7.5% on 3 June 1988 before being raised again by half percentage points at very short intervals to 10% on 18 July 1988. The Director's estimate in document FUND/A.11/10 of the balance available for reimbursement on 1 February 1989 was based on the situation at the time of drafting that document.

3 Since the issuance of document FUND/A.11/10 the base rate has risen to 12%. Pronouncements have been made by the United Kingdom Government that the interest rate is expected to remain at the present level for some time to come. The actual yield on the investment of the assets of the TANIO major claims fund made during the period September 1988 to January 1989 will be higher, therefore, than previously estimated by the Director. In view of this development, the Director has considered it appropriate to revise his estimate of the balance on the TANIO major claims fund as at 1 February 1989.

4 As at 31 December 1987, the balance on the TANIO major claims fund was £12 736 321 (cf document FUND/A.11/5, Annex IV, Statement III). This amount was invested as follows:

	Principal	Period	Term	Rate	Interest
(a)	£2 000 000.00	17.12.87 - 16.09.88	9MF	9.3125	139 815.07
	£2 139 815.07	16.09.88 - 16.01.89	122DF	12.375	88 509.20
	£2 228 324.27	16.01.89 - 01.02.89	16DF	10.00	9 768.00*
(b)	£2 000 000.00	17.12.87 - 19.09.88	9MF	9.375	142 294.52
	£2 142 294.52	19.09.88 - 20.09.88	ON	9.875	579.59
	£2 142 874.11	20.09.88 - 23.09.88	3DF	10.50	1 849.33
	£2 144 723.44	23.09.88 - 03.10.88	10DF	11.25	6 610.45
	£2 151 333.89	03.10.88 - 01.02.89	44DF	12.00	85 581.83*
(c)	£5 541 217.75	17.12.87 - 19.12.88	12MF	9.4375	527 250.65
	£6 068 468.40	19.12.88 - 01.02.89	44DF	11.25	82 298.41*
(d)	£3 195 103.00	31.12.87 - 31.12.88	12MF	9.50	303 534.79
	£3 498 637.79	31.12.88 - 01.02.89	32DF	11.00	33 740.29*

Total interest on £12 736 321 from 19.12.87 to 1.2.89: £1 421 832.13

* estimates

Payments Due in 1988

5 The total payments due in 1988 in respect of the TANIO incident are estimated as follows:

	£
Final payment of compensation	93 920
Lawyer's fees	120 000
Travel costs	2 000
Miscellaneous	20
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	215 940
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Amount Available for Distribution

6 The amount available for distribution on 1 February 1989 can therefore be calculated as follows:

	£
Principal at 31.12.87	12 736 321
Interest 19.12.87 - 1.2.88	1 421 832
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	14 158 153
Less payments in 1988	215 940
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Balance on 1.2.1989	13 942 213
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7 On the basis of this revised estimate, the Director proposes that an amount of £13.9 million should be distributed to the contributors, in the manner set out in paragraphs 8 and 9 of document FUND/A.11/10, and that any amount in excess of £13.9 million should be transferred to the general fund (cf Internal Regulation 4.4.2).

Action to be Taken by the Assembly

6 The Assembly is invited to consider the Director's proposals in respect of the reimbursement to contributors of the balance on the TANIO major claims fund.
