

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

20 July, 1983.

Dear Jonathan,

The Stock Exchange and the Restrictive Practices Court

The Prime Minister had a meeting this morning to discuss the next steps in the talks between the Government, the Stock Exchange and Sir Gordon Borrie. Your Secretary of State, the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Attorney General, Sir Robert Armstrong and Mr. Peter Gregson were present.

Your Secretary of State said that Sir Gordon Borrie had changed his position, and was now unwilling to acquiesce in the Government's proposals for an out-of-court settlement with the Stock Exchange. In discussion, it was noted that both Sir Gordon and the Court had done much preparatory work on these matters, and were likely to be reluctant to agree to an adjournment sine die. But if a new Agreement governing the conduct of members of the Stock Exchange were promised, and a firm undertaking to that effect secured from Sir Nicholas Goodison, and if this undertaking was satisfactory to the Government, it would be possible for your Secretary of State to make a statement to the House on Wednesday next week, indicating that the House would be invited to agree, by Order, the exemption of the Stock Exchange from the Restrictive Trade Practices Act. Once such a statement had been made, the Court would be likely to be more sympathetic towards a request for adjournment sine die, since there would clearly be little profit in their ruling upon an Agreement which would shortly be superseded. The three reforms set out in your Secretary of State's minute of 12 July could be regarded as providing a broadly satisfactory basis for the Government to defend the removal of action from the Court. But the terms of the undertaking by the Stock Exchange would need to be examined very carefully, and your Secretary of State was invited to circulate to colleagues as soon as possible (before the weekend if at all possible) a draft of his statement. It would be vital to investigate very carefully all the implications of a new Agreement: in particular, the legal implications and the tax consequences. Your Secretary of State, together with the Attorney General, should arrange an urgent meeting with Sir Nicholas Goodison, to ascertain how firm an undertaking, and in what terms, he could give the Government about a new Agreement.

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In further discussion, it was noted that the changes in Stock Exchange rules currently under discussion were likely to be a good deal more acceptable to the Stock Exchange than the outcome of a continuing action before the Restrictive Practices Court Act. But it might be that a number of members of the Stock Exchange would prefer a distant and greater evil to an immediate implementation of the proposed changes. If no satisfactory new Agreement was obtainable it still might be possible to persuade the court - or to do so on appeal - to a stay of action while further efforts were made to bring about a change in the Stock Exchange's rules. The alternative to this or to further action in the court would be primary legislation, for which the Government's programme had no room.

The Prime Minister said that it was agreed that your Secretary of State should conduct urgent discussions with Sir Nicholas Goodison to secure undertakings from the Stock Exchange on the basis of which your Secretary of State could make a statement on Wednesday next week. At the same time, together with the Chancellor of the Exchequer, he should carry out an urgent investigation into the feasibility and cost of such a new Agreement.

I am sending copies of this letter to Margaret O'Mara (HM Treasury), Alex Galloway (Chancellor of the Duchy of Lancaster's Office), Henry Steel (Law Officers' Department), Richard Hatfield (Cabinet Office) and Peter Gregson (Cabinet Office).

I would be grateful if you and they would give it the usual very restricted circulation.

*Yours sincerely,*

*Michael Scholar*

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Jonathan Spencer, Esq.,  
Department of Trade and Industry.