



10 DOWNING STREET

From the Principal Private Secretary

23 September 1985

BANKING SUPERVISION: APPOINTMENTS

The Prime Minister discussed with the Chancellor on the telephone on Saturday his minute of 18 September to which was attached a draft press notice, which the Governor intends to issue next Tuesday, on changes to the staffing of the Banking Supervision Department.

The Prime Minister recognises that this is a matter of internal Bank organisation and she appreciates the personnel considerations which have led the Governor to the arrangements described in the draft. Nevertheless, she is very strongly of the view that it is absurd to split responsibility for banking supervision between Galpin, who would be responsible for all individual banking institutions, and Cooke, who would be responsible for general policy on Banking Supervision and international supervisory co-ordination. Cooke has to bear, in the Prime Minister's view, substantial responsibility for the Johnson Matthey debacle. It would therefore be quite wrong, in her view, for him to retain responsibility for general policy and preparation of the new Banking Act, though she would not object to his continued involvement in the international aspects of supervisory co-ordination.

The Prime Minister therefore would like the Chancellor to persuade the Governor to change his dispositions so that Cooke loses responsibility for general policy as well as for individual banking cases. He should make clear that the significance of these personnel dispositions went far beyond the Bank's own internal organisation. Unless the Bank Supervisory Authority was held in high esteem, the reputation of the City of London, and ultimately the Government itself would suffer. The Chancellor undertook to discuss this with the Governor on the flight to New York on Saturday evening.

Mrs. Rachel Lomax,
HM Treasury