

CONFIDENTIAL

cc Alan Walters
Bernard Ingham



Prime Minister

To note.

MCs 19/10

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

A handwritten signature in blue ink, appearing to be 'M. S.', located to the right of the recipient's name.

TRANSFER OF BP SHARES FROM THE BANK TO THE TREASURY

Now that Burmah have announced that they do not intend to appeal against the High Court judgement in favour of the Bank of England, I have decided, in agreement with the Bank, to transfer to the Treasury as quickly as practicable the Bank's holding of some 311m BP shares.

2. I plan to announce my intention as soon as Parliament returns, by means of an inspired Written Question. This should be no surprise, since we have made clear, for example most recently in the offer document for the BP rights issue, that it was the intention to transfer the shares in due course. The actual transfer cannot take place before the approval of a Winter Supplementary Estimate for the purchase of the shares. But an early announcement will help to show that the transfer is only a logical tidying up of business between the Government and the Bank, now that the legal case is out of the way. If the announcement were delayed until later in the year, it could lead to speculation about a further BP share sale, with adverse stock market effects. The Estimate will need to provide the Treasury with funds to pay the Bank a sum equivalent to the shares' stock market valuation in order to maintain the statutory backing for the note issue, together with associated stamp duty. The amount of the Estimate will be around £1bn depending on stock market prices. The payments will be transfers between Central Government accounts. They will not affect the CGBR or the PSBR and will have no monetary effects.

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3. I am sending copies of this minute to Willie Whitelaw, Peter Carrington, Nigel Lawson, Michael Havers and to Sir Robert Armstrong.

(G.H.)

19 October 1981