

## **INDEX**

Aberdeen Railway v Blaikie Bros The Anatomy of Corporate Law Israeli law and, 456, 463, (Kraakman, et al.), 80, 107-108 467-468, 474 Anti-Self-Dealing Index (ASD Index), UK case of, 363, 368, 456, 463, 358-360 467-468, 474 Commonwealth Asia in, 358-360 Abhängigkeitsbericht (special report), DLLS article and, 358, 359-360, 453 444-446 RPT Index and, 358, 359-360 abuse of corporate assets (abus de biens appraisal rights, 229 sociaux), 12, 233, 412-414 control share acquisition statutes actio Pauliana, 264-265, 272, 280-281 and, 230 disguised distribution rules and, under Delaware law, 229-230 276 IGT self-dealing and, 229-230 simple, 268-269, 270, 272, 278-279 in US, 229-230 action sociale and ut singuli suits, 414 approval, 294-295, 458 Afep-Medef Code, 420 board, 293-294, 372-373, 398 affiliation bias, 419 in China, efficacy of, 316 agency costs, 31-32 Delaware law and, 294, 371 asymmetric information and, 32 in France, 406, 407-409 cash-flow rights and, 33-35 in Israel, 469 in concentrated ownership, 40, 41, in Korea and Japan, absence of, 294 42, 52 in UK, 18, 294-295, 365-370, 371, control rights and, 33-36 372-377, 374 n 43-44, 375-377, controllers and, 26-27, 32-36 382-383, 388, 398-399 in US, 370-371, 398-399 in dispersed ownership, 38-39, 41 entrepreneurs and, 32-33, 35-37 Aran, Yifat, 471 idiosyncratic vision and, 26-27, Arjil, 413 32-37, 38-39, 40, 41, 42, 48, 52 Armour, John, 455 investors and, 26-27, 32, 35-36 arm's length criterion, 183, 192, agency problems, of index funds, 204 196-199, 292-293 agent, concept of, 377 ASD Index. See Anti-Self-Dealing Alternative Investment Market (AIM), Index 385, 399 Asia, economic success of, 353-354 announcements of, 391-392 Asian financial crisis (1997), 64, nomad in, 389 327 - 328asset tunneling, 186, 289 rules of, 389 Altice, 125 Re Astec (BSR) plc, 394 Amber Capital, 492 asymmetric information, 89 AMF. See Autorité des Marchés agency costs and, 32 financiers in business development stage, 31



INDEX 503

controllers and, 25, 26-27, 28, 30, benefit corporations, 250 32 - 33benefits, non-pecuniary in fundraising stage, 30-31 of control, 249-250 overpriced securities and, 89 n 39, of family corporations, 71-72, 73-74 political, of policy channeling, 90 n 40, 104 uncertainty zone and, 86, 88-91 249-250 auditors for stationary controllers, 71–72, 73 - 76in France, 415, 420-421, 424 in France, statutory, 408 benefits, pecuniary in Italy, 484-486, 491-493 of family corporations, 71-72, 73-74 Automatic Self-Cleansing Filter for stationary controllers, 55, 56, 64, Syndicate Co. v Cuninghame, 366 66, 68, 73-74 Autorité des Marchés financiers (French benefits, private, 427 Market Authority) (AMF), 400, ceilings on, stationary controllers 424-425 imposing, 56, 76 OECD recommendations for, 405 of concentrated ownership, 24-25, RPT recommendations of, 401-402, 27, 29, 250 405-406, 410-411, 420, 423, of control, comparative surveys 424, 425 of, 429 Aveling Barford Ltd v Perion Ltd, 381 firm performance and, 435-436 Ayres, Ian, 240-241 political, of control, 249-250, 251, 252, 349, 351 bad-law jurisdictions, 53-54, 62, Berg, Joyce, 241 329, 332 beta, optimized, 432 bandits and, 54, 57-58, 59, 62-64, 78 BGH. See Federal Court of Justice, controllers in, extraction ceilings of, Germany BJR. See business judgment rule 56, 76 investing abroad in, obstacles to, Black, Bernard, 261-262 Blackstone, 119 roving controllers in, 54, 55, 62, 64, Bolloré, Vincent, 418 Bologna Court of Appeal, 493 bailouts, state subsidies and, 248 Bolton, Patrick, 193 Baird, Douglas G., 272, 275-276 Brazil, 14, 454-455 Bami Newco, 408-409 securities commission of, 254-255 bandits, 54, 57-58, 62, 78 SOEs in, 247, 251, 254-255, in good-law countries, protection 256-257, 258 Brown Advisory, 122-123 from, 61-62 roving, in post-Soviet Russia, 63-64 Buckland, W., 264 roving and stationary, 54, 57-58, 59, Bumi, 394 62 - 63Bundesgerichtshof (BGH). See Federal stationary, in Korea, 64 Court of Justice, Germany taxation framework for, 58, 59, 62 Burkle, Ron, 95 Barak, Aharon, 468 business development stage, 31 Becker, Gary, 192 Business Elites and Corporate Beherrschungsvertrag Governance in France and the UK as contract of domination, 442 (Maclean, Harvey, and Press), 416 as control agreement, 238-239 business expert (expert de gestion), Belenzon, Sharon, 193 414



> INDEX 504

business judgment rule (BJR), 43, 49-50, 198, 434 in Delaware law, 43, 108-109, 110, 111, 112-113, 205-206, 223, 236-237, 294 MOM and, 108-109, 110, 112-113, 115, 117, 130 in recapitalization, 110 SOEs and, 258

Cablevision, going private proposal for, 105, 124-126, 127, 129-130 Cai, Jie, 155 Calabresi, Guido, 458 Canada, 377-378, 462-463 Canal Plus, 407 capital maintenance, 438, 439-441 capital market development, RPT regulation for, 426-427 capital market law, 290 capital structure, 49 care, duty of, 147, 159 Carlson, David G., 274 cash-flow rights, 30, 33 agency costs and, 33-35 in concentrated ownership, 26-27, 40-41,52control rights and, 33-37 in dispersed ownership, 38-39 division of, 34, 36-37 in dual-class share structures, 39, 40 of entrepreneurs, 33, 40 Germany and, 435-436 idiosyncratic vision and, 33, 52 institutional investors and, 173 in Korea, 300 monitoring and, 435-436 moral hazard mitigated by, 33 CCA. See Company Act of China Code, UK criminal prosecution of, 323

cash-flow tunneling, 186, 289 CGC. See Corporate Governance chaebols, 64, 247, 289, 300, 301-302 FTA and, 309 RPT reform and, 321-322, 325-326 Cheffins, Brian, 261–262 Cheung, Yan-Leung, 297

Chile, 86-87, 94, 214 China, 324-325 approval in, efficacy of, 316 Company Act of, 309-310, 314 concentrated ownership in, 303 corporate governance in, 285-286, 323-324 corporate groups in, 303-304 directors in, 291, 314-315 disclosure in, 90, 97, 318-320, 323-324 fairness in, 311 fraud cases in, 316 on HKEx and SGX, companies of, 345-346, 350 industrial organization in, 304 institutional investors in, 141-142 listing in, 303-304, 319 ownership structure in, 302-304 POEs in, 303, 304, 322 policy channeling in, 251 procedural constraints in, 314-316, 323-324 pyramidal structures in, 303 regulation of, Japan compared with, 323-324 RPT prohibition and, 409 RPT reform and, 322, 326 RPTs in, 304, 305-306, 309-310, 311, 314-316, 322 Shanghai Stock Exchange of, 315-316, 319-320 in Singapore, companies of, 345 SOEs in, 247, 248-249, 254, 302-304, 322, 323-324, 350 stock exchange rules in, 319-320, 323-324 substantive constraints in, 309-311, 324, 325 tunneling in, 100, 305-306 vertical integration in, 288-289, 304 vertical RPTs in, 286-287 China Securities Regulatory Commission (CSRC), 296, 323 - 324

disclosure rules of, 318-319

318-319

RPTs regulated by, 305, 311, 314,



INDEX 505

Chung Mong-koo, 302	S
Cirio, 478	U
civil law tradition, 427-428	Con
Claessens, Steen, 263	
Clark, Robert C., 464	Con
ClearBridge, 105	Con
Clessidra, 494	
CMS. See controlling minority	bo
shareholder structure	ex
CNX Gas Corp, 116, 117	sh
Coal India, 251	u
Coase, Ronald H., 187–188, 287	Con
collegio sindacale, 484	Con
Colombia, 257	٨
	A
Commercial Code, South Korea (KCC),	A
307–308, 313, 318, 323	Con
commissaire aux comptes (statutory	
auditor), 408	com
Commissario ad acta, 492-493	ir
common law tradition, 264, 361	
civil law tradition contrasted with,	n
427–428	re
Israeli law influenced by, 465-466,	
467–468	sh
self-dealing prohibition of, 191	
Commonwealth, British, 329	conf
Commonwealth Asia, 329, 334,	O
342–344, 359	
in ASD Index, 358-360	di
corporate culture and ethos in, 346	
DLLS article and, 358–360	in
externally imposed standards in,	O
342–344, 360	
family-owned firms in, 347-349	
international bodies and regulation	ir
in, 342–343	cons
normative complexity of,	fu
353–356, 360	ir
regulatory complexity of, 341–347,	Con
357–358	C
in RPT Index, 329–333, 334,	Ü
337–339, 340–341, 344,	di
356–358, 360	CI.
RPTs in, extraneous determinants of,	eı
344–347	fa
shared legal heritage of, 340–341, 360	F
shareholder complexity in,	
	in
347–352, 357	

