THE UKSA NEWSLETTER

UKSA
UK Shareholders' Association

ISSUE 21

Chairman's message

Dear Members

We have spent a lot of time recently confirming the things that you want UKSA to do on your behalf. However, your board are now thinking that we should be clearer or more focused on our activities. This is why we are currently concentrating on dematerialisation/digitisation and financial learning. But we are also thinking about the long battle we've had on restoring shareholder-on-register voting and other rights to those who have their investments held in nominee accounts, the underlying beneficial owners (UBOs).

This has made me think that one of our fundamental objectives is the restoration of shareholder-on-register rights to UBOs or reversing the trend in the UK towards what Paul Myners has described as the ownerless corporation. All of us value our ability to engage with the companies we are invested in and those of us registered as shareholders can do this relatively easily. However, those UBOs not on the registers may not have those rights, even though, as I understand, ISA and SIPP UBOs are meant to have those rights given to them by ISA and SIPP providers under the relevant tax legislation. Also, as we know from our engagement with the Digitisation Task Force under Sir Douglas Flint, the decertification or digitisation of shareholder certificates may result in certificated shareholders being forced to become UBOs in nominee accounts and as a result losing their shareholder-on-register rights.

The need for all shareholders including UBOs having shareholder-on-register rights is being demonstrated by BHP's takeover bid for Anglo American, where all shareholders on both sides need to communicate with their boards on what they think as owners of the respective entities. It looks like Anglo American's board are rejecting BHP's initial offer of £31 billion as undervaluing their business. Without this direct and indirect shareholder engagement, companies miss out on a fundamental part of corporate governance in the public interest. This may also be a missing piece in the UK's economic interest, as long-term ownership of growth businesses tends to contribute to economic growth as well. For example, the news that Darktrace is being bought and taken private by Thoma Bravo will mean that Darktrace's shareholders and

Charles Henderson, Chairman of UKSA

the UK economy may not benefit from Darktrace's business in the coming years. This may be understandable in the short term, as Darktrace's share price has dropped as low as 89p from its IPO price of 250p and Thoma Bravo's offer is valuing it at 620p.

Referring to the Digitisation Taskforce, we and ShareSoc spent some time recently deciding what we would like to see coming out of it. We agreed we are primarily concerned with ensuring the rights of individual shareholders, whether as formal members of companies (i.e. with their names on registers) or as Underlying Beneficial Owners (UBOs) (because their shares are held indirectly through a nominee, who is the formal member of companies), are protected and enhanced. We concluded that none of the proposed models in the Taskforce's interim report satisfactorily address the dual requirements of enhancing the rights of UBOs and protecting the rights of existing shareholders on registers. We see a need for the nominee system to be improved so that UBOs enjoy the universal ability to exercise the rights associated with share ownership. If that is achieved, a fully intermediated model for digitising certificated shareholders might be viable. If not, the Taskforce will have failed to address its terms of reference and a once-in-a-lifetime opportunity to improve corporate governance and stewardship in the UK will have been lost.

Following this consolidation of our thoughts, UKSA and ShareSoc met Euroclear/CREST for some technical feedback on our joint conclusions. I was not at the meeting, but I believe it was helpful in making us very aware that the improvements we are seeking will be very difficult to obtain. In this respect I understand that we need to be very clear about what we want:

• The process of dematerialisation of existing certificated shareholdings needs to retain shareholder-on-register rights for those certificated shareholders;

• Voting, AGM attendance and communication with other shareholders need to be restored to UBOs;

• Protection against broker insolvency must be improved.

In respect of the latter point, we learned at the meeting that it is a legal requirement to offer account segregation on nominee accounts. However, this appears not to have been taken up readily, possibly due to UBOs not knowing they have a legal right to ask for a segregated account. If you are a UBO and worried about your nominee account's/broker's solvency, you may want to check you are in a segregated (from the nominee provider/broker) account.

