

Index

- Abacus, 245
- Abacus fund, 185
- ABI, 290
- ABN Amro Bank, 4, 188, 260, 275, 350
- absence of confidence
 - vote for directors, 149
- accounting conventions, 351
- accounting information
 - functions, 302
- accounting standards, 285, 312
- accounting treatment, 315
- accounts
 - international comparability, 303
 - purpose, 60
 - subjective view of managers, 305
 - technical characteristics, 302
- Acrow, 371
- active management of assets, 134
- activist shareholders, 195
- adequate procedures regime, 114
- Ad Hoc Task Force on Corporate Governance, 10
- Admission Rules, 37
- Adoboli
 - UBS, 393
- ADT, 150
- Advisory Conciliation and Arbitration Service, 133
- agency, 205
 - issues, 149
 - obligations, 279
 - relationship, 104, 106
 - theory, 21, 25
- agent. *See* agency
- aggressive takeover specialists. *See* asset strippers
- AGM, 215, 229, 288, 320
 - formalistic exercises, 216
- AIG, 185
- algorithm-based hedging strategies, 221
- aligning directorial interest, 330
- allocating costs, 307
- alternate. *See* directors
- alternative definitions of corporate governance, 16
- Alternative Investment Market (AIM), 202, 210, 216, 243, 245, 394
 - and accounts format, 312
- Aluminium Wars, 133, 213
- Al-Yamani, 4
- Amazon, 315
- American broking firms, 222
- American International Group
 - role in the collapse of 2008, 170
- American Savings and Loans scandals, 387
- American shareholders, 322
- American Stock Exchange, 356
- Anglo Irish Bank, 275, 281
- Annual Directors' Statement, 320
- annual general meeting, 97, 216
- annual salary increases, 144
- annual shareholders meetings, 103
- Apple, 314
- apportioning of rewards, 322
 - and goodwill, 315
- arbitrage, 47, 157
- 'a rising tide lifts all boats', 157, 363
- Arthur Andersen, 287, 347
- Articles of Association, 36, 43–4, 97–8, 101, 229, 235, 305. *See* company
 - as company owner. *See* shareholder
 - as protection, 89
 - as sanctions, 202
- asset pricing, 223
- asset strippers, 63, 134–6
 - Slater, Jim, 63
 - Walker, Peter, 63
- Association of British Insurers, 145
- asymmetry
 - accounting information, 307
 - asymmetry of information, 258
- atomisation
 - shares, 88
- attitudes among investment professionals, 212
- audit, 277
 - and internal control, 147
 - certificates, 183
 - comfort, 298
 - committee, 138
- Audit Firm Governance Code, 290
- audit opinions, 283
- auditors, 8, 21, 28, 45, 145, 183, 211
 - liability, 287
 - responsibilities, 147
- Autorite de Marche Financiers, 227
- Aventis, 316
- avoidance of taxation, 345
- BA privatisation, 373
- BAE, 4
- BAE Systems
 - and Tanzania, 117
- BaFin
 - German financial supervisory authority, 243
- Bakan, Joel, 100
- Bakrie family, 238

- balance sheet, 304
 insolvency, 353
 shareholder value, 40
- banditry, 346
- Bank of America, 185
- Bank of England, 157, 158, 163–4, 172, 263, 272, 275, 387
- Bank of England Act 1998, 163
- banks' accounts
 obscurity, 154
- Barber boom, 133
- Barclays, 172, 260, 350
- Barings Bank, 4, 11, 147, 158, 161, 164–5, 196, 289, 393
- Barlow Clowes, 158, 161
- Basel III, 177, 246
- basic conditions
 procedural governance, 204
- basic pay
 directors, 143
- Bank of Credit and Commerce International (BCCI), 7, 136
- Bear Stearns, 170
- Beckett, Margaret, 147
- Beecham, 133
- behavioural failings, 181
- behavioural governance, 82, 84–5, 153, 157, 164, 170, 173, 181, 195, 223, 242–3, 275, 298, 322, 341, 346, 348, 351, 356, 361, 363, 384
 and banks, 177
 and managers, 242
 as monitoring mechanism, 82
 supported by law, 101
 Walker's view, 179
- behavioural modification, 124
- behavioural obligations, 126, 391
- behavioural problems, 349–50
 groups, 180
 and banks, 175
- benchmarking, 136, 328
- best available practice, 165
- best practice provisions
 in directorial pay, 143
- beta value, 244
- Bhopal, 74, 347
- Big Bang, 157, 222, 228, 236, 258, 269, 388
 market de-regulation 1986, 134
- Big Eight
 accounting firms, 287
- BIS, 108
- Black Monday, 222
- Black-Scholes equation, 334
- blanket approach
 governance and theory, 226
- blocks of shares, 89
- Blue Arrow affairs, 136
- Blueprint for Financial Regulation Reform, The, 197
- BNP Paribas, 169
- board meetings, 29
- Board of Banking Supervision, 158
- board of directors, 384
- boardroom pay, 328
- boards
 and decision-making, 180
- boiler room schemes, 243
- bonus
 banks, 178
 culture, 338
 directors, 143, 144
 Greenbury, 179
 legitimacy and quantum, 327
 payments, 178
 systems, 322
- Boots, 133
- Borsa Italiana, 236, 242
- Boulding, Kenneth, 155, 357
- bounded rationality, 39
- BP, 4–5, 13, 238, 353
- BP Amoco, 316
- brand reputation, 313
- bribery, 18, 347, 356
- Bribery Act 2010, 112, 235, 385
- British Airways, 366, 373
- British Gas, 136
- British Leyland, 4
- brokers, 134
- Brown, Cedric
 MD British Gas, 138
- BSA, 213
- BSkyB, 362
- Bumi plc, 238, 244
- bundling
 of resolutions, 146
- burdens of stewardship, 221
- Bursa Malaysia, 227
- buy-side, 228
- Cable & Wireless, 14
- Cadbury, 151
- Cadbury, Sir Adrian, 15
 revised view of governance, 383
- Cadbury Committee, 11, 18, 53, 134, 137, 139, 144, 382. See Cadbury Report
- Cadbury Committee Report, 127
- Cadbury definition, 10, 18, 25, 56, 382, 394.
 See corporate governance
- Cadbury Report, 3, 5, 12, 126, 140, 146, 151–2, 162
- Caparo Industries plc v Dickman*, 287
- capital
 major purposes, 89
 subordinate purposes, 90
- Capital Asset Pricing Model, 155, 223, 389
- capital growth
 and shareholders, 66
- carbon trading scandals, 4
- Carlton Communications, 215
- Carphone Warehouse, 4
- Carr, Albert Z., 358
- cartel, 365
- cashflow statement, 304
- catastrophic collapse
 of companies, 393
- Cavenham, 135
- CBI (Confederation of British Industry), 139, 145, 325
- CDO, 170, 184, 272, 362
- central bank's role, 272
- Chaebol, 240
- chairman of the board of directors
 role of, 140

