COVERING S E C R E T

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29 January 1981

T. Lankester, Esq.,
No.10 Downing Street

Dear Tim,

PRIME MINISTER'S LUNCH WITH THE LONDON CLEARING BANKERS

In accordance with your letter of 19 January ... I attach briefing material prepared in different parts of the Treasury.

Yours

John

A.J. WIGGINS

BANK PROFITS AND ADDITIONAL REVENUE FROM THE BANKS

1. The big four clearing banks in 1979 announced profits of around £1½bn. Their results for the first half of 1980 disappointed analysts - with their nominal profits below the second half of 1979. Figures for 1980 will be announced in February and March and are unlikely to be better than the 1979 figures - some analysts are predicting a fall of up to 10% - which means a significant worsening in current cost accounting terms.

2. Since these profits remain high in comparison with those of industry generally, Treasury Ministers have been exploring with the clearers various schemes for securing additional revenue from the banking system. One possibility was that the clearers might agree to finance a large part of the interest rate subsidy involved in fixed rate export credit lending. The clearers have now rejected this approach.* In discussions Ministers made it clear to the clearers that the likely result - if they refused to cooperate on fixed rate lending - was some form of tax on their "windfall" profits.

* In view of their decision not to pursue the possibility of a voluntary agreement with the Govt, a meeting arranged with the Chancellor for 29 January was cancelled.

3. Work is proceeding on a one-off levy on the banks so that this is an option for the Budget. It would be based on non-interest-bearing deposits, from which the banks derive their opportunity to make "windfall" profits. Final decisions on whether to proceed with such a levy, and on its precise form, remain to be taken. The clearers' results for 1980 (which three of them will be announcing before the Budget) will be among the factors to be taken into account.

It would not be desirable to reveal to the banks at this stage that we are thinking of a one-off levy rather than a continuing tax.

4. The CLCB are likely to argue that the clearers need their large profits because of their support for industry through its present difficulties and that this constructive role is demonstrated by the large rise of both their general and specific provisions for bad debts. If this argument is used the Prime Minister is recommended to emphasize that:-

i) The clearers' profit figures - for example the £1½ bn for 1979 - are net of these provisions for general and specific bad debts;

ii) But, whatever the precise profits figures, the clearers are undoubtedly doing extremely well in relation to the rest of industry, particularly the manufacturing sector;

iii) In part the clearers' high profits are a windfall resulting from high interest rates;

iv) Inevitably, against this background, it should be no surprise to the CLCB that a special tax on banks profits was being actively considered as an option for the Budget. The CLCB however would not expect the Prime Minister to reveal the contents of the Budget in advance.

CLEARING BANK PAY

1. The Unions representing bank employees are claiming increases of 15 to over 20 per cent. Press reports suggest that the banks are not willing to contemplate settlements of this order. Sir J Morse - Chairman of the CLCB - has told the Chancellor that the clearers are determined to get a settlement in single figures, and would be prepared to stand together against attack from their unions.

2. The Trustee Savings Banks - the first group of banks in the present payround - announced an 8% offer to the unions on 27 January - which was firmly rejected by the Banking, Insurance and Finance Union. /The clearing banks are due to respond on 29 January to the unions' claim probably with a figure in a similar range : the brief will be updated in the light of their offer*/. The risk however remains that the clearing banks will again pay more than the average, because they are exceptionally vulnerable to industrial action as relatively small numbers of computer operators can effectively paralyse many of their activities.

3. The Prime Minister will recall that in her Guildhall speech on 10 November 1980 she said "I would hope that those who gain from high interest rates... will take care to avoid leaving those who work in industry with the feeling that those who work in the financial institutions are benefiting from their misfortune". The Prime Minister, while seeking the CLCB's views on the progress of negotiations, will wish to remind the CLCB of the crucial importance of moderation in the clearers' pay settlements in leading the way for settlements in the rest of the financial sector.

* Later: the English clearers offered 8½ per cent for the year beginning 1 April 1981, and made it clear they were looking for a single figure settlement.

BANK LENDING : RECENT EVIDENCE

An analysis of bank advances and acceptances by individual category of borrowers was published by the Bank on 5 January for the period up to mid-November 1980. Broadly speaking, the figures indicated that there had been a fairly rapid deceleration in borrowing by businesses after the spring of 1980 and a less marked deceleration in borrowing by households. Nevertheless, over a period of a year, the growth rate of lending to households had not been much different from that of total lending. Lending for consumption represented about 12% of total lending (or just under 18% including house purchase).

