Success and failure in the UK financial sector: the Barings crisis

Paper presented at the ECPR Joint Sessions, Workshop # 16:
Success and failure in governance

Mannheim, March 1999

Adam Tickell
Department of Geography
University of Southampton
Southampton SO17 1BJ
United Kingdom
a.tickell@soton.ac.uk
Success and failure in the UK financial sector: the Barings crisis

Introduction

The City of London has been at the heart of global finance for two centuries. Although this centrality was initially a product of British economic and geopolitical power, as the British economy experienced relative economic decline during the twentieth century the City maintained its global position. This resulted from a variety of factors, including the remaining importance of English as the dominant language of business, the City’s geographic position in Europe between New York and Tokyo, the very size and liquidity of the financial markets themselves and the development of embedded financial knowledges within London. Critical too, however, were conscious policy choices by successive British governments and the Bank of England which aimed to maintain the City’s pre-eminence with a regulatory environment which was both liberal and welcoming to foreign institutions. From the mid-1950s in particular, the Bank of England vigorously promoted the City as a site for banking with a liberal approach to the regulation of financial institutions’ international activities. During the 1960s, for example, the Bank of England encouraged the development of the burgeoning eurodollar markets with a lax regulatory environment, while more recently it actively supported the development of the derivatives exchange at LIFFE\(^1\) (Kynaston, 1997). Throughout the majority of the twentieth century, domestic institutions were supervised with a mixture of informal action by the Bank of England and self-regulation governed the industry (Moran, 1991; Hancher and Moran, 1989). While the Governor of the Bank of England had considerable power to influence decision making, underwritten by a combination of shared social backgrounds and economic power, City interests were equally able to influence a central bank which effectively operated as the City’s Praetorian Guard, maintained restrictive practices and supported exchange rate policies disadvantageous to British industry (Longstreth, 1979; Hutton, 1995). Entrance to the City’s large, liquid and lucrative markets was often more dependent upon an ‘establishment power’ maintained by social networks and commonly-understood discourses than upon financial power, a facet further strengthened by the geographical proximity of financial institutions (Amin and Thrift, 1992; Pryke, 1991).

---

\(^1\) The London International Financial Futures Exchange
The transformation of both the international financial system and the City in the period since the 1960s, however, brought pressures for regulatory change. Internationally, the financial system became progressively integrated, more coherent and characterised by rapid product innovation. The traditional business of banking, the ‘intermediation’ between borrowers and savers, has given way to a raft of complex new financial products which aim to provide liquidity and to circumvent regulation: between 1972 and 1992, 31 major new financial products were created (Leyshon, 1992; Leyshon and Thrift, 1997; Lee and Schmidt-Marwede, 1993; Tickell, 1999). As London became home to more foreign financial institutions than any other city and as financial market became increasingly competitive, the regulatory structure was formalised and codified in successive legislative moves (Moran, 1991; Amin and Thrift, 1992).

By the mid-1990s, then, the UK’s financial system was more internationally orientated than ever and supervision was both liberal but increasingly codified. However, the transformations within the financial markets were more fundamental than policy makers had allowed for. The challenge for the regulatory authorities was simultaneously to protect the integrity of the financial markets and to supervise globalising financial institutions in an era of increasing liquidity, taking due account of the effects of new financial products. Perhaps the sternest challenge to the British regulatory approach erupted in 1995 when, as a result of derivatives trading in Singapore, Barings Bank collapsed.

**Dramatis personae**

There are two main institutional actors in the Barings debacle: Barings bank itself and the Bank of England.