- chairmen
 and Higgs Report, 149
- charitable giving, 24
- cheating, 357
- Chester, Lewis, 391
- Chinese Walls, 252, 388
- Chi-X, 236
- churn rate, 46
- circuit breakers, 251
- Citicorp, 274
- City Code on Takeovers and Mergers, 260
- City of London, 258
- civil society
 conditions required for, 76
- class rights
 dividends, 93
- clawback, 308, 336
- CLRSG. See Company Law Reform Steering Group
- club governance
 as a style, 205
- club regulation, 158, 236
- CME, 138
- Code of Best Practice, 137
- collateralised debt obligations, 168–9
- collateralised mortgage obligations, 162, 169
- collective governance breakdown, 154
- Combined Code on Corporate Governance, 146
- companies
 long-term interests, 63
- Companies Act 1929, 288
- Companies Act 1947, 211
- Companies Act 1948, 99
- Companies Act 1985, 63, 65
 directors' obligations, 63
- Companies Act 2006, 42, 44–5, 60, 63, 76, 82–5,
 89–90, 92, 95, 97–9, 101, 103, 106, 108, 118,
 126, 216–17, 235, 260, 287, 289, 312, 354, 356
 and auditors, 288
 impact, 85
 s532, 288
- company, 21
 accounting
 structure, 61
 accounts, 300
 format, 60
 announcements, 258
 as a legal person, 102
 continuing well-being, 117
 dissolution, 51
 governance
 abuse of, 300
 liquidation, 347
 ownership, 60
 strategic development, 97
- Company Law Reform Steering Group, 42, 83
- Company Reports
 Remuneration Report, 48
- company secretary, 21, 98, 384
- company value, 306
- complexity of information
 as a cause of problems, 181
- comply or explain, 103, 138, 151, 157–8, 163–5, 171
 weakness, 165
 system, 147
- concealment of information, 370
- concept of counter-governance, 346
- confidence
 as market condition, 204
- conflict of interest, 192
- conglomerate structure, 134
- conglomerates, 135
- Consob, 227
- Consumer Protection and Markets Authority, 103
- Continental AG, 366
- continuing obligations, 184, 209, 216
- contract failings, 355
- contractualists, 25
- control distance, 88
- control fraud, 346
- control of risk, 102
- controlling mind, 110
- conventional definitions, 392
- conventional theories of governance, 363–4, 381,
 385–6
- conventionalist view, 384
- Conygar, 217
- co-ordinated market economy, 129
- corporate citizenship, 24, 66, 76, 384
 failure of argument, 67
 flaws, 66
- corporate criminality, 345, 347
- corporate failures, 347–8
- corporate governance operations
 and traditionalist theories, 203
- corporate governance structures
 financial sector, 154
- corporate governance system
 form triumphs over function, 184
- corporate hypocrisy, 359
- corporate insolvency, 345
- corporate manslaughter, 110
- Corporate Manslaughter and Corporate Homicide
 Act 2007, 110, 235, 385
- corporate opacity, 276
- corporate philanthropy, 18, 69
 as disguised theft, 70
- corporate policemen, 66
- corporate responsibility regimes
 conditions required for, 75
- corporate social responsibility, 23, 66, 359, 384
- correction territory, 179
- correlation between firm success
 and managerial input, 333
- corrupt practices, 345
- cost of capital, 17
- counter-governance, 345–6, 348, 356, 362,
 381, 391
- covered short selling, 247
- CR
 and 'image', 70
 managerial failure, 70
 manipulative advertising, 70
- creative destruction, 135
- Criminal Justice Act 1993, 253
- criminal law, 356
- critical governance law, 347
- Crocker
 and Midland Bank, 188

