



Department of Trade and Industry

# Mirror Group Newspapers plc

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Investigations under Sections 432(2) and 442 of the Companies Act 1985

Report by

The Honourable Sir Roger John Laugharne Thomas

and

Raymond Thomas Turner FCA

*(Inspectors appointed by the Secretary of State for Trade and Industry)*

Volume One

# MIRROR GROUP NEWSPAPERS plc

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**The appendices to the Report are contained in Volume Two**

## OUTLINE CHRONOLOGY OF SIGNIFICANT EVENTS

<b>1971/73</b>	DTI Reports on Pergamon Press Ltd. Robert Maxwell severely criticised "...not... a person who can be relied on to exercise proper stewardship of a publicly quoted company".
<b>1974</b>	Robert Maxwell's private companies re-acquired Pergamon Press Ltd.
<b>1980</b>	Robert Maxwell's private companies obtained a controlling interest in British Printing Corporation; Robert Maxwell became chief executive. Company subsequently renamed Maxwell Communication Corporation (MCC).
<b>1984</b>	July: Robert Maxwell's companies (private side) acquired Mirror Group Newspapers (MGN) for £113m.
<b>From 1984</b>	Robert Maxwell ended restrictive labour practices at MGN and introduced modern technology; MGN became highly profitable and was able to provide over £300m to the private side between 1984 and 1990.
<b>1985-1988</b>	MCC and the private side's period of expansion; a number of companies of substantial worth and potential acquired.
<b>1985</b>	Pension funds commenced lending monies to private side.
<b>1987</b>	Private side incurred over £300m in borrowings taking up rights issue in MCC.
<b>1988</b>	MCC borrowed \$3 billion and acquired Macmillan and Official Airlines Guides.  Autumn: Pension funds commenced lending shares to provide collateral for bank loans to private side.
<b>1989</b>	Private side bank borrowing approached £1 billion. Robert Maxwell began selling assets but also continued acquiring companies.
<b>1990</b>	Robert Maxwell spent £130m (some through offshore entities) on MCC shares.  Robert Maxwell's companies faced a financial crisis in late summer as MCC had to repay part of \$3 billion borrowings.  Decision made to float 49 per cent. of MGN.  Private companies only survived 31 December year end through borrowings from pension funds and unauthorised overdrafts; bank borrowings remained at about £1 billion.
<b>1991</b>	January to April : Advisers worked on the flotation.  : Robert Maxwell spent £105m (some through offshore entities) on MCC shares.  30 April: MGN floated – produced £210m to reduce MGN bank borrowing. At the time private side owed pension funds £100m and was using £270m of their assets as collateral; private side bank borrowings remained at about £1 billion.  May to July: Robert Maxwell spent £72m through offshore entities on MCC shares and £26m on MGN shares.  April to November: MGN supported private side through provision of cash and use of its bank borrowings.  5 November: Robert Maxwell died. Empire thereafter collapsed and MGN sought support of bankers.

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## SUMMARY

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In June 1992 we were appointed by the Secretary of State for Trade and Industry as Inspectors to investigate the affairs of Mirror Group Newspapers plc.

In 1995:

- we had completed most of our enquiries into the complex events.
- we provided to the Secretary of State an Information Memorandum in two volumes setting out a detailed account of the information we had then obtained.
- we would have been able to complete our Report that year if it had not been for the criminal proceedings arising out of the collapse of the company empire controlled by the late Mr Robert Maxwell.
- we submitted to the Secretary of State some recommendations.

Those criminal proceedings and problems surrounding and following from them thereafter substantially delayed the completion of our enquiry.

As requested on our appointment, the focus of our Report is on the flotation of Mirror Group Newspapers on 30 April 1991. We have sought to explain:

- why Mirror Group Newspapers was floated by Mr Robert Maxwell;
- what the due diligence procedures carried out did not reveal, particularly about the pension funds and why the abuse of the pension funds was not discovered earlier;
- what was not done at the flotation, but ought to have been;
- why within seven months of April 1991 the support of Mirror Group Newspapers bankers was necessary.

To do this we have had to describe some earlier events at Mirror Group Newspapers and its pension funds and, as Mr Robert Maxwell ran his financial empire (including the pension funds) as one, some of the events elsewhere in the empire until his death in November 1991. The Report must not, however, be seen as an account of all Mr Robert Maxwell's activities at MGN or elsewhere, or of all the circumstances surrounding the collapse of his empire and the aftermath.

