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From: THE PRIVATE SECRETARY

ABG



NORTHERN IRELAND OFFICE

WHITEHALL

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Mrs R Lomax
Principal Private Secretary
Treasury Chambers
Parliament Street
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NBPM

9th December 1985

Dear Rachel,

WHITE PAPER ON BANKING SUPERVISION

Thank you for your letter of 2 December seeking comments on the draft White Paper. I am sorry not have been able to reply sooner although officials have been in touch with yours to alert them to a small number of points which we believe are important.

Mr King has now had an opportunity to see the draft White Paper which he generally welcomes. However he thinks the current drafting describing the circumstances in which the Bank might disclose information to other Secretaries of State is unduly cautious and restrictive. Our motivation for seeking a power to enable the banks, with the permission of the Treasury, to disclose information to the Secretary of State stems from a very-strongly held view that the supervisory process will continue to be inadequate unless bank supervisors regularly seek, obtain and act on local knowledge. There is little point in allowing disclosure when to use the White Paper example, an institution is in "imminent danger of collapse". That is far too late, and in our view runs against the interest both of the wider banking community and the local investor. We would therefore ask that paragraph 12.5 be amended ... along the lines of the attached draft.

The current drafting of section 16 to 19 of the Banking Act concerning disclosure raise similar issues. In our view section 19(a) is too restrictive and we would wish to see it amended specifically to permit disclosure where a serious criminal offence has been committed or was suspected rather than at the later stage of criminal proceedings. Perhaps the sense of this as a possibility could be reflected in paragraph 12.8 of the White Paper, or perhaps our officials could discuss this further, during the drafting of instructions.

A copy of this letter goes to the Private Secretaries to Members of EA Committee, Murdo Maclean, (Chief Whip), Michael Stark (Cabinet Office), and John Bartlett (PS/Governor).

Yours Sincerely
Neil Ward

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12.5 Second, the Review Committee recommended in its Report that the Act's existing restrictions should be relaxed to enable the Bank of England, with the consent of the Treasury, to disclose information to other Government Departments (except the Revenue Departments) where it considers it to be in the interests of depositors or in the public interest. This recommendation takes account of the authorities' experience on a number of occasions since the Act came into force. While the Government recognise the concern raised by this recommendation, it is necessary that the law should allow for disclosure in those exceptional circumstances when the interests of depositors or the public interest requires a Government Department other than the Treasury to be informed of the facts of a case. The kind of circumstances in which this might be used is if for instance, an institution with a local deposit base in Scotland, Wales or Northern Ireland, or a British Bank with branches abroad, was in danger of collapse or where local knowledge and expertise might assist the Bank of England in their dialogue with an institution and/or its auditors. In the first case it might well be in the public interest for the relevant Secretary of State to be informed; and in the second case, if the Foreign & Commonwealth Office could be told, action might be possible to protect the employees and premises of the bank's offices overseas, if there was a risk of reprisals against those offices. The Government therefore propose to implement the Review Committee's recommendation. There will be no question, however, of the routine disclosure by the supervisors to any Government department.

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& new
text.

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ECON. POL: DOMESTIC Monetary Policy: Pt 15.