- Crosland, Anthony, 128
 cross-directorships, 143
 cult of equity, 135, 388
 cultural change, 115–16
 active shareholders, 112
 culture of businesses, 41
 culture of listed companies
 Turnbull Report, 151
 customer, 21
 as stakeholder, 75
 CWW, 323
- DaimlerChrysler, 316
 Daniels, Eric, 337
 Davies, Howard, 168, 191
 Davies Report
 Women on Boards, 270
 Davis, MP, David, 387
 deferred income
 pension funds, 372
 deferred prosecutions, 116
 defined benefit schemes, 372
 defined contribution scheme, 372
 definition. See governance. See OECD Report.
 See Cadbury Report
 Delta One desk, 196
 denationalisations, 127
 dereliction
 directors', 144
 derivative action, 98, 106, 118
 derived purposes
 stock exchanges, 204
 Deutsche Börse, 236
 different perceptions of value
 options, 336
 different types of insolvency
 practical effect, 353
 dimensional recognition, 392
 dimensions of governance, 17
 director supremacy, 53
 directorial appointments, 45
 directorial remuneration, 144, 235. See directors
 directors, 8, 21, 27, 93
 as controllers of the nexus, 41
 as prudent controllers, 57
 behavioural obligations of, 111
 obligations to shareholders, 112
 obligations under Companies Act 2006, 107
 prioritising claims, 56
 removal, 98
 remuneration, 48
 responsibilities, 58
 working for shareholders, 65
 directors' fees, 90
 directors' obligations, 102
 ss172–76 Companies Act 2006, 45
 to shareholders, 106
 disclosure
 executive pay, 329
 disguised returns of capital, 90
 Disney Corporation, 330
 displacement effect
 bonuses, 339
 distinctions between shareholders, 215
 distribution of rewards, 327
 dividend, 39, 56, 89, 92, 135
 correctness, 93
 importance to shareholders, 66
 improper payment, 93
 payment, 29
 payment from profits, 93
 returns, 147
 yield, 135, 204
 Docker, Sir Bernard, 35, 213
 Dodd-Frank Act, 48
 domestic boom
 of the sixties, 211
 dot.com bust, 4, 155, 210, 329
 Dow Jones, 356
 dual share class structure, 394
 dual-ethics argument, 363–4
 duality of standards, 361
 due diligence, 260
 Dunlop Oil & Marine, 366
 dynamics of the market, 205
- earnings growth, 182
 earnings per share, 204
 economic allocation of resources, 203, 227
 economic purpose of stock markets, 203
 Economist Intelligence Unit, 3
 effective corporate governance, 144, 147
 effective governance structure, 180
 effective non-executive directors, 165
 effective regulation, 183
 effective status. See company
 effective systemic governance, 153
 efficient allocation of resources, 220, 222, 369
 Efficient Market Hypothesis, 155, 223
 Efficient Market Theory, 389
 Einhorn, David, 238
 Greenlight Capital, 255
 Eisner, Michael, 330
 elements of governance, 196
 elimination of shareholder wealth, 346
 elimination of risk, 184
 Eliot, T. S., 168
 employees' options, 330
 emption rights, 45
 engagement letter
 audit, 289
 enlightened shareholder value, 106
 ENRC, 244
 Enron, 148, 190, 283, 287, 313, 333, 346–7
 Enterprise Act 2002, 103, 366
 Entertainment Rights plc, 390
 environmental abuse, 371
 environmental crime, 345, 371
 Equitable Life Scandal, 4
 ethical and moral principles, 347
 ethical characteristics
 structural governance, 346
 ethical cleansing, 393
 ethical precept, 358
 EU Takeover Directive 2004, 260
 Eurasian Natural Resources Corporation
 plc (ENRC), 238
 European Community law, 117
 European executives
 pay trends, 329

- European law, 83
 Exchange Traded Funds, 271
 executive pay, 329. See director remuneration
 executive salary formulations, 147
 exit option
 shareholders, 336
 expectations gap
 and audit, 278
 externalities
 costs, 371
 extra-territorial, 347
 extra-territoriality, 113
 extrinsic motivation, 331
 Exxon Mobile, 316
- Facebook, 315
 facilitation payments, 114
 factors of production
 money as a, 154
 Factory Acts, 157
 failures
 in bank governance, 181
 failures of corporate governance systems, 180
 Fair value accounting, 286
 false markets, 51
 Farepak, 4, 392
 'fat cats'. See Greenbury Report
 fat cat salaries, 328
 FCA, 45
 federal governance structure, 393
 federated governance, 183, 391
 fiduciary duty, 22, 34, 38–9, 106
 fiduciary obligation
 conflicts, 60
 fiduciary relationship
 stakeholders, 60
 final salary schemes, 372
 Finance For Industry, 133
 financial algorithms, 168
 financial collapse of 2008, 152
 Financial Conduct Authority, 263, 266–7
 financial crisis of 2008, 165
 financial journalists, 188
 Financial Policy Committee, 267, 387
 Bank of England, 197
 Financial Reporting Council, 145, 147, 290
 financial sector, 154
 Financial Services Act 1986, 163
 Financial Services and Markets Act 2000 (FSMA), 253
 Financial Services Authority (FSA), 45, 103, 163, 188, 209, 236, 237, 242, 243, 249, 258, 263, 269, 276, 337, 387, 389
 Finansinspektionen, 227
 Firmenwert
 goodwill, 314
 First Jersey National
 and NatWest, 188
 Fitch, 190
 flash crash, 251
 flaws in governance, 202
 Focus Media, 241
 Fondiaria-SAI, 243
 fonds de commerce, 314
 goodwill, 314
- Ford, 356
 Ford Pinto Scandal, 360
 foreign public officials'
 Bribery Act, 113
 foreign subsidiaries, 308
 formal set of instructions. See Cadbury Report
 Fortune magazine, 190
 FPC
 remit, 197
 France
 executive pay issues, 322
 Frankfurt First Quotations Board, 243
 Frankfurt Stock Exchange, 243
 fraud, 92
 fraudulent trading, 355
 free markets, 365
 freedom of access
 to markets, 224
 Freeman, R. Edward, 59
 Freeman-Evans principles, 60
 Friedman, Milton, 59, 70, 257, 259, 384
 frictionless dealing, 225
 and market abuse, 387, 390
 and short-selling, 248
 review, 172
 FSA vetting of staff, 270
 FTSE 100, 144, 237
 FTSE AIM share index, 210
 Fund managers, 221
 Future of Banking Commission, 172
- Galleon Fund, 391
 Gartmore plc, 150
 Gates, Bill, 40
 gateways
 derivative actions, 107
 GEC plc, 4
 General Electric, 327
 general meeting, 42
 General Motors, 356
 Generali, 243
 Giddens, Anthony, 231
 Glaxo Smith Kline, 133, 215
 Glencore plc, 237, 259
 going concern, 314
 Goldilocks terms, 146
 Goldman Sachs, 5, 183, 348, 362
 Goldsmith, James, 63, 134
 good governance, 152, 261, 346, 386, 389
 in investments, 212
 Goodhart, Charles, 335
 Goodhart's Law, 335
 goodwill, 313–14
 Goodwin, Fred, 275, 351
 governance
 and accounts conflict, 305
 as a safety-net, 195
 as box-ticking, 183
 as fulcrum, 58
 as risk management, 56
 characteristics, 301
 by principle, 100
 goodwill, 315
 governance discount, 244
 governance failure, 74