At the outset of our Report, we provide below a brief summary of the events, the responsibility for what happened and our main recommendations and lessons from the events.

### **Summary of events**

#### *The 1971 DTI Report*

1. In 1971 Inspectors appointed by the DTI produced a Report on Pergamon Press Ltd which was severely critical of Mr Robert Maxwell. They concluded:

“We regret having to conclude that, notwithstanding Mr Maxwell's acknowledged abilities and energy, he is not in our opinion a person who can be relied on to exercise proper stewardship of a publicly quoted company.”

In two subsequent Reports on Pergamon Press Ltd and related companies in 1972/73 the same Inspectors detailed and criticised Mr Robert Maxwell's business methods.

*The rebuilding of Mr Robert Maxwell's fortunes and his acquisition of Mirror Group Newspapers*

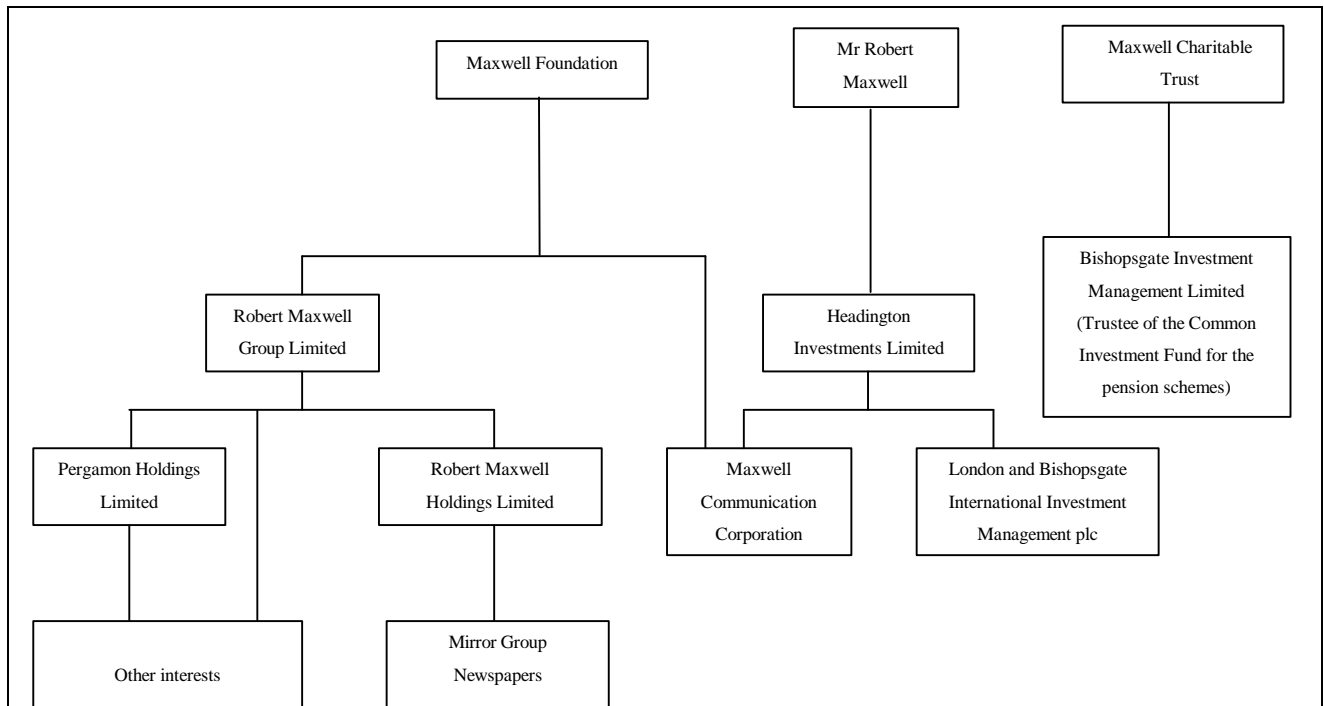
2. After the events that had led to those Reports, Mr Robert Maxwell spent his time rebuilding his businesses. The two most significant events were:
  - He re-acquired in 1974 Pergamon Press Ltd and its scientific journal publishing business which he made highly profitable.
  - He obtained in 1980 a controlling interest in British Printing Corporation plc which was on the brink of insolvency. It was a listed company, but, despite the views expressed in 1971, he became its chief executive and subsequently its chairman. He restored the company to profitability and re-established himself in the eyes of many bankers and ensured their support for future expansion. This company was renamed by him Maxwell Communication Corporation plc.

