

PRIME MINISTER

LUNCH WITH BARINGS

I have spoken to Sir John Baring about the topics for discussion. These are likely to be:

1. UK economy
2. US economy
3. International banking and debt
4. Europe
5. London capital markets
6. Investor protection
7. Privatisation
8. Venture capital.

For items 1 to 3 you will need no special briefing. You could ask Barings about their experience with international lending and how they as bankers see the prospects for international banks particularly in the US.

On 4 they may ask you, first hand, for your impressions of the European settlement.

The attached note from the Treasury covers items 5 and 6. You can also draw upon the material provided in the Policy Unit's folder over the weekend. You can ask Barings specifically how they see the role of a bank like theirs in the new financial markets. You could ask them also how they think self-regulatory agencies could cover financial conglomerates which might straddle several agencies. You could ask them on what view they will be putting to the Governor of the Bank of England's Panel.

On 7 you should be aware that Barings has attracted little privatisation business. They may feel the beauty contest process gives too much weight to experience making

it difficult for other banks to join in. On Enterprise Oil, you could raise directly with them whether they believe RTZ/Rothschild's attempted coup was fair game within the rules of the City or whether they feel it overstepped the market. You should certainly not be defensive about the Government's decision to cut back RTZ's allocation; the Government made it clear in advance that it was seeking to float Enterprise as an independent company and provided a special share for that purpose; it also provided the right to cut down share allocations. Finally, you could ask them how they see the prospects for the BT issue.

On venture capital Barings will want to give you a report of their objectives.

A copy of the guest list is attached.

29 June 1984



## BACKGROUND NOTE

### Baring Brothers & Co Ltd

Baring Brothers is one of the smaller merchant bankers. It is a member of the Accepting Houses Committee and a recognised bank under the Banking Act 1979. It offers the usual merchant banking services such as wholesale banking and corporate finance. In a list produced by the Daily Telegraph, Barings ranked tenth in the merchant banking league for underwriting rights issues in 1983. The total amount underwritten by the bank in that year was only £20m (compared with £485m underwritten by the league leader, Morgan Grenfell). Barings has had only a marginal involvement in the privatisation exercises. It carried out some preliminary feasibility studies on the privatisation of Cable and Wireless in 1979. It acted as one of the underwriters in the Britoil issue and more recently, the Cable and Wireless share issue in December last year. It also tendered unsuccessfully for the Amersham International and British Telecom privatisations.

On the international side, Baring Brothers has strong connections in the Far East, principally Hong Kong, where it recently expanded its operations by acquiring Henderson Crosthwaite (Far East)(HCFE) from the UK stockbrokers Henderson Crosthwaite. HCFE acts as a broker in Japanese and other Far East securities on behalf of institutions and fund managers world wide and has offices in Tokyo as well as Hong Kong. Barings hope to develop the Tokyo operation. They see the deal as a complement to their underwriting and distribution facilities. The bank also recently set up a venture capital management company in Japan called Orient Capital with Japan's largest leasing company, the Orient Leasing Company, and other Japanese institutions.

Other recent developments include a venture capital link-up with Hambrecht & Quist. The new company, called Baring Brothers Hambrecht and Quist, will manage venture capital funds with a particular emphasis on high technology industries in the UK and Europe. Baring Brothers recently acted as a lead manager in a 25 year £50m bulldog bond issue for Finland.



## Special Issues

In addition to general economic matters, the following issues might be raised:-

### (1) Developments on the Stock Exchange

Several merchant banks, including Warburgs and Rothschilds, have recently taken minority stakes in member firms of the Stock Exchange. The purpose of these acquisitions is to enable the banks in question to be well placed to take advantage of the expected changes in the Stock market after the abolition of minimum commissions. The Stock Exchange recently issued a Consultative Document setting out possible alternative market structures after the abolition of minimum commissions.

As far as we know, Barings have so far shown no interest in buying into a UK broker or jobber. It is possible that they may be considering the alternative route of, in due course, becoming a member of the Stock Exchange themselves. They have, for example, questioned the Bank on the implications of the impending changes for dealing in gilts - giving the impression that if single capacity (ie. separation of brokers and jobbers) were to go, they might be interested in moving into gilts dealing.

The Chart at Annex A summarises the position on City "weddings".