OEs in, 339, 347–348, 349–352 K and, 340–341, 343, 360 npanies Act 1929, UK, 373-374, 465 npanies Act 1980, UK, 374, 375–376 npanies Act 2006, UK, 361, 371-372, 373-374 oard approval endorsed by, 398 xceptional cases in, 374 nareholder approval in, 378, 396 nfair prejudice remedy in, 396 npany Act of China (CCA), 309-310, 314 rticle 21 of, 309-310 rticle 216 of, 309 npany Clauses Consolidation Act 1845, UK, 365 plexity, of RPTs n Commonwealth Asia, 341-352, 353-356, 357-358, 360 ormative, 332, 334, 353-356, 360 egulatory, 331–332, 341–347, 357-358 nareholder, 331-332, 334, 347-352, 357 flicts of interest, 107-108 f controllers, 2-4, 23, 106-107, 108-110, 112-113, 181-182 irect and indirect, of controllers, 106-107, 112-113 French corporate culture, 418 f institutional investors, 137–138, 139, 140, 145-146, 153-156, 159, 162-163, 174-175 1 UK, 362, 363-365, 367, 398 ally-informed, 458-462, 474 1 UK, 362 sob, 478, 482-486, 498 Corporate Governance Division of, 487, 497 isclosure rules and, 480, 481, 482, 484-485, 486, 489-490, 495-496 nforcement by, 479, 487, 496–499 irness and, 491–492, 493 onsai-Unipol merger and, 494–496 dependent directors and, 482–483, 487-489



506

INDEX

Consob (cont.) Chilean, overpriced securities of, information request powers of, 86-87 489-491, 494-495, 496, 497 conflicts of, 2-4, 23, 106-107, Parmalat case and, 489-493 108-110, 112-113, 181-182 RPT data of, 482 conflicts of, direct, 106 Strategic Plans of, 486-487, 497 conflicts of, indirect, 106-107, TIM case and, 497-498 112 - 113continuation bias, 263 n 20 under Delaware law, 46 contract of domination dividend distribution by, pro-rata, (Beherrschungsvertrag), 442 48 - 50contractual theory, 33 idiosyncratic vision of, 25-27, control. See also benefits, private 28-29 entrepreneur, in dual-class structure, IGT self-dealing and, 221-222, 39 - 40226-230 with investors, trade-off of, 1-2, idiosyncratic vision and, 25-27, 28-29, 36-37, 52 27, 44 NCS-dependent directors not in Israel, shareholders and, 18 exercising, 215 liability of, 261-262, 306, 307-308 non-pecuniary benefits of, 249-250 mergers by, 106-107 political private benefits of, 249-250, opinion differences and, 25-26, 251, 252, 349, 351 28, 30 private benefits of, comparative, 429 in presubscription disclosure, 98-99, control agreement 100, 101-102 (Beherrschungsvertrag), 238-239 property rule protection for, control block votes, median value 43-44, 46 of, 110 states as, 3, 5 control premiums, 453 controllers, roving, 54, 56, 67, 77-78 control rights, 35, 42-44, 46-47 family corporations as, 56, 78 agency costs and, 33-36 harsh taxation of, 62 cash-flow rights and, 33-37 minority shareholders and, 73 in concentrated ownership, 26-27, one-factor and two-factor analyses 40-41,52of, 71-72 division of, 34, 36-38 in post-Soviet Russia, 63-64 of entrepreneurs, 25-27, 28-30, 31, stationary compared with, 55, 56 32-33, 35-37, 38-40, 41, 42, stationary controllers and, models 43-44, 52 for, 65-68, 70 institutional investors and, 173 controllers, stationary, 54-55. See also preemptive rights preserving, 83 bad-law jurisdictions; good-law control share acquisition statutes, in jurisdictions US, 230 family corporations as, 56, 57, 69-71, controllers, 51-52, 181 73-74, 77-78 abusive, avoiding, 226-230 in Korea, chaebols as, 64 agency costs and, 26-27, 32-36 limited expropriation of, 63, 64, 76, asymmetric information and, 25, 77 - 7826-27, 28, 30, 32-33 minority shareholders and, 73, 75–77 in bad-law jurisdictions, extraction non-pecuniary benefits for, 71–72, ceilings of, 56, 76 73 - 76BJR for, 43, 49–50 optimal extraction rate of, 62-63



INDEX 507

pecuniary benefits for, 55, 56, 64, 66,	Israeli, 455-457, 460, 465
68, 73–74	Italian Code of, 480, 488, 495
private benefit ceilings imposed by,	of SOEs, OECD Guidelines on, 253,
56, 76	256, 257–258, 351
reputation of, 76–77	in Sweden, pension funds in,
roving compared with, 55, 56	141-142
tax rate of, 73–76	Corporate Governance Code, UK
controlling minority shareholder	(CGC), 395–396
(CMS) structure, 61, 300,	corporate groups, 218, 247
301-302, 307	Asian economic success and, 353–354
controlling shareholder (CS) firms,	in China, 303-304
79, 80	in France, special rules for, 409
advance disclosure requirements	in Germany, codified law of, 438,
rare for, 90–91	441–446
under Delaware law, securities	in Germany, contractual,
issuances of, 84	238–239, 240
overpriced securities issued by,	in Germany, de facto, 238-239, 240,
86–88	442–443, 446
securities issuance power in, 82	in India, 348-349
controlling shareholders	in Japan and Korea, 303
FCA and, 396, 397-398, 399	Corporate Insolvency Law (Mokal), 268
Gilson on, 355, 460	corporate opportunity doctrine
good-law jurisdictions and, 355	waiver, 235
in Korea, 307–308	corporate scandals
in UK, 377-381, 383, 392-398, 399	in Italy, 478, 479, 499
in UK, shadow director workaround	in UK, 374–376
for, 379–380	Corwin v. KKR Financial, 113
in UK, unfair prejudice remedy for,	Costa Rica Railway Co Ltd v Forward,
378–379, 396	367, 368
UK LR and, 392-398, 399	Court of Appeal of Lyon, 423
conventions réglementées (regulated	Court of Appeal of Paris, 420
conventions), 400, 406, 418	Court of Appeal of Versailles, 413
Cook v Deeks, 378, 379	court review
Cookies Food v. Lakes Warehouse, 47	arm's length criterion of, 183, 192,
Corporate China 2.0 (Liu), 303	196–199
corporate culture	BJR and, 198
in Commonwealth Asia, 346	reviewer identity in, 200
of France, 402–403, 415–418, 425	standard of, 195, 196
corporate governance, 285, 479	standard of, conduct standards and,
in Brazil, reform of, 454-455	195–196
in East Asia, 285–286, 323–324	Cox, James D., 483–484
hedge funds in, 202-203	craigslist, 250
hybrid, effective RPT regime	Cranworth (lord), 363-364
and, 193	criminal law, 290
inefficient, effective RPT regime and,	in France, RPTs and, 290, 412-413,
192–193	414, 422
institutional investor role in,	in Italy, RPTs and, 290, 414
136–137, 140, 141, 156, 175	in Korea, RPTs and, 290, 296, 323



508

CS firms. See controlling shareholder firms

CSRC. See China Securities Regulatory Commission

Cuccia, Enrico, 432

CVM. See securities commission, Brazil

Czech Republic, 246

Dammann, Jens, 221, 232

DBR. See World Bank Doing Business Report

DCF. See discounted cash flow

default rules, 212

Delaware Court of Chancery, 19, 132,

460-461

on Dell MBO, 120

In re Dole Food Co., Inc. Stockholders

Litigation case of, 89

eBay and craigslist case of, 250

Entire Fairness standard and, 108,

132-133, 464

In re Ezcorp Inc. Consulting Agreement Derivative Litig. case

of, 236-237

Hollinger International, Inc., v. Black

case of, 46, 109

Ira Trust FBO Bobbie Ahmed v. Crane case of, 110

Israeli Economic Division and,

470 - 471

In re John Q. Hammons Hotels Inc.

