



10 DOWNING STREET

From the Principal Private Secretary

24 September, 1985

Thank you for sending me a copy of the Bank of England's draft of 23 September in which they announce certain measures to strengthen and improve supervision of banks and other institutions. You subsequently telephoned me to say that the Bank wished to amend the draft by replacing the first sentence in the third paragraph with the following:-

"In the area of banking supervision there will be a number of changes."

I have shown this draft press notice to the Prime Minister who is very content with it. It is, in her view, a great improvement on the earlier edition which she discussed with the Chancellor over the weekend.

I am also taking an opportunity of sending you a copy of the draft press notice which we are planning to issue at 11 am tomorrow announcing the new Deputy Governor of the Bank.

NW

Mrs. R. Lomax,
HM Treasury.

Prime Minister



This is much better.

N.L.U.

Appointments in confidence.

Wages

As agreed between the
Chancellor & the Governor
at the airport on
Sunday.

Rh.

24/9

W N Tower

The Bank of England today announces a number of measures to strengthen and improve the supervision of banks and other financial institutions. These involve substantial increases at all levels in the resources devoted to the supervision of individual institutions, to supervisory policy, and to co-ordination between different supervisors internationally and domestically.

A new high-level supervisory committee is being set up under the Chairmanship of the Deputy Governor with Messrs Cooke, Galpin, George and Walker as members. This committee will be ultimately responsible under the Governor for all decisions on supervisory policy, especially its evolution, and for monitoring and minimising underlap and overlap between the Bank's supervisory responsibilities and those of other supervisory bodies.

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In the area of Banking Supervision ~~the full range of responsibilities hitherto handled by Mr Cooke will be split between him and Mr Galpin.~~ Mr Galpin, an Executive Director hitherto in charge of Operations and Services in the Bank and Chairman of Johnson Matthey Bankers will relinquish these duties and take over the overall responsibility at Director level for the supervision of banking institutions. Mr Cooke will have responsibility for the increasing workload involved in supervisory co-ordination internationally, most notably through his Chairmanship of the Basle Committee of Supervisors.

Mr Quinn, as Head of the Banking Supervision Division, will report to Mr Galpin on all questions involving individual institutions and to Mr Cooke on international supervisory issues. The Banking Supervision Division is being expanded. Staff numbers have been increased in the last six months and arrangements made for a continuing programme of outward and inward secondments to

develop expertise in commercial banking and accounting skills. There will shortly be additional increases in the managerial and supervisory staff of the Banking Supervision Division and, as previously announced, Mr Sidney Procter will join the Bank on 1 October as an Adviser to the Governor on banking supervisory matters. Improvements have also been introduced in the organisation and working procedures to make clearer the lines of responsibility and communication in the expanded Division.

Under Mr George, the Gilt-Edged Division, which will continue to be headed by Mr Plenderleith, is being significantly expanded in numbers to handle its additional responsibilities arising from the change in the structure of the gilt-edged market. These additional responsibilities include a new supervisory function being set up under Mr Jennings with an initial team of four supervisors working to him, to supervise the new gilt-edged market-makers, the Stock Exchange money brokers and the inter-dealer brokers. Most of the new people within the Division as a whole are coming from elsewhere in the Bank but in addition Mr McConnaichie, previously with the Inland Revenue, has been recruited as a Senior Manager. Supervision of the Discount Market will continue to be carried out by the Money Markets Division, headed as before by Mr Coleby.

Under Mr Walker the functions of corporate and industrial finance and of securities and general supervision are being brought together under Mr C J Farrow. Mr Jonathan Charkham, currently on secondment from the Bank as Director of PRO NED, is to become a Chief Adviser with responsibilities in this area. Mr Walker and Mr Farrow will continue the Bank's liaison work with the DTI, the SIB and the various City markets.

Mr Galpin's responsibilities for the operations and services of the Bank - including Banking Department, Registrar's Department, Corporate Services Department and the Printing Works, will be assumed by Mr Dawkins who becomes an Associate Director.

Mr Galpin will resign as Chairman of JMB on assuming his responsibility for the supervision of banks. Mr Walker will become Chairman of JMB, in addition to retaining his other responsibilities. Mr Alan Lord, a non-Executive Director of the Bank, will also be joining the Board of JMB as a non-Executive member.

All these moves will take place on 1 October, except that of Mr Charkham who will join the Bank in November.

19 September 1985

