

IN R

File

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MR TURNBULL

JOHNSON MATTHEY

The Chancellor commissioned a report from the Governor on the conduct of the Johnson Matthey affair, and in particular the apparent failure of their supervisory arrangements to spot trouble at an early stage. This report has now arrived at the Treasury, who regard it as grossly inadequate and do not therefore wish to show it to No.10 as it stands. There is even talk in the Treasury of taking bold steps such as putting a management consultant into the Bank's supervisory division, or hiving-off the Bank's supervisory operation - rather like the Registry of Friendly Societies.

The Chancellor is due to discuss the implications of the Johnson Matthey affair with the Governor tomorrow. After that, he should be in a position to report his views to the Prime Minister. So it might be worthwhile the Prime Minister enquiring further about Johnson Matthey at their next bilateral meeting.

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