This is our new format. It is meant to brighten things up, fall into line with our website and most of all provide a suitable home for our articles whose quality is making an ever-larger impact in the spheres where we have to make ourselves heard. I hope it meets with your approval. ***Editor***

Chairman's Comment

An article this month by Professor Hill republished with permission from the

Oxford Business Law Blog. I found this site by accident when googling on something or other, throwing up a post by Luca Enriques, Oxford Professor of Corporate Law, including much good sense about the counter-productiveness of so much mandated disclosure of business information – serving only to reveal less and less about more and more. This does not sound like a place to go for a light read but I've found it continually interesting and I hope we'll have more of it in future for those of you for whom the Web is not a natural habitat. www.law.ox.ac.uk/business-law-blog

Suddenly our issues are at the front of the political agenda, though not necessarily directed in quite our sweet spots. Theresa May's first speech as premier, majoring on corporate governance, was no doubt driven by the continuing and divisive cancer of executive pay, emblematic of the fault lines in society as a whole. The committee of the new ministry BEIS (pronounced 'bees', and the successor to BIS, pronounced 'biz') has called for evidence and nearly 100 bodies have responded. Thanks to James Murray for obtaining introductions for us to SNP MPs Michelle Thomson (vice-chair of the BEIS committee) and George Kerevan (member of the Treasury committee), who gave Peter Parry and myself half-an-hour over a cup of tea before our submission went in.

Incidentally, the Oxford Business Law Blog commented on the BEIS enquiry: '*While the outcome of the inquiry is not certain, it is clear that corporate governance in the U.K., in the U.S., and in the EU has again become a serious political issue. If companies and investors do not find a mutual path to governance that promotes long-term investment and accommodates employee, customer, supplier and community*

interests, legislation will result. That legislation may not be to the liking of either companies or investors.'

Even the sacred cow of incentive pay for executives has come under the microscope, headlined by the award of the Nobel Prize for Economics to two professors for their work in the fields of executive reward and the laws of contract. Their work, needless to say, dates from the 70s and 80s, pre-dating the modern enthusiasm for corporate governance codes. Private investors – at least outside the US – have always questioned whether we want companies run by people who need financial incentives to do their jobs properly.

On a whim I have registered with FTAdviser – the FT online news site for the financial advice industry. I have found it strangely addictive – it's like accessing a world which is recognisably human in substance but subject to different laws and modes of behaviour – like watching 'Game of Thrones'.

The complexity of the regulations can't help – it makes advice even more expensive and effectively excludes potentially free (and un-conflicted) sources such as employers and pension funds.

Education is the answer. The fact that investment is so hedged around with regulation reflects the fact that too many people are ignorant of the basic principles of financial management. There is no call for heavy regulation of, for example, used-car sales because on the whole buyers understand what a car is and what it's supposed to do; and if they don't they have a friend who does.

There have been many well-meaning attempts to fill this gap. But the demise of the ill-fated Money Advice Service, which UKSA persistently criticised, shows what happens if you allow the foxes too much influence over the construction of the chicken-coop. It's an area in which UKSA will continue to take an active interest. It's fundamental to building a corporate governance system in which the individual has a proper voice. And it's not something which the advice industry will encourage, the appropriate avian metaphor here being of turkeys and Christmas.

Good Luck!

John Hunter

Roger Collinge

Roger is stepping down from the policy team.

We have all been very much aware that some company accounts have been seriously wrong on too many occasions recently; think HSBC, Cattles and even Tesco. UKSA's response has been to try to influence improvements in accounting in a number of ways. One way has been working with a group of very large city institutions which have had similar worries. It has been very encouraging that they have had concerns similar to ours: they too look at a longer time horizon than just the next quarter.

This has involved meetings with the various regulatory bodies including the International Accounting Standards Board who set the rules under which accounts are drawn up. In the UK the Financial Reporting Council has also been lobbied. There have been letters to the FT, meetings in Brussels and with the relevant government department (now 'Business, Energy and Industrial Strategy').

With regard to banks we have argued for greater prudence in making provisions against their debts. This is shortly to be introduced under the title IFRS9.We had argued that such greater prudence was a requirement under UK law, and to this end, were (very minor) sponsors of an opinion from a leading QC on the point.

We have supported the new corporate governance requirement that boards should show how they believe the company will stay in business throughout the next business cycle. We have supported the FRC in looking at ways in which companies can, and should, give a clearer picture of how much profit can legally be distributed to members under UK law. There is a lot more to do, such as pushing the FRC to take a harder line on accounting and auditing failures. The IASB will still be issuing edicts on accounting and it would be good to have input into these.

Does anyone want to take Roger's place? If interested contact him at uncleroger5@btinternet,com.

John Hunter