Finally, I thought I would mention an FT article I read recently that suggested the two big reforms that would help our stock markets and economic growth are allowing dual-class shares (big in the US) and abolishing stamp duty/SDRT on share purchases (rather than tweaking regulations). I believe the FCA's changes to the Listing Rules allow dual-class shares. However, I believe that abolishing stamp duty/SDRT on share purchases and improving UK stock market liquidity will

contribute more. This is probably not debated/discussed enough, as our political leaders do not want to reduce the taxes they raise to bribe us with short-term needs, especially when elections are close. This is a shame, because the longer-term tax take from more vibrant stock markets and better economic growth will more than make up for the short-term drop in taxes through stamp duty/SDRT abolition.

The Financial Times of 15 April carried the following letter from John Hunter

Financial literacy is key to fighting the 'finfluencers'

Patrick Jenkins' article, which online carried the headline "What Kim Kardashian teaches us about conflicts of interest in finance" (Inside Business, April 2), was prompted by the stance taken against financial influencers ("the finfluencers") by the Financial Conduct Authority.

It notes "the potential for abuse is vast. Some three-quarters of 18- to 29-year-olds trust the advice of finfluencers, according to McCann Relationship Marketing, even though much of it may be disguised marketing."

We would comment that it's probably also true that three-quarters of 30- to 80-year-olds either have no access to advice, or rely on advisers and wealth managers where conflicts of interest have always been similarly rife — just less public. The result is a population of low financial literacy depending on regulation that has denied them the help they need.

It is to be hoped that the consultations now in progress in the fields of financial education and consumer protection can be blended to provide a real long-term solution.

Co-ordinating the objectives of the FCA, the Department for Work and Pensions and the Department for Education would be a good start.

John Hunter

Co-Head of Financial Learning, UK Shareholders' Association, Orpington, Kent, UK

John Hunter, former UKSA Chairman and creator of HonestMoneyNow

Click here to see our website news item on UKSA's submission to FCA consultation DP 23-5: 'Advice Guidance Boundary Review: proposals for closing the advice gap'.

We advocate a more holistic model of consumer protection that integrates the needs of education and the demands of regulation, one that shifts responsibility to consumers while giving them the tools to exercise that responsibility, with a focus on transparent information.

Policy work update

Dean Buckner, UKSA Policy Director

FCA consultation DP23-5 'Advice Guidance Boundary Review'

In February we responded to the FCA discussion paper that rethinks the way advice and support are delivered to consumers, particularly with the aim of breaking down the rigid division between 'advice' and 'guidance' that has proved detrimental to some sectors of the market.

UKSA argued for moving responsibility to consumers while giving them the tools to exercise that responsibility. The main vehicle for meeting this target should be online learning (citing our HonestMoneyNow website as a model) and this model should be integrated with the initiatives currently being undertaken by government under the 'education' umbrella, so that what emerges is a genuine 'cradle-to-grave' learning process independent of commercial interests.

We recommended that the initiative be overseen by a cross-departmental committee covering an understanding of finance, learning, systems and human psychology, and that the focus of regulation be switched from control of advice to strengthening of understanding, executed as consumer tools become available.

Editor's note: This response follows UKSA's first ever submission to the UK Parliament Education Committee, which made the same points in a different context.

FCA consultation CP23-31

In February we responded to the Primary Markets Policy Team, Financial Conduct Authority, regarding its detailed proposals for listing rules reforms.

There is still a drive to make UK stock markets more attractive, but we thought that changing the listing rules would not necessarily make them so. We argued that a primary competitive driver of stock markets is having a pipeline of good, long-term viable businesses seeking public money at the right time and being attractive to investors.

So yes to making the UK Listing Regime more accessible, effective, easier to understand and competitive for the benefit of both issuers and investors, especially in providing information transparency to investors.

But no to either the market itself or its rules being made the main competitive drivers.

We pointed out, in some cases again, that:

• We do not like dual-class shares;

• Sponsors should be appointed to mark a company's own homework on major transactions;

- Changes to the listing rules must not detract from high-quality disclosures;
- We would like to see the same related party definition as that used in IFRS accounting standards; and
- Boards should think for themselves under the UK Corporate Governance Code.

News from the UKSA Northern Rock Shareholder Action Group

Your committee has been very active with the campaign.

On 16th May we ...