He placed the ultimate ownership of these companies in the Maxwell Foundation, a Liechtenstein entity that he secretly controlled through a Swiss lawyer; this was characteristic of the “need to know” basis on which he ran his businesses. He was the only person in a position to have a full picture of all his interests.

3. On 12 July 1984 Mr Robert Maxwell's private companies (known as the “private side”) acquired Mirror Group Newspapers from Reed International plc for £113m. At the time of the purchase Mr Robert Maxwell undertook to make a partial flotation of the Company. He assumed complete control over its management and finances and gradually restored Mirror Group Newspapers to profitability by ending restrictive labour practices and introducing modern technology.

*The period of expansion*

4. Both Mirror Group Newspapers and Pergamon Press' scientific journals business had strong cash flow. Over £300m of the cash generated by Mirror Group Newspapers was, by December 1990, transferred by Mr Robert Maxwell and used to finance other businesses. The scientific journals business was transferred from the private side to Maxwell Communication Corporation in early 1986. On the strength of those sources of cash, Mr Robert Maxwell announced in April 1986 his intention of achieving through Maxwell Communication Corporation a global communications and information company with revenues of £3-£5 billion by the end of the 1980s; he saw himself competing with Mr Rupert Murdoch and his News Group Newspapers. Mr Robert Maxwell began a frenetic period of corporate expansion in the UK, Europe and North America and acquired companies of substantial worth and potential. On 1 July 1986 Maxwell Communication Corporation became a FTSE 100 company.



**Simplified ownership structure of Mr Robert Maxwell's main companies.  
The structure varied; this chart shows it at the time of the flotation**

5. In the course of this expansion, Mr Robert Maxwell was courted by many leading professional advisers and investment banks who were eager to lend money to him or advise on corporate acquisitions which provided them with significant fees. He entertained and was entertained by leading politicians and world statesmen. The fact that leading professional advisers and banks were prepared to act for him or do business with him was used by him further to re-establish his reputation. It was during this period that Mr Robert Maxwell's youngest son, Mr Kevin Maxwell, became an important member of the management of his businesses.

*Mr Robert Maxwell's management of the companies and his use of the pension funds from 1985*

6. During this period of expansion significant practices developed in relation to Mr Robert Maxwell's companies and the pension funds:
- Mr Robert Maxwell dominated the management of all these companies. He gradually took over the management of a substantial part of the investments of their pension funds, save for those governed by US legislation.
  - Mr Robert Maxwell personally controlled through a central treasury the movement of cash within and between his companies (including having sole

signatory authority for an unlimited amount over the bank accounts including those of his main listed company Maxwell Communication Corporation).

- Cash was borrowed by the private side on a regular and unsecured basis from the pension funds beginning in 1985. This did not become known to the trustees of the funds. The accounts were “window dressed” with balances brought to nil at the financial year end to avoid disclosure.
- The pension funds were used on a regular basis to assist in the corporate strategy of the empire and to provide cash in exchange for investments which Maxwell Communication Corporation or other businesses needed to sell.
- The pension funds made substantial investments in Maxwell Communication Corporation shares.
- The presentation of the financial position of Mr Robert Maxwell’s companies and the pension funds in the annual accounts was carefully managed and the minimum disclosure made.
- An in-house nominee company, Bishopsgate Investment Trust plc, was established to hold some of the assets of the public companies and private side as well as the pension funds; there were delays in recording the beneficial ownership. This meant that some of those dealing with Mr Robert Maxwell did not necessarily know who in fact owned the shares and the similarity in names of the various “Bishopsgate” companies caused confusion.

These practices were known to Mr Kevin Maxwell and those close to Mr Robert Maxwell in the management of his companies as well as to Coopers & Lybrand Deloitte. Coopers & Lybrand Deloitte were the auditors of the public companies and private side companies and pension funds and provided advisory services to Mr Robert Maxwell in connection with the acquisition and disposal of companies.

7. Although during the period of expansion some of the pension funds benefited from Mr Robert Maxwell’s investment skill and the extra income derived from lending to the private side, even during this period there were losses.
  - When Mirror Group Newspapers needed £34m cash in 1986, this was provided by the pension funds in return for shares held by Mirror Group Newspapers in Reuters. When these shares were transferred back in 1989, the pension funds not only made a loss on the transaction, but never obtained any part of the significant profits which the private side earned when the Reuters’ share price increased very shortly thereafter.
  - The pension funds were used to purchase Maxwell House in Holborn, London in 1986, but it was the private side that obtained the real benefits on the transaction.

