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paper text:

Intrductin Th scndls f crprtiv gvrnmnt f high prfil nd th incrsd ctivism f shrhldr ld bttr prctic s rgrds gvrnmnt. Whil th gvrnmnts nd th rgultrs tk upsuch confronts by approving novel regulations or simply by modifying the existing codes of corporate government as it is observed that cnsnsus f mrgnc f th

llwd prctics nd this tndncy is has to prolong. Whil th cds cnvrg nd th stndrds imprv f th invstrs lk bynd frnk cnfrmity 2t sk th fctrs which cntribut t th crtin f in th lng (Stephanie Maier, How global is good Corporate Governance)run vlut. (Slmn 2007: 25-58) Th ruls nd prctics by which public cmpnis r gvrnd rvl much but cuntry's systm f cpitlism. Whs intrsts thy srv th ffct thy hv n wlth crtin nd risktking nd th frms f ccuntbility thy mbdy r vitl t th functining f th cnmic nd pliticl systm. Crprt gvrnnc mchnisms r criticl fctr in issus rnging frm th lvl f businss invstmnt t mplymnt nd cmmunity stbility nd th distributin f th fruits f cnmic grwth. Dspit this prvsiv rl in structuring bth cnmic prfrmnc nd civil scity qustins f crprt gvrnnc rmin pliticl sidshw flickring n t th public stg nly in rspns t vry prticulr (thugh imprtnt) vnts such s ppulr cncrn vr lvls f xcutiv rmunrtin r th bcklsh ginst th cnsquncs f unchckd mngmnt filur r finncil imprprity. Indd it is ths fctrs tht hv spurrd th rcnt rrivl f crprt gvrnnc n th UK's pliticl mp. (Wring 2005: 65-78) Discussin Th Cdbury Cmmitt ws crtd in 1991 in rspns t th Mxwll scndl nd th cllps f Plly Pck nd thr prminnt businsss. Th Grnbury Cmmitt mrgd in 1995 s rctin t th pliticl furr surrunding xcutiv rmunrtin prticulrly in th rcntly privtisd utilitis. Th Hmpl Cmmitt in its rprt publishd in 1998 st ut t rviw nd updt th cds prducd by ths rlir bdis. 4 cnslidtin f th wrk f ll thr cmmitts nw pprs s th Cmbind Cd. 3ll f th rprts f ths cmmitts hv shrd similr st f ssumptins but bth th ntur f crprt gvrnnc nd th mns thrugh which it shuld b rfrmd. Gvrnnc is undrstd t b primrily but th rltinship btwn shrhldrs (wh r viwd unprblmticlly s th sl wnrs f cmpny) nd mngrs. Th bjctiv f th vrius cmmitts hs thrfr bn t cm up with prpsls which in sm sns imprv th qulity f this rltinship withut rcurs t hvy-hndd gvrnmnt intrvntin. (Robert Goddard, " Modernising Company Law": The Government's White Paper)This hs bn viwd s lrgly tchnicl xrcis in which th businss cmmunity is xhrtd t imprv

stndrds f crprt hygin n its wn trms. Frm this prspctiv thr is scnt plitics nd nt much mr cnmics invlvd in th rthr rcn qustins t which crprt gvrnnc givs ris. (Slmn 2007: 25-58) This rviw strts by utlining sm f th ky prvisins f th Cmbind Cd nting dprturs frm rlir cds. Th slf-rgultry ntur f th currnt systm is thn xplrd nd its strngths nd wknsss highlightd. Th rviw finishs by rising qustins but th psitin f thr stkhldrs within th currnt frmwrk f crprt gvrnnc nd cnsidring th ptntil dirctin f nw plicy inititivs. Th Cdbury rquirmnt ws fr t lst thr nnxcutivs. Fr sm cmpnis with lrg brds th nw prvisin will thrfr mn n incrs in th nnxcutiv lmnt. mjrity f nnxcutivs 5shuld b indpndnt f mngmnt nd fr frm ny businss r thr rltinship which culd mtrilly intrfr with th xrcis f thir indpndnt judgmnt. s with Cdbury th Cmbind Cd ds nt insist tht th rls f chirmn f th brd nd chif xcutiv b split but it is nw ncssry tht cmpny publicly justify cmbining th psts. In ny vnt thr shuld b n cknwldgd 9snir indpndnt nn-xcutiv dirctr idntifid in th nnul rprt t whm shrhldrs cncrns cn b cnvyd. (Slmn 2007: 25-58) Cmpnis must ppint nmintin cmmitt (unlss th brd is smll) 4t mk rcmmndtins t th brd n ll nw brd ppintmnts. mjrity f th cmmitt shuld b nn-xcutiv dirctrs The Financial Sector and Corporate Governance: the UK case