When, on February 26 1995, the Bank of England put Barings Bank into administration, a bank which had epitomised the strengths of British conservatism ended its independent existence. Barings was also more than just another merchant bank, it was one of the few financial institutions which epitomised the longevity of the City itself. Barings was founded in 1762 as a commodities trading house and rapidly became one of the most

---

2 These include the 1979 and 1987 Bank Acts and the 1986 Financial Services Act
powerful institutions in the City. During the nineteenth century it became bankers to rulers across Europe and the Duc de Richelieu is said to have claimed that, “There are six great powers in Europe: England, France, Prussia, Austria, Russia and Baring Brothers”. This pre-eminence arose during a period when London, as points out, was at the hub of the international financial system (Michie, 1992; Kynaston, 1994; Chapman, 1992). The City was not only the geographical location where the vast majority of foreign currency, international loans and bullion trading was transacted, it was also the place where the ‘rules’ of the international financial system were set and, reflecting Britain’s military-economic power, policed. The City was sustained by an unrivalled knowledge structure (Thrift, 1994) and a close-knit financial community, usually drawn from a narrow, upper-class, social stratum, which both ‘strove towards endless expansion … so as to gain competitive advantage over rivals, and …tried to enlist non-economic power to regulate the system and to give monopolistic advantages to members’ (Amin and Thrift, 1992, 581).

However, in 1890 Barings nearly collapsed as a result of an exposure of three times the bank’s capital in Argentina, following a combination of bad luck and bad management. Emulating the successful rescue of a French finance house the previous year by the Bank of France, the governor of the Bank of England, Lord Lidderdale, agreed to subscribe £3,250,000 into a collective guarantee fund and successfully encouraged City merchant banks to contribute up to £500,000 each (Pressnell, 1968). From this point until the 1980s Barings remained a conservative force in British finance. It was the merchant bankers to Royalty, the Bank of England and a host of governments, it did not join in the speculative frenzy that sent merchant banks out in expensive pursuit of stockbroking

---

3 The Barings family has accumulated five separate hereditary peerages and includes among its number current and former imperial governors, ambassadors, viceroyys, directors of the Bank of England and major UK companies, and courtiers. In the late 1960s the Barings family gave their shareholding away to a charitable trust, the Barings Foundation, which gave nearly £14 million away in 1994 to a wide range of social causes and the arts.


5 The Bank’s response was both economically and symbolically important. Economically, an institution which was still of central importance in the City was rescued and returned to profitability a year later. This underwrote a guarantee that British financial institutions were as solid as gold at a time when London was at the economic and political hub of the international financial system (Michie, 1992). Symbolically, the Bank had signalled that the City was able to operate effectively as an informal club, whose members had close personal connections and a strong sense of collective interest (Pressnell, 1968; Ingham, 1994), thus further underscoring the City’s international centrality.
firms in the run up to the Big Bang and had a stated policy of conservative investment management. Although much of Barings’ recent success had come in the so-called ‘emerging markets’ of the Third World, they had a reputation for playing straight and not risking their own money.

The Bank of England: regulating British finance

The Bank of England was founded in 1694 and for the majority of its life it remained both a privately owned commercial institution and the banker to the state, only slowly and fitfully taking on the usual characteristics of a central bank, such as lender of last resort and financial regulator. It was not until the election of the majority Labour government in 1946 that the Bank of England became a full state owned central bank. Even then, however the bank retained its essential operational autonomy: governors were appointed for fixed terms and could not be dismissed by the government and the Bank retained the power to regulate commercial banks. Accordingly, the regulation of the British banking and financial systems has been ‘meso-corporatist’, as financial interest groups fused together the ‘processes of interest representation, decision-making and policy implementation’ (Cawson, 1985; Grant with Sargent, 1987; Moran, 1991). In finance, this was characterised by a mixture of informal regulation by the Bank of England and self-regulation on the part of the industry and

... many of the important regulatory arrangements ... in the financial community ... were evolved in a political culture marked by a deferential attitude on the part of mass publics towards authority and a preference for informal and private regulation on the part of interest groups. These factors ensured that regulation was shielded from the attitude of democratic politics. This is what the characteristic British preference for ‘self-regulation’ amounted to (Hancher and Moran, 1989b: 283; compare Wilson, 1984: 224-5; Strange, 1986: 129-131).