2. Over the year to mid-November, lending to both households and in total grew by roughly 20%. This however covered a period in which an apparently faster acceleration of business borrowing compared with borrowing by consumers through 1979 was followed by a faster deceleration through 1980. This difference in behaviour has looked particularly marked since the summer of 1980 but because of data problems and seasonal factors it is not possible to be certain about its magnitude. For lending as a whole, bank counterpart data suggest that the rate of growth roughly halved between the spring and winter of 1980.

3. The apparently discrepant behaviour of company as opposed to persons' borrowing is not, in retrospect, a surprising phenomenon given the very different financial conditions which have prevailed in the two sectors. Whilst the high exchange rate and buoyant earnings kept real personal disposable incomes and hence borrowing high in 1980, they imposed a very tight squeeze on the company sector : a squeeze which was initially financed by higher borrowing (partially in foreign currencies) but eventually had to be met by heavy destocking and a labour shake-out instead. This relativity can be expected to be reversed as the deceleration in earnings and fall in employment lead to lower growth in consumer borrowing and business borrowing bottoms out with the stock cycle.

4. The latest figures we have are provisional data, for the clearers only, to mid-December. These show (unadjusted) only a small rise in lending to households and some fall to businesses in the month. The next quarterly figures, which are seasonally adjusted and provide a better sectoral split between persons as a whole and companies, will be available in a few weeks.

LOAN GUARANTEE SCHEME

Consultations with the clearing banks on the possibility of a loan guarantee scheme are now under way. No decision however has been taken on the principle of introducing a scheme. It is thus too early to say whether a scheme can be formulated or to go into much detail.

2. The current position is that officials are examining the possibility of a limited trial scheme, designed to discover whether there is a need for term loans at market rates of interest that is at present unsatisfied for reasons other than the inherent risk in projects. For instance, it is claimed that worthwhile projects have failed to secure finance because the would-be borrower was unwilling to give personal guarantees or had no track record. The intention is to plug any financing gap which may exist by stimulating some additional lending on the back of Government guarantee. It is intended that any pilot scheme should be self-financing.

3. If this subject is raised, you will wish to say the Government is considering a loan guarantee scheme as one of a number of possible measures to assist the flow of funds to small businesses. Consultations with the CLCB on such a scheme began on 29 January and you can assure the CLCB that their views on any scheme will be fully taken into account.

COMPANIES IN DIFFICULTIES - ROLE OF BANK OF ENGLAND

1. There have been a number of newspaper references to the Bank of England's role in relation to companies facing financial difficulties. The Governor in his speech to the Institute of Banks in Scotland on 19 January emphasized various points about the Bank's role:-

a) The Bank are not involved as lenders;

b) The judgement on viability remains a matter for the banks themselves. The Bank can play a useful coordinating role, for example, when several banks are involved;

c) The scale of lending in such cases is scarcely significant in relation to total bank lending or the size of monetary aggregates;

d) The Bank have not been keeping basically unviable companies alive; in this situation where some parts of the business are still good their aim has been simply to provide time to rescue these parts.

2. The CLCB are unlikely to share any illusions on the Bank's role in the case of companies in difficulties. If the matter is raised, you could draw on the above points as appropriate. You could also express appreciation for the constructive role the banks have been playing in seeing industry through its difficulties,

whilst emphasising the need for the banks to exercise restraint in bank lending.

MONETARY CONTROL

The Prime Minister will recall that changes in monetary control were announced on 24 November : I attach the relevant extract from the Chancellor's statement, and also a copy of the Bank's background note. The Prime Minister had a report on progress since then in Mr Tolkien's letter to Mr Lankester of 12 January (copy attached).

Extract from Hansard
24 November 1980
'Chancellors speech
on Economic Policy'

The Treasury and Bank of England have completed the consultations arising from the Green Paper on methods of monetary control published last March. As a result, between now and the Budget a number of improvements will be set in hand.

First, detailed consideration of new prudential arrangements for the banks will be brought to a conclusion so that the reserve asset ratio, which has complicated monetary control, can be phased out.

Secondly, the Bank of England will develop changes in its open market operations and last resort lending in ways that will allow the market a greater role in the determination of the structure of short-term interest rates.