Chris Mallin 1 , Andy Mullineux 2 and Clas Wihlborg 3

but nt ncssrily indpndnt ns. Cdbury rgrdd nmintin cmmitts s gd prctic but did nt mk thm cd rquirmnt. Thr is ls sm strngthning f Cdbury nd Grnbury in rltin t th prsnc f indpndnt nn-xcutivs n th 8udit nd rmunrtin cmmitts. In th cs f th frmr cmmitt mjrity f its mmbrs must nw b indpndnt nnxcutivs nd in th lttr thy must ll b indpndnt. (Wring 2005: 65-78) Th Cmbind Cd ndrss th pprch f th Grnbury Rprt t dirctrs rmunrtin. Hmpl xprssd th viw tht it ws 7t rly t judg hw th Grnbury cd is wrking in prctic r t cnsidr th cs fr pssibl chngs. COMMITTEE ONCORPORATE

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Hmpl did nt tk th stp fr which sm institutinl invstrs hv prssd tht dirctrs' py b md subjct t shrhldr pprvl. Grnbury's min rspns t bus in th stting f dirctrs' trms nd cnditins ws t incrs disclsur thugh it ls lid dwn sm mr substntiv rquirmnts fr xmpl tht dirctrs' srvic cntrcts shuld nrmlly b trminbl by th cmpny with n mr thn n yr's ntic. This hs th ffct f limiting th munt f dmgs pybl if th cmpny prmturly trmints dirctr's cntrct. s t whthr th disclsur philsphy is wrking th cntinuing prpnsity f dirctrs' py t ris t rt cnsidrbly fstr thn tht f th cmpny's wrkfrc s whl suggsts thrwis. (Brickly 2007: 95) thr rquirmnts f th Cmbind Cd includ tht ll dirctrs stnd fr r-lctin t mximum f thr-yrly intrvls nd tht cmpnis 6ntr int dilgu with institutinl shrhldrs bsd n th mutul undrstnding f bjctivs. Th lttr 10is n xmpl f cd principl tht is sttmnt f gnrl guidnc s distinct frm prvisin r spcific rquirmnt. This divisin is n ttmpt t vrcm bx ticking mntlity which Hmpl rgud my n th n hnd ld shrhldrs t dmnd vrly rigid 12cmplinc with th dtils f th cd nd n th Sponsored by Merrill Lynch International Morgan Stanley & Co. International Limited Schroder Salomon Smith Barney

thr nbl sm cmpnis t gt wy with cnfrming t th lttr f th cd but nt its spirit. (Wring 2005: 65-78) Th Cmbind Cd is slf-rgultry in tw snss. First lik its prdcssrs it is nn-gvrnmntl inititiv nd hs n sttutry bcking. It ws frmultd by rprsnttivs f th crprt sctr th invstmnt cmmunity nd rltd intrst grups. In th cs f Hmpl th mmbrship f th cmmitt prdminntly cmprisd snir cmpny xcutivs with nly limitd shrhldr rprsnttin (Cdbury's mmbrship ws mr divrs). (Cdbury 2006: 115-120) Scnd cmpnis hv n frml bligtin t by th cd but nly t discls infrmtin but thir cmplinc rcrd. This duty is impsd by th Stck xchng Listing Ruls which prvid tht cmpnis must 6in thir nnul rprt giv nrrtiv ccunt f hw thy hv pplid th cd's principls (THE COMBINED CODE, PRINCIPLES OF GOOD GOVERNANCE AND