- made a submission to the Treasury Select Committee for a review of our case.
- sent emails to the Prime Minister and all MPs asking for support.
- sent out a press / media release.
- launched a new website summarising the history of our case: https://www.nrsag.co.uk/

On 17th May we emailed our campaign members with a template to write to their MP asking to support a review.

Please follow our Facebook page to keep up to date with developments.

We recognise that some people will not be on Facebook, and we will continue to update NRSAG members through UKSA, but there will be additional information on Facebook such as videos that cannot be sent by email.

UKSA Northern Rock Shareholder Action Group

1.7K likes · 1.9K followers

External relations round-up

Sue Milton, External Relations Director

Keeping up with technology: are boards intelligent enough to use AI?

A survey conducted among Institute of Director members in 2022 found that approximately 80% of boards lacked a structured process to audit, assess and assure their utilisation of AI. Boards also did not know the appropriate questions to ask about AI implementation.

These findings reveal a gap between boards' governance and their use of AI in the businesses. Yet more than 85% of businesses already use AI without the board being aware of this, and AI's opaque expansion in the businesses means the opportunities and threats are not understood.

This is a disruptor to governance, strategy, risk management and the business model. As investors, we must recognise that AI misuse will occur not only through 'bad actors' but also through legitimate actors who lack the necessary understanding. But AI disrupts far more than how businesses operate. Look at ESG.

Environmental:

There is scientific and professional consensus that AI contributes to CO2 emissions because of the power it needs to run and in the cooling of the data centres it relies on. Even OpenAI, the creators of ChatGPT, have found that "since 2012, the amount of computing power required to train cutting-edge AI models has doubled every 3.4 months". See The Real Environmental Impact of AI | Earth.Org. Companies will have to balance leveraging AI opportunities with growing emissions. See This is the AI-environment balancing act — it's delicate | World Economic Forum (weforum.org).

Social:

There are three aspects we must be aware of.

The first is bias, and it is bigger than we think because most of us are not English-speaking American white males, which has been the default data for AI training.

That leads to the second. Just how inclusive and diverse are companies' data sets and do they have diverse teams to build, use and apply AI datasets and outputs?

Which leads to the third. How are our companies investing in people alongside AI technology to understand how AI works, how to use it and what to do with the results AI shares with us?

Governance:

It is obvious that AI threatens, and probably destroys, data governance because we do not check where the data comes from, whether we and our AI tool have permission to access it and what happens to the results of our interrogation.

The broader governance of our companies has to change too. Companies should:

• define and apply AI's safe and appropriate usage;

• identify and share the where, when, why and how of our use of AI on our and others' behalf; and

• provide redress – the ability to speak to a real person, not a BOT – when we do not understand the outcome and/or when things go wrong as a result of an AI-influenced decision.

And that leads us to a key governance issue that impacts all of us: corporate reporting and assurance. At a recent CRUF (Corporate Reporting Users Forum) ESG meeting, I first heard Claire Bodanis (AI campaign — FalconWindsor) use the phrase "and, if not wholly wrong, always just a little bit wrong". This means we are not going to notice errors. Apply that to corporate reporting, and suddenly we have a lot of little inaccuracies potentially leading to a significant misinterpretation of the report and accounts without any of us noticing. If companies use AI to provide corporate data and use AI to provide the narrative aspects of the report and then the auditors use AI to help assure the reports, we lose all aspects of corporate and independent assurance.

This is an emergent and BIG ECONOMIC RISK because business strategy, investor confidence and economic decisions are based on the financials. We rely on accuracy and precision in the numbers. AI getting things a little bit wrong will not do. Even China has serious concerns, asking us to have "a joint approach to AI safety ..... to stop 'catastrophic or even existential risks to humanity within our lifetimes'". See Chinese and western scientists identify 'red lines' on AI risks (ft.com).

So let's ask our companies if they are intelligent enough to use AI (AI in the Boardroom: The essential questions for your next board meeting | Blogs | IoD).

T+1 settlement in the USA as of 28th May 2024

This has crept up on me. The USA is moving to T+1 settlement for US securities as of 28th May 2024. From then on, when we interact with an SEC-registered (Securities and Exchange Commission) broker, the default will be settling T+1 at close of business New York time. We can negotiate with the broker for another settlement date but, even if we have agreed that, everything other than actual settlement will still need to be done by T+1, with final settlement delayed until T+ 2 or whatever the pre-agreed settlement date is.

