

P.P.P. Middleton (Graham)
 Cooke/Walker plus Cassell Expert witness.
 Mr DG/Walker (5 strong)

TOPICS FOR MIDDLETON - Meeting 30 NOV.

TIS - "Review of BKG - SUP" PPS

JM PPS

1 Terms of reference for JMB enquiries

2 Exposure of JMB to JM plc - Note by Mr Galpin

3 Position of JM plc

Simply to mention, in low-key terms, the potential problem.

4 Taxation of pension funds

PPS on TIS pro tem.

To note that you are aware from the press etc that the Chancellor may be considering fairly substantial changes in the tax treatment of lump sums and of gross funds. Mr Walker suggests that you do not express a view on the principles involved but mention that there would be substantial market implications, particularly on the second point (gross funds). Any change would need to be handled with great care.

- recommendations to me in short term review in long term review also except the liquidate.
 - Bank Secty. ? Cobbold.
 - oral sessions rather than extensive background papers.

Sessions of 1-2 hrs. Cobbold to draft a programme for

meetings - ? an opener with "expert" there

Correspondence review Q is whether too widely

drawn, given Treasury does not want to get into this.

Wait till shall be various reports

pause while expert works discussion meetings thereafter

Auditors of JMB to be changed?

SECRET AND PERSONAL

30.11.84

From the Governor

NOTE FOR RECORD

Copies to The Deputy Governor o/r
Mr Loehnis
Mr George
Mr Walker
Mr Galpin
Mr Cooke
Mr Quinn o/r

Para 4 Mr Somerset

DISCUSSION WITH SIR PETER MIDDLETON,
FRIDAY 30 NOVEMBER

1 Terms of reference for JMB enquiries

(a) Sir PM was happy to agree the draft terms of reference subject to an amendment to the first paragraph to the effect that the senior outside expert experienced in commercial banking should not be a member of the Committee but should be appointed to enquire into the workings of the supervisory system and to report his opinions thereon to the Committee. I promised to send Sir PM an amended set of terms of reference and we shall have to work this into the first paragraph. It was also established between us that we were clear that what I call the Lankester Group would report to this Committee.

(b) We discussed names for the commercial banker and concluded that it should be either Peter Graham or Norman Jones. I said that I would be happy with either and Sir PM was going to refer both names to the Chancellor and to report back in due course which of them should be approached. We then concluded that the Committee itself should be no more than five strong and would consist of myself as Chairman, with two representatives from the Bank and two representatives from the Treasury. The Treasury team would be Middleton and Cassell and I suggested that our pair should be Cooke and either the Deputy Governor or Walker. This was readily agreed by Sir PM. He also agreed that the Secretary of the Committee should be Cobbold.

(c) We then considered, in general terms, how we should proceed and concluded that subject to enough in the way of paper to provide the necessary background, we should have oral sessions in which we would hear evidence from the Supervision Division, ask questions and discuss the answers. While this was to be the general approach, it was agreed that Cobbold should be asked to draft a programme for meetings, probably with an opening meeting with our "expert". There might then be a pause while he was at work and our subsequent discussion meetings would follow as soon as he was ready to present his evidence and opinions. (I think we may take it that section 4 of the Bank's report to the Chancellor will be the basis of the Committee's work, and that as far as the expert is concerned we should hold ourselves ready to provide him with such information as he requires, answer his questions and to provide him with such assistance as seems appropriate without delving very deeply into detail or individual cases, thereby avoiding difficulties about confidentiality.)

(d) We further agreed that the conclusions of the Committee, insofar as they took the form of recommendations, should be recommendations to me both in respect of the short-term review and also in respect of the long-term review except insofar as the recommendations involve changes in legislation.

2 I explained briefly, and in general terms, the point about the exposure of JMB to JM plc and Sir PM said that he was ready to note what I had said.

3 Taxation of pension funds

Extract
with
PPS
(TIS)

I mentioned this, again in general terms, and he assured me that he fully understood the implications of what I was saying. He continued by assuring me that as things stood at the moment we were not likely to have to worry about this as a practical proposition, although it was not settled definitely. He said that were it necessary to take this matter up later on, he would see to it that we were informed and brought in as early as possible.

4 Finally, I mentioned the Chancellor's desire to review the terms of the correspondence of last November about the respective roles of the Bank and the Treasury in rescue operations. Sir PM agreed that it would be sensible to postpone any reconsideration of the matter until the short-term review had been completed and he would try to persuade the Chancellor to this effect. He assured me, moreover, that the Treasury did not want to get closely involved in this responsibility and the question simply was whether the present principles were, in such a context, too widely drawn. He was inclined to think not and that at the best all that might be done was to develop a more detailed understanding of the consultational procedure, although the highly individual circumstances of any likely case made it hard to envisage any procedure which could be of universal practical application.

Extract
in
Support
Operations
docs.
(T/S)

R. L-P.

30 November 1984