### (2) Gower Report on Investor Protection

As a former chairman of the Accepting Houses Committee, Sir John may raise this subject. The AHC have also submitted their comments on the Gower Report to the Department of Trade and Industry. The DTI are digesting the AHC's comments, and are consulting other interested Government departments including ourselves, on them. Briefly the main points are:-

- (i) the AHC share Gower's views that the Prevention of Fraud (Investments) Act 1958 is inadequate and needs to be modernised;
- (ii) the AHC prefer self-regulation and advocate a limited number of self-regulatory agencies (SRA) which would cover certain defined areas ie. portfolio investment management, commodity investments. They are opposed however to Gower's view that the Council

for the Securities Industry should become the umbrella body for the SRAs. Their preference is for a new small body to be appointed by the Bank; and

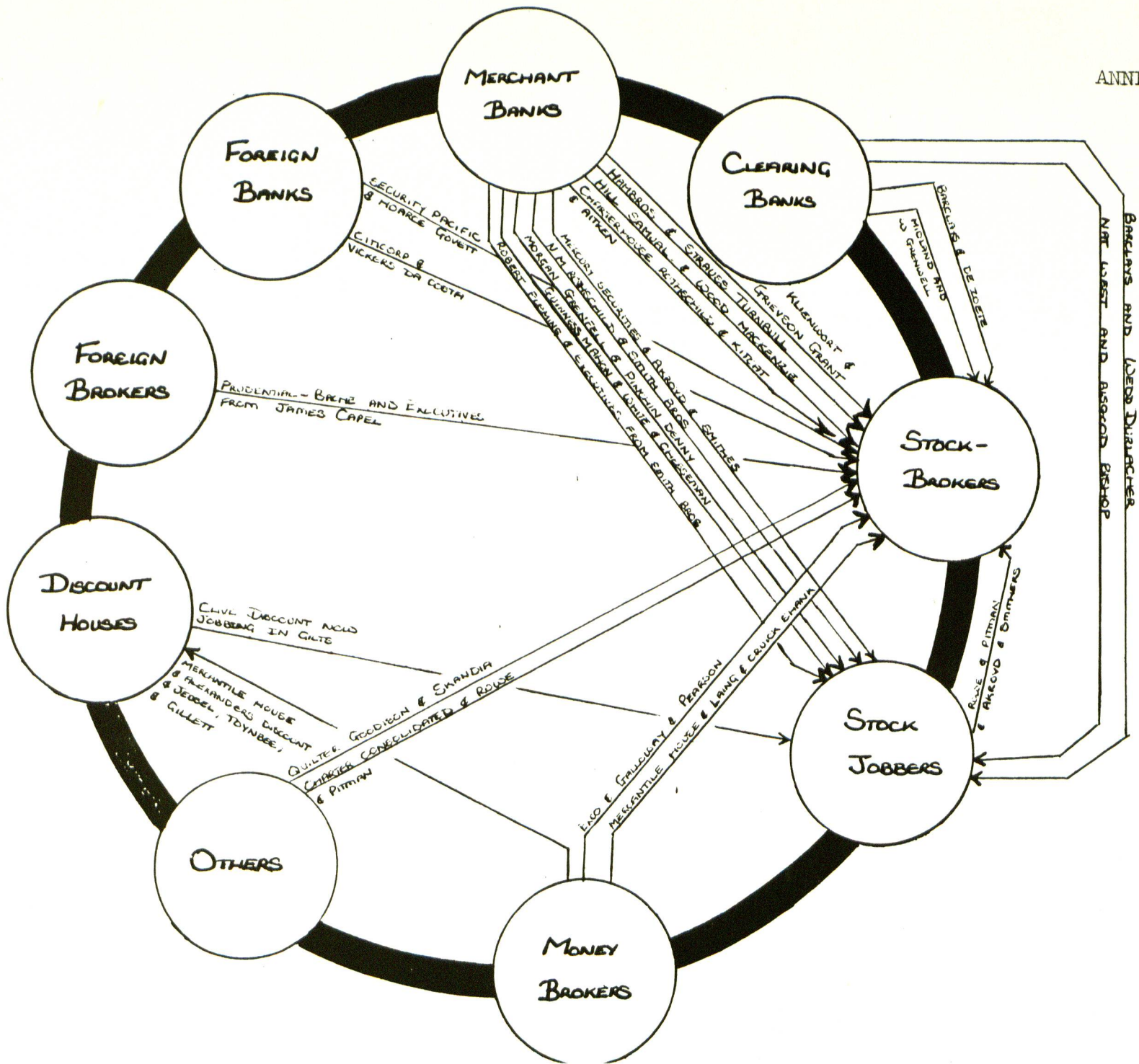
- (iii) the AHC believe that primary responsibility for the application of the law relating to investor protection should be vested in the DTI, with the SRAs acting as agents of the DTI in administering the new regulatory system.

