

## **PUBLICATIONS**

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HEADLINE: THE BOSS WHO DISAPPEARED FROM HIS YACHT

BODY:

IN CORPORATE governance there are not always 'right' and 'wrong' answers, writes Robert Wearing in Cases in Corporate Governance from Sage (www.indiasage.com). The book compiles stories of nine companies that tripped on the governance wire, including Enron and Barings, Parmalat and Eurotunnel, WorldCom and BCCI. Don't expect easy solutions to the problems identified in the case studies, warns the author about the book.

Some common themes are outlined in the cases presented. For example, "charismatic and powerful business leaders, companies experiencing rapid and unsustainable rates of growth and unnecessarily complicated organisation".

The purpose of the book, as Wearing explains is, "to provide some insight into why corporate governance can break down and to look at what might be done to remedy such situations".

The author cites T. Clarke's view that there will never be a 'perfect' system of corporate governance. "It is important that the most obvious abuses will be outlawed, and loopholes closed, but the ingenuity of self-interest will lead to the devising of new schemes to evade accountability." Wearing highlights the need for a trade-off between too much regulation that can inhibit wealth creation and too little regulation that can lead to abuses. "Corporate governance regulation can claim to be successful if it encourages a business environment where warning signals are picked up early and appropriate action is taken quickly by the regulators."

The first case is on Robert Maxwell and it opens with his disappearance from his yacht, Lady Ghislaine! Maxwell used four methods to misappropriate funds from the companies under his control, you'll learn. "He pledged assets as security for additional loans", but instead of delivering the assets to the lender, he would simply sell the assets for cash. "For example, Berlitz language school was supposedly sold to a Japanese publishing company, but the shares had previously been pledged as security for loans from Swiss Volksbank and Lehman Brothers." For the other three methods and the eight remaining cases, you know where to look. Well written!

Brazil is like Captain Ahab

IN THE US, the Financial Accounting Standards Board (FASB) has suggested that the contingent conversion feature (CoCo) should not release companies from accounting for the potential EPS dilution caused by the shares underlying a convertible using an 'if-converted' method. That's how the first chapter in The Euromoney's International Equity Capital Markets Handbook 2005, distributed by Bharat Book Bureau (www.bharatbook.com), begins.

Under the International Financial Reporting Standards (IFRS) rules, issuers will have to bifurcate the bond and the option component of equity-linked instruments, writes Martin Fisch in 'The global convertible market: Recent trends and developments'.

Another chapter provides 'an overview of algorithmic trading'. Recent industry research has shown that there is still a large quantity of transaction costs that can be avoided via efficient algorithmic execution strategies, write Robert Kissell and Andrew Freyre-Sanders.

"But this requires investors to become more proactive in the process by specifying macro level execution strategies and micro-pricing schemes consistent with overall investment objectives," they add.

If all this seems too tough to comprehend, move over to the chapter on inflation, with a Moby Dick analogy included.

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