- governance law
 impact, 85
- governance mechanisms
 shortcomings, 203
- governance problems
 directorial pay, 332
- governance procedures
 finance businesses, 156
- governance structure, 196
 listed company, 124
- government stocks, 313
- Granada group, 215
- greed, 364
- green-mailers, 50
- Greenbury, 9
- Greenbury, Sir Richard, 140
- Greenbury Committee, 139, 328, 386
- Greenbury Committee Report, 127
- Greenbury recommendations, 146
- Greenbury Report, 142, 152, 178
- Greenspan, Alan, 181
- Gresham's Law, 392
- Group of 20, 240
- growth of executive pay, 329
- Guinness Scandal, 136
- Hampel, 9
- Hampel Committee, 145–6, 386
- Hampel Committee Report, 127
- Hampel Report, 16, 152
- Hannam, Ian, 256
- Hanson, James, 63, 134
- Hanson Trust, 135, 373
- Hanwha, 240
- Hatfield rail crash, 109
- Hayward, Tony, 238
- HBOS, 252
- Halifax/Bank of Scotland, 249
- headhunting, 328
- hedge funds, 222, 246, 248, 251
- Herald of Free Enterprise*, 109
- herd effects, 333
- Hermes Equity Ownership Services, 15
- Hewitt, Patricia
 SoS Trade and Industry, 289
- HFT, 236, 251
- hierarchy of opinion, 280
- Higgs, Derek, 9, 214
- Higgs Committee, 149, 386
- Higgs Committee Report, 127, 148
- High Court, 98
- High Frequency Trader, 226, 248, 388
- High Frequency Trading (HFT), 47, 222
- High Pay Commission, 48
- HIH Insurance, 4
- Hill, Andrew, 42
- Hippocratic Oath, 394
- Hirschman, Albert
 Exit Voice and Loyalty, 202
- HM Treasury, 263
 self-scrutiny, 387
- Hogg, Baroness, 14
- Hollande, François, 322
- home-ownership, 169
- House of Commons Treasury Select
 Committee, 272
- Household Finance Corp
 and HSBC, 188
- HSBC, 172
- Hypo Bank, 187
- IBC, 196
- IBM, 222, 314
- ICB, 275. See Independent Commission on Banking
- Icelandic banks, 4
- IceSave, 275
- ICI, 145
- IKB
 and Stefan Ortseifen, 118
- impairment, 306
- imperfections of information available
 to investors, 224
- Imperial Tobacco, 373
- inability to pay debts as they fall due, 352
- inadequate governance, 201
- inappropriate activity, 252
- incentivising, 325
- increasing shareholder value, 134, 136
- increasing shareholder wealth, 387
- incremental coherence, 103
- Independent Banking Commission, 176, 269, 272
 and bonuses, 179
 remit, 177
 Vickers Commission, 172
- industrial accidents, 348
- Industrial and Commercial Finance Corporation,
 133
- influential shareholders, 218
- information asymmetry, 41, 51, 253
- information exchange
 as component of effective governance, 190
- information to shareholders
 through Stock Exchange, 190
- informational asymmetry, 308
- informed shareholder choice, 356
- insider dealing, 146, 150, 215, 252
- insider information, 189, 192, 224
- insider trading, 53
- insidership, 321
- Insolvency Act 1986, 99, 352
- insolvency legislation, 92
- Institute of Chartered Accountants, 137, 147
- Institute of Chartered Accountants in England and
 Wales, 290
- Institute of Directors, 145
- institutional funds
 as stewards, 66
- institutional holders of shares
 and stewardship, 65
- institutional influences
 and directorial pay, 330
- institutional investment, 150
- institutional investors, 21, 211, 215
 voting at AGM, 216
- institutional shareholders, 148, 150–1
 somnolence, 212
- insurance
 PPI Scandal, 336

- insurance companies, 46
 intangible assets, 313
 intangible goods, 155
 intellectual property, 313, 353
 intention
 and insolvency, 355
 inter-company comparisons, 146
 interests of shareholders, 135
 interests of managers
 conflict with shareholders, 306
 interests of shareholders, 139, 155
 interests of stakeholders
 abuse of, 71
 interim results, 97
 internal control
 framework, 148
 internal controls, 146
 internal corporate governance, 171
 internal mechanisms
 in financial sector, 188
 internally generated goodwill
 accounting treatment, 315
 international accounting conventions, 306
 international accounting standards, 178
 International Accounting Standards Board, 320
 International Corporate Governance Network, 181
 International Joint Conference on Artificial
 Intelligence, 222
 intrinsic motivation, 331
 Invensys, 13
 investment grade
 and ratings agencies, 184
 investment management activity, 151
 Investment Management Regulatory
 Organisation (IMRO), 164
 inward-facing aspect, 57. See corporate governance
 inward-facing governance, 393
 IoD, 325
 irrational allocation of resources., 339

 Jaedicke, Robert
 Professor of Accounting, 149
 JJB, 4
 J.P. Morgan, 170, 237
 Judge Dredd, 256
 judgemental aspect
 and audit, 285

