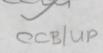
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Treasury Chambers, Parliament Street, SWIP 3 \G

The Rt Hon Malcolm Rifkind QC MP Secretary of State for Scotland Dover House Whitehall LONDON SW1

// February 1987

Den halcolm

BANKING BILL

will requestif required Thank you for your letter of 3 February. I do recognise the concerns expressed to you by the Chairman and Chief Executive of the Royal Bank of Scotland. I have myself met chairmen of the English clearing banks, who made similar points, and have given considerable thought to the issue of national interest takeover powers in the context of the Banking Bill.

However, as I said in the Committee Stage debate on the Bill, statutory powers already exist under the Fair Trading Act for the scrutiny of takeovers on grounds of public interest. Moreover these provisions and the arrangements for dealing with takeovers generally, are currently undergoing thorough review.

I have nevertheless discussed with Nigel Lawson, and consulted Paul Channon, on the representations that have been made. But we are not convinced that the case has been made for special treatment to control bank takeovers in the public interest, over and above those that exist for other sectors.

I do however hope to be able to give an assurance at Report Stage of the Bill that the review will not result in the removal of the existing public interest controls. I shall also be bringing forward new provisions to allow the control of takeovers where there are reciprocity grounds for objecting to the transfer of

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control overseas, building on provisions including in the Financial Services Act 1986. (I enclose a copy of my letter to Paul Channon on these points.) I believe that these steps taken together should meet any reasonable concerns about takeovers of UK banks.

I am copying this letter to the Prime Minister, to Geoffrey Howe, to Paul Channon and to the Governor of the Bank of England.

yours ever lan

IAN STEWART