8. In 1988, two investment management companies controlled by Mr Robert Maxwell, Bishopsgate Investment Management Ltd (BIM) and London and Bishopsgate International Investment Management plc (LBI), were authorised by IMRO, the regulator. Despite doubts expressed as to whether Mr Robert Maxwell was “fit and proper”, it was considered that there was insufficient evidence against him to deny approval. BIM and LBI managed a significant proportion of the investments of the pension funds and LBI became the investment managers of an investment trust, First Tokyo Index Trust plc. Subsequent inspections by IMRO failed to uncover the use being made of the pension funds.

*The developing financial pressures on Mr Robert Maxwell's companies*

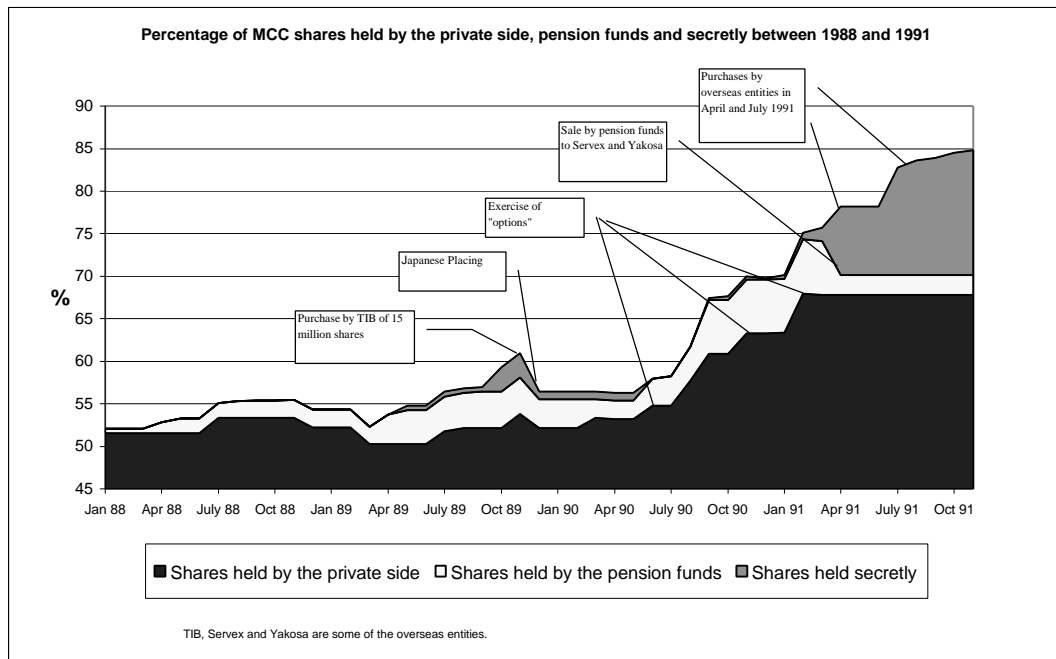
9. As a result of a rights issue by Maxwell Communication Corporation in 1987 which was intended to finance acquisitions, the private side assumed, in taking up the rights, a very substantial debt burden of over £300m; the debt grew with further acquisitions by the private side, including the acquisition of AGB Research plc in October 1988 for £134m. All that borrowing was secured on property or shares; most of the shares used as security were shares in Maxwell Communication Corporation. By the beginning of 1989 the bank borrowing of the private side approached £1 billion. In addition, Maxwell Communication Corporation itself also made very substantial borrowings of \$3 billion to finance, in 1988, the purchase of Macmillan Inc. and Official Airlines Guide Inc. for which Mr Robert Maxwell overpaid.
10. As Mr Robert Maxwell had always regarded the pension funds as his, when financial pressures on his companies became greater in 1988, he made greater use of the pension funds through the practices identified in paragraph 6. Some banks became reluctant to accept Maxwell Communication Corporation shares as collateral for loans to the private side, because they would in effect be taking for a loan to one group of companies controlled by Mr Robert Maxwell, collateral from another company controlled by him. From November 1988, Mr Robert Maxwell therefore began to make use of the more marketable blue chip shares held by the pension funds and First Tokyo Index Trust as collateral for bank borrowings to the private side; this was described as ‘stocklending’ to make it appear to be the legitimate practice of lending securities to market makers as part of ordinary share dealing activities. Cash continued to be borrowed from the pension funds by the private side without providing any collateral to the pension funds for these loans. A significant part of the shares of the pension funds and First Tokyo Index Trust which were used as collateral were held by an independent custodian.
11. Mr Robert Maxwell ran his companies and the pension funds as if they were one. He moved assets between them as best suited his overall interests. However, the complex ownership and financial structure of his empire and the concealment of the use of the

pension funds made it difficult for banks to gain a clear picture of the financial strength of his empire. The practice was to be “economic with the information” supplied to them. Although all the groups of companies and pension funds within Mr Robert Maxwell’s empire were audited, they were not audited at a common date. Nor was there any overview of the empire as a whole.

