



JF3920

CF
Meeting
1200 on
20/7 A

CONFIDENTIAL

Prime Minister ⁽¹⁾

Agree a meeting on
Wednesday, when you
will have comments from
the Attorney-General
direct?

PRIME MINISTER

Yes no

STOCK EXCHANGE AND RESTRICTIVE PRACTICES COURT

I minuted you on 12 July about this matter.

Mus 15/7

2 I can now supplement that minute by sending you the attached note of proposals which Nicholas Goodison has now indicated he would be willing to recommend to the Stock Exchange Council.

3 I have also had a further discussion with the Chancellor of the Exchequer and the Attorney General. Subject to your view of the political considerations raised in my earlier minute, we are all convinced that settlement on the basis of these proposals would be better than going forward with the Court case. The Attorney General will be sending you his comments on Monday on the question of legal propriety, raised in your Private Secretary's letter to mine of 13 July. His advice is that, in the circumstances we envisage, it would be in order for application to be made to the Court on behalf of the Stock Exchange, in the first instance for a stay of proceedings for say four months, and later, when the proposed Order has been made,



for adjournment of the case sine die. It is to be hoped that the Director General of Fair Trading would acquiesce in this.

4 In so sensitive a matter we must strive to avoid premature leaks. The best way to do this is to get a statement made to Parliament before the House rises and before the end of ... the Law Term, and I attach a note on suggested procedure.

5 To implement the timetable, I hope that you may be willing to convene a small meeting of those of us most concerned next Wednesday, 20 July. The documentation would be this minute and my previous one of 12 July.

6 I am sending copies of this minute and attachments to the Chancellor of the Exchequer, the Attorney General, the Governor of the Bank of England and to Sir Robert Armstrong.

C P

15 July 1983

Department of Trade & Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB



MEASURES PROPOSED

The following measures are proposed.

Abolition of minimum commissions

2 The Council of the Stock Exchange will take action to dismantle by 31 December 1986 all the rules which at present prescribe minimum scales of commission.

Separation of capacity

3 The regulations which now have to be made by the Government to implement the EC Directives on the Stock Exchange will prescribe the continuation of separation of capacity of brokers and jobbers to the extent that the present primary Stock Exchange rules prescribe it. Changes may be made by similar amending regulations if the Government judge this appropriate in the light of the evolution of the market.

Membership of the Stock Exchange

4 The Council of the Stock Exchange will recommend to the members proposals which would have the following effects:-

- 1 The establishment of an appeal tribunal, independent of Stock Exchange members of the Council, to review and if appropriate over-rule the Council's decision to reject an applicant for membership.
- 2 The introduction to the present Appeals Committee of at least a majority of people who are not Stock Exchange members of the Council.
- 3 The introduction of lay members to the Council of the Stock Exchange, the number and the method of their selection to be agreed with the Bank of England.
- 4 The introduction of rules to permit non-members to serve as non-executive directors of limited corporate members of The Stock Exchange, provided that there is always a majority of directors who are members of the Stock Exchange.

Monitoring

5 Arrangements will be made for the Department of Trade and Industry and the Bank of England together to monitor the implementation of these measures, with the continuing broad objective of sustaining and promoting the development of the Stock Exchange as an efficient, competitive, and suitably regulated central market which affords proper protection to investors.



+RTA (or PG)

PROPOSED PROCEDURE

1 Tuesday 19 July. Attorney General to see Sir Gordon Borrie (already arranged).

2 Wednesday 20 July. Prime Minister to hold meeting with Secretary of State for Trade and Industry, Chancellor of the Exchequer, Attorney General and Lord Cockfield to discuss Mr Parkinson's minutes of 12 and 15 July. If it is then decided to proceed -

3 DTI to confirm to Sir Nicholas Goodison that the Government will be receptive to proposals on the lines discussed if they are adopted by the Stock Exchange Council. The Government will not make any final decision unless and until the proposals are endorsed by the Council, but if they are, the Government will consider making an Order under the Restrictive Trade Practices Act to exempt the Stock Exchange from the provisions of the Act. Such an Order will provide a basis for application to the Court on behalf of the Stock Exchange to terminate the Court case, even though it is unlikely, and not Ministers' contention, that the Order would itself achieve that end.

4 Monday 25 July. Sir Nicholas Goodison to hold a confidential meeting of the Stock Exchange Council, with no prior intimation of the meeting's purpose, and no paper circulated before the weekend. If the outcome is a satisfactory endorsement of the proposals, Sir Nicholas Goodison to inform the DTI on Monday evening.

5 Tuesday morning, 26 July. Secretary of State for Trade and Industry to inform Cabinet orally.

6 Secretary of State for Trade and Industry to make statement in House of Commons on Wednesday 27 July. Possibly simultaneous statement in Lords. Statement to announce that in the light of the commitment of the Stock Exchange Council to the proposed measures, the Government intend to make an exempting Order under the Restrictive Trade Practices Act.

7 On the basis of this statement, application by the Stock Exchange to the RTP Court for a stay of the hearing for, say, four months. This application should be made before the end of the Law Term, so that it can be to the RTP Court itself, rather than a vacation judge. The application is at this stage only for a temporary stay, since the Order has not yet been made. But a stay is necessary to stop work on preparation for the hearing, in particular on the documentation at present due in October.



8 During the Recess the Stock Exchange Council proceed as quickly as convenient to secure the agreement of membership as a whole of the Stock Exchange which is necessary for the changes proposed concerning rules of membership. (There may be difficulty in completing within the timescale all the legal complexities of changing the Deed of Settlement. A suitable resolution passed by the appropriate three quarters majority could be accepted as sufficient to justify the next step of making the Order (para 10). DTI lawyers advise that in accordance with Acts of 1799 and 1922, the formal procedure of changing the Deed of Settlement will require inter alia the consent of the Government of the Irish Republic.)

9 Also during the Recess, the Secretary of State for Trade and Industry seeks public representation on the proposed Order under the Restrictive Trade Practices Act with a view to making the Order when Parliament returns, always provided that the Stock Exchange has completed their action first.

10 When Parliament returns, the Order is made (after appropriate debate), and also Orders under EC Act to entrench certain Stock Exchange rules, including those prescribing single capacity as to implement EC Directives.

11 On the basis of these Orders, Stock Exchange apply to the Court for adjournment of the case sine die.

15 July 1983