

CCPS



Foreign and Commonwealth Office

London SW1A 2AH

16 February 1987

DAV
NBN
It's for you-hoo.
COP

Dear Peter,

Banking Bill

The Foreign Secretary (who is in Brussels today for a meeting of the Foreign Affairs Council) has asked me to send you his comments on Mr Stewart's letter of 11 February to Mr Channon and Mr Rifkind. He has also seen David Norgrove's letter to you of 12 February, recording the Prime Minister's views.

He is in general content with the action proposed by Mr Stewart. He shares Mr Stewart's opposition to the addition of a blanket national interest provision to the Bill, and agrees that the introduction of a provision to control bank takeovers on reciprocal grounds, on the lines of Section 183 of the Financial Services Act, represents a sensible approach to the problem.

He believes, however, that the amendment proposed will need to be drafted very carefully, and wonders how we would catch countries that might have no explicit legislation against bank takeovers by foreign interests, but who nevertheless maintain effective administrative or bureaucratic controls against such takeovers. He assumes that our reciprocity provision will have Japan and the US particularly in mind. Although he understands that Mr Stewart will be putting down his proposed amendment today, he thinks that it would be useful if FCO officials and Legal Advisers could be consulted on its terms, if time permits, and has asked his officials to contact yours.

I am copying this letter to Charles Powell (No 10), Timothy Walker (DTI), Robert Gordon (Scottish Office) and John Footman (Bank of England).

Yours truly

R N Culshaw

(R N Culshaw)
Private Secretary

Peter Barnes Esq
 PS/Mr Stewart
 HM Treasury

ECON POL
DOMESTIC M. POLICY

P772