

Prime Minister (21)

16 October 1984

PRIME MINISTER

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FINANCIAL SERVICES

Tomorrow evening you are hosting a reception for the Conservative Industrial Fund and the City and Industrial Liaison Council. Your guests may be coming hot foot from a major City lunch at which Alex Fletcher will have announced the Government's proposals on City regulation. You might find it help to have a summary of what he will say.

A new body will be established to regulate the securities and investments industries, using the Stock Exchange, the National Association of Security Dealers and Investment Managers, and the Association of Futures Brokers and Dealers. A separate body will regulate the marketing of life insurance policies and unit trusts. Each will have statutory powers and responsibilities delegated by the Secretary of State. To ensure that these bodies do not become cosy cartels, there will be:

- an Independent Appeals Tribunal to resolve any dispute about registration of penalties;
- a remit for the Director-General of Fair Trading to scrutinise self-regulation for the Secretary of State, to ensure it is not anti-competitive.

It might be argued that the two separate supervisory bodies are unwieldy. But currently dealing in securities is rather different from marketing insurance and unit trusts. And if in future the two bodies want to merge, we would not rule that out.

The positive message to get over is that the new arrangements are consistent with the wider objectives of:

- keeping the City competitive;
- vigorous enforcement of the law;
- freedom for market forces to stimulate competition and innovation;
- the maximum reliable information for the investor.

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