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Prime Minister
Comment him for
his efforts?

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Yes - another
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To:
PRIME MINISTER
From:
MICHAEL HOWARD
17 April 1986

ACCESS TO JAPANESE FINANCIAL MARKETS

In Paul Channon's minute of 27^{at trap} March, he indicated that I would be meeting the Japanese Vice Minister for Finance, in Tokyo, to discuss reciprocal market opening measures. He proposed that I should seek to extend UK gains in the package under which County Bank and Barings will shortly receive Securities Branch Licences (SBL) in Tokyo and the Bank of England will grant a UK banking licence to Nomura.

.. I attach a note of my recent visit. You will see from paragraph two that I was indeed able to confirm that the package would also include SBLs for Morgan Grenfell and Samuel Montagu towards the end of the year.

In recording this success I should like to pay particular tribute to Sir Geoffrey Littler and his team for the preparatory work carried out in their continuing dialogue with Japanese officials.

I am copying this to the Foreign Secretary, the Chancellor of the Exchequer and the Governor of the Bank of England.

M.H.

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10 DOWNING STREET

From the Private Secretary

22 April 1986

Access to Japanese Financial Markets

The Prime Minister was grateful for Mr. Howard's report on his recent visit to Japan and Singapore which was clearly most successful.

I am copying this letter to the Private Secretaries to the Foreign Secretary, the Chancellor of the Exchequer and the Governor of the Bank of England.

(CHARLES POWELL)

P. Madden, Esq.,
Department of Trade and Industry.

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CONFIDENTIAL

To:

Secretary of State

From:

Michael Howard

14 April 1986

VISIT TO FAR EAST, 1-7 APRIL 1986

I visited Japan and Singapore, primarily to discuss financial services issues with the regulators and with UK and local firms involved in the financial markets. Copies of my .. programme and detailed meeting notes are attached.

JAPAN

2. In Japan I held very satisfactory discussions on access to Japanese markets at the Ministry of Finance with Vice Minister Oba, Parliamentary Vice-Minister Kumakawa and Securities Bureau Director General Kishida. I was able to obtain confirmation that Securities Branch Licences (SBL's) would be granted to Barings and County Bank in mid-May and to establish for the first time that further SBLs will be issued to Samuel Montagu and Morgan Grenfell in the immediately following batch, late this year as part of the same "package". The other part of this package is that the Bank of England will very shortly be inviting Nomura to apply formally for a UK deposit-taking licence. We are making good progress in our policy of encouraging step by step reciprocal liberalisation of Japanese financial markets and I must pay tribute to the preparatory work carried out by Sir Geoffrey Littler and his team in their regular dialogue with the Japanese on this issue.

3. I visited a number of UK companies active in the market (Warburgs, County Bank, Barclays, WICO) and was impressed with the professional approach being shown. There was general recognition that getting established in Japan is a long haul, but the potential rewards are enormous. There will be particular scope for business in investment management of funds placed overseas by the very rapidly growing Japanese pension funds and other institutions. This is an area in

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which UK firms have particular expertise and although the major Japanese houses will seek to develop their own in-house capability, there should still be considerable opportunities for the UK. I also saw the two leading Japanese houses Nomura and Daiwa who both have sizeable operations here and who stressed the continuing importance they attached to London.

4. I visited the Tokyo Stock Exchange, where Warburgs have recently obtained a seat and will commence trading very shortly. I outlined the regime contained in our Financial Services Bill and discussed the scope for developing closer international co-operation between regulators in this field. The Japanese expressed a willingness to involve the UK in the bilateral discussions which they are having in this area with the USA. I shall be asking officials here to take this initiative forward.

5. Quite fortuitously, I was able to participate in a reception to celebrate Cable and Wireless' listing on the Tokyo Stock Exchange - the first UK company to do so, though I understand British Telecom and Barclays will follow shortly. Sir Eric Sharp was very complimentary about the helpful attitude of the Japanese authorities.

6. At my meetings at the Ministry of Finance and the Ministry of Foreign Affairs (where I met Mr Kunihiro, DG, Economic Affairs Bureau) I drew attention to UK trade concerns on whisky and tobacco and the problem of restrictions on foreign lawyers working in Japan. At the request of the Embassy I also expressed concern that the Japanese were considering reducing their contribution to the International Development Association (IDA), despite their own oil windfall.

SINGAPORE

7. In Singapore, the principal achievement was in the field of copyright protection. Copyright piracy in Singapore is estimated to have cost the UK record and book industry some £70 million in lost sales in 1985, a fact which I drew to public attention in TV, radio and press interviews. I met Sidek bin Saniff, Parliamentary Secretary at the Ministry of Trade and Industry and was given a copy of Singapore's just published Copyright Bill (modelled on Australian legislation) which, it was claimed, should guarantee satisfactory protection. Sidek assured me that Singapore will be ready to apply the Bill's provisions to the UK on a bilateral basis if, as seems likely, they have not acceded to the Universal Copyright Convention by the time the Bill comes into force at the end of this year.



8. I met representatives of the British financial community who seem well placed to take advantage of Singapore's desire to become the "Switzerland of the Far East". It was pointed out that Singapore will have to liberalise its markets further and remove its restrictions on foreign ownership if it is to achieve this goal.

9. I discussed Singapore's new Securities Bill with Dr Koh Beng Seng at the Monetary Authority of Singapore (MAS). Partly as a result of a recent major collapse on the Stock Exchange, the Bill will impose a more rigorous regime with heavier reporting requirements and more clearly defined conduct of business rules.

10. In conclusion, this was a useful visit both in terms of the real progress on Japanese market liberalisation and as background for the remaining stages of our Financial Services Bill. I was reassured to hear, as in the USA, widespread support for the direction we are taking. It is clear that other markets will be watching London closely in the coming months.

11. I am most grateful to Sir Sidney Giffard and his staff in Tokyo (particularly Michael Lewis the Financial Attache), to Michael James in Singapore and to Richard Wells from FS Division, who accompanied me.

M.H.

MH

14 April 1986

cc Ministers
Sir Brian Hayes
Mr Caines
Mr Roberts
Mr Hilton FS
Mr Wells FS
Mr Lowry FS
Mrs Brown FS
Mr Hutton OT2
Mr Dunning OT2
Mr Tarnofsky IPCD
HM Ambassador Tokyo
Acting High
Commissioner Singapore

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