

cc: BG



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

11 December 1985

N D Ward Esq
 PS/Secretary of State
 for Northern Ireland
 Northern Ireland Office
 Whitehall
 London SW1A AZ

N BPM

Dear Sir,

WHITE PAPER ON BANKING SUPERVISION

Thank you for your letter of 9 December.

The proposal that the Bank of England should be free to disclose supervisory information to Departments other than Treasury has led to a good deal of disquiet amongst the banks, which they have expressed to the Bank of England during the consultative process. The Chancellor feels that to amend paragraph 12.5 in the way your Secretary of State suggests would give the impression of a much wider loop-hole in traditionally tight banking security than would be needed to meet the exceptional circumstances in which this power would be used. The Chancellor thinks that these amendments, taken together would be unduly provocative, particularly since the use of the power will necessarily be discretionary, rather than tightly defined in statute. The Chancellor is, however, content to replace "in imminent danger of collapse" by "in serious difficulties". He would prefer not to include the reference to local knowledge and expertise, or to delete the word "major".

The Chancellor notes that you would like to see some further amendments to the present Banking Act, and has asked Treasury and Bank officials to consult yours in the drafting of instructions.

I am copying this letter to the Private Secretaries to Members of EA Committee, Murdo Maclean, Michael Stark and John Bartlett.

Yours sincerely
Rachel Lomax

RACHEL LOMAX

ECON. POL: Domestic Monetary Policy: Pt 15.