Shareholder Litigation case of,

112 - 113

KT4 Partners LLC v. Palantir

Technologies, Inc. case of, 88

Louisiana Municipal Police

Employees' Retirement System

v. Fertitta, 109

In re MFW Shareholders Litigation

case of, 117, 132

In re Oracle Corp Derivative

Litigation case of, 474 OTK Associates, LLC v. Friedman

case of, 95

In re Trados Incorporated Shareholder Litigation case of,

2.92

INDEX

in US corporate law, dominance of, 453-454

valuation role of, 132, 133

Delaware law, 8-9, 453-454, 461. See

also Entire Fairness standard:

United States

appraisal rights under, 229-230

approval and, 294, 371

BJR in, 43, 108-109, 110, 111,

112-113, 205-206, 223,

236-237, 294

conflicts under, 108-110

controllers under, 46

corporate opportunity doctrine

waiver under, 235

Corwin v. KKR Financial cases

of, 113

court enforcement in, 19, 296

CS firm securities issuances

under, 84

DCF in, 65

ex post fairness review in, 12, 13

of IGTs, scrutiny under, 235-238

Israel and, 452, 456-457, 468-476

issuances under, 82

mergers under, 106, 109, 223

MOM approval and, 105, 108-110,

111, 112-113, 115, 127-128, 129,

132-134, 206, 223, 236, 447, 461

no further inquiry doctrine in,

452, 464

preemptive rights and, 84

procedural review in, 205-206

procedural safeguards in, 12, 13

recapitalization under, 110

scrutiny of, German law compared

with, 240

self-dealing in, 45

substantive review in, 184, 205-206,

364, 399

UK law compared with, 362-363,

364, 371, 383, 398–399, 464–465

Delaware Supreme Court

Fliegler v Lawrence case of, 364, 371

*Kahn v. M & F Worldwide Corp* case of, 108–109, 110, 112, 127–128,

129, 132, 236–237, 294



INDEX 509

Sinclair Oil Corp. v. Levien case of, 48-49, 60, 61-62, 237 Weinberger v. UOP, Inc. case of, 61-62, 105, 115, 294 delegation, 1-2 Dell, Michael, 117-119 Dell MBO Blackstone in, 119 Delaware Chancery Court on, 120 Icahn, C., in, 105, 119-121, 134 MOM approval and, 105, 117-121, 127, 129-130 Price opposing, 119, 120, 123-124 Silver Lake in, 117-118, 119, 120 Southeastern Asset Management/ Icahn group in, 117-121 Denmark, 277 n 83, 277 Deutschland AG. See Germany Dickhaut, John, 241 directors, 199 in China and Korea, credit extension prohibited for, 291 in France, 418 in Israel, institutional investors and electing, 147, 150, 156-159 in Italy, minority-elected, 480 in Japan, 298, 311-312 liability of, 274, 325, 335, 336, 337, 339-340 in UK, insolvency and, 274 in UK, shareholder right to remove, 207-209 directors, independent, 8-9, 209, 482 in China, 314-315 in France, disinterested directors and, 415, 418-420 in Italy, Consob and, 482-483, 487-489 in Korea, 313-314 selection and removal process for, 18 shareholder approval and, 201-202 directors, NCS-dependent, 185, 210 - 212control not exercised by, 215 direct administrative costs reduced by, 192 fiduciary duties of, 216

institutional investors represented by, 210-211 procedural review and, 197, 205 professional standards developing around, 210, 211, 212, 214 proposal for, 208-212, 217 proposal for, potential criticisms of, 212 - 216selection, removal of, 213, 214-215, 217 substantive review and, 211 in UK, 209 veto power of, strategy and, 216 disclosure, 295 advance, for CS firms, 90-91 in China, 90, 97, 318-320, 323-324 in Italy, 17-18, 480, 481, 482, 484-485, 486, 489-490, 495-496 in Japan, 316-318 in Korea, 318, 322-323 in RPT Index, 335-336, 337, 339-340 in UK LR, 388-389, 399 disclosure, presubscription, 96-98 cheap-issuance tunneling and, 81, 96-99, 100, 101-102, 103, controller-refrain scenario in, 98-99 controller-subscribe scenario in, 99, 100, 101-102 overpriced-issuance tunneling curbed by, 98-99, 100, 103 uncertainty zone lessened by, 102, 103 discounted cash flow (DCF), 65-67, disguised distribution rules, 276, 381 dividend distribution, self-dealing and, 48 - 50Djankov, Simeon. See "The Law and Economics of Self-Dealing" DLLS article. See "The Law and Economics of Self-Dealing" Dodge v. Ford, 250 Dolan family, Cablevision proposal of, 105, 124-126 In re Dole Food Co., Inc. Stockholders Litigation, 89, 132



510 INDEX

dual-class share structure, 23, 26, 39, 40 idiosyncratic vision and, 40, 41 of technology firms, 23, 36, 39-40 Re Duckwari plc (No 2), 364 due process, 198, 199 East Asia, 324-325. See also specific countries corporate governance in, 285-286, 323-324 RPT reform in, comparative, 320 RPT regulation in, comparative, 326 vertical and horizontal RPTs in, 286-287, 322 EasyJet, 208 eBay, 250 Economic Division. See Tel Aviv District Court, Economic Division of Ecopetrol, 257 effective RPT regime, 191-193 efficient review and, trade-off between, 190-195, 216-217 false negatives and false positives in, 193-195, 202 hedge funds in, 202-205 marginal analysis of, 194-195 non-controlling shareholder power and, 192-193 of prohibition, 190-191 shareholder approval in, 201 value-increasing transactions screened in, 191, 216-217 efficient review, 190-195, 216-217 EIR, 420 Eisenberg, Melvin A., 242 Eletrobras, 247 Elliott Management, 126-127, 128-129, 134 Ellison, Larry, 122 enforcement, court, 19 in Delaware, 19, 296 discretion in, 296 efficiency and, 182-183 enforcement, private, 483-484

enhanced scrutiny standard, 456, 462,

Enriques, Luca, 114, 190, 216, 240

Entire Fairness standard, 110, 135, 236, 294, 462-463, 474 approval and, 294 BJR and, 294 Delaware Court of Chancery and, 108, 132-133, 237, 292, 464 escaping, 236-237 In re Ezcorp Inc. Consulting Agreement Derivative Litig. and, 237 Israel and, 13, 462, 471-472, 473, 475 Kahn v. M & F Worldwide Corp and, 112 MOM-based approval and, 461 Sinclair Oil Corp. v. Levien and, 237 substantive, fully-informed consent compared with, 474 as substantive fairness, 291-292 In re Trados Incorporated Shareholder Litigation and, 292 as unavoidable, 133 in US, rise of, 456-457, 463-465, 475-476 entrepreneurs agency costs and, 32-33, 35-37 asymmetric information, opinion differences and, 25-26, 28, 30 cash-flow rights of, 33, 40 in concentrated ownership, 41, 42 control rights of, 25-27, 28-30, 31, 32-33, 35, 38-40, 41, 42, 43-44, 52 in dispersed ownership, 38-39 in dual-class share structure, 39-40 investors and, 26-27, 30, 32-33, 35 - 36property rule protection for, 43-44 equality norms, 268-269 equity. See also ownership stakes institutional investor voting and, 145, 157-158, 160-161, 162, 166, 167–168, 170–172, 173, 180 tunneling, 3-4, 18-19, 186-187, 289 Ertimur, Yonca, 242 EU. See European Union Europe appraisal rights in, 229 criminal law and RPTs in, 290

473-474, 475



INDEX 511

intragroup dividends taxed in, 224 MOM approval and, 16, 126-127, 128-129, 131, 134 European Insolvency Regulation, 277 - 279European Union (EU) cross-border transaction avoidance rules in, 277 n 83, 277, 278-279 IGT policing in, holistic, 234–235 institutional investors and, 137 mandatory bid rule in, 226, 450 material transactions in, 15, 17 MOM approval required in, 16 Shareholder Rights Directive of, 425, 427-428, 438 SRAD in, 14, 15-17 Takeover Directive of, 126, 226 Evraz plc, 390 executive compensation, 151-153, 174 experimental economics, 241-242, 243 expert de gestion (business expert), 414 expertise de gestion (independent valuation), 405 expertise in futurum (pre-trial court expert), 414 extent of disclosure sub-index, 335-336, 337, 339-340 In re Ezcorp Inc. Consulting Agreement Derivative Litig., 236-237

Facebook, 23, 36, 39-40, 110 Fair Trade Act, South Korea (FTA), 301, 308-309, 318, 323 Fair Trade Commission, South Korea (FTC), 309, 318 fairness, 4-5 in China, 311 Consob and, 491-492, 493 MOM and, 10 in UK, 364, 389 fairness, duty of, 468-469 fairness review, ex post, 11 in Canada, 462-463 in Delaware, 12, 13 ex ante safeguards and, 13 in Germany, 11–12 procedural safeguards in, 12

false negatives, false positives in effective RPT regime, 193-195, 202 hedge fund activism and, 202 marginal costs of, 194-195, 199 procedural review and, 199, 200-201 shareholder approval and, 202 substantive review generating, 198-199 in UK, 205, 208, 209 in US, 205, 206-207 Fama, Eugene F., 242 family corporations in Commonwealth Asia, 347-349 pecuniary and non-pecuniary benefits of, 71-72, 73-74 reputation of, 77 as roving controllers, 56, 78 as stationary controllers, 56, 57, 69-71, 73-74, 77-78 transaction costs of, 77 Fannie Mae, 255 FCA. See Financial Conduct Authority, UK Federal Court of Justice, Germany (Bundesgerichtshof) (BGH), 442, 443 Fennell, Lee A., 459 Financial Conduct Authority, UK (FCA) Asia Resource Minerals plc fined by, 394 controlling shareholders and, 396, 397-398, 399 LR under, 383, 384, 387, 394, 396 financial institutions bank, Israeli concentration of, 156, 162 German, 431, 432-438, 447-448, 451 Financial Services and Markets Act 2000, 384 Financial Services Authority, UK (FSA), 383 Fliegler v Lawrence, 364, 371 Fondiaria-Sai (Fonsai), 494-496 Fong, Wai-Ming, 94 Fonsai. See Fondiaria-Sai

