

Message Text

CONFIDENTIAL

PAGE 01 JIDDA 07310 121336Z

46

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

----- 039060

O R 121145Z DEC 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC IMMEDIATE 9559

AMCONSUL DHAHRAN

C O N F I D E N T I A L JIDDA 7310

EXDIS

E.O. 11652: GDS

TAGS: EFIN, SA, US

SUBJECT: SAMA AGREES TO PURCHASE TREASURY ISSUES

REF: JIDDA 7130

SUMMARY: SAMA GOVERNOR AL QURAYSHI HAS AGREED TO EXPERIMENTAL PURCHASE THROUGH FEDERAL RESERVE OF SUBSTANTIAL ADDITIONAL PORTION OF DECEMBER TREASURY ISSUE. CONTINUOUS RELATIONSHIP ENVISAGED FOR LONGER TERM ISSUED. END SUMMARY.

1. UNDER SECRETARY BENNETT IN TWO LONG SESSIONS DEC 11 AND 12 WITH SAUDI ARABIAN MONETARY AGENCY GOVERNOR ABD AL AZIZ QURAYSHI REACHED AGREEMENT FOR AN INITIAL SAUDI PURCHASE OF LONGER TERM ISSUES LATER THIS MONTH. THE GOVERNOR REQUESTED THAT THE ARRANGEMENT WORKED OUT IN PRINCIPLE WITH TREASURY WHOULD BE IMPLEMENTED BY THE FEDERAL RESERVE BANK OF NEW YORK.

2. THE SAUDI GOVERNOR ACCEPTED THE PROPOSAL TO HAVE A NEW CONFIDENTIAL RELATIONSHIP THROUGH THE FEDERAL RESERVE WITH THE TREASURY BORROWING OPERATION. WHEN ANNOUNCEMENT OF AN ISSUED IS MADE, SAMA WILL BE QUERIED AS TO ITS INTEREST IN PURCHASING ADDITIONAL AMOUNTS OF THE SAME ISSUE AT THE AVERAGE PRICE OF THE AUCTION. CERTIFICATES FOR THESE ADDITIONAL AMOUNTS WILL BE ISSUED AND PROBABLY DEPOSITED IN ONE OF THE BANKS ON
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 JIDDA 07310 121336Z

DEPOSIT FOR SAMA. IN THE EVENT THAT SAMA WISHES TO

DISPOSE OF THESE ISSUES AHEAD OF THEIR DATE OF MATURITY FOR ANY REASON, NOTIFICATION WILL BE GIVEN TREASURY AT LEAST TWO DAYS AHEAD SO THAT MARKET FORCES CAN BE EVALUATED AND AN OFFER MADE TO SAMA IF JUDGED NECESSARY TO PREVENT DISRUPTION OF THE ORDINARY MARKET IN SUCH ISSUES.

3. INITIALLY GOVERNOR WAS DEFINITE THAT SHORT-TERM INVESTMENTS WERE NOT NEEDED. THESE WOULD BE DONE THROUGH REGULAR CHANNELS. HOWEVER, DEPUTY GOVERNOR ASKED PROBING QUESTIONS ABOUT POSSIBLE TEMPORARY DEPOSITS OF CERTAIN FUNDS OR PURCHASE OF VERY SHORT-TERM CERTIFICATES. UNDER SECRETARY INDICATED THAT PERHAPS SOME ARRANGEMENTS COOULD BE MADE PROVIDED CASE-BY-CASE NEGOTIATIONS COULD BE AVOIDED AS TO RATE.

4. SAMA GOVERNOR, WHO CONSULTED WITH RIYADH BY TELEPHONE BEFORE MAKING THE DECISION, SAID THEY WISHED TO HAVE A SPECIAL ARRANGEMENT FOR PURCHASE OF ORDINARY ISSUES INSTEAD OF PURCHASING SPECIAL ISSUES AS HAD BEEN PROPOSED. EMPHASIS WAS STRONG ON NECESSITY OF CONFIDENTIALITY.

5. ONLY OTHER SAUDI OFFICIAL PRESENT AT THE DISCUSSIONS WAS DEPUTY GOVERNOR KHALID AL GHOSAYBI WHO TOOK AN ACTIVE PART AND ASKED ABOUT THE POSSIBILITY OF NEGOTIATING A SOMEWHAT SIMILAR RELATIONSHIP FOR PURCHASE OF ISSUES OF THE INDEPENDENT FEDERAL FINANCIAL AGENCIES. UNDER SECRETARY SAID THAT SUCH NEGOTIATIONS COULD BE APPROVED BUT ONLY IF THEY WERE DIRECE AND DID NOT INVOLVE USE OF ANY OTHER GROUP OR AGENT. AMBASSADOR AND ECONOMIC COUNSELOR PRESENT DURING TALKS WHICH WERE MOST RELAXED.

6. REGARDING YESTERDAY'S (DEC 11) SURPRISE DECISION TO REQUIRE SALES OF OIL ONLY IN DOLLARS, THE GOVERNOR SAID ONLY THAT IT HAD BEEN UNFORTUNATE THAT THE DECISION HAD BECOME KNOWN WHILE CHANCELLOR OF EXCHEQUER WAS ON VISIT TO KINGDOM (HE DEPARTS THIS MORNING - DEC 12). NO FURTHER EXPLANATION GIVEN OF SAUDI DECISION TO LEAVE STERLING.
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 JIDDA 07310 121336Z

7. DETAILS FOLLOW BY AIRGRAM.
AKINS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BONDS, AGREEMENTS, INVESTMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 DEC 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974JIDDA07310
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740361-0075
From: JIDDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741241/aaaabipk.tel
Line Count: 110
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 74 JIDDA 7130
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 03 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 JUL 2002 by martinml>; APPROVED <26 MAR 2003 by CunninFX>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SAMA AGREES TO PURCHASE TREASURY ISSUES
TAGS: EFIN, SA, US
To: STATE DHAHRAN
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005