The reinsertion of the City of London into the international financial system as a key locus of activity from the late 1950s developed, in large part, as a consequence of the meso-corporatist regulation of finance. The growth of the Eurodollar market in London occurred as American banks sought to avoid stringent controls at home and because the meso-corporatism of the United Kingdom meant that - for overseas banks at least - there was little formal regulation. Since 1951, when Harold Wilson made the British financial markets more open to overseas banks than in any other country in the world, Britain has always adopted a liberal approach to overseas banks (Coakley and Harris, 1983; Strange, 1986).
The informal regulation of the banking sector began to come under pressure during the 1960s. The Bank of England was being slowly transformed from the City’s representative in the state to the state’s representative in the City, while the internationalisation of finance upon which London relied further undermined informal supervision in five ways. First, the inefficiency of British banks was exposed in the markets where they were competing with foreign banks (Gowlan, 1990). Second, overseas bankers felt excluded from the regulatory decision-making process and believed that they were disadvantaged. Third, the new financial instruments which developed, together with new technologies, enabled banks to circumvent even the limited regulations that existed. Fourth, the sectional interests of some of the component parts of the financial sector were increasingly being seen as undermining the wider interests of financial capital. Fifth, changes in the regulation of American securities markets during the 1970s began to put pressure on Britain to respond in order to retain London’s position in the international financial system. This was perceived as crucial because attempts to restructure the British economy after the crisis of Fordism identified in the City of London the basis of a new growth model (Jessop, 1990). Increasingly, it was argued that the role of the state was to set the conditions whereby London could retain its global leadership in financial services.

Accordingly, legislative change from the end of the 1970s began to codify supervision. The 1979 Banking Act aimed to prevent a recurrence of the conditions which led to the Secondary Banking Crisis of the mid-1970s by formalising extant understandings on minimum capital, directors and depositor protection. Although these measures considerably tightened up regulation, breaches of the legislation by the Johnson Matthey Bank were not detected by the Bank of England and the 1987 Banking Act placed further formal powers at the disposal of the regulator (Norton, 1991).

At the same time, regulatory change elsewhere in the financial sector stimulated intensified competition by opening markets to building societies, life insurance companies and foreign banks. Most important, however, was the abolition of restrictions on involvement in securities markets in the ‘Big Bang’ of 1986. Moran

---

6. There were limits to this process under the Thatcher government which was happy to let British financial capitals fall into foreign ownership as long as the acquiring institution was privately owned. Compare, for example, the equanimity with which Deutsche Bank’s takeover of Morgan Grenfell was viewed with Crédit Lyonnais’ experiences with Woodchester.
argues that the unifying feature of regulatory change during the 1980s was the codification of meso-corporatism. The failures of informal meso-corporatism which led to regulatory reform led to the creation of a formalised and institutionalised meso-corporatist system. As Cerney (1991: 177) argued some time ago, (the ideology of) deregulation does not mean

that spontaneous market forces are freed and the autonomous dynamic of capital accumulation given new momentum, but rather that the state is forced to impose new market-oriented rules. ... Thus, the state must, in effect, ‘force them to be free’.

The City of London has, then, become a very different environment to its nineteenth century predecessor. Yet the City remains as one of the world’s three most important financial centres (alongside New York and Tokyo) because, as Amin and Thrift (1992; Leyshon and Thrift, 1994; Thrift, 1994) point out, it has become one of the chief points for the scripting of the global financial services filiere, it is a centre of the global corporate networks in the industry, and it is a proving ground for product innovation. In this new environment, long-established City institutions have seen their roles change.

The Bank of England remains powerful, but the fear of incurring the displeasure of the Governor is no longer sufficient to ensure responsible, prudent behaviour and the merchant banks which epitomised power in the City have seen their influence wane.

While the ‘Old City’ could rely on meso-corporatist regulation to ensure the stability and survival of existing members, the ‘New City’ is more concerned with market efficiency (Leyshon and Tickell, 1994).

At the same time, the clear analytical divisions between banking and other elements of the financial sector also blurred, as securitisation, disintermediation and the emergence of bancassurance undermined the integrity of different component parts of the financial sector, although the response in the UK was to create a plethora of organisations with different regulatory responsibilities.