Ford, Henry, 25–26, 31, 250



512

INDEX

Ford, Henry, II, 26 Forum Europaeum on Group Law, 234 France, 403-404, 425 action sociale ut singuli in, 414 AMF of, 400, 401-402, 405-406, 410-411, 420, 423, 424-425 approval in, 406, 407-409 auditors in, 415, 420-421, 424 civil liability in, 414 Commercial Code of, 400, 402, 405-406, 407-408, 413 conventions réglementées in, 400, 406, 418 corporate assets abuse prosecuted in, 12, 233, 412-414 corporate culture of, 402-403, 415-418, 425 corporate groups in, special rules for, 409 criminal law and RPTs in, 290, 412-413, 414, 422 current RPT rules of, 406, 407-408 DBR on, 401, 402-403 directors in, disinterested and independent, 415, 418-420 EU Shareholders Rights Directive and, 425 ex post ratification in, 18 Grandes Ecoles in, 416-417 IGTs in, 233, 411 indirect interest in, 402, 403, 406, 412, 415-416, 421-423 listed companies in, 409, 410-411, 413-414, 415 MOM approval and, 10-11, 126 multiple directorships in, 418 non-listed companies in, 415 ordinary course of business and, 400, 403, 404-405, 406, 407, 415-416, 423-425 ownership stakes in, taxation and, 225 remuneration in, of insiders, 403 Rozenblum doctrine in, 233, 234, 411 RPT law in, clarity lacking for, 403, 406, 407, 415–416, 421–425 RPT law in, history of, 404–406

RPT law in, improving, 401–402, 403, 415-416, 424, 425 RPT system of, OECD on, 401, 402-403, 405, 416 statutory auditor in, 408 Supreme Court of, 411 transaction avoidance in, 415 transactions exempted in, 400, 406, 407 transactions prohibited in, 409 fraudulent conveyance law, 263, 264-265, 271, 280-281 Baird and Jackson on, 272, 275-276 non-preferential transactions and, 272, 276 preferential transactions and, 272, 273, 274 in US, 273 Freddie Mac, 255, 425 French Market Authority (AMF). See Autorité des Marchés financiers FSA. See Financial Services Authority, UK FTA. See Fair Trade Act, South Korea FTC. See Fair Trade Commission, South Korea F-Tex SIA v Lietuvos-Anglijos UAB 'Jadecloud-Vilma', 277, 278-279 fundraising stage, 30-31 funneling, in Korea, 292, 309

Gecina, 408-409 Gelter, Martin, 274 general meeting of shareholders (GMS), 293, 294 Gennaioli, Nicola, 271, 280-281 German Stock Corporation Act, 218, 430 Germany, 11-12, 16-17 accounting standards in, insufficient, 450 activist investors in, 449-450 Beherrschungsvertrag in, 238-239, 442 breach in, remedy for, 440-441 capital maintenance rule in, 438, 439-441

GAMCO, 105



INDEX 513

cash-flow rights and, 435-436 codified corporate group law in, 438, 441-446 contractual corporate groups in, 238-239, 240 corporate law of, jurisdictions following, 429 de facto corporate groups in, 238-239, 240, 442-443, 446 EU Shareholder Rights Directive and, 427-428, 438 EU transparency, mandatory bid rules in, 450 Federal Court of Justice in, 442, 443 financial institutions in, 431, 432-438, 447-448, 451 financial institutions in, monitoring by, 433-438, 448, 451 financial institutions in, tunneling curbed by, 437-438 Germany Inc., dismantling of, 448-450 industrial organization in, 428, 430, 431-434, 447-450, 451 internally financed firms in, 436 liability regime of, IGTs and, 238 - 240liability regime of, US compared with, 240 minority shareholders in, 428-430, 438 - 4391937 corporate law reform in, non-bank blockholders in, 434-435 optimized beta investment in, 432 ownership stakes in, taxation and, 225 securities laws in, insufficient, 450 sell-out rights in, 442 special reporting system in, 444-446 Gertner, Robert, 240-241 Gewinnabführungsvertrag (profit transfer agreement), 238-239 Gilson, Ronald J., 76, 204, 210-211, 462 on controlling shareholders, 355, 460 product-based market account of, on self-dealing, policing of, 460

GLCs. See government-linked companies, in Singapore globalization, bad-law jurisdictions and, 78 GMS. See general meeting of shareholders good-law jurisdictions, 332, 355 bandits and, 61-62 RPT Index and, 328-329, 330, 334, 356 Gordon, Jeffrey N., 204, 334 Gordon, Myron J., 65 Goshen, Zohar, 111, 237, 458, 461, 470 Goshen Committee, 470 government-linked companies, in Singapore (GLCs), 252, 351-352 Grandes Ecoles, 416-417 Gutiérrez, María, 458

H v H. K., 278-279 Hachette, 413 Hamdani, Assaf, 187, 237, 461 Hamermesh, Lawrence A., 133 Harvey, Charles, 416 Hasson v. Local Council Daliat ElCarmel, 467-468 hedge funds, 202-205 activist, false negatives, false positives and, 202 activist, US and, 18, 449 corporate governance challenges of, 202 - 203say on strategy of, 203-204 Hevra Yerushalmit LeTaasiya Ltd v. Aghion, 467 High-Level Group of Company Experts (Winter Group), 234 HKEx. See Hong Kong Exchange Hollinger International, Inc., v. Black, 46, 109

46, 109 Hong Kong, 100, 316, 331, 345 Commonwealth and, 329 foreign-listed companies in, 345–346 offers in, 94 RPT Index and, 330–331, 345–346 SOEs and, 339, 350 Hong Kong Exchange (HKEx), 345–346, 350



514

horizontal RPTs, 286–287, 322 hybrid organizational structures, 188–189, 193, 197 Hyundai Motors, 302

IAC, 110 IAS 24, 410, 423, 428 Ibn Khaldun, 58 Icahn, Carl, 105, 119-121, 134 Icahn Enterprises, 119 idiosyncratic vision, 28-29. See also entrepreneurs agency costs and, 26-27, 32-37, 38-39, 40, 41, 42, 48, 52 asymmetric information, opinion differences and, 25-26, 28, 30 as capital structure, 49 cash-flow rights and, 33, 52 in concentrated ownership, 25-26, 28, 40-41, 42, 52 control and, 25-27, 28-29, 36-37, 52 in dispersed ownership, 38-39, 41 dual-class share structure and, 40, 41 of Ford, Henry, 25-26 managerial talent compared with, 30 private benefits overlap with, 29 property rule protection for, 43-44 self-dealing and, 47, 48 IGTs. See intragroup transactions

Imperial Mercantile Credit Association v Coleman, 367
Independent Special Committee

approval (ISCA) equitable intervention and, 132 MOM approval and, 108, 110, 111, 112, 114, 115, 129–130, 132

independent valuation (expertise de gestion), 405

index funds, 123, 204

Iliad, 420

India, 330, 339, 346, 348–349, 350 MOM approval in, 354

policy channeling in, 251 RPTs excessively regulated in, 340, 354–355

India, Securities and Exchange Board of, 350 industrial organization, 287–289, 298

INDEX

in China, 304 in Germany, 428, 430, 431–434, 447–450, 451 in Japan, 389, 300, 300

in Japan, 289, 299, 300 in Korea, 301

long-term trading relationship as, 289

inefficiency, of RPTs, 182–183 insolvency, 260–261, 265–267, 274

equality norms in, 268–269 European Insolvency Regulation and, 277–279

liability in, 261–262, 274 transaction avoidance rules in,

262–263, 265–269 UNCITRAL Legislative Guide on, 265–267, 270

UNCITRAL Model Law on Cross-Border, 278–279, 280

value destruction in, 269–270

World Bank Principles for, 265, 266 Insolvency Act, UK, 267 Institutes of Justinian, 260

International Accounting Standards (IAS). See IAS 24

International Financial Reporting Standards, 410 intragroup dividends, taxation of,

224–226

intragroup transactions (IGTs), 6, 218, 220, 288

under Delaware law, scrutiny of, 235–238

in EU, holistic policing of, 233–235 in France, 233, 411

in Germany, liability regime for, 238–240

high ownership stakes and, 223–226 mandatory bid rule and, 226–228 market failures addressed by, 218–219

mergers for, 222–226 policing, 219, 231–241, 244

reputational incentives and, 242–244 self-dealing in, appraisal rights and, 229–230

self-dealing in, controllers and, 221–222, 226–230



INDEX 515

self-dealing in, costs of, 220–222, 223 - 224self-dealing in, financing hindered by, 220-221 self-dealing in, optional framework for, 235 social norms and, 242-244 special rules for, 6-7, 238 trust in, 241-244 tunneling in, 6-7, 289-290 in UK, 381-382, 383 in US, holistic policing of, 234 vertical integration with, 288 investors agency costs and, 26-27, 32, 35-36 cash-flow rights of, 33, 37 control rights and, 42-44 controller trade-off with, 1-2, 27, 44 entrepreneurs and, 26-27, 30, 32-33, 35 - 36in Germany, activist, 449-450 in US, protected, 61-62 investors, institutional, 151 cash-flow rights and, 173 in China, 141-142 commercially oriented, 145, 153, 155-156, 157-158, 160-161, 162-163, 166, 170-172 conflicts of, 137-138, 139, 140, 145-146, 153-156, 159, 162-163, 174-175 control rights and, 173 dispersed ownership and, 167 dominant shareholder and, 137 duty of care and, 147, 159 EU and, 137 governance role of, 136-137, 140, 141, 156, 175 growth of, investor protection and, 141 index funds as, 123, 204 industry and firm specifications for, 169-174, 180 institution-specific voting strategies legal empowerment of, 137–138, 139, 140–141, 152, 153–155, 174–175 mutual fund, 142, 173

