

cc 3/4P

PRIME MINISTER

3 June 1986

BIG BANG

The meeting on Thursday is an opportunity to question those directly concerned with stage-managing Big Bang. If Big Bang goes off successfully, it will be seen as a showpiece for Government policy on deregulation and increased competition; if it leads to scandals and liquidations, it will be labelled the unacceptable face of unpopular capitalism.

The key questions to discuss are:

Commissions

Will changes in commissions deter the small investor? Will there be over-the-counter sales to the general public?

Cost of Capital

What are the effects on the City's ability to raise funds for industry and Government?

Boom and Bust

Will we see boom and then bust? Are there too many players (eg in gilt-edged market)? Can we expect failures from bad judgment? Will high salaries plus fierce competition from the Americans and Japanese induce firms to take excessive risk?



Fraud

Will there be more embarrassing fraud cases? Are Chinese walls strong enough to prevent scandals? Following FIG and Roskill are we at last on top of fraud?

Regulation

Have we got the regulatory régime right? Do we have too much bureaucracy? Is SIB hiring the right kind of staff? Are there any major gaps?

Technology

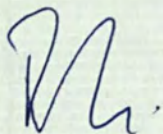
Will the technology be ready? Is there a shortage of IT staff in the City?

Ownership

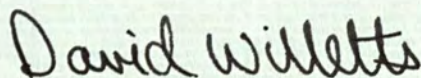
What kind of firms are likely to be successful post Big Bang? Will US and Japanese firms dominate the City?

BGC

Big Bang occurs on 27 October. Its first test will be BGC privatisation on 21 November. What is the risk that the start of dealings in privatised BGC shares will be more than the infant system can handle?



BRIAN GRIFFITHS



DAVID WILLETTS