**The fall of the House of Barings**

In 1984 Barings purchased a securities business and incorporated it as Barings Securities Ltd in the Cayman Islands. In turn, Barings Securities Ltd operated a large number of

---

7 This account draws upon press reports at the time of the collapse, interviews with some of the participants in the events, enquiries by the Board of Banking Supervision, the Singapore Government and the Treasury Select Committee, as well as populist accounts by Leeson (1996), Rawnsley (1995), Gapper and Denton (1996) and Fay (1996).
subsidiaries, including Baring Futures Singapore (henceforth BFS), which developed a central role in the bank’s profit-generation strategy. BFS was principally a derivatives trading house and operated both for clients and, in proprietary trading, for the bank itself. Unlike many institutions, Barings maintained a relatively conservative approach to dealing in derivative securities Barings looked to its strength in domestic corporate advisory work and, particularly, to East Asian markets. Although the bank did use complex financial products, the chair explained in 1993, they “need to be well controlled and understood, but we believe that we do that here”.\(^8\) Indicative of such conservatism was the resignation of the architect of the BFS strategy because - having lost £20 million on falling Tokyo share prices - Barings’ deputy chair refused to allow more of the bank’s capital to be exposed.

Shortly afterwards, Nicholas Leeson was appointed to head BFS. Leeson aimed to exploit the small margin between prices on the Tokyo and Singapore exchanges by selling options on the Nikkei index. These specialist options - known as straddles - gave purchasers the right either to buy stock from, or sell stock to, Barings if the Nikkei index reached a given rate and effectively meant that Barings believed that the Tokyo market would remain stable. Leeson reported staggering success rates. In the year to September 1992, BFS made S$2.72m. By the end of 1993 - Leeson’s first year - the company’s reported profits had risen to S$20.3m and contributed over a quarter of all Barings’ trading profits in the second half of 1994. However, even at this date Leeson was using a trading strategy which circumvented the bank’s audit procedures: the premium on the options went into an unauthorised and unmonitored account (Error Account 88888).

The Kobe earthquake on 17 January 1995 transformed the situation. Within a month the Nikkei index fell from over 19,200 to under 17,500. Faced with escalating losses on the straddles, Leeson both began to execute increasingly large trades and fraudulently misrepresented his own trading as being on behalf of a client (Board of Banking Supervision, 1995; Gapper and Denton, 1996). By Thursday 23 February, the Barings group treasurer Barings realised that the bank’s exposure Leeson’s trades was potentially unmanageable and called a board meeting the next day to consider the problem. The board decided to contact the Bank of England and on Sunday 26 February Barings was

put into administration, ending the bank’s independent history (Table 1). One week later, the Dutch allfinanz group, ING, bought the bank for one pound sterling and a commitment to meet all of its liabilities.

TABLE 1 AROUND HERE

Initially, Barings Bank responded to the crisis by attempting to portray responsibility for the affair as being that of Leeson’s alone. The bank was, it maintained, an innocent victim of a rogue trader. Peter Baring, chair of the bank, suggested that fraud was a ‘credible’ explanation for the collapse:

   It’s a cliché in our industry to say that we are all vulnerable to fraud … Let us suppose that the putative associate approached our trader and said: ‘you should build up a long position at Barings so great that when Barings discover it they cannot possibly sustain it and remain solvent. I, meanwhile, will build up a short position, and when Barings duly fails I will have a wonderful opportunity to cover my short at a profit.’

Such allegations distracted attention from control failures within the bank and by external regulators and - more widely - allowed the Barings collapse to be written off as having no systemic implications, as being unique. Although Barings’ claims of criminal fraud proved unfounded, the bank was successful in presenting a picture of a cunning deceit which prevented managers from knowing what Leeson was doing. For example, a Barings official maintained that the company could have known that there was a problem only by looking at the paperwork for all contracts in the Singapore markets. Yet this, too, turned out to be a misrepresentation. Barings had known that there were supervisory issues regarding Leeson’s unit for some time. Shortly after Leeson was appointed as general manager of BFS, James Bax, the head of Baring Securities’ in the city had sent a letter to the bank’s headquarters which expressed his:

   concern … that once again we are in danger of setting up a structure which will subsequently prove disastrous and with which we will succeed in losing a lot of money or client goodwill and probably both … In my view it is critical we should keep clear reporting lines and if this office is involved in Simex [the Singapore Monetary Exchange] at all, Nick [Leeson] should report to Simon [Jones, a Barings director] and then be ultimately responsible for the operations side.  