Is there a 'get out of jail free' card? Maybe, so long as we use a non-registered broker. There will be no requirement at all to aim for T+1 if working with a non SEC-approved broker. But there are risks associated with this approach. I am not sure what they are, and an article from Morse Law entitled Risks of Using Finders and Unregistered Brokers conveys the seriousness without the clarity:

"The consequences of using an unregistered broker are significant and could include both civil and criminal penalties. Some of the potential consequences of using an unregistered broker include: civil or criminal liability for aiding and abetting the broker's violations of securities laws; investors receiving rescission rights; being required by one's auditors to account for potential liabilities arising from investors' rescission rights; losing the right to rely upon Regulation D in future securities offerings; and reputational harm."

What's in it for us if we settle T+1? In the longer term, there will be less likelihood of failed trades because a shorter settlement time means securities and money are settled closer to real time.

In the short term, expect to see a lot more failed trades as we adjust to the US' T+1 requirement. Even though the SEC has not coordinated this with anyone, it is 'our' problem to solve, including time zone and public/ bank holiday issues. Systems and processes will have to change to accommodate this and there is less time to include any FX transactions needed to pay obligations in US$. And yes, the cost for these changes will be passed on to investors in one form or another. See State Street's SSGA warns investors on additional costs of T+1.

What about the UK? The UK is considering T+1, but an initial report, due in December 2023, has been delayed. That means the earliest time for the UK to move to T+1 is 2027. Markets want a push to get this done more quickly. And pigs might fly.

KPMG and UKSA virtual meeting

We had our most recent meeting on 16th April. The subject was what shareholders and investors need to know about the UK Corporate Governance reforms.

UKSA's policy team, along with many others, has expended a lot of effort in responding to consultations, both in written form and in face-to-face meetings, since 2018 only to find now that the UK Government concerns have faded. But why?

• Are UK companies wanting to avoid a UK version of Sarbanes Oxley, the US law established "to protect investors by preventing fraudulent accounting and financial practices at publicly traded companies"? See The Sarbanes-Oxley Act explained: Definition, purpose, and provisions | CSO Online.

• Is the UK Government now thinking good corporate governance is smothering business activity?

• Does the UK Government now believe that market attractiveness is achieved by demanding less in the way of demonstrable good governance, even though we have a 'comply or explain' approach?

The new UK code of corporate governance does increase directors' explicit responsibility for sound internal controls across the whole

enterprise and they will have to report on the areas of material risk and the principal controls. Retail shareholders will have to be pragmatic.

Our next meeting with KPMG will be on 27th June and will cover sustainability and ESG reporting and assurance.

A generous offer from Mello

Mello have offered UKSA members half-price tickets to their upcoming in-person event in London this month.

Mello2024 will take place at the Clayton Hotel & Conference Centre, Chiswick on Wednesday 22nd May & Thursday 23rd May 2024.

UKSA members can receive half-price tickets to the event with the code UKSA50, and more information can be found here: Mello2024 – Mello Events.

The ticket link is: Buy Tickets for Mello2024 – Mello2024 – Clayton Hotel Chiswick, Chiswick High Road, London (tickettailor.com)

Members should have already received an email from the UKSA office alerting them to this offer.

UKSA Chairman takes part in US-hosted event on auditing

Charles Henderson recently took part in an online discussion on the question "Can auditors better serve investors' needs?", hosted by the prestigious Peterson Institute in Washington.

Click here to view a YouTube recording of the discussion.

Editor's note: On 10 May, full members were invited to a Zoom meeting led most engagingly by John Mulligan, Chair of UKSA's South-West and Midlands region, to consider the theme of productivity. Below, John provides his account of the meeting, after which Martin White shares his perspective.

UKSA South-West and Midlands meeting on Productivity

John Mulligan, Regional Chairman, UKSA SW and Midlands

Seventeen members, including special guest Andrew Smithers, attended the meeting which was held via Zoom on Friday afternoon 10th May. This was a lively meeting that approached the subject from the perspectives of the national economy, the private investor, the consumer and management with presentations from several members.