 Kahneman, Daniel, 333
 Kerviel, Jerome
 Societe Generale, 393
 Keydata, 4
 Keynes, J M, 53, 340
 King II. See King Report
 King Committee, 11
 King Report, 18, 60
 King's Cross fire, 109
 KPMG, 289
 Kraft
 and Cadbury, 261
 Kyslant, Lord, 351

 labour costs, 136
 Lamfalussy, 246

 Langbar, 346
 Laphorne, Sir Richard, 14
 Large, Andrew
 Chairman SIB, 163
 law of unintended consequences, 224
 Lawson, Nigel, 189
 Leeson, 196
 Leeson, Nick, 161
 legal capacity. See company
 legal entity principle, 110
 legal personality, 100
 legal rights. See shareholders
 legalist/traditionalist view, 47
 legislative framework
 for corporate governance, 103
 LeGrand, Julian, 278
 Lehman Brothers, 170, 174, 180, 182, 184, 248, 270,
 281, 285, 349, 390
 Lex Column
 Financial Times, 256
 liabilities of partners, 30
 liability caps, 299
 Liability Limitation Agreements, 288
 liability of the shareholder. See shareholder
 liberal market economy, 128
 licence to trade
 and regulation, 230
 light touch regulation, 158, 164, 173, 183, 386
 Ligresti, Salvatore, 243
 limited liability, 30, 32, 96–7
 limited prosecutorial resources, 117
 liquidity, 204
 listed companies, 84, 123
 listing agreement, 123
 Listing Authority, 85. See Stock Exchange
 listing obligations, 84
 listing process, 313
 Listing Requirements, 143
 Listing Rules, 45, 85, 102, 209. See Stock
 Exchange
 LLA, 289, 291
 Lloyds Insurance, 158, 161
 Lloyds TSB, 337
 LME, 138
 Lockheed, 59
 London Stock Exchange, 145, 210, 227,
 245, 290
 London Stock Market, 222, 258
 Long-Term Capital Management, 155, 165, 223
 longitudinal aspects of governance, 71
 longitudinal governance, 57, 76, 82
 long-term ownership of shares, 205
 Lonrho, 135
 Lowenstein, Roger, 224
 LSE, 236, 242

 Macondo, 362, 391
 Deepwater Horizon. See BP
 Madoff, Bernard, 281, 386
 maintenance of good governance. See governance
 managerial reward, 309
 manipulation
 of accounts, 308
 manipulation of information, 345

- market abuse, 189, 345, 387
 Market Abuse Directive MAD, 253
 market efficiency, 225
 market for control, 315, 377
 market for corporate control, the, 203
 market imperfections, 388
 Market Participants Group, 290
 market perfection, 205
 market regulations
 as protections, 202
 market-makers, 134
 markets for control, 39
 Marks and Spencer, 140
 mark-to-market, 285
 Marx, Karl, 25
 Mathewson, George
 RBS, 350
 mature markets, 357
 maximisation of wealth
 shareholders, 204
 Maxwell, Robert, 7, 138
 Mayfair Set, 134, 214
 measuring the return
 to shareholders, 60
 Mediobanca, 243
 Memorandum of Association, 92
 Merck, 334
 merger, 315
 merger method
 accounting, 316
 Merrill Lynch, 161, 169
 MF Global, 392
 Microsoft, 40, 314
 MiFID, 227, 253
 minimising taxation
 and governance, 310
 minority shareholders, 235
 Mirror Group scandals, 7
 mischief
 and audit, 281
 misconduct. *See* directors
 mis-selling insurance, 179
 Mitchells and Butlers, 4, 261, 391
 mobilisation of funds
 stock exchanges, 209
 Model Articles, 89. *See* articles of association
 Model Code on Directors Dealings, 209, 253
 Monobank plc, 243
 monopoly of violence, 230
 Moody's, 190
 moral hazard, 23, 272, 339
 Morgan Stanley, 249, 252
 mortgage debt
 role in financial collapse, 184
 Mouchel, 260, 348
 Muddy Waters LLC, 238
 Multi-lateral Trading Facilities (MTF), 236
 multiple obligations. *See* agency theory
 Murdoch, Rupert, 362
 Myners, 9, 151
 Myners, Lord, 214
 Myners, Paul, 150
 Myners Committee Report, 127
 Myners Report, 150
 Nadir, Asil, 138
 naked short-selling. *See* short-selling
 NAPF, 290
 NASDAQ, 356
 National Association of Pension Funds, 145
 National Enterprise Board, 133
 National Institute of Economic and Social
 Research, 274
 National Research and Development
 Corporation, 133
 natural justice, 99
 increases in shareholder value, 386
 negative aspects of governance. *See* counter-
 governance
 negligence, 109
 neo-corporatism, 132
 nexus of contracts, the, 21
 New York Federal Reserve, 168
 New York Stock Exchange, 356
 New Zealand
 cartel investigations, 367
 News Corporation, 362
 News International, 151
 News of the World, 362
 nexus of contracts, 24–5, 38, 41, 58
 no limit schemes, 332
 Nolan Committee, 10
 NOMAD (Nominated Adviser), 216, 245, 394
 as regulatory agent, 216
 effective sanctions, 216
 nomination committees, 146
 Nomura, 196
 non-executive directors, 182
 and banks, 164
 role in corporate collapse, 148
 Northern Rock, 169, 189, 272, 275
 Nozick, Robert 25
 NYSE Euronext, 236
 Jobbers, 134
 obligations of directors, 104
 limited procedural obligations, 222
 obligations of stewardship, 393
 OECD, 9–11, 113, 181
 definition, 56, *See* corporate governance
 off-balance sheet vehicles, 313
 Office of Fair Trading (OFT), 366, 369
 oligopoly
 and audit, 279
 Olympus Corporation, 240
 Olympus Scandal, 118
 open abuse
 of shareholders' positions, 203
 open-outcry, 236
 Operating and Financial Report
 proposal, 318
 operational dimension of governance, 384
 operational governance, 57, 76, 82
 oppression of minorities, 99
 option rights
 exercise of, 331
 option valuation
 problems, 334
 options, 328

- orderly market, 53
 ordinary shareholders
 disadvantaged by rules, 224
 Osborne, Andrew
 and Punch Taverns, 256
 outward-facing governance, 393
 ownerless nature
 of listed companies, 394
 ownerless plcs, 394