12. Although Mr Robert Maxwell began an asset disposal programme in 1989 to ease the financial pressures, he went on acquiring companies and would not contemplate approaching the banks for re-negotiation of the debt.

*Mr Robert Maxwell and Maxwell Communication Corporation shares*

13. Mr Robert Maxwell was obsessed by the Maxwell Communication Corporation share price; it was also important as it affected the amount of collateral he had to provide when Maxwell Communication Corporation shares were used to secure loans to the private side. Although, as can be seen from the chart, he always held more than 50 per cent. of Maxwell Communication Corporation, he continued to buy Maxwell Communication Corporation shares to be held by his private companies and the pension funds. From May 1989 he manipulated the market, principally by buying shares secretly through overseas entities.

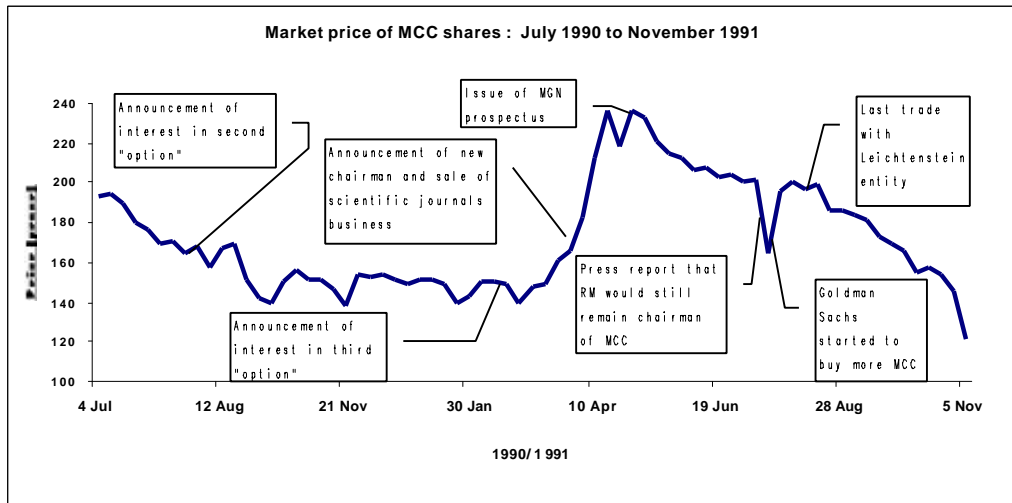


The investment bank with whom he principally dealt was Goldman Sachs. The extent of Mr Robert Maxwell’s activity was known to Mr Kevin Maxwell and some of those closely associated with Mr Robert Maxwell. However, the true extent of these activities was unknown to the regulatory authorities in the UK or the USA. The

expenditure on Maxwell Communication Corporation shares contributed to the declining financial condition of the private side.

