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Sir Geoffrey Littler KCB
Second Permanent Secretary

2 March 1988

Dear Robin,

SECURITIES MARKETS AND THE SUMMIT

I am sorry that we boxed and coxed so that I could not give Nigel Wicks an agreed text of a brief for the weekend. Instead I gave him your draft and explained my reservations and the area on which we had agreed.

I now attach my record of the short discussion we had in Val David on Sunday. (In case the names mystify you: Sylvia Ostry is Canadian, Mulford US Treasury, Sarcinelli Italian Treasury, Trichet French Treasury and Attali the Elysee).

It came out at this stage fairly encouraging for your ideas but with reservations: Trichet's point that we need to know what to say before we can agree to say it was greeted with nods all round; nobody offered any new and encouraging thought about a forum; and I judged Germany and Japan pretty hostile in general, with the US very cautious, as regards international cooperation at any early date. And I have to say that Nigel Wicks (to whom I am copying this) shares my doubts whether the Summit will want to 'father' a special exercise, as distinct from blessing a good one already in hand.

Apart from some very minor gossip one evening, nothing else happened on this subject in the margins, but I shall try gently to probe further in the margins of my WP3 meeting next week.

Yours sincerely,

Geoff

Robin Mountfield Esq
D.T.I.

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Securities Markets

23. Sylvia Ostry invited comments, having made it clear that inclusion of this subject in the Canadian paper did not imply any particular proposal, but simply the reflection that the October crash was an important event since the last Summit and might be worth some discussion at the next Summit.
24. Gyohten said that in his view this was not an appropriate subject for Heads of Government to discuss. He recalled that some study was being made by OECD, and that Working Party No 3 would at some point discuss it: we should wait for further progress there.
25. Wicks said this was a complicated matter, with different aspects - risks of systematic financial breakdown, problems of regulation, investor protection. It was undoubtedly important, but he doubted whether it was an appropriate Summit subject yet. The prior need was for more work elsewhere.
26. Mulford agreed: in his view there was need for domestic authorities to tackle first the conditions in their own markets; premature international action could do damage. Tietmeyer took much the same view, with the gloss that internationally any first stage should be confined to exchange of information; he also expressed doubts whether central banks had any role to play.
27. Sarcinelli agreed that more analysis of the October events was needed, but he would not oppose reference to the subject at the Summit, indeed it would be a mistake to drop it.
28. Sylvia Ostry noted that there was no clear forum for discussion of the subject as a whole and wondered whether the Summit might in some way harness future efforts.
29. Wicks and Tietmeyer said that they would have no objection to some brief encouraging reference at the Summit to the subject. Trichet thought this would be wise, but the fact was that nobody knew what could best be said - he hoped that the OECD work might point the way.
30. Attali said emphatically that we must keep the subject on the agenda - it could be the main outcome of the 1988 Summit. [This was a characteristic Attali burst of enthusiasm, leaving his audience unsure whether he meant anything, or was merely bored!]