



DEPARTMENT OF TRADE AND INDUSTRY

Room 11.01 Ashdown House 123 Victoria Street SW1E 6RB

Telex 8813148
Telegrams Advantage London SW1
Telephone Direct Line 01-212 3301
Switchboard 01-212 7676

JU209

Secretary of State for Trade & Industry

Michael Scholar Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

26 July 1983

1) Statement

- held to Goodison

2) Application of stay

with rules

3) Cases

Order

Dear Michael,

RESTRICTIVE PRACTICES COURT : STOCK EXCHANGE CASE

... I enclose the draft of the statement that my Secretary of State proposes to make tomorrow. It reflects the Attorney-General's advice about what is necessary to secure the first adjournment, and also reflects points made by Sir Nicholas Goodison and his advisers to officials.

2 My Secretary of State would have liked to go further in complimenting the Director General of Fair Trading but the Stock Exchange has pointed out that if the case goes on comment from him in this sense would be prejudicial.

3 Copies go to the Private Secretaries of those attending tonight's meeting: that is, the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Lord President, the Lord Privy Seal and the Attorney-General, and to Sir Robert Armstrong and Mr Peter Gregson at the Cabinet Office.

Copy in 1982
Richardson with
State Exchange

Yours ever,

Goodison
↓
Council

Jan 1983 - 5 copies sent
more.

Bowie

RUTH THOMPSON
Private Secretary

Rules

Triggs

With permission, Mr Speaker, I wish to make a statement about the case brought by the Director General of Fair Trading against the Stock Exchange in the Restrictive Practices Court.

Ministers have for some time been concerned that the Court proceedings under the Restrictive Trade Practices Act may not be the ideal way to pursue the matters raised by the Director General. While these proceedings are pending, it is difficult for the Stock Exchange to make changes to enable its members to compete for business worldwide. There is also a danger that the legal proceedings within the framework of the Act may damage the effective operation of the Stock Exchange, which remains essential to the working of our economy.

Accordingly, the Government would wish to see the matter settled out of the Court, if the Stock Exchange is able to make acceptable changes.

I decided to discuss the matter with the Director General and thereafter with the Chairman of the Stock Exchange.

I explained that the Government had concluded that in order to safeguard the position of investors the separation of the functions of brokers and jobbers should be preserved at least for the time being in its present form. Somewhat similarly, Parliament had insisted on separating brokers and underwriters at Lloyd's.

① *Objections* - *litigat*

Proposals that will fundamentally change case.
5 of 5 - statement - is present, subjective
Court - Minister

The Stock Exchange's rules which prescribe the separation of capacity may have to be included in statutory provisions under EC Directives. In that case I intend to make Regulations under the European Communities Act.

I said that I should also expect the Stock Exchange to make changes on points of concern to the Director General.

Following discussions with his Council, the Chairman of the Stock Exchange has made the following proposals to me:

① The Council will take action to dismantle by stages and with no unreasonable delay all the rules which prescribe minimum scales of commission, completing this by 31 December 1986.

② The Stock Exchange will continue the rules prescribing separation of capacity of brokers and jobbers. Why?

③ The Council will introduce rules to permit non-members to serve as non-executive directors of limited corporate members of the Stock Exchange, provided that there is always a majority of directors who are members of the Stock Exchange.

The Council will recommend to the members of the Stock Exchange changes which would:

④ First, introduce lay members to the Council of the Stock Exchange, their number and the method of their selection to be agreed with the Bank of England.

Second, establish a new appeal body, ^{independent} of Stock Exchange members of the Council. If the Council were to reject an applicant for membership who fulfilled the requirements of the rules, the appeal body could review the decision and over-rule it. Lay members of the Council would be eligible for membership of both these bodies, but not Stock Exchange members of the Council.

Third, introduce people who are not Stock Exchange members of the Council to the Stock Exchange's existing Appeals Committee on disciplinary matters so that they will constitute at least a majority on the Committee. Lay members of the Council would be eligible to serve on this Committee.

I believe that these changes are to be welcomed, and would enable the Stock Exchange to continue to adapt in an evolutionary manner to changing circumstances while maintaining proper regard to the needs and protection of investors.

The membership is to give it authority to approve

If the Membership approves the necessary changes to the Stock Exchange Deed of Settlement, I have it in mind to proceed by Order under the 1976 Act. In those circumstances I would seek and consider representations and thereafter, if I were satisfied, recommend to Parliament as soon as possible after the summer recess an Order amending the Restrictive Trade Practices (Services) Order 1976 to exempt the Stock Exchange from the Act, and enabling the proceedings to be discontinued.

Such an Order would be subject to Affirmative Resolution. The House will accordingly have an opportunity to debate the matter in the autumn. But it is right that the substance of the

discussions between the Stock Exchange and myself should be made known to honourable Members as soon as possible.

I ^{shall} ~~should~~ also make arrangements for the Department of Trade and Industry and the Bank of England to monitor the implementation of these measures with the continuing broad objective of sustaining and promoting the evolution ^{and} ~~and~~ ^{future} development of the Stock Exchange as an efficient competitive and suitably regulated central market which affords proper protection to investors.

I would like to take this opportunity to express to the House my high appreciation of the work done by the Director General and his staff in the preparation of the case, which has made an important contribution to the present proposals.