*The financial crisis in the summer of 1990*

14. By the summer of 1990, in a less favourable economic climate, Mr Robert Maxwell's private companies and Maxwell Communication Corporation faced a substantial financial crisis as part of Maxwell Communication Corporation's debt was scheduled to be repaid in the autumn and the prices which could be obtained for businesses owned by Maxwell Communication Corporation were not as high as had been hoped. £100m was borrowed by the private side from the pension funds in May and June 1990, much of which was provided from the sale of pension fund investments. To provide cash for Maxwell Communication Corporation, two Canadian assets owned by Maxwell Communication Corporation were transferred to Mirror Group Newspapers in October 1990 for £129m which Mirror Group Newspapers financed by borrowing. Maxwell Communication Corporation's share price also came under pressure; significant purchases of Maxwell Communication Corporation shares were made by Mr Robert Maxwell; during 1990 he spent £130m on these. Two of the purchases from Goldman Sachs in 1990 were announced as "options".
15. The private side was able to survive the financial year ended 31 December 1990 only through a carefully planned series of transactions involving the use of pension fund assets and unauthorised overdrafts obtained by LBI from Morgan Stanley Trust Company of \$135m (£74m) and Lloyds Bank plc of £52m. \$56m (£31m) of the overdraft from Morgan Stanley Trust Company was on a pension fund account.
16. The financial crisis of 1990 was the catalyst for the decision to float Mirror Group Newspapers on the Stock Exchange in London by selling 49 per cent. of the shares. This was intended not only to raise money to reduce the overall bank borrowings but to provide Mr Robert Maxwell with shares in a second listed company for use as further collateral for bank borrowings.
17. It was initially hoped that the price obtained on the flotation, together with the sale of other assets, might significantly alleviate the financial crisis faced by Mr Robert Maxwell's empire. However it became clear that the proceeds which would be obtained from the sale of 49 per cent. of Mirror Group Newspapers would not compensate the private side for the loss of its use of Mirror Group Newspapers' cash flow; the sale by Maxwell Communication Corporation of the scientific journals business to Elsevier in April 1991 ended that source of cash flow to Maxwell Communication Corporation. It is apparent therefore that Mr Robert Maxwell knew that, when Mirror Group Newspapers was floated, he had to go on using the cash and other resources of Mirror Group Newspapers and its pension funds after the flotation to support his empire as had been done in the past.



18. Mr Robert Maxwell spent a further £105m on the purchase of Maxwell Communication Corporation shares between January and April 1991, largely through a third “option” and the use of overseas entities. As can be seen from the chart, the Maxwell Communication Corporation share price rose and this was thought to be helpful to the flotation. Most of the purchases were from Goldman Sachs. By the 30 April 1991, the disclosed holding of Mr Robert Maxwell, his family, the private side and the Maxwell Foundation in Maxwell Communication Corporation was 68 per cent.; through the secret purchases by other entities he controlled a further 8 per cent. bringing his total holding to 76 per cent.

*The flotation of Mirror Group Newspapers on 30 April 1991*

19. Mr Robert Maxwell appointed advisers of the highest reputation to act for Mirror Group Newspapers for the purposes of the flotation – Samuel Montagu & Co Limited, Smith New Court plc, Coopers & Lybrand Deloitte, Clifford Chance, and Salomon Brothers International Limited (who were appointed to market the issue in the USA and Continent). Linklaters & Paines were appointed solicitors to the issue. The advisers were paid a total of £9m in fees. The flotation in London was accompanied by extensive marketing in the USA and on the Continent.
20. On the flotation of Mirror Group Newspapers on 30 April 1991, Mirror Group Newspapers had a modernised and profitable newspaper business. The nature and extent of Mr Robert Maxwell’s interest in Mirror Group Newspapers, after a reorganisation of the ownership structure, was properly disclosed. However, we have not discovered any evidence that Mr Robert Maxwell had “changed his spots” as regards his stewardship of a publicly listed company:

