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10 DOWNING STREET

From the Private Secretary

6 May, 1980.

Copies to the Deputy Secy
Mr. Keohne
Mr. Holland
B/S

Dear Paul,

Iran: Legislation

The Prime Minister held a meeting this evening with the Chancellor of the Exchequer and the Governor of the Bank of England. Sir Robert Armstrong was also present.

The Governor reported on a recent meeting he had had with Mr. Nobari, the Governor of the Iranian Central Bank. Questioned about HMG's position on the possible freezing of Iranian assets, he had told Nobari that - unless Iran were to take action against UK interests - HMG had no intention of freezing their assets in London. Nobari had, however, expressed concern that the legislation which we were planning on trade sanctions might still enable us to freeze Iran's assets.

The Prime Minister said that in that case it must be made absolutely clear in the legislation that freezing of assets was excluded. She understood that the bill as presently drafted was widely drawn, and would enable us to take freezing powers if we so wished. The bill would need to be redrafted so as to explicitly exclude the possibility of freezing.

The Prime Minister went on to say that, rather than introducing an Enabling Bill with the details of the measures to be set out in an Order in Council and with an explicit exclusion relating to assets, Ministers should consider specifying in the bill itself the measures to be taken. She understood that the 1939 Act would cover the main trade sanctions measures: if so, the bill could simply specify the trade measures in the vetoed Security Council Resolution which should not be implemented under the 1939 Act.

I am sending copies of this letter to the Private Secretaries to Members of OD Committee and L Committee, to John Beverly (Bank of England), and David Wright (Cabinet Office).

Paul Lever, Esq.,
Foreign and Commonwealth Office.

Handwritten signature
Tim Loh

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