

22 February 1984
Policy Unit

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AT 22/2
PRIME MINISTER

STOCK EXCHANGE COMMISSIONS mg

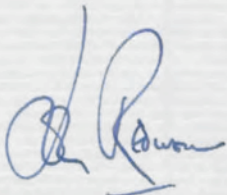
The decision by the Stock Exchange on commission scales is good news.

On 9 April, commissions on overseas securities will be negotiated rather than fixed. At the same time, gilt-edged commissions will fall, by an average of around 12 per cent on medium- and long-dated stocks. For the big buyers of longs, the reduction could be more than 20 per cent. There will be further reductions later.

Equity commissions will be negotiated from the autumn of 1985, and all the adjustment will take place at one date.

The outcome is a political triumph. Competition has worked. As a result, users will now pay less for the service. At the same time, because the Government has stood aloof from the fray, the stockbroking community is not blaming the Government for the reduction in the easy income they have enjoyed from commissions on Government securities. The Stock Exchange itself has taken the decision and the animosity over such a sensitive subject is being directed between different factions within the Stock Exchange.

It is a great advance that brokers and banks will now have to compete on price as well as on service, and this could be used as an example in speeches of the way in which Government can give a gentle nudge in favour of better practice.



JOHN REDWOOD