NCS-dependent directors representing, 210-211 no votes of, 146-147, 173-174 pure play, 145, 153-155, 157-158, 160–161, 162, 166, 169, 170-172, 173 regulatory regimes of, 142 in Sweden, 141-142, 156 voting advisory services and, 140 voting by, active, 138-140, 141, 142, 143-144, 145, 146-147, 150, 151–155, 156, 157–158, 159–161, 162, 166, 167-169, 170-172, 173 voting by, equity stake and, 145, 157-158, 160-161, 162, 166, 167-168, 170-172, 173, 180 voting by, influencing outcomes and, 138-139, 143-144, 147, 151-155 voting by, opposed, 152-156, 173-174, 175 voting by, proposals in, 138-139, 143-144 voting by, supporting, 146, 150, 152-161, 162-163, 166, 167-168, 170-172, 173-175 voting of, required, 142, 143, 146-147, 150, 152-155, 156-159, 166, 174-175 voting patterns of, studies on, 141 voting power of, different, 163-167 investors, institutional, in Israel, 136-137, 138, 141-142 classification of, in sample, 145 in director elections, 147, 150, 156-159 on executive compensation, voting of, 151-153, 174 by issue, support rate of, 147–152 optional voting of, 143-144, 150 required voting of, 142, 146-147, 153-155, 174 on substantive corporate issues, voting of, 144 Ira Trust FBO Bobbie Ahmed v. Crane, 110 ISCA. See Independent Special Committee approval



516

INDEX

Israel, 191. See also investors, institutional, in Israel Aberdeen Railway v Blaikie Bros and, 456, 463, 467-468, 474 approval in, 469 Brazil reform process and, 454-455 Companies Law of, 465, 468-470 Companies Ordinance of, 465 concentrated banking system of, 156, 162 concentrated ownership in, 466 corporate governance in, 455-457, 460, 465 court enforcement in, 19 Delaware law and, 452, 456-457, 468-476 director elections in, 147, 150, 156-159 dispersed ownership in, 167 enhanced scrutiny standard in, 456, 462, 473-474, 475 Entire Fairness standard and, 13, 462, 471-472, 473, 475 executive compensation in, 151-153, 174 fairness duty in, 13, 468-469 Goshen Committee in, 470 institutional investors in, 141-142, 146-147, 153-155, 174 life insurance companies in, 142 MOM approval in, 456 mutual funds in, 142, 173 no further inquiry doctrine in, 452, 456 pension funds in, 142 property rule in, 469, 474 pyramidal structures in, 146, 466 RPT law in, deterioration of, 452, 456-457, 470, 474-476 RPT regime of, 469-470 Securities Authority of, 470 Securities Law of, 465 shareholders and controllers in, 18 Supreme Court of, 456, 466, 467-468, 471, 472, 473-475 Tel Aviv Stock Exchange in, 466 Tokatli v. Shimshon Ltd. case of, 467, 470, 472, 474

UK common law influence on, 465-466, 467-468 US law influencing, 468-476 Vrednikov v. Elovitch case of, 456, 473, 474-475 Italy, 13-14, 258, 447, 477-478. See also Consob appraisal rights in, 229 auditors in, 484-486, 491-493 Civil Code of, 480, 493 Corporate Governance Code of, 480, 488, 495 corporate scandals in, 478, 479, 499 criminal law and RPTs in, 290, 414 disclosure in, 17-18, 480, 481, 482, 484-485, 486, 489-490, 495-496 IGT policing in, holistic, 233 independent directors in, 482-483, 487 - 489Mediobanca in, 432, 491-492, 493, 494 minority-elected directors in, 480 private enforcement rare in, 483-484 pyramidal structures in, 477-478, 481 RPT Regulation of, 483-484, 485, 489, 490, 494 RPTs in, frequency of, 482 RPTs in, types of, 482 transparency in, increasing, 486 tunneling in, tolerance of, 498-499 2004-05 corporate law reforms in, 479-481 voting rights in, 477-478

J J Harrison (Properties) Ltd v Harrison, 364 Jackson, Thomas H., 272, 275–276 Japan, 324–325 appraisal rights in, 229 approval in, absence of, 294 basic self-dealing rule in, 311, 312 China compared with, 323–324 CMS in, substantive constraints and, 307 controller liability in, 306 corporate governance in, 285–286 corporate groups in, 303



INDEX 517

directors in, 298, 311-312 disclosure in, 316-318 dispersed ownership in, 298-299 exchange rules in, 317-318, 323 fairness in, 306-307 industrial organization in, 289, 299, 300 inside directors in, 298 keiretsu in, 247, 431 long-term trading relationships in, 289, 298, 299, 325 MBO in, 312 ownership structure in, 298-299 parent company liability in, 307 procedural constraints in, 311-312, 324 RPT reform in, 320, 322, 325, 326 RPT regulation in, 322-323, 324, 325 of RPTs, incidence in, 299-300 substantive constraints in, 306-307, 322-323, 324, 325 Supreme Court in, 312 trust, norms in, experiments on, 243 tunneling in, low risk of, 299-300 vertical RPTs in, 286-287, 322 vertically integrated group structure in, 289 Japanese Company Code (JCC), 306, 307, 311 accounting rules of, 316 Enforcement Rules of, 316-317 Jensen, Michael C., 242 In re John Q. Hammons Hotels Inc. Shareholder Litigation, 112-113 Johnson, Simon, 246 Joint Stock Companies Act 1844, UK, 367-368 Joint Stock Companies Act 1856, UK, 367, 368-369

Kahana v. Makhteshim Agan Industries Ltd., 471–472 Kahn v. M & F Worldwide Corp, 108–109, 129, 236, 294 MOM approval and, 110, 112, 127–128, 132 In re Dole Food Co., Inc. Stockholders Litigation and, 132

In re Ezcorp Inc. Consulting Agreement Derivative Litig. citing, 236 - 237Kato, Takahito, 299-300 KCC. See Commercial Code, South Korea Keefer, Philip, 243 keiretsu, 247, 431 Kershaw, David, 464-465, 475-476 Kettering, Kenneth C., 273 Keynes, John Maynard, 58 Khodorkovsky, Mikhail, 63-64 Klapper, Leora F., 263 Knack, Stephen, 243 Koh, Philip T. N., 354 Korea. See South Korea Korea Exchange, 323 Kossoy v. Y. L. Feuchtwanger Bank Ltd., 467-468 Kraakman, Reinier, 80, 107-108, 210 - 211KT4 Partners LLC v. Palantir Technologies, Inc., 88 La Porta, Rafael, 140-141, 246, 333-334, 360, 450 Lactalis, 489-493 Lactalis Group American subsidiary (LAG), 490, 492, 493 Laffer, Arthur B., 58 LAG. See Lactalis Group American subsidiary Lagardère, 407, 413 Lagardère, Jean-Luc, 413 Lam, Kevin C. K., 94 Larrain, 94 "The Law and Economics of Self-Dealing" (DLLS article) (Djankov, et al.), 26, 80, 137, 265, 290 ASD Index and, 358, 359-360, 453 Commonwealth Asia and, 358-360 legal origins theory and, 333-334, 360 RPT Index and, 333, 334, 358, 360 Law Commission and Scottish Law

Commission, UK, 375

Leland, Henry, 26

legal origins theory, 333–334, 360



518 INDEX

liability civil, in France, 414 controller, 261-262, 306, 307-308 director, 274, 325, 335, 336 director, in RPT index, 335, 336, 337, 339-340 for IGTs, German regime of, 238-240 insolvency and, 261-262, 274 in Japan, parent company, 307 liability rule, 50-51, 458-459, 461 Licht, Amir N., 133 life insurance companies, in Israel, 142 Lipton, Martin, 39 Liquidator of West Mercia Safetywear v Dodď, 274 listed companies in France, 409, 410-411, 413-414, 415 in Hong Kong and Singapore, foreign, 345-346 in Singapore, unsuccessful suits against, 337, 358 listing in China, 303-304, 319 NASDAQ, NYSE rules of, 52 Listing Rules, UK (LR), 383, 399, 447, 462 CGC and, 395-396 Chapter 11 of, 386, 390, 392, 399 contractual approach to, 384, 394 controlling shareholders and, 392-398, 399 disclosure in, 388-389, 399 early 1990s revision of, 385, 393 under FCA, 383, 384, 387, 394, 396 history of, 383-386 investment companies and, 391 limitations of, 387-388 under LSE, 383-386, 393 RPT rules in, modern version of, 386-387 shareholder approval under, 388 small transactions exempted from, 387 - 388Liu, Qiao, 303 London Stock Exchange (LSE), 361,

AIM run by, 385, 389, 391-392, 399 LR under, 383-386, 393 RNS of, 388, 390-392, 399 small cap companies on, 390 long-term trading relationships, 289 in Japan, 289, 298, 299, 325 in Korea, 289 Lopez-de-Silanes, Florencio, 246, 265, 333 Lotte Group, 300 Louisiana Municipal Police Employees' Retirement System v. Fertitta, 109 Lowe, V., 368 LR. See Listing Rules LSE. See London Stock Exchange Maclean, Mairi, 416 majority-of-the-minority (MOM) approval, 10, 127-129, 135, 201-202. See also approval; **Independent Special Committee** 

approval; shareholder approval active shareholders in, 131-132 BJR and, 108-109, 110, 112-113, 115, 117, 130 Cablevision going private and, 105, 124-126, 127, 129-130 as cleansing device, 105, 106, 114, 115, 129, 132 Delaware law and, 105, 108-110, 111, 112-113, 115, 127-128, 129, 132-134, 206, 223, 236, 447, 461 Dell MBO and, 105, 117-121, 127, 129-130 Entire Fairness standard and, 461 in EU, required, 16 Europe and, 126-127, 128-129, 131, 134 France and, 10-11, 126 frequency of, 115-117 in India, 354 ISCA and, 108, 110, 111, 112, 114, 115, 129-130, 132 in Israel, 456 for judicial role, implications of, 131 - 135*Kahn v. M & F Worldwide Corp* and, 110, 112, 127–128, 132