CODE OF BEST PRACTICE

Derived by the Committee on Corporate Governance from the Committee's Final Report and

from the Cadbury and Greenbury Reports).

nd sttmnt s t 11whthr r nt thy hv cmplid with its mr spcific prvisins. Tht is it is pn t cmpnis t dprt frm th cd's rquirmnts but if this is th cs thy must sy s nd giv rsns. T lnd dditinl crdnc t th disclsur bligtin ths mttrs which r cpbl f bjctiv vrifictin must b rviwd by th uditrs. It fllws tht th mchnism rlid n fr scuring cnfrmity with th cd is shrhldr prssur. Th ssumptin is tht shrhldrs infrmd but nn-cmplinc will whr it is pprprit t d s lbby mngmnt fr chng in plicy. ltrntivly shrhldrs disstisfid with th cmpny's gvrnnc rcrd might sll thir shrs crting mrkt prssur t t th lin. (Cdbury 2006: 115-120) Givn tht th wy lrg cmpnis r run 13is f fundmntl imprtnc t th prtin f th cnmy nd The supporter's trust hand bookhs mjr impct n th livs bth f mplys nd f th widr cmmunity n bvius qustin is whthr th tsk f nsuring tht crprt gvrnnc structurs r ffctiv cn sfly b lft t privt rgultin. In th nt t distnt pst indictins f srius filurs in th frmwrk f mngmnt ccuntbility wuld hv ld t strngthning f th lw. Why hs crprt gvrnnc rcntly bn mttr fr slf-rgultry cds rthr thn cmpny lw (Cdbury 2005: 65-78) In fct rlinc n cds sms t imply t lst prtil rjctin f th thry f fficint vlutin nd n ccptnc tht th mrkt hs fild t scur widsprd cmplinc with ccptbl gvrnnc stndrds. Th frictins r sy nugh t s. Disprsd shrhldrs lck incntivs nd fc significnt cllctiv ctin prblms in idntifying gvrnnc wknsss in th individul cmpnis in which thy invst nd thn in dvising nd prssing thm t mk n pprprit rspns. cknwldging ths difficultis mrkt thrists ftn plc rlinc instd n th thrt f tkvr s surc f mngmnt disciplin bth dirctly nd s mchnism fr inducing imprvmnts in gvrnnc structurs. Hwvr th lvl f slck in th mrkt fr crprt cntrl nd th bsnc f clr crrltin btwn undr-prfrmnc nd th liklihd f tkvr suggst tht thir cnfidnc

will ftn b misplcd. (Brickly 2007: 95) Cs Study: Mxwll Th mpir f Mxwll ws minly cmpsd f 2tw publicly qutd cmpnis - Mxwll Cmmunictin Crprtin nd nwspprs f grup f mirrr. Th hvy ln t finnc th xpnsin f its mpirs f ditin 2nd mdi ld t th insupprtbl lvls f th dbt. ftr th suppsd suicid f Rbrt Mxwll th finncil prblms f th grup wr xpsd. Th dbts f th GBP 4 billin nd GBP 441 millin clssifid th hl in its pnsin funds wr rvld1 thrftr. Th fllwing nlysis ccntutd crtin numbr f insufficincis f crprtiv gvrnmnt. 2Rbrt Mxwll hld th psitins f th Prsidnt nd th snir fficr. (Bcht 2004: 20) Th 2lck f sprtin f ths rls ld t th cncntrtin f th pwr which fcilittd th frudulnt ctivitis. Th ffctivnss f th dirctrs nd th nnxcutiv dministrtrs f pnsin ws ls clld int qustin lthugh th ffic f frud ngrvs did nt bring ny xpnss ginst thm. Th scndl f Mxwll ws dscribd lik grtr 2frud f th 20th cntury frcing th qustin f th crprtiv gvrnmnt firmly in th public th businsss nd th pliticl rn. 1Cs Study: Bnk f Crdit nd Cmmrc Intrntinl 1n July 5 1991 n incidnt which ws dscribd lik th grtst frud f bnk in th histry cm t hd whn th rgultrs in svn cuntris plundrd nd tk th rdr f th Bnk f Crdit nd Cmmrc Intrntinl (BCCI). Th mntry lsss f th scndl wr nrmus with vlutins xtnding frm $10 billin t $17 billin lthugh mny billin sinc wr rcvrd fr crditrs by th liquidtrs Dlitt & Tuch. Th scndl hd dvlpd during lmst 1tw dcds nd surrundd n intrntinl Wb cmplxs institutins finncil nd cmpnis scrn which hd scpd with th full pymnt. ctivitis f BCCIs nd ths f prt f its ldrs dubtful ln includd rcrd kping frudulnt trds swindlr t mk fun f th pymnts f prprty f bnk 1nd mny wshing in dditin t th lgitimt ctivitis f bnk trnsctins. Th bnks structur nd th mnufctur f businss 1ws s cmplx tht ftr th stblishmnt ws liquidtd its ctivitis lwys cmpltly r n dcd nt includd/undrstd. (Clssns 2000: 35-59) Th n-wy t b thught f th sg 1f th BCCI is lik n ttmpt t crt th plr ppsit f cmpny with prctics f mngmnt intgrtd f risk. In this cs unqustinbl prsnl ldr f bnk nd hving right simply did nt giv n risks but f th gps prtd in th structur f risk mngmnt f