---


10 S Vines, ‘Leeson created bogus clients to hoodwink bank’ The Independent 1 March 1995, page 2

Despite this, there were no limits on the total number of contracts held for own-account trading for BFS until after summer 1994 and no action had followed an internal audit in August of that year which had concluded that Leeson had “an excessive concentration of powers”.

While Leeson was undoubtedly deceptive, as he admitted in his own account of the affair (Leeson, 1996), the picture painted by Barings management misrepresented his structural position within the bank: Leeson was poorly supervised and there was even some confusion as to who his line manager was; BFS did not have a clear separation between dealing and settling, which meant that Error Account 88888 could operate undetected; warning signals were ignored; there was no risk management function at BFS; and the management of Barings Bank did not understand the culture of BFS (BBS, 1995, chapter 7). Furthermore, the Securities and Futures Authority (SFA), which regulated derivatives for the Bank of England in Britain, had informed Barings that Leeson would not be able to trade in the City because - in his application to do so - he had not disclosed that he had a county court judgement against him for £639. In moving Leeson to Singapore the bank effectively evaded the SFA’s jurisdiction.

**The Bank of England: Responding to a crisis?**

The Bank of England first learnt about the scale of the problems facing Barings at a short meeting between Peter Baring and the Deputy Governor of the Bank of England at noon on Friday 25 February. Once alert to the possibility that Barings’ capital base could be wiped out, the Bank moved rapidly. Eddie George, the Governor, returned from his skiing holiday in Switzerland and summoned senior members of the financial community to his office. Over the week-end, they mounted a frenetic attempt to launch a ‘lifeboat’ for the bank. Although the problems facing Barings were substantial, it appeared as if the Bank of England would succeed, just as it succeeded in persuading the banks to rescue Johnson Matthey Bank in 1986 (Clarke, 1986; Hall, 1987). The ‘old rules’ of the City,

__________________________

12 Quoted in N Denton, ‘The dangers were seen, but little was done’ *Financial Times* 3 March 1995, page 2

13 Leeson was not managed by the head of Barings in Singapore, but by managers in London. This meant that as trouble began to mount, there was a geographical and social distance that allowed the situation to become critical.

14 On that occasion, the Bank of England and City financial institutions bought Johnson Matthey Bank and met its debts. After the rescue, it emerged that fraud may have been involved in Johnson Matthey
when it acted in a collective interest and operated as a ‘club’ whose members would rally round in support of a colleague in trouble, were still expected to operate, just as they had operated in 1890.

At a meeting at the Bank of England on Sunday 27 February, Eddie George explained to assembled bankers that this was such a time. Although the meeting managed to raise pledges totalling £600 million, the open-ended nature of the derivatives contracts meant this was insufficient. At 8.36 in the evening, the Governor was forced to admit defeat. From this moment, it was clear that the rules in the City of London had fundamentally changed. The gentlemen’s club had failed to pull off a rescue and the Bank of England was unprepared to underwrite it. The ties that bound the City so closely together in the past had been unravelled by changes in the Bank of England, by the internationalisation of the City and by the complexity and riskiness of new financial instruments. The globalisation of financial markets so lauded by the Bank of England had undermined the City’s regulatory space, underscoring the limits of ‘gentlemanly regulation’ and in a very profound sense, the collapse of Barings symbolised the changing in the modus operandi of the City underway since the late 1960s (see Gowland, 1990; Cerny, 1991; Amin and Thrift, 1992; Hutton, 1995). The symbolism of 1995 was particularly acute in the light of the events of 1890: crises at Barings frame the period of effective Bank of England-led club regulation in the City.