373–374, 376



INDEX 519

misgivings about, 113-115	In re MFW Shareholders Litigation,
Oracle/Netsuite merger and, 105,	117, 132
122–124, 127, 129–130, 131	Milano Assicurazioni, 494
as property rule protection, 111	Milhaupt, Curtis J., 349, 350, 352
Sweden and, 126-127, 128-129	Miller, Merton, 49
for tunneling prevention, 9-10, 97	mismanagement, 31-32
in UK, 129, 207, 399, 462, 482–483	model RPTs, 286-287
voluntary and involuntary, 128	Modigliani, Franco, 49
Malaysia, 330, 346, 394	Mokal, Rizwaan J., 268
RPTs overly regulated in, 340, 354	MOM approval. See majority-of-the-
SOEs in, 339, 350, 351	minority approval
Malaysian Companies Act, 354	monitoring
management, 30, 31–32, 38–39, 42, 434	cash-flow rights and, 435–436
management buyout (MBO)	by German financial institutions,
Dell, 105, 117–121, 123–124, 127,	433–438, 448, 451
129–130, 134	Morgans Hotel Corporation, 95
in Japan, 312	mutual funds, in Israel, 142, 173
mandatory bid rule, 227-228	, , ,
in EU, 226, 450	Naor, Miriam, 475
IGT self-dealing and, 226-228	NASDAQ listing rules, 52
outside EU, 226–227	National Interstate Corp., 116, 117
in UK, 382	necessary evil, RPTs as, 457-458
Mansfield (lord), 273	Nelson, Zach, 122
marginal analysis, 194-195, 199	net present value (NPV), 49-50
market failures, 218–219	Netherlands, 141–142
market institutions, RPTs restrained	Neuman v. Financitech Ltd., 471–472
by, 297	New York state, US, 464-465
market viability, expropriation	Newgate Stud Co v Penfold, 364
threatening, 461–462	NEX market, 389
Marsh, Harold, Jr., 365, 370-371,	no further inquiry doctrine, 452,
463–464, 475–476	456, 464
Massa, Massimo, 85, 93	non-controlling shareholders-
Matra, 413	dependent (NCS-dependent)
Matvos, Gregor, 155	directors. See directors, NCS-
Mayer, Colin, 242	dependent
MBO. See management buyout	non-listed companies, in France, 415
McCabe, Kevin, 241	non-preferential transactions, 272,
Mediobanca, 432, 491–492, 493, 494	275–276, 279–280
Melamed, A. Douglas, 458	normative complexity, of RPTs, 332,
Menashe v. UVision Air Ltd., 475	334, 353–356, 360
mergers, 224–226	norms
controllers and, 106–107	equality, 268–269
under Delaware law, 106, 109, 223	social, 242–244
Fonsai-Unipol, 494–496	North-West Transportation Co Ltd
IGTs and, 222–226	v Beatty, 377–378
Oracle/Netsuite, 105, 122–124, 127,	Norwegian sovereign wealth fund,
129–130, 131	257
Messier, Jean-Marie, 417	NPV. See net present value
, ,,	



520

NRE. See Statute for New Economic Regulations NTS Realty Holdings, 116, 117

OECD, 248, 353, 401, 402-403, 405, 416

NYSE listing rules, 52

OECD Guidelines on the Corporate Governance of State-Owned Enterprises, 253, 256, 257-258, 351

Ohio, US, 117

Olson, Mancur, 54, 57-58, 59, 62

one-share-one-vote, 185

opérations courantes conclues à des conditions normales. See ordinary course of business

opinion, differences of, 25-26, 28, 30 in business development stage, 31 in fundraising stage, 30-31 option theory, 458-459

In re Oracle Corp Derivative Litigation, 474

Oracle/Netsuite merger index funds in, 123

MOM approval and, 105, 122-124, 127, 129-130, 131

Price and, 105, 122-124, 129-130, 131

ordinary course of business (opérations courantes conclues à des conditions normales), 400, 404-405, 424-425

English law and, 424-425 lacking clarity, 403, 406, 407,

415-416, 423-425 Lagardère case and, 407

Ostrovsky, Michael, 155

OTK Associates, LLC v. Friedman, 95 outsourcing, 287-288

ownership, concentrated, 23-24, 41

agency costs in, 40, 41, 42, 52 cash-flow rights in, control and,

26-27, 40-41, 42, 52

in China, 303

dual-class share structure and, 23 idiosyncratic vision in, 25-26, 28,

40-41, 42, 52 in Israel, 466

management in, 42, 434

INDEX

private benefits of, 24–25, 27, 29, 250 ownership, dispersed, 38-39, 41

institutional investors and, 167

in Israel, 167

in Japan, 298-299

ownership, dual-class. See dual-class share structure

ownership model, UK and US, 1

ownership stakes

high, IGTs and, 223-226

mergers and, taxation encouraging, 224-226

taxation and, 225

ownership structure, 297-298

in China, 302-304

in Japan, 298-299

in Korea, 300, 301

Pacces, Alessio M., 133-134, 202-203

Palmer, Francis B., 369, 373

Palmer's Company Precedents (Palmer), 369, 373, 377

PAP. See People's Action Party

Re Paramount Airways Ltd (in

administration), 277 Pargendler, Mariana, 349, 350, 352

Paris Chamber of Commerce, 415

Parmalat, 478, 489, 492-493,

Amber Capital and, 492 auditors of, 491-493

Consob and, 489-493

Lactalis and, 489-493

Mediobanca and, 491-492, 493

RPT Committee of, 492-493

partial offer rule, 227

Pebereau, Michel, 418

penalty default, 240-241

pension funds, 141-142

People's Action Party (PAP), 252

Petrobras, 247, 251, 254, 258

POEs. See privately owned enterprises policy channeling, 251

in Brazil, 251, 258

in China, 251

in India, 251

political private control benefits of,

249-250, 251, 349



INDEX 521

Singapore not pursuing, 252, 257 of SOEs, 3, 5, 245-246, 249-252, 257-259, 349, 350 portfolio diversification, 437-438, 448 PRC. See China preemptive rights, 18-19, 83, 84 impeded and unimpeded, 85-86, 96 mispriced-issuance tunneling and, 80, 81, 83-87, 93-94, 104 tradable and non-tradable, 93-94 preference rule, UK, 273 preferential transactions, 272–275, 279 - 280fraudulent conveyance law and, 272, 273, 274 non-preferential transactions and, 272, 276 Premafin, 494 Press, Jon, 416 pre-trial court expert (expertise in futurum), 414 Price, T. Rowe Cablevision proposal opposed by, 105, 124-125 Dell MBO opposed by, 119, 120, 123-124 Oracle/Netsuite merger and, 105, 122-124, 129-130, 131 price mechanism, 187-188 private enforcement, 483-484 privately owned enterprises (POEs) in China, 303, 304, 322 SOE RPTs difference from, 245-246 Privy Council, 377-378 Procaccia, Uriel, 468 procedural constraints, 293-295 in China, 314-316, 323-324 in Japan, 311-312, 324 in Korea, 312-314, 324 procedural review, 184, 199-201 in Delaware law, 205-206 due process and, 198, 199 false negatives, false positives and, 199, 200-201 NCS-dependent directors and, 197, 205

substantive review and, 183-184, 196, 199-200, 216-217 in UK, 184, 205, 207-209, 362, 364, 371-372 procedural safeguards in Delaware, 12, 13 in UK, 13, 19, 362 profit transfer agreement (Gewinnabführungsvertrag), 238-239 prohibition, of RPTs, 190-191, 409, 427, 458 property rule, 43-44, 46, 459-460, 462 in Israel, 469, 474 liability rule and, 50-51, 458-459, 461 MOM approval and, 111 in UK, 463 propping, 5-6, 248 of SOEs, 5, 248-249, 255 tunneling and, 5-6, 247-248, 289 - 290pyramidal structures in China, 303 in Israel, 146, 466 in Italy, 477-478, 481 in Korea, 299, 300 US intragroup dividend rules for, 225-226

Radin, 260 ratification, ex post, 18 recapitalization, under Delaware law, 110 Reflection Group on the Future of EU Company Law, 234-235 regulated conventions (conventions réglementées), 400, 406, 418 Regulation FD, 113-114, 130 regulators, advantages and limits of, 13-14, 19, 296-297 regulatory complexity, of RPTs, 331-332, 341-347, 357-358 regulatory news service (RNS), 388, 390-392, 399 related party transactions (RPTs). See specific topics



522

Related Party Transactions and Minority Shareholder Rights (OECD), 401, 405

Report of the Committee on Company Law Amendment, 1926, 373

reputation

incentives of, IGTs and, 242–244 of stationary controllers, 76–77 rescission, 265, 461, 474 rescissory damages, 134 Restrepo, Fernan, 127–128 Rivero, Joacquin, 408–409 RNS. See regulatory news service