Thirdly, we are considering the future of the clearing banks' cash ratio and also collecting and publishing an additional series for banking retail deposits. These steps are desirable in their own right. They would be consistent with a gradual evolution towards a monetary base system, and will help us to judge how far such a system would contribute towards our medium-term monetary objectives.

Extract from

Methods of monetary control

This background note was issued by the Bank on 24 November.

1 Since publication of the Green Paper on Monetary Control[1] the Treasury and the Bank have carried out extensive consultations and discussions on proposals for a change to a system of monetary base control and also on possible improvements to operational techniques within the existing framework.

2 From the consultations on monetary base control, two main types of proposal emerged, with an important distinction drawn between:

(i) non-mandatory systems in which banks are free to choose the amount of cash balances which they hold at the Bank of England; and

(ii) mandatory systems in which banks are required to hold a specified proportion of their liabilities as cash balances at the Bank of England.

3 Present arrangements do not allow firm judgments to be made about the desirability of moving to either kind of base control. In the case of a non-mandatory arrangement, it is not known whether the cash which the banks would choose to hold would be stably related to the money supply or to nominal income over an appropriate period. A mandatory system, on the other hand, particularly if related to a broad monetary aggregate, could prove vulnerable to the diversion of monetary flows outside the controlled area. In addition, and before fully moving to either system, time would be needed for adequate information and experience to be gained about the banks' demand for cash.

4 In this context, the Chancellor has announced in the House of Commons this afternoon that a number of improvements to the present system will be set in hand. These are desirable in their own right but they would also enable more to be learnt about the properties of a monetary base system and would be consistent with further evolution in either of the directions set out in paragraph 2 above.

5 The improvements to be set in hand within the existing framework are as follows:

(i) Once consultations with the banking system regarding adequate holdings of liquid assets have been completed, and appropriate norms agreed, the reserve asset ratio will be abolished. This was foreshadowed in the Green Paper.

(ii) Further consideration will be given to the future of the $1\frac{1}{2}\%$ cash ratio currently applying only to the London clearing banks, with a view to establishing arrangements that would be equitable within the banking system, and that could enable the authorities to monitor the development of the functional demand for cash balances at the Bank of England which could ultimately be associated with a non-mandatory system of monetary base control.

(iii) Discussions will take place with the banks regarding the collection of additional statistics on retail deposits, which would provide further information on monetary conditions and could, if that subsequently seemed appropriate, become the denominator of a cash ratio associated with a mandatory monetary base system.

(iv) Changes will be developed in the Bank of England's methods of intervention in the money market:

(a) It is envisaged that the Bank's intervention will place a greater emphasis on open market operations and less on discount window (lender of last resort) lending. It has been decided that these operations should continue to be conducted in the bill markets rather than through the inter-bank market, and in large part through the existing intermediaries, members of the London Discount Market Association, to whom discount window facilities would remain confined.

(b) Initially, the Bank's operational aim would be to keep very short-term interest rates within an unpublished band which would be determined by the authorities with a view to the achievement of their monetary objectives. The Bank would normally charge a rate on its discount window lending somewhat above comparable market rates but within the unpublished band. At an appropriate stage the Bank might cease to announce a minimum lending rate. These arrangements would allow market factors a greater role in determining the structure of short-term interest rates. It is accepted that this could lead to more flexible, market related, pricing of overdraft facilities.

(c) The Bank's operations would be broadly intended to offset daily cash flows between the Bank and the money markets. The present technique of creating initial shortages in the money markets which the Bank then acts to relieve would be abandoned. There would accordingly no longer be a deliberate over-issue of Treasury bills at the weekly tender.

(1) *Monetary Control* (HM Stationery Office, Cmnd. 7858).

6 The Bank will discuss the operational details of these changes with those institutions that will be affected as soon as practicable. It is intended that they will be put into effect next spring.

7 The Bank will also be putting forward proposals for changes in the institutional coverage of credit control and statistical reporting in the light of the Banking Act 1979.

8 Finally, in the light of the above changes, the Bank will examine further the possibilities of broadening the market for short-term central government debt as a means of providing greater flexibility to the government funding programme.

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SECRET

CAW

(1)

Prime Minister

Relevant to your clearing bank lunch.

