



FILE

b/c: J. Rowley

RW

## 10 DOWNING STREET

From the Private Secretary

10 April, 1984

THE STOCK EXCHANGE AND THE GOWER REPORT

The Prime Minister has looked <sup>at</sup> ~~out~~ the Stock Exchange's draft consultative document on the future changes to its structure and membership. She has given some thought to the Gower Report.

She welcomes the radicalism of the Exchange's consultative document, which fully justifies the decision to take the case from the OFT and has noted that the document recognises that the end of minimum commissions will in turn mean that single capacity may not be sustained. She has suggested that the Stock Exchange should now move as rapidly as possible to establishing suitable electronic systems for dealing and providing information about deals in readiness for the move to dual capacity. The availability of such information would be the best guarantee of investor protection after the demise of single capacity.

The Prime Minister is concerned about the proposals in the Gower Report. She wonders just how closely the Government should become involved in taking responsibility for the proposed self-regulatory bodies as there is a risk that ultimately the Government could be blamed for any malpractice in the City when it is not in the Government's power to prevent it. She wonders whether the Government's responsibility should be limited to ensuring that the normal laws against fraud, embezzlement, theft etc, are also applied rigorously in the City, to ensuring the clients have sufficient information to be able to take reasonably well informed investment decisions, and to ensuring the separation of client and business monies.

I am sending a copy of this letter to David Peretz (HM Treasury) and to Tim Allen (Bank of England).

(Andrew Turnbull)

C. McCarthy, Esq.,  
Department of Trade & Industry

LB

GRM type

AT 10/4

9 April 1984

MR TURNBULL

cc Mr Redwood

DRAFT LETTER TO DTI ON CITY MATTERS

The Prime Minister has endorsed the recommendations in Mr Redwood's minute of 6 April, and I therefore attach a short draft letter for you to send to Mr Tebbit's private secretary.

DW

DAVID WILLETTS

DRAFT LETTER FROM ANDREW TURNBULL TO CALLUM MCCARTHY

THE STOCK EXCHANGE AND THE GOWER REPORT

The Prime Minister has <sup>looked out</sup> ~~been considering~~ the Stock Exchange's draft consultative document on the future changes to its structure and membership. She has also <sup>give some thought</sup> ~~been following comment~~ on the Gower Report.

She welcomes the radicalism of the Exchange's consultative document, which <sup>fully justify by decision</sup> ~~shows how right it was~~ to take the case from the OTT. <sup>and has not</sup> ~~She is pleased~~ that the document ~~clearly~~ recognises that the end of minimum commissions will in turn mean that single capacity cannot be sustained. <sup>She has suggested</sup> The Prime Minister thinks that <sup>it</sup> ~~is~~ important that the Stock Exchange <sup>now</sup> ~~now~~ moves as rapidly as possible to establishing suitable electronic systems for dealing and providing information about deals in readiness for the move to dual capacity. The availability of such information <sup>would be</sup> ~~is~~, she thinks, the best guarantee of investor protection after the demise of single capacity.

The Prime Minister is ~~more~~ concerned about the proposals in the Gower Report. <sup>She wonders just how closely</sup> ~~She thinks~~ there is a risk that <sup>Government should</sup> ~~the DTI would~~ become too ~~closely~~ involved in taking responsibility for the proposed self-regulatory bodies, <sup>on the other hand</sup> ~~so~~ that ultimately the Government ~~would~~ be blamed for any malpractice in the City when it is not in the Government's power to prevent it. <sup>She wonders whether</sup> The Government's responsibility should be limited to ensuring that the normal laws against fraud, embezzlement, theft etc are also applied rigorously in the City, and to ensuring that clients have sufficient information to be able to take reasonably well-informed investment decisions, <sup>and to ensuring the separation of</sup> ~~and to ensuring~~ <sup>deal & business matters</sup>.

I am copying <sup>this</sup> letter to David Peretz (Treasury) and Tim Allen (Bank of England).

ANDREW TURNBULL



JF6371

Secretary of State for Trade and Industry

NAPM  
AT 26/4

u JK

DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422

GTN 215

(Switchboard) 215 7877

26 April 1984

Andrew Turnbull Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON  
SW1

*Dear Andrew,*

THE STOCK EXCHANGE AND THE GOWER REPORT

The Secretary of State has seen your letter of 10 April.

2 Mr Tebbit is glad that The Stock Exchange's consultative document found favour with the Prime Minister. He too found some of the options commendably bold. The Stock Exchange authorities are actively exploring the technological requirements of changing the trading system. Officials in this Department have regular meetings with officials of The Stock Exchange and of the Bank of England for monitoring all aspects of the reform set in train last summer.

3 Mr Tebbit understands the Prime Minister's concerns about the proposals in the Gower Report, and will take account of them when he considers and reviews the comments received on the Report, for which the closing date is 30 April.

4 Copies of this go to David Peretz (Treasury) and Tim Allen (Bank of England).

*Yours ever,*  
*Ruth*

RUTH THOMPSON  
Private Secretary