The Governor of the Bank of England announced on 23 May that he has appointed a group of ten senior city figures to advise on how a system of self-regulation might be established.

The Who's Who extract for Sir John Baring<sup>is</sup> attached at Annex B, Sir John is a member of the Court of Directors of the Bank of England.



THE CITY'S  
WEDDING  
RINGS



## WHO'S WHO

BARING, Hon. John Francis Harcourt, CVO 1980, Chairman, Baring Brothers & Co. Ltd, since 1974 (a Managing Director, 1955-74); Receiver-General of Duchy of Cornwall, since 1974, b 2 Nov. 1928, *er s* and *heir* of 6th Baron Ashburton, *qv*; m 1955, Susan Mary Renwick, *e d* of 1st Baron Renwick, KBE, and Mrs John Ormiston, two s two d. Educ Eton (Fellow, 1982); Trinity Coll., Oxford (MA). Director: Trafford Park Estates Ltd, 1964-77; Pyc Holdings Ltd, 1966-79; Ourwich Ltd, Johannesburg, 1967-77; Dep. Chm., Royal Insurance Co. Ltd, 1975- (Dir, 1964-); Chm., Ourwich Investment Trust Ltd, 1966-; Director Dunlop Holdings Ltd, 1981-; British Petroleum, 1982-; Vice-Pres., British Bankers' Assoc., 1977-; Pres., Overseas Bankers' Club, 1977-78; Chm., Accepting Houses Cttee, 1977-81; Chm., Cttee on Finance for Industry, NEDC, 1980-; Mem., British Transport Docks Bd, 1966-71, Mem. Council, CBI, 1976-80 (Mem. President's Cttee, 1976-79); Rhodes Trustee, 1970; Trustee, Nat. Gall., 1981-; Hon. Fellow, Hertford Coll., Oxford, 1976. Address: Lake House, Northington, Alresford, Hants SO24 9TG. T. Alresford 4293, Fax 7, 34 Bryanston Square, W1H 7LQ. Clubs: Prati's, Flyfishers.

MR TURNBULL  
PRIME MINISTER

Lunch with Baring Brothers  
8 Bishopsgate, at 1300 hours

I attach:

- (i) Guest List (Flag A)
- (ii) Topics for discussion (Flag B)

A handwritten signature in green ink, appearing to be 'CR', is located in the lower right quadrant of the page.

28 June 1984



*File on Blue File Lunch at BARINGS 2.7.84*  
**Baring Brothers & Co., Limited**

*Su CR 26/6*

8 Bishopsgate, London EC2N 4AE

TELEPHONE: 01-283 8833

TELEX: 883622

27th June 1984.

Dear Miss Ryder,

Further to your telephone call of today, I write to advise you of the directors here who will be at the lunch for the Prime Minister on the 2nd July. Sir John Baring will be accompanied by his six most senior colleagues, who in total form the Executive Committee of the bank, and they are as follows with their principal areas of responsibility alongside, and mention of one or two of their outside appointments beneath.

Mr. Nicholas Baring - Investment Group

Chairman, City Capital Markets Committee.  
A Vice Chairman of Commercial Union.  
Chairman, Finance Committee National Trust.

Mr. Peter Baring - Corporate Finance, domestic.

Director, W.H. Smith.

Mr. Robin Dent - Banking Group.

Chairman, British Bankers Association  
Executive Committee.  
Treasurer, King Edward's Hospital Fund.

Mr. Robin Broadley - Corporate Finance, domestic.

Chairman, Issuing Houses Association.  
Director, Royal Insurance plc  
Director, Ferranti plc.

Mr. Andrew Tuckey - Corporate Finance, international.

A Director and Treasurer, Friends of Covent  
Garden.

Mr. Miles Rivett-Carnac - Corporate Finance, international.

Chairman, Hampshire & Isle of Wight  
Association of Boys Clubs.

The topics for discussion have been agreed directly with Mr. Turnbull.

Yours sincerely,

*Mrs. C.L. West*

Mrs. C.L. West  
Secretary to Sir John Baring.

Miss Caroline Ryder,  
10 Downing Street,  
London S.W.1.