The table in para 2 shows that banks' costs have, indeed, grown as a % of average credit balances; and para 4 shows the sharp increase in charges over the same period. Note that both tables - because they show percentages of credit balances - are inflation-adjusted.

MCS 1/2

BANK OF ENGLAND
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31 January 1983

M Scholar Esq
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SW1

Dear Michael

As requested in your letter of 20 January I enclose a note that has been prepared here on "endowment" profits.

The note itself is somewhat technical, because the subject is in fact quite complicated, but the main point which the Prime Minister may like to have in mind is the following -

(i) The 8.2% figure produced by the BBA as the average cost of current account balances should not be seen as some kind of floor so that banks automatically make losses on their current account business if market interest rates fall below this figure. This is because -

(a) current account balances tend to increase more rapidly as interest rates decline and this will in turn affect the cost figure (of 8.2%) which is expressed as a percentage of the level of current account balances;

(b) the banks will react to lower interest rates by charging more for the services provided to current account holders (and this will again affect the 8.2% figure);

(c) the banks' earnings from their investment of current account deposits are not directly proportionate to the general level of market interest rates, partly because of their fixed rate investments, and, more importantly in present circumstances, because provisions for bad debts could well be reduced as interest rates decline; and

(d) while it nevertheless remains true that endowment profits will tend to fall with interest rates, their importance is now much less than it was because current account business now accounts for less than a quarter of total domestic sterling business.

Yours sincerely
Tom Allen

T E Allen
Governor's Private Secretary

"ENDOWMENT" PROFITS

1 The "endowment" element of banks' profits is generally thought of as arising when deposits are taken by banks at no interest (or at a nominal rate of interest) and then invested at prevailing market rates of interest. In practice a number of other factors affect "endowment" profits, most importantly the costs of maintaining the branch network through which current account deposits are collected and providing related services offset in part by the direct charges made for such services. It is only when the endowment element exceeds these costs that endowment profits arise.

2 The British Banking Association's report (Review of Taxation in the Banking Sector - September 1982), referred to by the Prime Minister, quotes estimates for the costs of the four major clearing banks in operating current accounts, after deducting the banks' charges, for the years 1975 to 1981. The results are expressed as a percentage of average credit balances on current accounts.

1975	1976	1977	1978	1979	1980	1981
6.9%	7.1%	6.8%	6.2%	6.5%	8.1%	8.2%

There is a large subjective element in the basis of cost allocation. However, the figures for 1975-77 were prepared for the Price Commission and the basis of cost allocation used was accepted by the Commission. The series has simply been updated for the recent report.

3 The total costs entering into these calculations are essentially independent of the level of interest rates. However, the volume of current account credit balances, and hence the percentages in paragraph 2 above, is affected by the level of interest rates. As interest rates rise current account balances tend to grow more slowly because of the greater incentive for funds to be switched into assets bearing a full market interest rate. As a result the costs of current account deposits to the banks expressed as a percentage of the volume of such deposits will also increase as interest rates rise. A significant part of the marked cost increase in 1980 and 1981 which the figures show is attributable to this factor, with the clearing

banks' total non-interest-bearing sight deposits rising by only 3 1/4% a year in those two years, compared with 13 1/4% a year on average in the earlier years.

4 As noted earlier, the cost figures in paragraph 2 are arrived at after deducting the banks' charges for providing current account services. These charges doubled as a percentage of average current account credit balances, from 1.7% to 3.4% in the six years to 1981 and another round of increases in bank charges has just taken place. Even after the latest increases, however, some 50% of all bank customers still pay no charges at all and there is still scope for further increases. Such increases, after taking due account of the impact of competition from interest bearing forms of account, including those of building societies, will help contain the cost, and so maintain the profitability of current accounts in a lower interest rate environment.

5 On the other side, the banks' earnings from the investment of current account deposits cannot be accurately determined because the banks do not in general match particular types of deposit with particular categories of asset. At one extreme assets in the form of cash in tills (held largely to provide cash to current account holders and equivalent to some 5% of the London clearing banks' non-interest-bearing current account deposits) earns nothing; while some types of personal lending may currently earn rates in excess of 25%. Unpublished figures on the domestic operations of three of the clearing banks* show that toal interest income for 1981 expressed as a percentage of total banking assets was 14.5%; but this figure (which is arrived at before deducting the costs of managing the assets) cannot be directly set alongside the figure of 8.2% for the cost of operating current accounts in that year shown in paragraph 2 because it includes indistinguishably the banks' earnings from the investment of other, interest-bearing, deposits which are proportionately much larger and which are generally more expensive to the banks.

