

CONFIDENTIAL

C.P.U.



Foreign and Commonwealth Office

London SW1A 2AH

12 May 1989

Guinness Mahon

M.B.P.M.

ALG

145

lap

Guinness Mahon

Thank you for copying to me your letter of 8 May to Paul Gray. The Foreign Secretary agrees that the issue should be left to the commercial judgement of the parties.

I am sending copies of this letter to Paul Gray (Number 10) and Neil Thornton (DTI).

Yours ever

R N Peirce

(R N Peirce)
Private Secretary

Duncan Sparkes Esq
APS/Chancellor of the Exchequer
HM Treasury, Parliament Street SW1

CONFIDENTIAL

~~EE~~ ECON POL :
Don Man Pol Pt 20





ape

RW

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 May 1989

GUINNESS MAHON

Thank you for your letter of 8 May, which the Prime Minister has seen. She has noted the intention to allow the offer from the Bank of Yokohama to proceed.

I am copying this letter to Robert Peirce (Foreign and Commonwealth Office) and Neil Thornton (Department of Trade and Industry).

(PAUL GRAY)

Duncan Sparkes, Esq.,
HM Treasury.



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

8 May 1989

P R C Gray Esq
Private Secretary to
Prime Minister
10 Downing Street
LONDON
SW1

Prime Minister
Content to continue the policy
of allowing the Japanese to bid for
Guinness Mahon?

Dear Paul,

PRC 6.9/5

You will recall that Alex Allan wrote to you on 21 October about a bid by a Japanese bank, Tokai, for the merchant bank Guinness Mahon. In view of our concerns about the access of British firms to the Tokyo Stock Exchange, the Chancellor had considered whether to block the bid, but had concluded that it was right to allow the Japanese offer to go ahead. Your reply on 24 October said that the Prime Minister noted this.

In the event, the Tokai bid fell through, and Guinness Mahon remained under the control of Equiticorp, a New Zealand company. Equiticorp subsequently fell into the hands of the New Zealand receivers, and control of Guinness Mahon passed to a consortium of banks (led by Montagu) which had provided Equiticorp with a loan to purchase their share of Guinness Mahon in the first place. The consortium of banks has in turn been trying to sell Guinness Mahon. There is now a short list of four possible purchasers, one of which is a Japanese bank. This is the Bank of Yokohama, a regional bank with a branch in London since 1973. The Bank do not have any prudential concerns about it.

The balance of arguments for and against allowing the Japanese bid to go ahead have not changed significantly since October. On the one hand, Guinness Mahon would obtain an owner in whom the Bank had confidence, which was not the case with Equiticorp, and could look forward to a more settled future. On the other hand, it is necessary to consider whether to withhold agreement in order to put pressure on the Japanese over access to Tokyo. There are, however, more suitable levers available to apply pressure on the Japanese. The main linkage which we have made in discussions with the Japanese relates to new authorisations for Japanese regional



banks to operate in London. The agreement to allow a Japanese bank already in London to acquire Guinness Mahon would be unlikely to weaken our bargaining position with the Japanese.

The Chancellor therefore agrees with the Governor that the right course is to allow the Japanese offer to go ahead. Lord Young has indicated that he does not wish to intervene.

I am sending copies of this letter to Robert Peirce (FCO) and Neil Thornton (DTI).

Yours,

Duncan

DUNCAN SPARKES
Assistant Private Secretary