The presentations

John Mulligan started off with slides comparing the growth of per capita productivity in the UK and the USA over the past 20 years and then followed through with a discussion of specific drivers of economic productivity. These included a comparison of skills between selected G7 nations, comments on market access and size, the problem of high inactivity rates in the UK, the low contribution of manufacturing in the UK economy, the slow uptake of robotics and disappointing levels of investment in R&D.

Peter Wilson followed with a concise list of key information about business productivity that he believed listed companies should be required to present to investors in their annual reports. The basic requirements relate to the past ten years' records of the number of employees and hence sales per employee, the total spent on R&D as well as other key metrics covering interest payable as a percentage of sales and capital expenditure related to sales.

Observations relating to consumers were presented by Sue Milton, who reported difficulties in getting high levels of service for household repairs with particular problems in getting hold of plumbers and electricians. She felt the focus was on cost efficiency not on customer efficacy and stressed the over-reliance on technology, which supports efficiency up to a point before losing effectiveness.

Don Briggs produced an interesting history of inadequate management in the British newspaper industry with his bosses failing to invest in new technologies that would have improved productivity at Mirror Group newspapers in 1986. He compared this poor management record with that of entrepreneur Jim Ratcliffe, who was able, within ten days, to re-purpose three factories to provide liquid sanitisers free of charge at the time of the Covid outbreak.

Robert Aubrey provided us with a somewhat different viewpoint to the

productivity debate, citing China's success in strategic planning as the nation's car manufacturers moved ahead of the rest of the world in designing and producing low-cost electric vehicles.

Main takeaways from the meeting

Inevitably, with such a wide-ranging subject, the presentations and discussions omitted many metrics that are key to identifying the main drivers needed to improve productivity at both business and national levels. Despite this caveat, the following key aspects emerged:

- High levels of business taxation were considered to be a major deterrent to business investment in raising productivity, although it was agreed that it is extremely difficult to obtain meaningful data on comparative corporate tax rates between different countries.
- For the UK to meet the rising economic and social needs of a developed economy with an ageing population, it is clear that higher levels of productivity will be needed.
- Key failings in education and intermediate skills as well as relatively high energy costs and a low rate of uptake in automation and robotics are major areas that need to be addressed at government level.
- UKSA should work to force listed companies to include key data on the number of employees, their salaries, revenues per employee and other vital metrics on productivity in their annual accounts. In this context, Andrew Smithers and Martin White stressed the importance of information on the true output of a business rather than the reported sales figures.
- One of the problems of measuring productivity at the company level was highlighted by Rob McDonald who cited the result of his company outsourcing their cleaning and catering activities. This resulted in fewer direct employee numbers while total output remained unchanged, thus raising his company's productivity per capita.
- At the level of small companies and individual traders the "cliff-edge" effects of taxation and particularly VAT may well act as a disincentive to expand business beyond the point at which taxation rises and the requirement to fill in more paperwork increases. The VAT registration threshold may be a "no no" to many small businesses.
- There remains a large accountability gap in terms of companies telling shareholders, as their ultimate owners, what they need to know. Annual accounts tend to be much too long and complex and are really intended to deal with the vast number of compliance issues now legally required rather than supplying a small number of accurate and valid metrics that are vital for the actual and potential owners of the business.

The productivity debate - Martin White's perspective

Martin White took part in the Zoom meeting led by John Mulligan and these notes offer his personal perspective.

Q1: What does "productivity" normally mean, and Q2: How important is it to shareholders?

First question: It turns out that productivity for a company means something like output per employee. (In the public sector, it's much more tricky and judgmental.) I can't give you a tight technical explanation of output – it's not the same as profit per employee or sales per employee. No doubt we could discuss the detail more in response to reader demand! But it's what ultimately influences what employees can earn, and a high-productivity economy can afford to do more state spending on essentials such as education, health and support for the poorest, as well as much essential infrastructure.

