

BANK OF ENGLAND
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EXECUTIVE DIRECTOR

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M J-J Rey
Chairman
Committee of Alternates of the
EC Central Banks
Banque Nationale de Belgique
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Dear Jean-Jacques,

Towards the end of the last meeting of EC Governors' Alternates in Basle I mentioned briefly the subject of financial services in the Uruguay Round; as time was short, I promised to elaborate in writing.

After a rather slow start, it seems that discussion of liberalisation of financial services in the GATT context is now gathering momentum. Although discussion in the Group on Negotiations in Services itself has not yet progressed much beyond questions of the general services framework, a more active phase seems imminent. Meanwhile, there have been a couple of informal meetings of "Friends of Financial Services" in Geneva, and the Community position on financial services is being addressed in, or under the auspices of the Article 113 Committee.

The United Kingdom has emphasised the necessity for financial experts to be directly involved in formulation of the Community's position on financial services, and it is encouraging that such people are now getting involved in a sub-group of the 113 Committee.

My purpose in raising this topic in Basle was to enquire whether colleagues felt, as central bankers, that their interests were being satisfactorily covered in present procedures. This question has been prompted in part by learning that only two of our central banks

were represented in Geneva on 5-7 February at co-ordination meetings of a 113 Committee sub-group, and at associated meetings of the "Friends of Financial Services" where individual Member States were invited to observe. More generally, it did not seem that those responsible for financial sector regulation and supervision were particularly well represented there. Among the issues discussed at those meetings were prudential safeguards; the disputes mechanism; cross-border provision of financial services; the scope of challenge to monetary, fiscal or other arrangements in pursuit of equivalent treatment; functional separation (eg Glass-Steagall); and attitudes to foreign takeovers.

It is, I believe, essential that financial experts should be closely involved from now on in the 113 Committee's deliberations on financial services. I should be interested to hear from colleagues whether there are any particular aspects of the prospective negotiations which worry them, and whether they are satisfied that the issues are being satisfactorily handled. I recognise that we, as central banks, all have differing degrees of direct responsibility for the matters involved.

There are, of course, many angles to the subject, which might render it of interest to a number of different committees - such as the Banking Advisory Committee (which has been kept in touch with relevant developments but has not, I understand, tackled the subject in detail) or the newly-formed Supervisory Sub-Committee of EC Governors under Brian Quinn, although neither is the obvious forum for this subject. I am not sure whether we ought to be addressing it in any depth in our Alternates meetings; one option might be to set up a working group to monitor the progress of the GNS and analyse any issues that are particularly contentious for us as central bankers. But none of this should be necessary if we are broadly content with existing arrangements. What I would like to propose is that we take stock of the situation in a tour de table at our March meeting.

I am sending a copy of this letter to the Secretariat, so that they may circulate it to our colleagues on the Committee.

Yours sincerely

Andrew