460–461 Roman law, 12, 264–265 Rossi, Stefano, 271, 280–281 roving bandits, 54, 57–58, 59, 63–64 *Rozenblum* doctrine, 233, 234, 411

RPT Index. See World Bank Doing

Rock, Edward B., 190, 215-216,

Business Report RPT Index RPTs. See specific topics Rubin v Eurofinance SA, 278 Rule 10b-5, 89, 113–114, 130 Russia, post-Soviet, 63–64

Sáez, Maribel, 458
São Paulo Court of Justice, 455
São Paulo Stock Exchange, 455
Sator, 494
Saudi Aramco, 256–257
Schmidt, Caroline, 455
Schwartz, Alan, 460, 462
screening, 7–9
disinterested, of RPTs, 183–184
of value-increasing transactions, 191,
216–217

Seagon v Deko Marty Belgium, 277 securities, cheap, 90 n 40, 104 securities, overpriced, 86–87 asymmetric information and, 90 n 40, 104 CS firms issuing, 86–88

CS firms issuing, 86–88 securities commission, Brazil (CVM), 254–255

securities laws, enforcement of, 450 self-dealing, 44–46, 47–52, 60. *See also* tunneling

INDEX

analytical frameworks for, 458
ASD Index of, 358–360, 453
board reforms and, 51–52
common law prohibition of, 191
under Delaware law, 45
dividend distribution and, 48–50
idiosyncratic vision and, 47, 48
Japanese basic rule of, 311, 312
in Korea, basic rule of, 312–313
liability and property rule for, 50–51
policing, Gilson on, 460
regulating, efficiency and, 26
self-serving bias, 418–419
sender games, 241
SGX. See Singapore Exchange

SGX. See Singapore Exchange Shanghai Stock Exchange, 315–316, 319–320

shareholder approval, 201 activist hedge funds and, 202–205 director independence and, 201–202 false negatives, false positives and, 202 information and, 201–202, 203–204 in UK, 374 n 43–44, 372–377, 378, 388

shareholder complexity, of RPTs, 331–332, 334, 347–352, 357

Shareholder Rights Amending Directive (SRAD), 14, 15–17 Shareholder Rights Directive, 425

Shareholder Rights Directive, 425, 427–428, 438

shareholders, 9–10, 18, 293 active, in MOM approval, 131–132 in CCA, 310 in Commonwealth Asia,

347–352, 357 in dispersed ownership, 38–39 dominant, institutional investors and, 137

suits by, in RPT Index, 335, 336–337, 339–340

in UK, director removal by, 207–209 in UK, not fiduciaries, 377

shareholders, minority abusive controllers and, 226–230

in Germany, 428–430, 438–439 roving controllers and, 73 stationary controllers and, 73, 75–77 in UK, empowerment of, 207–208



> INDEX 523

shareholders, non-controlling, 182, 186-187 effective RPT regime and, 192-193 UK model and, 184-185 shareholding entity, distinct, 253 Shleifer, Andrei, 246, 265, 333 Silver Lake Partners, 117-118, 119, 120 Sinclair Oil Corp. v. Levien, 48-49, 60, 61-62, 237Singapore, 316, 330-331, 337-338 in ASD Index, 358-359 Chinese companies in, tunneling of, 345 foreign-listed companies in, 345-346 GLCs of, 252, 351-352 listed companies in, suits against unsuccessful, 337, 358 policy channeling not pursued by, 252, 257 SOEs in, 331, 339, 340, 345, 351-352 Singapore Exchange (SGX), 345 slate voting system (voto di lista), 480 SOEs. See state-owned enterprises South Korea, 324-325 approval in, absence of, 294 basic self-dealing rule in, 312-313 cash-flow rights in, 300 chaebols in, 64, 247, 289, 300, 301-302, 309, 321-322, 323, 325 - 326CMS structure in, 300, 301-302 controlling shareholders in, 307-308 corporate governance in, 285-286 corporate groups in, 303 criminal law and RPTs in, 290, 296, 323 directors in, 291, 313-314 disclosure in, 318, 322-323 Exchange in, inactive role of, 323 FTA in, 301, 308-309, 318, 323 FTC in, 309, 318 funneling in, 292, 309 group-oriented behavior in, 308 industrial organization in, 301 KCC of, 307–308, 313, 318, 323 long-term trading relationships in, 289

ownership structure in, 300, 301 procedural constraints in, 312-314, 324 pyramidal structures in, 299, 300 RPT reform in, 321-323, 325-326 RPT regulation in, 323, 324, 325-326 RPTs in, 301-302, 308-309, 313-314 substantive constraints in, 307-309, 324, 325 Supreme Court of, 308, 309 tunneling and, 64, 290, 301, 321-322 vertical RPTs in, 286-287 vertically integrated group structure in, 288-289, 301 Southeastern Asset Management/Icahn group, 117-121 Spain, 233-234 Spamann, Holger, 80-81 special report (Abhängigkeitsbericht), 444-446 spot market exchange, 188 SRAD. See Shareholder Rights Amending Directive standard-based review, ex post, 13 state-owned enterprises (SOEs), 11, 245, 247, 253, 349–352 BJR and, 258 in Brazil, 247, 251, 254-255, 256-257, 258 in China, 247, 248-249, 254, 302-304, 322, 323-324, 350 in Commonwealth Asia, 339, 347-348, 349-352 Hong Kong and, 339, 350 in India, 339, 350 international best practices for, 256 in Malaysia, 339, 350, 351 OECD Guidelines for, 253, 256, 257-258, 351 POE RPTs different from, 245-246 policy channeling of, 3, 5, 245-246, 249-252, 257-259, 349, 350 political private control benefits of, 249-250, 251, 349, 351 propping of, 5, 248-249, 255 RPTs in, dual nature of, 246-249 RPTs of, legal strategies addressing, 252-259



524 INDEX

state-owned enterprises (SOEs) (cont.) in Singapore, 331, 339, 340, 345, 351-352 stock exchanges and, 256-257, 350 unitary corporate law regime for, 253-255 in US, 255 Statute for New Economic Regulations (NRE), 406 statutory auditor (commissaire aux comptes), 408 Stock Corporation Act, Germany (1937), 446-447stock exchanges, SOEs and, 256-257, 350 subordination rules, 274 Subramaniam, Guhan, 113, 127-128, 130 substantive constraints, 291-293 in China, 309-311, 324, 325 in Japan, 306-307, 322-323, 324, 325 in Korea, 307-309, 324, 325 substantive review, 183-184, 196-199 in Canada, 462-463 in Delaware law, 184, 205-206, 364, 399 false negatives, false positives generated by, 198-199 NCS-dependent director proposal and, 211 procedural review and, 196, 199-200, 216-217 in US, 184, 205-207, 371-372 substantive rules, 486 Sullivan, Ruth, 137 Sweden, 62 institutional investors in, 141-142, 156 MOM and, 126-127, 128-129

takeover defenses, 39
taxation
bandits and, 58, 59, 62
of intragroup dividends, 224–226
mergers, high ownership stakes
encouraged through, 224–226
optimal rate of, 58, 59, 63, 74–76
ownership stakes and, 225

of roving and stationary controllers, 62,73-76TCE. See Transaction Cost Economics TCI, 251 technology firms, 23, 36, 39-40 Tel Aviv District Court, Economic Division of, 452, 455, 470-471, 472, 475 as Delaware-style court, 470-471, 472 enhanced scrutiny standard and, 473-474 Entire Fairness standard and, 471-472, 475 Kahana v. Makhteshim Agan Industries Ltd. case of, 471-472 Tel Aviv Stock Exchange, 466 Telecom Italia (TIM), 497-498 Telefonica SA, 497 Temasek, 252 Teva, 167 Thales Consultants, 423 TIM. See Telecom Italia Tokatli v. Shimshon Ltd., 467, 470, 472, 474 Tokyo Stock Exchange (TSE), 312, 317-318 Toyota, 298 In re Trados Incorporated Shareholder Litigation, 292 tragedy of the commons, 57-58 transaction avoidance, 415 transaction avoidance rules, 261-262 actio Pauliana, 264-265, 267-269, 270, 272-281 cross-border reach of, 276-280 equality and, 12, 267-269, 273 in EU, cross-border, 277 n 83, 277, 278 - 279fraudulent conveyance law and, 263, 264-265, 271, 272, 273, 274, 275-276, 280-281 insolvency procedures with, 262-263, 265-269 non-preferential transactions and, 272, 275-276, 279-280 outside of insolvency proceedings, 263–265, 269–271, 280–281