On the day following the decision to put Barings into administration, the British regulatory authorities moved quickly to preserve the stability of financial markets and the reputation of the British regulatory authorities. These areas were defended by a representing the Barings’ collapse as having no systemic implications for the effectiveness of a liberal regulatory approach. In the House of Commons, the Chancellor of the Exchequer claimed that,

There may be some falsification of the relevant records within the subsidiaries concerned. It will therefore take some time to unearth the full and detailed catalogue of events and methods employed to evade all the required management and regulatory controls. … it appears to be a specific incident unique to Barings centred on one rogue trader in Singapore. Inevitably there has been some turbulence in the markets since the announcement, but global markets should be quite strong enough

Bank’s problems and that the ‘lifeboating’ institutions paid more money than the Bank of England but retained little control. The Johnson Matthey Bank affair led to fundamental questions about the role of Bank of England and led to the creation of the Board of Banking Supervision.
to absorb it without lasting damage, since the events have not changed any of the fundamentals that underline foreign exchange, equity and bond markets.\textsuperscript{15}

The Governor of the Bank of England was more explicit in a series of television and radio interviews throughout the day:

\begin{quote}
It was simply a question of a dealer transacting outside of authority and being able to conceal that from his bank and from all his regulators for a period of 3 or 4 weeks … in the best regulated market in the world you can have a rotten apple who will take on large positions outside his authority and can avoid detection for a little while and that’s what’s happened in this case and that’s what we need to get to the bottom of.\textsuperscript{16}
\end{quote}

Such pronouncements attempted to foreclose any discussion which maintained that there were problems of supervision (or, indeed, of the financial sector in general) and, in so doing, were highly successful in calming the markets.

Yet the City does not still operate under rules drafted in a very different era. Not only has the City been transformed socially, it has also simultaneously been at the transmitting- and receiving- ends of a transformation of the \textit{geographical} rules. As financial markets have become increasingly globally integrated, national regulatory structures have had to change, further undermining their integrity. While, for example, the Bank of England had primary responsibility for supervising Barings, because Leeson was trading in Japanese stock futures in Singapore, regulatory responsibility was shared with authorities in both those countries. This is not, however, to argue that we should in some way ‘naturalise’ the international financial system (for example, Wriston, 1988) or to agree with those commentators who have argued that the global financial system is in an ‘end of geography’ state (O’Brien, 1992, on which see Martin, 1994, Clark, 1997). As Helleiner (1996) has stressed, nation-states have played a crucial part in the globalisation of financial markets by liberalising the constraints on private capital and by containing international crises. As such, national governments have contributed to those very developments which have undermined their ability to control events (Peck and Tickell, 1994; Tickell and Peck, 1995). Furthermore, even in the context of a globalised financial system, place remains important. The regulatory authorities in London had to respond to a crisis which emerged in Singapore as a result of off-shore trading on Japanese markets. In this sense, the crisis at Barings was more than a local crisis in Singapore and London:

\textsuperscript{15} Hansard, 1995, \textit{Parliamentary debates} 255, 60, c693-4. Emphasis added.

\textsuperscript{16} Channel 4 News, 27 February 1995
it had ramifications about the very nature of financial regulation in an internationalising financial system.

**Supervision of international firms**

Far from being the result of the activities of a rogue trader or of simple control failures in one bank, the collapse of Barings exposed very real flaws in the liberal approach to supervision favoured by the Bank of England. As consolidated regulator for the Barings Group the Bank of England was responsible for assessing the risks to Barings from all the activities in all of the companies in the group. Consolidated supervision is enshrined in British banking law and international agreements under the auspices of the 1993 Basle Concordat, which aims to foster common standards and cooperation among national regulators. The Basle Concordat is legally binding on member states of the G10 industrial nations and was subsequently extended via a binding Document of Understanding with the ‘Offshore Group of Banking Supervisors’, which includes Singapore. Under these arrangements, the supervision of BFS was the responsibility both of Singapore and London: “Host authorities are responsible for foreign establishments operating in their territories, while parent authorities are responsible for them as part of larger banking groups. Such responsibilities are both complementary and overlapping” (quoted in BBS, 1995, page 195). Nevertheless, as consolidated regulator, the Bank of England had a particular responsibility to ensure that Barings’ subsidiaries were not endangering the group in any way.

