

# New York CSFI

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## **Capitalism without owners will fail: A policymaker's guide to reform**

**A new report from the (London-based) CSFI and the  
New York CSFI by Robert Monks and Allen Sykes,  
with forewords by Henry Kaufman  
and Sir Brian Pearse**

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(All CSFI publications are available through  
Central Books email: [mo@centralbooks.com](mailto:mo@centralbooks.com))

This is the first paper that the CSFI – a non-profit think-tank set up in 1993 – has published simultaneously on both sides of the Atlantic. It marks the launch of the New York CSFI, a not-for-profit corporation that we hope will bring the best of European thinking on financial services to the US, and *vice versa*.

The authors are both eminent shareholder activists whose concerns predate the current transatlantic brouhaha over corporate governance. Bob Monks (US) wrote much of the ERISA legislation, and founded the LENS fund; Allen Sykes (UK) is a former MD of Consolidated Gold Fields. Their argument is that the plight of corporate governance on both sides of the Atlantic has become so acute that it is now a *systemic* problem that needs a radical solution. Not everyone will agree with what they propose, but they offer a comprehensive set of proposals to empower shareholders and to correct the “democratic deficit” at the heart of contemporary capitalism. Their main recommendations:

- that any institutions which hold securities on behalf of others must be required to act solely in the long-term interest of the beneficiaries;
- that institutional shareholders must be made responsible for exercising their votes in an informed and sensible manner;
- that shareholders must nominate at least three non-executive directors for each quoted company;

- that auditors and remuneration consultants must be appointed by and responsible to the non-execs – and must have no other business with the company; and
- that non-execs (who must be properly remunerated) must have independent advice on a firm's significant M&A activity so that they can genuinely represent shareholder interests.

This would be a revolution in 21<sup>st</sup> century capitalism – but they believe it needs a revolution to survive.

So does Dr Kaufman. In his important foreword (which is focused on the financial sector), the former Salomon Bros. partner, whose merest whisper used to resonate down Wall St, castigates the problems of directors, particularly when it comes to quantitative risk analysis. More broadly, he shares the view that the problems that Monks & Sykes identify “must be rectified if capitalism is to survive”. Strong words.

Bob Monks (who is based in London for the next month or so) is available for comment on (+44) 20 7614 8510.

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If you want any information on the CSFI or the NY CSFI, please call Andrew Hilton. His direct line is (+44) 20 7491 8666.

The CSFI is a non-profit think tank devoted to looking at new developments in the financial services sector. It has no ideological axe to grind. It was founded in 1993 and has over 65 sponsors (including the BofE, the UK Treasury, the DTI and the FSA). The chairman of its Governing Council is Sir Brian Pearse. In 2002, the New York CSFI was established as a 501(c)3 not-for-profit corporation.