



PRIME MINISTER

REGULATION OF SECURITIES INDUSTRY

The Governor of the Bank of England has told me that in the next day or two he will be writing to tell you of a personal initiative which he proposes to take to invite a small group of top City people to advise him quickly on whether and how feasible arrangements for self-regulation in the securities industry can be developed. This is the Governor's response to pressure from the City for constructive action now to develop self-regulation as the City's response to the Gower Report.

2 The Governor is keen to make an early announcement. Since I shall be away in the United States next week, I send you this minute now to let you know that he has discussed the idea with me. I believe that it will be a useful step to see what the City believes it can actually deliver by way of self-regulation: I propose to welcome it on these terms publicly.

JH1ACL



3 The Governor's personal initiative does not close off any of the policy options open to the Government. It would show what may be feasible in the development of self-regulation in the securities industry while allowing the Government itself to stand back a little. At this stage it would be action by the City itself to see what they can do to take forward the self-regulation advocated by the majority of comments received on the Gower Report.

4 Meanwhile work will go forward in my Department, in consultation with the Bank of England, on the Gower recommendations and the representations received. The closing date for these was 30 April. 85 representations were received during the last few days. They include support for all three main options, of a minimalist approach, of a full-scale securities commission, and for self-regulation within a statutory framework.

5 I want to take this work further before reaching any conclusions. The line of argument which was put in your Private Secretary's letter of 10 April, has since been developed into a useful paper by your Policy Unit. I want to review all the options fully before coming to a view.

JHLACL



The proposed initiative by the Governor does not close off any of these options.

6 I am considering with the Governor whether the Department should have a senior official as an observer on the proposed group, but I think it is better to keep at arm's length at this stage. We can keep in touch with the group and the way its thinking is developing through the Bank.

7 I am sending copies of this minute to the Chancellor of the Exchequer and the Governor of the Bank of England.

A handwritten signature in black ink, consisting of a stylized 'N' and 'T' followed by a horizontal line.

N T

// May 1984

JH1ACL