However, the UK has been doing pretty badly on productivity for a few decades. UK income levels overall have not been doing so well, especially post the financial crisis of 2008. Productivity is now considered so important that there seems to be a good cross-party consensus that it needs sustained national attention. Funded by Government money, the UK Productivity Institute (TPI) was set up in 2020. Productivity is one of (many, I fear) aspects of our national life that needs sustained thinking that recognises the complexity of the real world as objectively as possible, rather than through any particular short-term political lens. So far, they seem to be doing good work with good momentum, and if you are interested you can look up TPI, read their reports, listen to their podcasts, etc.

So, for society as a whole, productivity really matters. And it turns out that for productivity you really want lots of investment, not just R&D but also the investment needed to actually implement the knowledge gained by R&D. Skills, management, leadership – all these things are very much on the TPI agenda.

The second question: how important is productivity to shareholders? Well, as owners of companies, productivity is not the same as profitability or return on capital. What really drives our ultimate returns as shareholders is return on incremental (equity) capital. It's not growth, which will surprise some; growth is no good to shareholders without a good positive return on capital. So a company that uses a small amount of capital per employee, in an industry in which profits are OK but employee earnings are low, can be a really profitable company to own. But is it a good company to earn in the long term? Shouldn't we be caring about whether the company provides employment that is as satisfying and as remunerative as possible to its

employees, as well as giving good returns to shareholders? Would better management permit this, perhaps? And if a company only gives a good enough return to shareholders because its labour costs are really cheap, what does that mean for how sustainable the company is in the face of international competition?

So, as you can see, this is far from simple. There is a consensus that, as a country, the UK doesn't save enough in aggregate, nor do we invest enough, whether it is investment by companies or investment by the public sector. And when we do invest, how wisely is that investment decided on or implemented?

One thing that emerged in the discussion was that the information needed to assess each company's productivity is not required to be disclosed in annual reports and is generally not disclosed. The suggestion was that as shareholders we should call for this to happen, and that it would ultimately help the success of the UK economy too.

That's enough for now; John Mulligan's piece has rather more content. Suffice it to say that last Friday's discussion was enjoyable and stimulating and we are grateful for all the preparation done by John Mulligan and his team, and to all the contributors to the discussion, and also for the further feedback we received afterwards.

Save the date – UKSA AGM 1 July

UKSA's AGM will again take place at the RAF Club, Piccadilly, on Monday 1 July. Look out for the calling notice in your inbox.

UKSA is most grateful to Paul Greatbatch for sharing with us his account of the "Weekend of Mistakes" held in March at Hay Castle

FINANCIAL BOOMS & BUSTS, BUBBLES, SWINDLES, PANICS AND CRASHES

Hay Castle's Inaugural 'Weekend Of Mistakes'

A Huge Success

The inaugural Weekend of Mistakes, to mark the 10th anniversary of the Edinburgh-based Library of Mistakes, took place in early March in the wonderfully-restored venue of Hay Castle, Hay-on-Wye. It featured three days of panels and events presented to a sold-out crowd by an impressive line-up of first-class historians, financial experts and investment sages, sharing lessons from the past and some key lessons for the financial future.

The Library of Mistakes' Russell Napier invited speakers and guests to look at the mistakes, follies and manias of the past for better understanding of the present. Guests enjoyed hearing from experts covering a range of crucial issues such as energy transition, banking crises and geopolitical conflicts. The sessions blended expert knowledge, glimpses behind the scenes and understandable examples with practical advice and humour, which kept the audience engaged and absorbed throughout the weekend.

The guest list ranged from students and industry professionals to those with a general interest in finance, business, the economy and history. Some had travelled from as far as Canada, the U.S., South America, Switzerland, Hungary and Germany

Weekend highlights included:

- **Helen Thompson** (Disorder: Hard Times in the 21st Century) speaking about the importance of energy in the political economy.
- **Jared Bibler** (Iceland's Secret) on the failure of Icelandic banks (from one of the people who managed to put some of that country's bankers in jail).
- **Chris Swinson** (visiting Fellow at Newcastle University Business School) and Sir Philip Augar (The Bank That Lived a

Little) sharing cautionary tales about 'con artists'.