26 July 1983

Goodwin

Monitoring

Promote competition
as well as
protection

Self-regulation

Legislation

Mr Scholar.



With the Compliments
of the
Chancellor of the Exchequer's
Private Secretary

Treasury Chambers,
Parliament Street,
S.W.1.



DEPARTMENT OF TRADE AND INDUSTRY

Room 11.01 Ashdown House 123 Victoria Street SW1E 6RB

Telex 8813148
Telegrams Advantage London SW1
Telephone Direct Line 01-212 3301
Switchboard 01-212 7676

JU209

Secretary of State for Trade & Industry

26 July 1983

Michael Scholar Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

PA

Dear Michael,

RESTRICTIVE PRACTICES COURT : STOCK EXCHANGE CASE

...

I enclose the draft of the statement that my Secretary of State proposes to make tomorrow. It reflects the Attorney-General's advice about what is necessary to secure the first adjournment, and also reflects points made by Sir Nicholas Goodison and his advisers to officials.

2 My Secretary of State would have liked to go further in complimenting the Director General of Fair Trading but the Stock Exchange has pointed out that if the case goes on comment from him in this sense would be prejudicial.

3 Copies go to the Private Secretaries of those attending tonight's meeting: that is, the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Lord President, the Lord Privy Seal and the Attorney-General, and to Sir Robert Armstrong and Mr Peter Gregson at the Cabinet Office.

Yours ever,

Ruth

RUTH THOMPSON
Private Secretary

DRAFT

With permission, Mr Speaker, I wish to make a statement about the case brought by the Director General of Fair Trading against the Stock Exchange in the Restrictive Practices Court.

Ministers have for some time been concerned that the Court proceedings under the Restrictive Trade Practices Act may not be the ideal way to pursue the matters raised by the Director General. While these proceedings are pending, it is difficult for the Stock Exchange to make changes to enable its members to compete for business worldwide. There is also a danger that the legal proceedings within the framework of the Act may damage the effective operation of the Stock Exchange, which remains essential to the working of our economy.

Accordingly, the Government would wish to see the matter settled out of the Court, if the Stock Exchange is able to make acceptable changes.

I decided to discuss the matter with the Director General and thereafter with the Chairman of the Stock Exchange.

I explained that the Government had concluded that in order to safeguard the position of investors the separation of the functions of brokers and jobbers should be preserved at least for the time being in its present form. Somewhat similarly, Parliament had insisted on separating brokers and underwriters at Lloyd's.

The Stock Exchange's rules which prescribe the separation of capacity may have to be included in statutory provisions under EC Directives. In that case I intend to make Regulations under the European Communities Act.

I said that I should also expect the Stock Exchange to make changes on points of concern to the Director General.

Following discussions with his Council, the Chairman of the Stock Exchange has made the following proposals to me:

The Council will take action to dismantle by stages and with no unreasonable delay all the rules which prescribe minimum scales of commission, completing this by 31 December 1986.

The Stock Exchange will continue the rules prescribing separation of capacity of brokers and jobbers.

The Council will introduce rules to permit non-members to serve as non-executive directors of limited corporate members of the Stock Exchange, provided that there is always a majority of directors who are members of the Stock Exchange.

The Council will recommend to the members of the Stock Exchange changes which would:

First, introduce lay members to the Council of the Stock Exchange, ~~their~~ number and the method of their selection to be agreed with the Bank of England.

Second, establish a new appeal body, independent of Stock Exchange members of the Council. If the Council were to reject an applicant for membership who fulfilled the requirements of the rules, the appeal body could review the decision and over-rule it. Lay members of the Council would be eligible for membership of both these bodies, but not Stock Exchange members of the Council.

Third, introduce people who are not Stock Exchange members of the Council to the Stock Exchange's existing Appeals Committee on disciplinary matters so that they will constitute at least a majority on the Committee. Lay members of the Council would be eligible to serve on this Committee.

I believe that these changes are to be welcomed, and would enable the Stock Exchange to continue to adapt in an evolutionary manner to changing circumstances while maintaining proper regard to the needs and protection of investors.

If the Membership approves the necessary changes to the Stock Exchange Deed of Settlement, I have it in mind to proceed by Order under the 1976 Act. In those circumstances I would seek and consider representations and thereafter, if I were satisfied, recommend to Parliament as soon as possible after the summer recess an Order amending the Restrictive Trade Practices (Services) Order 1976 to exempt the Stock Exchange from the Act, and enabling the proceedings to be discontinued.

Such an Order would be subject to Affirmative Resolution. The House will accordingly have an opportunity to debate the matter in the autumn. But it is right that the substance of the

discussions between the Stock Exchange and myself should be made known to honourable Members as soon as possible.

I should also make arrangements for the Department of Trade and Industry and the Bank of England to monitor the implementation of these measures with the continuing broad objective of sustaining and promoting the evolution and development of the Stock Exchange as an efficient competitive and suitably regulated central market which affords proper protection to investors.

I would like to take this opportunity to express to the House my high appreciation of the work done by the Director General and his staff in the preparation of the case, which has made an important contribution to the present proposals.

26 July 1983

27 JUL 1983

0 1 2 3 4 5 6 7 8 9