 P/E valuations, 135
 Paddington rail crash, 109
 Parmalat, 148, 280, 284, 288, 346
 passporting, 243
 pathological
 company characteristics, 100
 Paulson hedge fund, 391
 payment protection insurance, 75
 PCM hedge fund
 scandal, 391
 Pension and Investment Research
 Consultants, 147, 299
 pension fund abuse, 345, 372
 pension fund trustees, 151
 pension funds, 46
 as corporate policemen, 46
 pension funds
 and equities, 211
 pensions, 150
 perfect market, 223, 388
 perfect market theories, 364
 performance-related pay
 directors, 143
 personal liability, 43
 perverse incentives
 and bonuses, 340
 Peston, Robert, 128
 Photo Me International plc
 fined by FSA, 390
 physical constraints
 on trading, 225
 PIRC, 299
 placement, 95
 plcs, 28, 43
 plea bargaining, 116
 Pluthero, John, 323
 poison pill, 373
 'poison-pill' provisions, 50
 policy failures, 382
 Polly Peck, 135
 ponzi scheme, 281
 Power, Michael, 278
 power of the stakeholder, 138
 PRA, 276
 pre-emption rights, 41, 95
 preferential rights of access
 institutional shareholders, 215
 Premafin, 243
 Premier Foods, 325, 391
 premium for control, 314
 premium listing, 237
 price of the promise, the
 share subscriptions, 88
 Price Waterhouse Coopers, 289

 primacy of directors, 50
 primacy of the shareholder, 383
 primacy of the shareholders' interests, 383
 primary function
 stock exchanges, 203
 primary industries, 40
 primary market, 204, 313
 function, 207
 shares, 54
 Prince, Chuck, 275
 principal and agent, 252, 327, 338, 340
 problem, 341
 relationship, 44, 48, 50, 332, 383–4
 small and large companies, 38
 theory, 42, 331
 principal causes of governance failure, 182
 principle-based, 12, 22
 principle-based governance, 124. See UK corporate
 governance
 private limited company, 27, 28
 private shareholder, 258
 probity of the companies, 206
 probity of the market, 206
 procedural, 164, 298, 363
 procedural, behavioural, structural and systemic
 aspects of governance
 differences, 226
 procedural and behaviour governance dimensions,
 385
 procedural aspects of governance, 100
 procedural failings, 168, 181, 348, 350–1
 procedural governance, 82–3, 85, 99, 152, 157, 204,
 242, 261, 301, 341, 346, 348, 355–6, 361, 384,
 391
 and banks, 177
 and regulation, 231
 and short-selling, 206
 as foundation, 82
 as legal requirement, 82
 significance of, 83
 procedural mechanisms, 88
 procedural problems, 351
 procedural requirements
 ownership, 88
 procedural set of governance
 as protection, 82
 procedural short-cuts, 348
 Proceeds of Crime Act 2002, 115
 production of goods
 in economic activity, 154
 professional shareholder
 power of, 228
 profit and loss account, 304
 profit-maximising environment
 and accounts, 310
 programme trading, 222
 Project Columbus'
 RBS, 350
 prop desks, 272
 proper valuation
 and reward, 333
 property rights
 shares as, 394
 proprietary share-dealing, 157

- proprietary traders, 248
 proprietorial responsibility, 76
 proprietorial trading techniques, 226
 prospectuses
 complexity, 313
 protection of the laws, 100
 provision of services
 in economic activity, 154
 Prudential Assurance, 213
 Prudential Conduct Authority, 266
 Prudential Regulation Authority, 103, 263, 266–7
 psychological studies
 on motivation, 331
 public limited company, 27–8
 Punch Taverns, 255
 purposes of a stock market, 203
 pursuit of shareholder wealth, 377
 put up or shut up powers, 260

 Qinetiq, 376
 quality of information
 and evaluation of companies, 221
 quantitative easing, 172, 195

 race-course
 stock exchanges likened to, 206
 Railtrack, 4
 railways acts, 157
 Rajaratnam, Raj, 391
 Rank Group, 147
 ratchets
 bonuses as, 329
 ratings agencies, 170, 184, 188, 190, 387
 charging policies, 190
 rational economic calculator, 16
 rational intentions, 23
 Rawls, John, 25
 Royal Bank of Scotland (RBS), 4, 173, 218, 260, 275,
 338, 350, 389
 Reckitts, 323
 recurrent themes of corporate collapse, 350
 redemption by post, 170
 redress
 shareholders, 97
 regulated persons, 246
 regulation, 230
 regulators, 21, 188
 regulatory activity, 263
 regulatory agents, 232
 regulatory controls
 weakness, 133
 regulatory cost, 212
 regulatory environment, 53
 regulatory lag, 163, 183, 247, 269, 286
 regulatory oversight, 183, 348
 failure and lack, 183
 regulatory spectrum, 232, 346, 392
 relationship between directors and shareholders.
 See articles of association
 relationship, chairman and chief executive, 138
 relative power
 institutional investors, 215
 remuneration committee, 143, 146, 328, 331,
 336–7

 remuneration decisions
 and risk, 174
 remuneration policy, 146
 remuneration report, 217
 remuneration surveys, 146
 rent
 and regulation, 231
 Repo, 105, 281, 286
 report
 company performance, 97
 repurchase agreements, 286
 reputational intermediaries, 21, 188, 386
 research and development spending, 315
 Residential Mortgage-Backed Securities, 272
 residual control, 33
 residual rights, 57, 88
 resource allocation, 346
 shareholder primacy, 209
 responsibility of good faith, 149
 restrictive practices, 155
 retained earnings
 as a source of funding, 209
 return capital
 exceptional circumstances, 90
 revenue recognition, 306
 revised views, 15
 reward consultants, 328
 Rhenish model, 257
 Rich, Marc, 372
 rights
 shareholders, 97
 rights issue, 96, 309
 rights to ownership, 47
 ring fence
 banking activities, 393
 ring fence changes
 Vickers Report, 178
 risk, 171, 313
 as a systemic problem, 221
 excessive, 178
 risk appetites, 222
 risk management
 and governance, 182
 risk profile
 and shares, 204
 role of chief executive, 140
 role of shareholders
 government reviews, 147
 Rolls Royce, 315
 Rothschild, Nathaniel, 238
 Rowland, Roland ‘Tiny’, 63, 134
 Royal Ahold, 148, 346
 Royal Dutch Shell, 4, 51, 370
 Royal Mail Line case, 211, 287, 351
 Rudd, Sir Nigel. See Invensys
 rule of law, 45
 rule-based, 12