INDEX 525

preferential transactions under,	equity, 3–4, 18–19, 186–187, 289
272–275, 279–280	Germany and, 16–17, 437–438
transferees and, 272	in Hong Kong, 100
Transaction Cost Economics (TCE),	in IGTs, 6–7, 289–290
183, 188, 189, 196	institutional investors and, 137, 151
transaction costs	in Italy, tolerance of, 498-499
of family corporations, 77	in Japan, low risk of, 299–300
of IGT self-dealing, 221	Korea and, 64, 290, 301, 321-322
price mechanism and, 187–188	mispriced-issuance, 81, 86, 91-92,
savings in, hybrid organizational	98–99, 103
structures for, 188–189	mispriced-issuance, preemptive
savings in, tunneling risk and, 187,	rights and, 80, 81, 83–87,
189–190	93–94, 104
spot market exchange and, 188	mispriced-issuance, uncertainty
vertical integration and, 188	zone and, 81, 86, 88–92, 93–94, 96
Trans-Pacific Partnership, 255	MOM approval for preventing,
transparency	9–10, 97
EU rules on, in Germany, 450	overpriced-issuance, 86–91, 98
in France, increasing, 416	overpriced-issuance, presubscription
in Italy, increasing, 486	disclosure curbing, 98–99,
Trotsky, Lev, 479	100, 103
trust, 243	propping and, 5–6, 247–248,
in experimental economics,	289–290
241–242, 243	RPTs not entailing, 187
IGTs and, 241–244	self-dealing as, 60
investor, agency costs and, 32	shareholder involvement
TSE. See Tokyo Stock Exchange	preventing, 9–10
Tsolmon, Ulya, 193	Singapore and, 345
tunneling, 60–61, 66, 186, 246–247,	SOEs and, 247, 251
289–291. See also intragroup	as term, origin of, 246, 453
transactions; self-dealing	transaction cost savings and risk of,
in Asian financial crisis, 327–328	187, 189–190
asset, 186, 289	Turin, Italy, public prosecutor of, 496
in bad-law jurisdictions, 53–54	Libiant 420
in Brazil, SOEs and, 247, 251 cash-flow, 186, 289	Ubisoft, 420 UK. See United Kingdom
cheap-issuance, 80, 81–86, 91–92,	uncertainty, zone of, 88, 89–90
96, 104 cheap-issuance, presubscription	mispriced-issuance tunneling and,
disclosure for, 81, 96–99, 100,	81, 86, 88–92, 93– 94, 96
	offer prices above, 94–95, 96
101–102, 103, 104 China and 100, 305, 306, 345	offer prices below, 94, 95–96
China and, 100, 305–306, 345 CMS and, 61	presubscription disclosure
by controllers, 2–4	shrinking, 102, 103 UNCITRAL Legislative Guide on
corporate group structures	
enabling, 247 in CS firms, potential for, 80	Insolvency Law, 265–267, 270 UNCITRAL Model Law on Cross-
curbing, 7–8, 80	Border Insolvency, 278–279, 280
Caronig, 7-0, 00	Dorder moorvency, 2/0-2/9, 200



526

UNCITRAL Working Group V, 278, 279

UniCredit, 494-495

Uniform Voidable Transactions Act 2014, US, 273

Unipol, Fonsai merger with, 494–496

Unipol Assicurazioni, 494 United Kingdom (UK), 361

Aberdeen Railway v Blaikie Bros case of, 363, 368, 456, 463,

467-468, 474

AIM in, 385, 389, 391-392, 399

approval in, 18, 294–295, 365–370, 371, 372–373, 374 n 43–44,

375-377, 382-383, 388, 398-399

Automatic Self-Cleansing Filter Syndicate Co. v Cuninghame case of, 366

CGC of, 395-396

common law tradition of, 361,

465-466, 467-468

Commonwealth Asia and, 329,

340–341, 343, 360

Companies Acts, 361, 371–372, 373–374, 375–376, 378, 396

373–374, 375–376, 378, 396, 398, 465

Company Clauses Consolidation Act 1845 of, 365

conflicts in, 362, 363–365, 367, 398 consent in, 362

controlling shareholders in,

377–381, 383, 392–398, 399 Cook v Deeks case and, 378, 379

corporate scandals in, 374–376

Costa Rica Railway Co Ltd v Forward case of, 367, 368

court enforcement in, 19

director liability in, insolvency and, 274

director removal in, 207-209, 375

fairness in, 364, 389 false negatives, false positives in, 205,

208, 209

FCA, 383, 384, 387, 394, 396, 397–398, 399

IGTs in, 381-382, 383

Imperial Mercantile Credit

Association v Coleman case of, 367

INDEX

Insolvency Act, 267

Israeli law and, 465-466, 467-468

J J Harrison (Properties) Ltd

v Harrison case of, 364 Joint Stock Companies Acts,

367-369

Liquidator of West Mercia Safetywear

v Dodd case of, 274

LR of, 361, 373-374, 375, 376,

383–388, 392–398, 399, 447, 462, 482

462, 482

mandatory bid rule in, 382

minority shareholder empowerment in, 207–208

MOM approval in, 129, 207, 399,

462, 482–483 NCS-dependent directors for, 209

Newgate Stud Co v Penfold case of, 364

non-controlling shareholders and

model of, 184–185 North-West Transportation Co Ltd

v Beatty case and, 377–378

one-share-one-vote in, 185 ordinary course transactions in,

424–425

ownership model in, 1

preference rule of, 273

procedural review in, 184, 205, 207–209, 362, 364, 371–372

procedural safeguards in, 13, 19,

property rule regime in, 463

Re Duckwari plc (No 2) case of, 364

Re Paramount Airways Ltd (in administration) case of, 277

shadow director workaround for,

379–380

shareholder approval in, restoration of, 372–373, 374 n 43–44, 375–377

shareholders in, not fiduciaries, 377

strict RPT regime in, 193, 205 US and Delaware law compared

with, 362–363, 364, 370–372, 383, 398–399, 464–465

United States (US)

Aberdeen Railway v Blaikie Bros and, 463



INDEX 527

activist hedge funds and, 18, 449 Urzúa I., Francisco, 94 US. See United States appraisal rights in, 229-230 approval in, 370-371, 398-399 asymmetric information in, 89 valuation DCF model for, 65-67, 70 BJR developed in, 198 of Delaware Court of Chancery, control share acquisition statutes in, 230 132, 133 of corporate law, criminalization independent, in France, 405 in, 290 judges role in, 132, 133 value destruction, in insolvency, Delaware Court of Chancery dominant in, 453-454 269-270 Entire Fairness standard in. value-decreasing RPTs development of, 456-457, allowing, 191 restricting, 189-190 463-465, 475-476 false negatives, false positives in, 205, value-increasing transactions, 4-5, 182 206-207 courts and, 182-183 fiduciary duties of, other countries in effective RPT regime, screening adopting, 476 for, 191, 216-217 fraudulent conveyance law in, 273 venture capital, 35-36 Ventus VCT plc, 391 German liability regime compared with, 240 vertical integration, 287 government-sponsored enterprises in China, 288-289, 304 in, 255 hybrid organizational structures IGT policing in, holistic, 234 and, 189 intragroup dividends taxed in, 224, IGTs with, 288 225-226 in Japan, 289 Israeli law influenced by, 468-476 in Korea, 288-289, 301 litigation-based regime in, 205-207 transaction costs and, 188 managerial rent-seeking in, vertical RPTs, 286-287, 322 concentration and, 434 Vetter, Jochen, 446 ownership model in, 1 Vivendi, 407, 417, 418, 420 ownership stakes in, taxation voting and, 225 with feet, 73 private enforcement and, 483-484 of institutional investors, required, 142, 143, 146-147, 150, 152-155, public investors protected in, 61-62 pyramidal structures in, 225-226 156-159, 166, 174-175 RPT prohibition and, 409 in Israel, statutory duty of, 142, RPT regime in, 193, 199, 205 146-147 Rule 10b-5, Regulation FD in, 89, of Israeli institutional investors, 113-114, 130 optional, 143-144, 150 SOEs in, 255 rights, in Italy, 477-478 subordination rules in, 274 voting, active. See investors, substantive review in, 184, 205-207, institutional, in Israel 371 - 372voto di lista (slate voting system), 480 UK law compared with, 362–363, Vrednikov v. Elovitch, 456, 473, 474-475 364, 370–372, 383, 398–399, Wachter, Michael L., 133, 190 464-465 Williams Act in, 227 Wall Street Rule, 73



528

INDEX

wealth-enhancing, RPTs as, 355-356 wealth-reducing, RPTs as, 353-354, 355 Weinberger v. UOP, Inc., 61-62, 105, 115, 294 Weisberg, Robert, 273 West, Mark D., 243 Westbrook, Jay L., 272 Williams Act, 227 Williamson, Oliver E., 188 Winter Group. See High-Level Group of Company Experts World Bank Doing Business Report (DBR), France in, 401, 402-403 World Bank Doing Business Report (DBR) RPT Index, 324-325, 328, 329-330, 333 ASD index and, 358, 359-360 bad-law jurisdictions and, 329 Commonwealth Asia in, 329-333, 334, 337-339, 340-341, 344, 356-358, 360 DLLS article and, 333, 334, 358, 360 ease of shareholder suit sub-index in, 335, 336-337, 339-340 East Asian countries in, 324-325

extent of director liability sub-index in, 335, 336, 337, 339-340 extent of disclosure sub-index in, 335-336, 337, 339-340 good law and, 328-329, 330, 334, 356 Hong Kong and, 330-331, 345-346 hypothetical in, 334-335, 338-339 India in, 330 Japan in, 324-325 Korea in, 324-325 Malaysia in, 330, 351 questionnaire in, 335, 337, 338-339 shareholder complexity and, 352 Singapore in, 330–331, 337–338 strict controls and, 353, 357 World Bank Principles for Effective Insolvency and Creditor/Debtor Regimes, 265, 266 World Bank Toolkit, 256 World Trade Systems PLC, 390-391 Yucaipa Companies, LLC, 95 Yukos, 63-64

zaibatsu, 289 Zhang, Yifan, 304