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* Barclays, Lloyds and National Westminster. These three banks conduct the bulk of their international operations through separate subsidiaries. Midland's domestic and international operations are carried out through the same company.

6 Whatever the yield attributable to current account deposits, it will tend to vary directly with the level of interest rates, although this would not be true to the extent that the deposits were invested in fixed-rate assets, eg gilt-edged and much consumer credit business. Also it may well be the case that the banks' bad debt experience increases at higher levels of interest rates, and the associated provisions would need to be set against earnings.

7 For the reason given in paragraph 6 above it is not possible to estimate the size of the endowment element in the banks' total profits, but it is certainly much less important than it was because of the relative decline in current account business. Non-interest-bearing current account balances fell from 36% of the clearing banks' total sterling deposits in 1977 to 23% in 1981 and are still falling. It is almost certainly true that the endowment element in profits varies directly with interest rates, despite the contrary factors noted above, but the relationship is less straightforward than is sometimes supposed, and probably weaker than in the past. Because of the decline in the relative importance of the endowment element, it is much less clear that the clearing bank groups' <u>total</u> domestic profits# still vary directly with interest rates in the same way.

Bank of England
31 January 1983

One recent analysis, by stockbrokers Panmure Gordon, suggests that the relationship can be inverse. They put National Westminster's profits for 1983 at £510 million if base rates fall to 8% and £520 million if base rates fall to 6%, though this result may be influenced by an expectation of lower provisions on the lower interest rate assumption.

cc: Sir Douglas Wass
Mr. Burns
Mr. Ryrie
Mr. Middleton
Mr. Unwin
Mr. Britton
Mrs. Lomax
Mr. Monck
Mr. Turnbull
Mr. Ridley
Mr. Fforde - B/E

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Treasury Chambers, Parliament Street, SW1P 3AG
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12 January 1981

T P Lankester Esq
Private Secretary
Prime Minister's Office
No.10 Downing Street
LONDON SW1

Dear Tim,

MONETARY CONTROL

In your letter of 22 December you asked for a progress report on developments in the system of monetary control.

... I now attach such a report. It has been agreed with the Bank of England.

Yours ever,

Richard Tolkien.

R I TOLKIEN
Private Secretary

MONETARY CONTROL

1. Following the seminar on 18 November the Chancellor set out the next stages on monetary control in his statement of 24 November. This was accompanied by a background note from the Bank. Copies of the relevant parts of the Chancellor's statement and the note by the Bank are attached. These make clear that although no decision has yet been taken on monetary base control, the changes would be consistent with further moves in that direction. The notes below record the state of play on the main items.

Phasing Out the Reserve Asset Ratio

2. The RAR was reduced to 10% from 5 January. The change was well taken by the markets as being in line with Government policy. There have been no suggestions that it could result in a loss of monetary or prudential control.

3. Final abolition of the RAR depends on making sufficient progress with new arrangements for ensuring adequate liquidity for the banks so that confidence in the banking system is fully maintained. These new arrangements also have to be tied in with the proposed changes in the Bank of England's operating procedures (paragraph 7 below). The Bank are carrying their discussions on this and related technical questions further and are discussing it with the Treasury.

4. We are aiming to carry negotiations with the banking system far enough by the Budget for the RAR to be abolished without raising prudential risks.

The Cash Ratio

5. In order to clear the way for a possible move in the direction of monetary base control, the 1½% cash ratio (which applies only to the London clearing banks) also needs to be removed. This could be done without loss of monetary control but it would deprive the Bank of an important source of income. Discussions are taking place with the Bank about possible supplementary sources of income to replace what would be lost if the

banks held less of their cash reserves with the Bank.

6. It is expected that we shall be able to make recommendations before the Budget.

Money Market Management and Lender of Last Resort

7. The Bank has already started to make its operating techniques in the money markets more flexible. Discsussions are taking place between the Treasury and the Bank in order to specify more precisely the further changes described in the Bank paper for the Prime Minister's seminar. This includes the introduction of a band in which interest rates might be allowed to fluctuate. It will be important to conduct these operations so that we do gain as much experience as we can about the banks' own requirements for base money.