- **Edward Chancellor** (The Price of Time: The Real Story of Interest) surveying interest rates over five millennia – with some thoughts on why the last 15 years have been so singular.
- **Merryn Somerset-Webb** (Bloomberg contributor and founder of MoneyWeek) in conversation with Russell Napier (The Solid Ground and founder of The Library of Mistakes) and Tamim Bayoumi (Unfinished Business and former IMF Deputy Director) about How Countries Go Bust: The Asian Financial Crisis and the Euro Crisis.
- **Anja Shortland** (Professor in Political Economy at King's College London and author of Kidnap: Inside the Ransom Business, and Lost Art: The Art Loss Register Casebook) speaking about piracy and ransomware.
- **Rar Perman** (author, Hubris: How HBOS Wrecked the Best Bank in Britain and The Rise and Fall of the City of Money) on the financial plight of Sir Walter Scott.
- **Herman Brodie** (CEO of Prospecta, which applies the insights of behavioural economics to financial markets), on the common mistakes of individual investors.
- **Paul Kosmetatos** (Lecturer in Economics, University of Edinburgh), on the Leith Whisky Bubble of 1898.

Russell Napier, Keeper of the Library of Mistakes, said: "This was the first Glastonbury for financial historians. There was just a little mud, and the only drug was caffeine, but minds expanded all same! It was fascinating to discuss what has been before, using it as a guide to what might be again. Can't wait to turn on, tune in and drop out next year to the blasts from the pasts that seem to echo down the ages!"

The Weekend of Mistakes will return to Hay Castle, Hay-on-Wye, March 21-23 2025.

Praise indeed...

"The Weekend of Mistakes was one of the best conferences I've ever attended. The sessions were of consistently high quality. Everyone had a good time and learnt a lot."

Speaker **Edward Chancellor**, The Price of Time: The Real Story of Interest

"I had a wonderful time!"

Speaker **Merryn Somerset-Webb** (Bloomberg contributor and founder of MoneyWeek)

"What a wonderful and intense weekend with the Library of Mistakes at Hay Castle! I thoroughly enjoyed it. It's gratifying to feel a renewed

interest in fraud, crime, and crises, with the next one seemingly just around the corner.”

Speaker **Jared Bibler**, Iceland’s Secret

"A Weekend that was definitely not a Mistake! I greatly enjoyed the wonderfully warm festival atmosphere that blurred the boundaries between the audience and the speakers. A wonderful event and brilliant for everyone to share ideas and expertise in this relaxed atmosphere.”

Speaker **Anja Shortland**, Professor in Political Economy at King’s College London

“There was a uniquely warm and engaged feel to the discussions, and a memorable venue!”

Sir Martin Donnelly, former Permanent Secretary at the Department for International Trade, previously Permanent Secretary at the Department for Business, Innovation and Skills.

“A super event – my most memorable festival-type event ever – first-class content and organisation (and catering!) and a great collegiate atmosphere.” **George Littlejohn**

Photography: Isla Hampson

UK politics – is there any hope for cross-party thinking that stands the test of time?

Martin White, UKSA director and creator of Savers Take Control

This question was uppermost in my mind when I decided to attend a meeting in Committee Room 10 of the Palace of Westminster on Tuesday 23 April. It's the first "party political" meeting I have ever attended, and it was organised by the Labour History Group and hosted by Rt Hon John Spellar MP. Unlike most of the attendees, who I deduced were members of the Labour Party, I'm not a member of any of the parties. This was the second of the Labour History Group's "Lessons from 1997" series of events: "Making policy for Downing Street". Sharing their insights were three of Tony Blair's original Downing Street policy team of Robert Hill, Liz Lloyd and James Purnell.

I had heard of the meeting from an office colleague who knows one of the three speakers, Liz Lloyd. The three speakers were all policy advisers, so neither civil servants nor elected politicians. They were thinkers, planning for government beforehand and also trying to stay detached from "events" when Labour was in government, as it is all too easy to be distracted by crises. The meeting felt that the Blair government was the most successful of all Labour's times in power, and it was interesting to hear that Blair's leadership style created a good team atmosphere as opposed to a blame culture, he was genial and interested in the team members. He had also spent a great deal of time in the run-up to the election in public speeches setting out the team's thinking and vision.