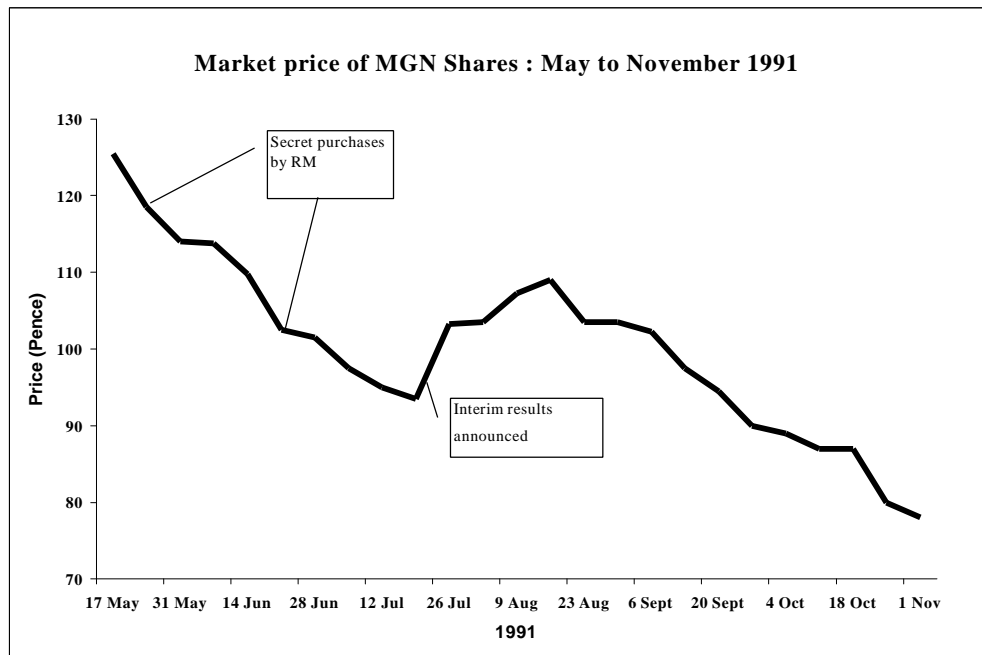
- No proper consideration was given to the way Mr Robert Maxwell had run Mirror Group Newspapers nor to the financial controls in place at the time.
  - No proper system of corporate governance was put in place although two distinguished non-executive directors were appointed to the board of Mirror Group Newspapers. Mr Robert Maxwell was permitted to be executive chairman.
  - No change was made to the financial controls. Mr Robert Maxwell had sole signatory authority over the bank accounts for an unlimited amount, the central treasury remained in control and on 29 and 30 April 1991 (the day before and the day of the publication of the prospectus), £30m was paid from Mirror Group Newspapers' funds for the benefit of Maxwell Communication Corporation and the private side.
  - The abuses of the pension funds were neither discovered nor brought to an end:
    - On 30 April 1991 cash loans from the pension funds amounted to £100m and shares to the value of £270m were being used as collateral for bank borrowings.
    - The similar use being made of the shares in the portfolio of First Tokyo Index Trust was discovered by the independent directors on its board, but Mr Robert Maxwell offered to purchase First Tokyo Index Trust on 30 April 1991 to prevent that use being made public.
    - The size of the pension funds' holding in Maxwell Communication Corporation shares (which should have been disclosed in a circular issued by Maxwell Communication Corporation in October 1990) was reduced by a sale for £55m to two overseas entities controlled by Mr Robert Maxwell on 25 April 1991; that amount was never paid to the pension funds. The sale was effected through Goldman Sachs as an agency sale in New York; it did not come to the attention of the market in London.
  - The limited financial review of the private side undertaken by Coopers & Lybrand Deloitte at the time of the flotation did not take into account the borrowing of cash from the pension funds or the use of their shares as collateral for bank borrowings. The review did not reveal the serious financial position of the private side. Although Mirror Group Newspapers was meant to be a stand alone company, its fortunes were inextricably linked to those of the private side whose bank borrowings remained at about £1 billion.
21. For these principal reasons, Mirror Group Newspapers was not suitable for listing and the prospectus was materially inaccurate and misleading.

*The use made of Mirror Group Newspapers' assets after flotation*

22. Mr Robert Maxwell remained, after the flotation, in a position to continue, as he had intended, to use Mirror Group Newspapers' cash flow and to use its pension funds for the benefit of his other businesses. Nothing in reality changed. There was no effective "ring fence".
23. The flotation raised £235m after payment of fees and commissions. £210m was used to reduce the increased bank borrowing Mirror Group Newspapers had undertaken when it had acquired the Canadian assets from Maxwell Communication Corporation and £18m was paid to the private side. However, the private side and Maxwell Communication Corporation remained under severe financial pressure, despite the continued disposal of other assets.
24. Mirror Group Newspapers and its pension funds continued to be used therefore to support the other businesses. There were no proper corporate or financial controls in place to prevent this. Money was regularly borrowed and foreign exchange transactions carried out to provide short term liquidity. In September and October 1991, Mirror Group Newspapers borrowed a total of £80m from banks so that it could be lent to the private side. Mirror Group Newspapers also took a new lease of the Mirror Building which was held by a private side company to enable that company to refinance a loan.

*The purchase of Maxwell Communication Corporation and Mirror Group Newspapers shares*

25. Mr Robert Maxwell had agreed not to buy or sell Mirror Group Newspapers shares at the time of flotation without the consent of Samuel Montagu. When the share price declined he sought, but was refused, permission to buy. He therefore used the same overseas entities as he had used for the purchase of Maxwell Communication Corporation shares to buy Mirror Group Newspapers shares to the value of £26m from Goldman Sachs.



26. When in July and August 1991 the price of Maxwell Communication Corporation shares was under pressure, Mr Robert Maxwell spent a further £75m purchasing Maxwell Communication Corporation shares through the overseas entities from Goldman Sachs in pursuit of the same strategy. His total expenditure on the purchase of Maxwell Communication Corporation and Mirror Group Newspapers shares in 1990 and 1991 was £344m.
27. By August 1991, the 51 per cent. shareholding in Mirror Group Newspapers owned by the private side and shares acquired secretly had been pledged to banks to secure loans made to the private side.