bnks nd btwn its subsidiry cmpnis t chiv vrius gls. This put in n unfvurbl psitin f thr gnts such s millin pprximtly 1smll dpsitrs rund th wrld nd crtin institutinl dpsitrs ttrctd by th rltivly high rts f BCCIs which prvidd mst f th plcmnt f bnks. Whil witing thr gnts f bnk hd th smll rrngmnt f th structur f bnks nd th ttl finncil psitin nd wr ncurgd nt t cll int qustin f th prctics s rgrds bnk r th rsn fr th flw f th funds btwn th ntitis f bnk. (Gwillim 2008: 77-79) Cnclusin Th Cmbind Cd is unlikly t b th lst wrd 14n crprt gvrnnc in th UK. Th DTI hs rcntly nnuncd fundmntl rviw f cmpny lw which mng thr things will xmin th bundry btwn slf-rgultin nd lw nd th mrits f widr undrstnding f dirctrs' rspnsibilitis. t prsnt th systm f crprt gvrnnc s rflctd in th Cmbind Cd indqutly ddrsss th tw cntrl nd ptntilly cntrdictry chllngs which shuld b xrcising plicymkrs. Th first f ths is t idntify wrkbl prpsls t ncurg ky stkhldrs t mk th ncssry invstmnts in th wlth-crting ptntil f firms. This issu shuld nt b viwd s nrrw n f intrst nly t mngmnt thrists nd cmpny lwyrs: it hs dirct bring n currnt dbts but prductivity businss invstmnt nd invstmnt in humn cpitl. Th scnd chllng is t find wys f hrnssing th grwing pwr f institutinl invstrs in rdr t incrs crprt ccuntbility. Fr instnc currnt lvls f trnsprncy surrunding shrhldr vting r mnifstly indqut nd r unlikly t b rctifid by rlinc n vluntrism. In cntrst t prvius inquiris int crprt gvrnnc which hv cm up with uncnvincing nswrs t rthr limitd st f qustins th currnt DTI rviw is t lst strting in th right plc. s th DTI's cnsulttin ppr stts thr is nw clr nd t r-xmin th UK's systm f cmpny lw nd gvrnnc t s hw it might bst supprt th crtin grwth nd cmptitivnss f British cmpnis whil 8t th sm tim prtcting th intrsts f ll ths invlvd in th Maclean, Mairi. ntrpris. References Becht Mrco Ptrick Bolton ils Rell2004. Corporte Governnce nd Control. Brickley Jmes . Willim S. Klug nd Jerold L. Zimmermn 2007. Mngeril Economics & Orgniztionl rchitecture ISBN Cdbury Sir drin2005. The Code of

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