



HM Treasury

A C S ALLAN
Under Secretary



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Dear Len,

AHGG: FINANCIAL SANCTIONS

Two points came up at this morning's meeting of AHGG in relation to financial sanctions, which I said I would investigate and report back to the Group.

The first concerned payments from blocked accounts to Iraqi students in the UK, where paragraph 6(v) of AHGG(90)20 suggested that "it would be possible to put in place much stricter monitoring to ensure that the amounts requested are required and that they are being put to the purpose for which they have been approved". All such payments already require Bank of England authorisation, and this is restricted to reasonable living expenses. Authorisation would not be given for larger sums unless there were a clear evidence of need. Restrictions on Iraqi nationals are already applied much more strictly than those on Kuwaiti nationals. We and the Bank of England do not see scope for a tougher regime without the risk of creating genuine hardship. This could affect those opposed to the current Iraqi regime as well as those who support it, and could open up the possibility of retaliation against the funds of British nationals in Iraq. We also see considerable practical difficulties in policing such a regime, even if it were thought desirable.

3. The second point raised concerned instructions from Iraq to amend letters of credit. I discover that this is being discussed in David Gowan's sub-group on the movement of funds, and that DTI and the Bank of England have been asked to investigate what action can be taken under the UN Sanctions Order to stop this. I understand this is to be discussed at the sub-group tomorrow, and David Gowan could perhaps report back to AHGG on Wednesday.

4. I am copying this to AHGG.

Yours
Alec

A C S ALLAN