



PA

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: 3PM, 23 JUNE, NO 11 DOWNING STREET

Present:

Chancellor of the Exchequer	Mr Parkinson	Governor
Mr Middleton	Mr Fletcher	Mr Walker
	Sir A Rawlinson	

The meeting considered the paper by officials circulated with Mr Parkinson's letter of 16 June.

2. Mr Parkinson said that he accepted the decision, taken at a similar meeting on 6 May, that it would be right to take action to withdraw the Stock Exchange case from the Restrictive Practices Court provided that the Stock Exchange accepted that single capacity was to be enjoined in legislation, minimum commissions were to be abolished, and membership restrictions were to be limited to those necessary to ensure sufficient competence, probity, and financial resources. He would be content to inform the Director-General of Fair Trading of this decision, and to seek his agreement that if the Stock Exchange accepted it, the Restrictive Practices Court case could be adjourned sine die. But he was concerned that the Stock Exchange Council, and membership, should have agreed to make the necessary changes before an Order was put to Parliament.

3. The Governor said that he thought the 6 May decision entirely right, but that it would be right to show a measure of flexibility in negotiating with the Stock Exchange Council the modalities, and timing, of the implementation of the 3 central principles. In subsequently monitoring their application, it would also be necessary to take account of the effects of market forces, including international competition: one should not try now to set arrangements in concrete for all time.



4. The Chancellor said that he too thought the 6 May decision essentially correct. It was however not certain that the Stock Exchange would accept the deal on offer, and he agreed with Mr Parkinson that it would be difficult to proceed with legislation if they did not. Moreover, it was important to be clear about the public explanation of the Government's reversal of the 1979 decision to let the case take its course in the Restrictive Practices Court. One could point to the EC Directives, but it would be important also to be able to say that the Stock Exchange had changed its position. This pointed to the desirability of conducting the first stage of the negotiations with the Stock Exchange (paragraph 13 of the paper by officials) in strict confidence.

5. In further discussion, it was suggested that there was strong evidence that the Stock Exchange Chairman would be very willing to negotiate; and good reason to believe that a deal struck with the Council would - while the threat of proceeding with the case remained - be accepted by the membership. It was also noted that Mr Parkinson had discussed the proposed course of action with the Prime Minister, who was in general content; and that discussion with the Law Officers need not take place until preliminary negotiations had taken place: if an agreement seemed likely, the question for the Law Officers would be the narrow one of whether primary legislation would be required.

Next Steps

6. It was agreed that, on the basis of a negotiating brief to be urgently prepared by DTI (and cleared with the Bank and Treasury) the Secretary of State would, if possible during the first week of July, talk first to the DGFT, and then - assuming the DGFT's acquiescence - to the Stock Exchange Chairman. DTI officials would be in the lead in follow up negotiations. If it became clear that progress was being made, an interim adjournment of the Court Hearings would be sought. The aim would be to move as fast as possible with the Stock Exchange Council.



7. It was agreed that a further meeting of the present group might be appropriate by mid-July.

JOK

J O KERR

24 June 1983

Distribution

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

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