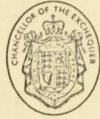


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NOTE OF A MEETING HELD IN THE CHANCELLOR OF THE EXCHEQUER'S ROOM,
H.M. TREASURY AT 9.45 A.M. ON FRIDAY, 9 JANUARY, 1981

Present:

Chancellor of the Exchequer
Deputy Governor - Bank of England
Mr W Ryrie

Cur

BANKING ACT 1979

Extract
with pps
on T/S

The Deputy Governor reported informally the progress which the Bank of England were making in considering the application of the Commercial Bank of Wales (CBW) for recognition as a bank. He explained that under the Act the Bank were obliged to respond after a given period to an application for recognition. In the case of the CBW this meant expressing a view by 31 January. If the Bank declined to recognise the CBW as a bank it would not be able to call itself a bank after 1 year. Not to express a view would place the Bank in breach of the Banking Act. The Bank had to be satisfied, ^{that an institution enjoyed a high} standing and provided a wide range of banking services before it could grant recognition as a bank. In view of the strong regional representations which had been made, which included letters from James Callaghan, MP and Sir Alun Talfan Davies, QC, the Bank had examined the CBW's application particularly closely. However, whilst they had no doubts about the CBW's integrity, they could not see their way to judging that the requirement that a wide range of banking services be provided was met. On this basis they could recognise the CBW as a licence deposit taker, but not a bank. They had recognised that such a response could

/give rise to criticism

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give rise to criticism from some quarters and had therefore considered possible solutions. Firstly, they could reconsider the cases of institutions similar to the CBW. This however would involve recognising as banks some bodies which the Bank would be very reluctant to recognise. Secondly, they could encourage the CBW to move its headquarters overseas and to open branches in Wales. This however would probably encourage similar behaviour by others, which was undesirable; also, it would be a somewhat absurd arrangement given the CBW's regional association. Thirdly, the CBW could be recognised under a special regional head. There were however banks in for example Yorkshire and Ulster which did more than the CBW but which the Bank would not judge it appropriate to recognise. Finally, they had considered the case for suggesting "grand-fathering", ie extending the period of grace for institutions trading as banks before the Banking Act, 1979 came into force. This would require new legislation. A general relaxation of this kind would apply to institutions already not recognised as banks and would include institutions which the Bank would not otherwise have wanted to recognise. It was, however, probably the least unattractive of these four options.

2. In discussion, it was recognised that legislation of limited scope to enable the CBW to be recognised as a bank, whether introduced by the Government or by a private member (on which the Government would need to express a view at second reading), would look discriminatory and could be criticised as such. The Deputy Governor said that though others had pressed for a longer transitional period their arguments had been rejected and they had been obliged to change their names.

3. The Chancellor said, concluding the discussion, that he would need in due course to inform No.10 of the Bank's likely

/review about the



SEE PREV.

view about the application of the CBW. In the meantime, he would be grateful if the Bank would consider further the case for a longer period of transition, so that the CBW might continue to trade as a bank. The Deputy Governor said that the Governor would be writing to the Chancellor about this case in the near future.

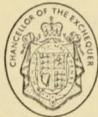
DISPERSAL OF THE REGISTRAR'S DEPARTMENT

4. The Deputy Governor said that the Governor had spoken to the Secretary of State for Wales and corresponded with local MP's about the possibility of dispersal of the Registrar's Department. The Bank now judged that the number of local jobs created would be very limited. Any transfer would probably be in the mid 80's, at which time the Department was planned to be 800 strong, though computerisation could reduce this still further. The requirement that deals be completed over night called for experienced staff and the Bank judged that some four to five hundred staff would need to be transferred. Given that the terms and conditions of Bank staff does not oblige them to accept relocation and that there could well be only limited local jobs available for spouses, it would be difficult to persuade sufficient numbers of employees to transfer. The Bank's judgement was that the possible savings from moving to Wales would not outweigh the risk involved. The Governor proposed writing to the Secretary of State for Wales to explain this.

5. The Chancellor said that it was his experience that actual savings from relocation outside London were often significantly more than estimated savings. He doubted whether the Bank would need to move as many staff as suggested. Finally, he emphasised, in a disinterested way, the attractions of South Wales,

/particularly its transport

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particularly its transport system and the nearby attractive environment. He asked that the Bank hold back from indicating to the Welsh Secretary that they had reached a final view. In the meantime, he would speak to Mr Edwards.

THE COURT

6. The Deputy Governor said he wanted to take the opportunity to mention to the Chancellor the Governor's thinking on appointments to the Court, on which he would writing soon. The Governor would be proposing that Sir Robert Clark and Sir David Steel should continue as non-Executive Directors. Of the Executive Directors, he would propose that Mr Page continue and that Mr Loehnis should be made a full Executive Director in order that the overseas side, which he was responsible for, should have representation in the Court. He would replace Christopher Dow who was due to retire in February. The Governor would propose retaining Dow in some advisory capacity, though not as a member of the Court. Finally, Lord Robens, a non-Executive Director, wanted to retire from February. Whilst he had been an industrial member, the Governor judged that even after his departure the Court would have adequate industrial experience, and wanted to strengthen representation by the City. To this end, he had in mind the names of John Baring or Edmund Dell.

7. The Chancellor took note and said having received the Governor's letter he would need to discuss his proposals with the Prime Minister.

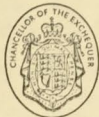
Distribution:

lit.
R I TOLKIEN
14 January

Those present
Financial Secretary
Sir Douglas Wass
Mr Middleton
Mr Monck
Mr Pirie
Mr Ward

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Deputy Governor



CORRIGENDUM TO NOTE OF CHANCELLOR OF THE EXCHEQUER'S MEETING
OF 9 JANUARY TO CONSIDER, INTER ALIA, CASE OF THE COMMERCIAL
BANK OF WALES UNDER BANKING ACT, 1979

The following words should be inserted in line 10 between
"satisfied" and "standing":

"that an institution enjoyed a high".

R.I.T.

R I TOLKIEN
14 January 1981

cc Those present
Financial Secretary
Sir Douglas Wass
Mr Middleton
Mr Monck
Mr Pirie
Mr Ward

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