

The Ambachtsheer Letter

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IMPROVING INSTITUTIONAL INVESTING: WILL THE MYNERS REVIEW HELP?

*The Rt Hon Gordon Brown, MP
Chancellor of the Exchequer
HM Treasury
London UK*

Dear Chancellor,

Institutional investors now manage the savings of millions of people...and 'own' most of industry...I do not see this trend as sinister or unhealthy...Nevertheless, institutional decision-taking structures face forbidding challenges...an ever-higher premium is likely to be placed on efficiency and flexibility...The REVIEW's conclusion is that our present structures fall short on both counts...The REVIEW therefore sets out a blueprint for change...

The problems the REVIEW describes are complex, and are essentially about incentives and behaviour...My strong preference is for the industry to drive change forward itself...Thus it is important to seek an effective approach that does not rely on direct government intervention...The approach I have in mind is based on the precedent of the Combined Code of the Committee on Corporate Governance...

I believe it should be possible to apply a parallel approach to pension funds and other institutional investors...The REVIEW has therefore set out some basic principles of an effective approach to decision-making...The proposition is not that any fund should be required to comply with them; simply, that where a fund chooses not to comply, it should have to explain publicly why not...

To some, the principles may seem surprisingly basic. In a way, they are. Yet, they certainly do not describe the status quo. Were pension funds and other institutions to adhere to them, substantial change in decision-making would be implied. It is precisely that change that is the potential prize...

*Yours sincerely,
Paul Myners*