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Top Copy: Ewan Psl,
May 79, - The Exchange Rate,
Exchange Control Policy.

SECRET



Prime Minister ²
Energy
You told the Committee
and the Government that
you will discuss
this with them
after their return
from Belgrade.

A need not

PRIME MINISTER

TIMING OF EXCHANGE CONTROL PACKAGE AND BP SHARE SALE

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26/9

You will be aware that there is a link between the timing of the sale of BP shares and the possible announcement of further steps in dismantling exchange controls.

The link arises because an exchange control relaxation on portfolio investment might have a marginally depressing effect on the shares of UK companies with high overseas earnings, like BP. If the relaxation were announced shortly after a Government sale of BP shares and the BP price fell, whether on account of the relaxation or for some quite different reason, there could well be complaints from aggrieved shareholders that the Government had deliberately held up the exchange control announcement so as not to affect the share price before the sale.

Such complaints might be expected to be taken to the Council of the Stock Exchange or to the Council for the Securities Industry or to an MP or to the Press. In the last resort legal action could not be ruled out. There could be a special problem with the US Securities and Exchange Commission even though the main sale will be confined to the London market.

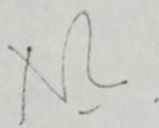
This suggests that any announcement about exchange control relaxations should be made before the BP sale and our preliminary plans reflect this.

The Chancellor intends to consult you early next month about the possibility of a further exchange control package and its timing. We have not come to conclusions on the timing of the BP sale, but we think that it ought to take place as quickly as possible. The

Chancellor will consult you later about the precise date, but it looks as if 30 October would be a convenient date, provided market conditions are right. There would be serious technical difficulties in postponing it for more than a week or so beyond that if the sale is to take place before December. This would suggest that, provided conditions generally are suitable for such a move, the ideal timing for the Exchange Control package would be more or less as soon as Parliament returns on 22 October.

if we
have
one.
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We will keep you in close touch with developments on both these points, but I thought you might wish to be aware at this stage of the link between the two operations.



NIGEL LAWSON

25 September 1979