 Sainsbury, 215
 sale with no recourse, 286
 Salomon Brothers, 169
 Sampson, Anthony, 127
 Sants, Hector, 266
 Sarbanes-Oxley Act 2002, 283

- Satyam, 4, 281, 346, 371
 savings funds
 insider dealing, 150
 Schumpeter, Joseph, 135
 Schwed, Fred, 228, 247
 Securities Act of 1933 USA, The, 253
 Securities and Exchange Commission (SEC),
 245, 289
 Securities Exchange Act of 1934 USA, The, 253
 second King Report. See King II
 Second World War, 155, 211
 secondary activities, 40
 secondary banking crisis, 133, 155, 246, 267,
 272, 352
 secondary market, 204, 313
 shares, 53
 Securities and Investment Board, 163
 Self Regulating Organisation, 163
 self-certificated mortgage, 170
 sell-side, 228
 Senior Independent Non-Executive Director,
 148, 206
 Sepil, Mehmet, 238
 service businesses
 value, 40
 settlement
 of shares, 206
 shadow banking, 245
 share certificates, 90
 share exchange, 317
 share option schemes
 and directorial pay, 330
 share options, 50, 144, 330
 shareholder, 8, 9, 17, 20–1, 58, 145, 153, 162, 384
 and accounting information, 300
 and accounts, 304
 and audit, 289
 and banks, 179
 and regulation, 231
 as central to governance, 55
 as owners of companies, 40
 as stewards, 135
 as subordinate parties in contract, 41
 collaboration, 46
 control, 43
 directors' pay, 144
 interests. See stakeholders' treatment
 involvement, 205
 meetings, 45
 ownership, 41, 46, 53, 386
 'power' emasculated, 217
 powers, 41
 primacy, 26, 40, 126, 358
 remuneration, 48
 reserve power, 44
 residual contract, 55
 returns, 144, 328
 return maximisation, 370
 rights, 76
 risk, 71
 sanction, 143
 supremacy, 43, 45, 47, 371
 value, 327, 357, 363–4, 383, 391
 wealth, 362, 365, 374
 shareholder-directors, 91
 shareholdings
 atomisation, 46
 shares
 as long-term property, 47
 compulsory sale, 47
 fundamental characteristics of ownership, 50
 rights of ownership, 47
 shares as property. See shares
 Shonfield, Andrew, 127
 short-term profit-maximisation
 pernicious effects, 77
 short-sellers, 206
 short-selling, 247
 and legality, UK, 249
 short-term trader, 207
 short-termism, 337
 Siemens, 4
 signalling behaviour, 362
 significance of the individual shareholder, 383
 simple cash shortage
 insolvency, 353
 SIND, BP, 149
 Singapore, 165
 Sino-Forest Inc, 238, 346
 Sirbir, 4
 Skilling, Jeffrey, 333
 Slater, Jim, 134
 Slater Walker Group, 135
 small shareholder
 discrimination against, 389
 Smith, Adam, 32, 46, 365
 Smith and Tyson committee reports
 redundant, 152
 Smith Report, 127, 148
 Smithers, Andrew, 340
 smoothing effect of options, 331
 SocGen, 196
 social inclusion, 169
 social obligations
 of companies, supposed, 384
 Societe Generale, 4
 soft assets, 40
 sole traders, 30
 solvency 2, 246
 solvency regulations, 246
 sophisticated share ownership strategies, 205
 sophisticated financial instruments, 182
 South Africa, 11
 special notice, 98
 special purpose acquisition companies, 238
 special resolution, 89
 Special Resolution Unit
 Bank of England, 273
 specialised investment banks, 388
 specific stratagems
 and HFT, 226
 speculators, 135
 stagflation, 133
 stakeholder, 20, 59
 and regulation, 232
 definition, 59
 stakeholder influence, 383
 stakeholder interests, 106

