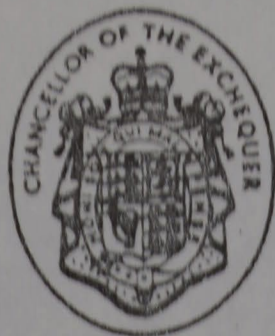


Copies to: The Governor
Deputy Governor
Mr Walker
Mr Dawkins

RECORD OF A DISCUSSION BETWEEN THE CHANCELLOR, THE SECRETARY OF STATE FOR TRADE
AND INDUSTRY, AND THE GOVERNOR OF THE BANK OF ENGLAND,
ON THE STOCK EXCHANGE AND THE RESTRICTIVE PRACTICES COURT:
11.00 A.M., 8 JULY, NO. 11 DOWNING STREET

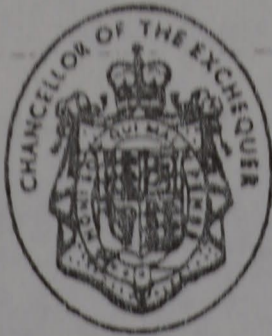
Present:	Chancellor	Mr Parkinson	The Governor
	Mr Middleton	Mr Fletcher	Mr Dawkins
	Mr Kerr	Sir A Rawlinson	

Mr Parkinson reported, as in his letter of 4 July, on meetings with the DGFT on 29 June, and with Sir N Goodison on 1 July. The Governor confirmed that his view of the City's reaction to withdrawing the Stock Exchange case from the Restrictive Practices Court was in line with that of his predecessor, and in conflict with that of the DGFT. The City would welcome the withdrawal of the case, for lengthy Court proceedings would be bad for confidence, and the outcome could only be a verdict, not a structure for reform. The City would also welcome an end to minimum commissions; the proposed settlement would provide this.

2. Mr Parkinson and Sir A Rawlinson reported that Sir N Goodison had been told that the Government had it in mind that:-

- a. minimum commissions should be phased out over a fairly short period;
- b. single capacity should be maintained, though the requirement need not necessarily be set in concrete for all time; and
- c. the rules of entry should demonstrably be liberalized.

Sir N Goodison's concerns had been that business might be driven outside the Exchange, that the Exchange might become a prey to large US institutions; and that statutory arrangements might not be sufficiently flexible/amendable to permit timely response to changed circumstances. Sir N Goodison had suggested a five year period for phasing out minimum commissions: it was agreed that this would be far too long, and that the aim should be to try to reach agreement on a period of no more than three years. He had also asked for "monitoring" of changes by the Stock Exchange and the Bank, presumably because he found



it hard to predict the consequences of abolition of minimum commissions. It was agreed that DTI and Bank officials would submit proposals on what form of monitoring might be appropriate. The need for adequate investor protection was also stressed. Without minimum commissions, collapses were bound to occur, and adequate safety-net arrangements for the investor would be essential. It was agreed that DTI officials would consider this issue further.

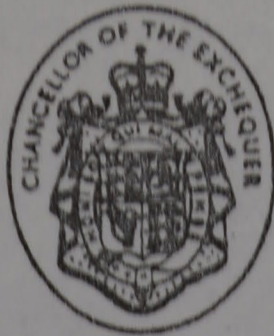
3. Mr Parkinson drew attention to a letter of 10 November 1980 which the Prime Minister had sent to Sir Harold Wilson, who had suggested measures not unlike those now being contemplated. The Prime Minister's response had implied that removing a case from the Restrictive Practices Court might raise questions of propriety. A similar formula had subsequently been used in a further letter from Dr Vaughan. The Prime Minister was already aware of the action being undertaken with Sir N Goodison; but she should be reminded of the letter, publication of which could cause embarrassment. It was noted that it would probably not be possible to have the case adjourned sine die, rather than withdrawn, because it would be for the DGFT to seek an adjournment, and he would be unlikely to agree to do so.

4. It was noted that Sir N Goodison had agreed to put forward his package of proposals by 15 July. If the package were, or could in negotiation be made, acceptable, the next step would be to put a proposal to Cabinet, with a view to a Statement in the House before the Recess. The timing was very tight; and it was agreed that Sir N Goodison should be urged to produce his package by mid-week. The group should aim to meet on 15 July, to consider the package and perhaps a draft Statement.

5. Mr Parkinson suggested, and it was agreed, that the right sequence of events would be as follows:-

- a. he would minute the Prime Minister on 8 July about the Wilson letter. All further action would be contingent on her reaction;
- b. he would inform the DGFT that the Government was opening negotiations with Sir N Goodison;

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- c. Sir N Goodison's package would be received, if possible by mid-week, and appraised; and
- d. Law Officers would be consulted, and the Attorney-General invited to attend the 15 July meeting.

MOM

for J O KERR
8 July 1983

Distribution:

Chief Secretary
Financial Secretary
Economic Secretary
Mr Middleton
Mr Cassell
Mr Monck
Mr Pirie

PS/Secretary of State for Trade and Industry
PS/Mr Fletcher (DTI)
PS/Governor, Bank of England