



HOUSE OF LORDS,
SW1A 0PW

9 January 1985

My dear Norman: White Paper on Financial Services

Thank you for copying to me your minute to the Prime Minister seeking the approval of Cabinet colleagues to the publication of this White Paper. of 7.12

I think you may have underestimated the criticism which will be mounted against your proposal that the legislation should enable you to delegate your regulatory powers to the proposed Securities and Investments Board and Marketing of Investments Board. To a limited extent, it is true that you would be able to require amendments to rules made by these Boards, and ultimately to revoke the powers delegated to them. But, if and so far as these powers remained delegated, the Boards would be law-making bodies without any sort of Parliamentary accountability. As you acknowledge, such sub-delegation to a quango is I believe unprecedented except, for instance, under the Emergency Powers (Defence) Act 1939. I fear this may cause a good deal of constitutional argument.

X | In paragraph 5.2 of the White Paper you list the anticipated advantages. But it does not seem to me that any of them would be prejudiced if you yourself made the rules on the advice of the Boards, or (2) if the Boards made their rules as statutory instruments. Surely either course would preserve the advantages without dispensing with Parliamentary accountability. I realise, of course, that the Governor of the Bank and the City are to be their own masters. But there would surely be many who designed to increase Parliamentary control and accountability to their members.

keen

The Right Honourable
Norman Tebbit MP
Secretary of State for Trade and Industry

I feel sure that we shall be reminded that, in the speech which Alex Fletcher delivered on your behalf on 17th October, you stated that "... we are determined that the involvement of Government should not go beyond that necessary to provide the statutory backing, and the proper level of accountability to Parliament, ...". It will be said that what you are now proposing is that there should be no accountability at all. As you suggest in your minute, this would be sure to attract criticism, and not only from the Opposition. It would be a considerable setback if we had to change course in mid-stream, and I wonder whether we should not be well advised to delete this aspect of the proposals now if, as I think, it can be done without sacrificing the advantages you seek.

I am sending copies of this letter to the Prime Minister, other Cabinet colleagues, the Attorney General, the Chief Whip, the Paymaster General and Sir Robert Armstrong.

YRS:

Q. H.