8. A report will be brought to Ministers so that the new arrangements, along with those already described, could be implemented at Budget time.

A New Series for Retail Deposits (M2)

9. The above changes would be enough to move, when sufficient experience has been gained, to a system of monetary base control where the base itself was targeted, and the banks were left to determine their own requirements for cash (a non-mandatory system).

10. In order to ensure that the alternative of moving to a system of monetary base control in which the authorities set the requirement for the base, is also kept open, and because it would be a useful indicator in its own right, work is in hand. The next stage is to consult the banks; this is about to take place. There are a number of complications, including the treatment of building society deposits, but it is hoped that the work will be sufficiently advanced to allow progress to be reported at Budget time, with the series introduced later in the year.

Funding

11. There are 3 issues:

a. Funding Techniques for conventional stocks. This is being discussed in a Treasury/Bank group chaired by Sir Douglas Wass. It is taking a very wide look at funding methods.

b. Widening the Market by selling more short term Government debt. Selling more short term debt is a possibility once the RAR is out of the way. The Bank are forming a small advisory group from the market to assess the practical possibilities. This will also be considered in Sir Douglas Wass' group.

c. Indexed Gilts for Pension Funds. The Financial Secretary will shortly be letting the Prime Minister have a paper for further Ministerial discussion. It will take account of the points made in the Scott Report.

General

12. A good deal of progress is being made on the issues raised at the Prime Minister's seminar. The early March Budget date means that time is extremely short, but it should be possible to report to Ministers in good time before the Budget.

IN PLACE OF CASH / MONTHLY PAYMENT OF WAGES

1. The CLCB announced, on 21 January, the formation of a Payment of Wages Working Group by the 12 major high street banks to promote the acceptance of non-cash methods of pay. The banks recognise that the task of changing the nation's pay will inevitably take a long time and that the change must remain a voluntary decision for each person. The banks are not therefore advocating any amendment to the Truck Acts which give manual workers the right to be paid in cash. At present 54% of all employees (and 78% of manual workers) are paid in cash.

2. There are undoubtedly advantages for the economy as a whole in switching to more efficient methods of payment where these are available. Cash is generally inefficient for the payment of relatively large sums, such as wages, on a regular basis and there is little doubt that a widespread switch from weekly payments in cash to monthly payments via the banks would involve substantial resource gains for the economy as a whole. The CPRS report on this question which, subject to Ministerial approval, is due to be published in the next couple of months concludes that there would be general advantage if the movement to cashless pay, and to monthly rather than weekly pay, could be made more rapid in both the private and public sector.

3. If this subject is raised, the Prime Minister could express appreciation for the work the CLCB have carried out and express the hope that the discussion document that the CPRS are intending to publish soon will stimulate further progress in this area.

ARRANGEMENTS FOR MORTGAGE INTEREST RELIEF

The Prime Minister will recall that the Financial Secretary announced during the debate on the Wilson Report on 23 January a review of the administrative arrangements governing mortgage interest relief. The Inland Revenue have written to the CLCB - as one of the bodies representing major lenders for house purchase - drawing their attention to this announcement.

If the CLCB raise this issue, the Prime Minister will wish to emphasise that the study will be concerned only with the mechanism for giving tax relief and not with the amount of the relief. Any new arrangements could only give basic rate relief at source and higher rate tax would be given separately. The CLCB can be assured that no decisions have yet been reached and their views will be fully taken into account before decisions are taken.

STUDENT LOANS

The DES are considering the replacement of all or part of the present structure of student awards with loans. In the course of this, the CLCB's comments on the possibility of their making such loans were requested on the basis of a DES/Treasury paper. (The CLCB themselves had expressed interest in such a possibility in a letter to the Education Select Committee). The CLCB provided comments at short notice so that DES Ministers could take account of them when they considered an internal report which had been prepared on the options.

2. The CLCB did not rule out the possibility of their running a student loan scheme, although naturally they laid down a number of conditions, including Government guarantees against default and compensation for any subsidised rate of interest.

3. DES Ministers have not yet come to any conclusions. When they do, the Treasury will want to be sure that the monetary policy, as well as the public expenditure, implications of their proposals are acceptable before supporting them.

4. If the matter is raised you could thank the CLCB for their quick response to the DES paper and say that DES Ministers are now looking at the options. The CLCB can be assured that if the banks' involvement is favoured, they will be consulted further.