It's not obvious to me that the current leadership teams of either Labour or Conservative measure up all that well. There might be some good long-term thinking going on in the background of course in the Labour Party, but I don't see a lot of messaging going on to signal that to us.

There were some interesting discussions of the practical challenges once you are in government. Out of government, you don't have the access to information about practical challenges that you have in government. The civil servants genuinely do want to carry out what the new government wants, but all they have to go on to start with is the literal words of the manifesto on which the new government is elected. So, masses of work is needed to understand each other. One of the three speakers, Robert Hill, found himself with the NHS brief as an adviser in government, and there were some good stories from that: how some of the essential management information just was not available, for one; and a nice example of how, if you bring all the interest groups into the discussion and demonstrate that you are listening to them, you can actually make changes for the good.

Which brings me to my purpose for attending. When it was time for questions, I got a chance to ask this:

"Some of the most vital challenges that face the country today really need a cross-party consensus to tackle. That needs courage to face up to the existence of the problems and to think deeply about them. If you accept this thesis of a need for a cross-party understanding and consensus, how do you go about getting it?"

The answer was actually quite encouraging. The advisers felt that if a government was minded to pursue cross-party thinking on an issue, it would generally be welcomed. They referred to an example of working with the different interest groups within the NHS that had been successful in the Blair government. I don't think they gave any examples across political parties, but I was encouraged nevertheless.

So what are my takeaways generally from the event, and for UKSA?

If the speakers in this particular event are anything to go by, I think that it is likely that all the political parties have teams, probably quite small teams, of high-calibre thinkers in the background. Not all the parties necessarily have the culture in which such people can really thrive; it would not be so surprising if the current government was all that strong. It looks likely that Labour will form the next government, but I think we should try to be talking to everyone. I think that the higher quality of the leadership teams, the more open they will be to cross-party discussions.

For us, I think it is clear that trying to talk to the thinkers – not just the elected politicians – in all the various political parties is worthwhile. We have something serious to contribute in so many areas, and we are also a source of genuinely independent insights (i.e. not part of the financial sector) on financial and governance themes that politicians are normally either lacking in, or deeply conflicted.

I also feel that the challenges facing any new government are so deep that it will be obvious to almost everyone that cross-party thinking is completely essential. The discussion elsewhere in this newsletter on productivity is a case in point. So even when the next government is established, it will be important to keep talking to everyone, including the parties which are not in power.

Photography: Martin White

Breathing new life into the capital markets union – a blueprint for the next EU Parliament

Martin White attended virtually a recent conference on Capital Markets Union held in Brussels by Better Finance and CFA Institute. He sets out his impressions below.

On 17 April, Helen Gibbons, who is a member of the Better Finance board, attended a special meeting in Brussels entitled "Breathing New Life into the Capital Markets Union | A Blueprint for the Next EU Parliament". I listened online. The video can be seen here on YouTube.

What is the "capital markets union"? The term sounds a bit like a mutual bailout scheme, doesn't it? A number of the speakers said that a much better term would be "savings and investments union". To a non-expert like me, it seems that the overall objective is to improve the situation for savers and investors across the EU.

Why the interest for us in the UK? Well, it turns out that the problems facing the saver/investor are frequently a good deal worse across the EU than they are in the UK! Given that, and given that here in the UK we are really concerned that the lot of the saver/investor is far from satisfactory, we feel that there may be some opportunities for UKSA's efforts on financial learning and empowerment to get a little bit of publicity across the EU.

The situation across EU countries for savers and investors varies hugely. The tax treatment of savings and investments is often pretty unattractive, and many more people simply keep money in the bank, rather than investing long term in equities. As well as this, the financial institutions often have a stranglehold; for example you may be forced to use a bank as intermediary.

Better Finance produce an occasional study entitled "The Real Return". This shows how poor are the investment results that people typically achieve in the various countries.

And it wasn't at all a surprise to hear one of the speakers say, when talking about the importance of financial education, how the financial institutions were frequently keen to support financial education in principle - providing it was about educating people to buy their products!

So UKSA hopes to do a little more to discuss with Better Finance in future the challenges involved in financial learning and making personal financial decisions - to see if there are ways in which we can help each other.

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