420 INDEX

- stakeholder risk
 relationship to shareholders, 71
 stakeholder theory, 55, 58–9
 problems with, 60
 stakeholders, 17, 28, 55–6, 58, 60–1, 65, 71, 109, 145, 153, 373, 384
 and accounting information, 300
 and accounts, 66, 309–10
 and audit, 279
 and financial crisis, 154
 interests, 139
 role of, 394
 shifting priorities, 384
 stakeholder-shareholder balance, 156
 Standard & Poor, 190
 standard of shareholder control, 44
 standard pay policies
 boardroom pay, 143
 Stanford Business School, 148
 Stanford Research Institute, 59
 State
 and company accounts, 309
 and regulation, 230
 as stakeholder, 75
 State domination of the economy, 128
 State intervention, 230
 Statens Pensjonsfond – Utland Norway, 388
 statute law
 as basis of procedural governance, 101
 statutory obligations
 inefficient allocation of resources, 221
 Stevenson, Lord
 and HBOS, 249
 stewards
 institutional investors, 150
 stewardship, 47, 76, 104, 135, 148, 205, 215–16, 222, 229, 309, 347, 372, 384, 386, 388, 394
 and HFT, 221
 and regulation, 232
 as a trading obstruction, 206
 Stewardship Code, 150, 192
 stewardship theory, 21, 23, 25
 Stock Exchange, 37, 45, 101–2, 137, 156, 188, 305, 312
 Stock Market, 223
 stockbrokers
 as intermediaries, 189
 Strategic Report
 by directors, 320
 Straw, Jack, 118
 strength of governance systems, 202
 structural dimension of governance, 115
 structural governance, 100, 149–50, 164, 181, 195, 235, 242, 263, 276, 298, 322, 337, 341, 345–8, 351, 356, 362–3, 384–5. See governance
 structural governance failure, 185
 structural rigidity
 and bonuses, 329
 structure of accounts, 312
 subsidiary companies
 and shares in holding co, 92
 super-equivalence, 83, 92, 253
 super-normal gains, 223
 sustainability, 135
 sustained inability to meet debts, 355
 Svanberg, Carl-Henric, 149
 Sydney Stock Exchange, 12
 ‘synthetic’ debt instruments, 169
 systemic dimension, 153, 170
 systemic dimension of corporate governance, 133
 systemic dimension of governance, 202
 systemic failure, 265
 systemic governance, 19, 154, 170, 173, 181, 242–3, 275, 322, 363, 384, 392
 and banks, 177
 and financial sector, 195, 197
 systemic governance failure
 2007–8, 188
 systemic inadequacies, 350
 systemic mechanisms
 and financial sector, 188
 systemically-significant companies, 339
 takeover, 50, 314–15
 and shareholders’ interests, 316
 takeover bid, 309
 Takeover Code, 50
 Takeover Panel, 260–1
 takeover vehicles, 134
 tax advantages, 43
 tax avoidance, 377
 tax collection, 309
 tax evasion, 377, 392
 taxation, 100
 TBTA – ‘too big to audit’, 390
 TBTF – ‘too big to fail’, 390
 technical characteristics. See company
 technocratic approach
 governance and Turnbull, 148
 temporal trading advantages, 226
 temporal/longitudinal components
 of governance, 384
 tension
 usefulness and accuracy, 308
 terms of reference
 Cadbury Committee, 137
 Walker Review, 174
 tertiary activity, 40
 Tesco, 333
 Thatcher Government
 1980s reforms, 127
The Economist, 59, 210
The Investors Chronicle, 59
The Marchioness, 109
 theories of motivation
 and directorial pay, 330
 Thomas Cook, 48, 217, 332
 timing boundaries
 and bonuses, 337
 tobashi, 281
 Tomkins, 135
 too big to audit, 164
 as a cause of failure, 182
 Toronto Stock Exchange, 238
 Townsend Thoresen, 109
 trading insolvently, 353
 traditional governance theory, 377
 traditional/conventional theory of shareholder
 primacy, 388

- traditionalist corporate governance, 126
 traditionalist theories, 42, 220, 226, 235, 277
 and dismissal of directors, 180
 embedded in codes of governance, 203
 implicit assumptions of, 206
 of corporate governance, 144, 179, 364
 reality gap, 202
 traditionalist view, 30, 41, 53, 55, 206, 336, 338, 341
 See corporate governance
 of governance, 117, 157, 309, 322, 340
 traditionalist/conventional theory of governance, 357
 traditionalist/conventional view
 undermined by law, 385
 traditionalist/legalist approaches, 123
 traditionalist/legalist theory, 47, 55
 traditionalist/legalist view, 40, 46 See corporate
 governance
 traditionalist/nexus viewpoint, 148
 Trafigura, 372
 transaction cost theory, 21, 23, 25
 transaction costs
 distorting effects, 225
 transaction prices
 differentials, 225
 Treadway Commission Report, 147
 Treasury
 veto on company financing, 211
 Treasury Committee of the House of Commons, 181
 Trinity Mirror, 374
 Triple Bottom Line, 310
 criticism, 312
 true and fair view, 61, 286, 298, 305
 trust property
 pensions, 372
 trustees, 104, 221
 Tullett Prebon, 196
 Turnbull Committee, 147, 164
 Turner, Lord, 264
 and FSA review, 172
 Turner Report, 127, 173–4, 176, 196, 265
 Turquoise, 236
 Tyrie, Andrew, 15
 Tyson, 151
 Tyson Report, 127, 148

uberimae fides, 22
 UBS, 196
 UK Bribery Act 2010, 18
 UK corporate governance, 12
 UK Corporate Governance Code, 37, 45, 50, 85, 102,
 123–4, 126, 147, 175, 209, 228, 291, 386
 ‘fit for purpose’, 175
 supporting distinctions between
 shareholders, 215
 UK Listing Authority, 245
 ultimate insolvency, 354

 uncertainty, 306, 365
 undervalued sale, 91
 UniCredit, 243
 Union Carbide, 347
 Unipol, 243
United States v O’Hagan, 253
 universal banks, 338
 Unlisted Securities Market, 209
 use of options, 330
 users of accounts, 303
 utmost good faith, 144

 Vallares, 244
 Valler plc, 238
 valuation of assets, 304
 valve doorkeepers’
 ratings agencies, 387
 Vanderbilt, Cornelius, 327
 venture capital, 22, 33, 44, 151
 verification
 and audit, 279
 Vickers, Sir John, 173
 Vickers reforms, 178
 Vickers Report, 173
 Villiers, Charlotte, 312
 virtual market
 HFT as, 226
 volatility of the market;
 and CAPM, 223
 voting rights, 89
 VW, 324

 Walker, Sir David, 174. See Walker Report
 Walker, Peter, 134
 Walker Review, 4, 146, 150, 172–3, 176, 196,
 270, 386
 and banking commission, 176
 Wall of Money, 211
 weapons of mass financial destruction, 168
 Weaving Capital, 108
 Welch, Jack, 327
 White, Gordon, 63, 134
 Wilson Committee, 211, 214
 winding up, 99
 Wolf, Martin, 340
 Wolfson Electronics plc, 390
 Woolworths plc, 390
 ‘world-class’ managers, 138
 World Crossing, 150
 Worldcom, 150, 346
 written resolutions, 44
 wrongful trading, 355

 Xstrata plc, 237, 259

 Yellow Book, 138