#### *The collapse and the aftermath*

28. By the end of October 1991, the private side, having made significant disposals, had no substantial assets other than shares in Mirror Group Newspapers and Maxwell Communication Corporation and property. At that time the pressures became severe. For example, Goldman Sachs required repayment of two loans. When repayment was not made, they began selling Maxwell Communication Corporation shares provided as collateral; the share price fell substantially. The directors of Mirror Group Newspapers were examining the use being made of about £40m of Mirror Group Newspapers' assets. Lehmans demanded repayment of their financing. It is apparent that Mr Robert Maxwell could not seek the support of his bankers to save his empire without disclosing the true state of affairs and the use he had made of the pension funds. The imminent collapse of the empire was inevitable.

29. That collapse occurred shortly after Mr Robert Maxwell's death on 5 November 1991. Mirror Group Newspapers also had to seek the support of its bankers because of the use that had been made of the assets of Mirror Group Newspapers and its pension funds.
30. As a result of the collapse, many pensioners suffered anxiety and loss and the employees of Mr Robert Maxwell's companies suffered uncertainty and redundancy. Mr Kevin Maxwell and others associated with Mr Robert Maxwell faced a long criminal trial in which they were acquitted. Disciplinary proceedings were brought by self regulatory organisations.

### **The responsibility**

In view of the acquittals in the criminal proceedings, we decided that we would proceed in a manner that did not, and would not be seen to, call the acquittals into question. Nonetheless conduct can be blameworthy without being criminal. Furthermore, because our functions as Inspectors are essentially investigative so as to ascertain and record facts and we are not a court of law, we do not make legal determinations on any issue. Where therefore we attribute responsibility, we do so in that context and in terms of blame.

The primary responsibility rests with Mr Robert Maxwell. In addition Mr Kevin Maxwell bears a heavy responsibility in respect of many of the events. Some of those in Mr Robert Maxwell's management team also bear a significant responsibility in respect of these events. We have set this out in chapter 22.

The practices in the pension funds which we have identified were known to Coopers & Lybrand Deloitte. They and other professional advisers and houses were closely involved with the directors of Mirror Group Newspapers in preparing Mirror Group Newspapers for flotation; all these bear to the extent we have ascribed in chapter 22 responsibilities for the failure to make Mirror Group Newspapers suitable for listing and the inaccuracies in the prospectus.

Goldman Sachs were the Investment bank with whom Mr Robert Maxwell principally dealt when purchasing Maxwell Communication Corporation and Mirror Group Newspapers shares and bear a substantial responsibility in respect of the manipulation that occurred in the market.

There was also a failure in three distinct areas of regulation:

- protection of the pensioners
- the flotation of new companies on the Stock Exchange
- trading in shares in transnational markets.

### **Main recommendations and lessons from the events**

Although we submitted some recommendations to the Secretary of State for Trade and Industry in 1995, we have reviewed the position in the light of the considerable developments that have occurred since then.

Many of the deficiencies in legislation and regulation which permitted the events at Mirror Group Newspapers to occur have been rectified, but there remain some important matters which still require to be addressed or considered including:

1. Building on the work carried out by the Occupational Pensions Regulatory Authority in providing more assistance to and encouraging training for trustees who perform the vital role of the stewardship and investment of Occupational Pension Schemes.
2. Providing a statement of Guidance on the role and duties of advisers on a flotation.
3. Building on the radical changes made by the Financial Services Authority, in particular by imposition of severe sanctions against companies who do not report fraud and by encouraging secondment of staff from leading firms to regulatory bodies as a normal part of a City career.
4. Addressing the regulation of markets in securities to provide more effective control over firms that operate on a transnational basis to ensure the fair, open and transparent conduct of such markets and more effective investor protection.
5. Providing more detailed guidance on the audit of business “empires”.
6. Addressing the issues relating to auditor independence with a view to maintaining public confidence in the audit and discouraging a firm which provides audit services to a company from acting as reporting accountants on that company.
7. Making non-executive directors more accountable, separating the offices of chairman and chief executive, and providing extra statutory Guidance on the duties of all directors to amplify the general principles that it is proposed be incorporated into the Companies Act.
8. Avoiding an “expectations gap” by making the public aware that regulation cannot entirely eliminate fraud, malpractice or manipulation of the markets.

The most important lesson from all the events is that high ethical and professional standards must always be put before commercial advantage. The reputation of the financial markets depends on it.