

COVERING SECRET

010
It is available to Sir K. Lougeur
Mr Barnett
Mr Lavelle

Mr T. Planchev, 10 Downing
St

BANK OF ENGLAND
Threadneedle Street
London
EC2R 8AH

1st May 1980.

6 p.m.

A.J. Wiggins, Esq.,
H.M. Treasury,
Parliament Street,
London,
SW1P 3AG

Dear John,

As you will have heard, the record of the Governor's meeting in Hamburg with Governor Nobari, which was sent to you last night, was missing a vital paragraph. I attach a correct version, containing the missing paragraph as paragraph 4.

I am very sorry for the muddle, but hope that the Chancellor was given the gist of my telephone call before his meeting with the Prime Minister this morning.

I should be very grateful if you would ensure that all copies of the incorrect version are destroyed.

Yours sincerely

Anthony Loehnis

A.D. Loehnis

NOTE FOR RECORD

Copies to: The Governors)
Mr.Holland) only

Meeting with the Governor of the Bank Markazi Iran:
(Friday, 25th April 1980)

During the IMF Interim Committee meeting in Hamburg last week, Mr.Ali-Reza Nobari, Governor of the Bank Markazi, asked for a meeting with the Governor, which was arranged.

The purpose of Nobari's request was clear from his immediate question at the meeting - are you going to freeze? The Governor said that he had made our position plain at their last meeting before Christmas, namely that it was not in our interests, nor had it been our practice, as a main financial centre to use the freeze weapon and that - provided always the Iranians behaved properly towards us in banking terms - we did not intend to freeze their deposits in the UK.

Nobari asked whether the Governor would be subject to political pressure to change this line and specifically whether he had consulted the Prime Minister. The Governor confirmed that this line had the Prime Minister's approval, and that the Bank would thus not be subject to political pressure to impose a freeze. The Governor mentioned the contingency of a UN resolution imposing a financial freeze, but said that this was not now a practical possibility.

Nobari seemed reassured by this, and, without mentioning the report in that day's ^{International Herald Tribune} (IHT) that he had said in Hamburg that in the light of the EEC Communique he would withdraw deposits from such countries, indicated that he would leave deposits in London. He said he had had unequivocal assurances on no freezing from Kreisky in Austria, and the German Government. He said that if inadvertently the Iranians took some action which we regarded as damaging or a departure from normal banking relationships, we should let him know, as it would be unintentional.

Nobari was concerned that we might be planning some special legislation, or that there was some legal machinery which could be utilised to compel us to freeze. He had had private intelligence in some such sense from a meeting of US banks in New York, and he

understood that their lawyers had been in touch with lawyers in the UK. The Governor said he did not know to what this intelligence related and stood on his general position as given above.

It was not at all clear what Nobari had in mind in this respect, but it is not impossible that it had to do with Chemical Bank's action relating to the National Water Council Loan. In any event, Nobari indicated that he would check with his source and revert to us in more precise terms as to what the main worry was if it persisted.

ADL

28th April 1980.

A.D.L.

1-2 1/2 1380