In the Barings case, the Bank of England inadequately discharged its supervisory responsibility. While the thrust of legislative change during the 1980s and 1990s undermined the informal version of meso-corporatism, it is clear that vestigial remains existed for the Bank of England’s favoured institutions. In the Barings case, the Bank continued to trust verbal assurances from senior managers at the bank and did not apply the stringent formal rules on exposure of capital to Barings that other banks had to use. The Bank applied informal controls on Barings and explained that it had ‘confidence’ in the company’s senior management and, accordingly, placed great reliance on statements made by management. 17 This was catastrophically played out in the Bank’s informal

---

17 Indeed, even after the collapse of Barings, staff at the Bank of England interviewed for the British government enquiry described their approach as ‘informal but effective’ and justified it on the grounds that Barings had a strong continuity of senior management staff (see BBS, 1995, 197).
decision to allow Barings to exceed more than the normal limit of 25% of its capital to particular overseas exchanges, without pre-notifying the Bank (BBS, 1995, pages 244-5). These informal arrangements allowed Leeson to build up losses in Singapore without alarm bells ringing.

Nevertheless, it is important to emphasise that Barings collapsed as a result of losses on derivatives trading. Derivatives are financial instruments which vary in complexity from simple futures and options to products which are based on complicated combinations of interest rates, currency movements and stock prices (Swyngedouw, 1995; Parsons, 1988; Tickell, 1999). Derivatives developed and are used widely as a risk management technique and by 1998 the notional outstanding principal of derivatives was estimated by the Bank for International Settlements as $86,382 billion (BIS, 1999, Tables 19-21).

The Bank of England has for a long time had a relatively relaxed attitude towards the derivatives industry - much of which is based on the London money markets. During 1994 the US General Accounting Office launched a far-reaching investigation into the regulation of derivative products, arguing that the huge corporate losses that were mounting up had the potential to pose a systemic risk to the US and international financial systems. This view was fiercely resisted by liberal economists at the Bank of England and the American Federal Reserve. Paul Volker, a former chair of the Federal Reserve Bank, argued in 1994 that, ‘derivatives by their nature do not introduce risks of a fundamentally different kind or of a greater scale than those already present in the financial markets’.

Underlying such statements is the ideologically inscribed belief that financial markets are efficient and rational and that their further development demands a simple solution - more market information for participants - rather than a complex set of regulatory restrictions and interventions by central bankers across the world.

---

18 Although these data are very high, once counter-trades are netted off against each other the risk represented can probably be reduced to approximately 2% of the total.

19 Similarly the Bank for International Settlements argue that ‘while derivatives subsidiaries have been established with complex legal and operating frameworks to shield them from the risk of bankruptcy of the parent company, doubts remain as to whether [financial institutions] would be generally immune from the contagion problems besetting conglomerate structures in the event of difficulties at affiliates’ (BIS, 1994, page 116).

20 Quoted in J Plender, ‘The box that can never shut’ Financial Times 28 February 1995, page 19
Reframing regulation

While in public regulators were prone to downplay the impact of the Barings crisis on their approach, behind the scenes it played a central part both in recasting the British regulatory system and in cementing and deepening international regulatory cooperation. The paper now turns to each of these in turn.

Within the UK, two major enquiries were carried out into the collapse of Barings: 21 one was conducted under the aegis of the Board of Banking Supervision, the other by the House of Commons Treasury Select Committee. The Board of Banking Supervision was set up by the 1987 Banking Act as a response to perceived failures of supervision during the Johnson Matthey Bank affair (Hall, 1987) and its function is to advise senior officials of the Bank of England on how it is exercising its supervisory powers. The Board concluded that the principal failures at Barings had been internal to the bank itself and that although the Bank of England needed to tighten existing procedures, it concluded that “the events leading up to the collapse of Barings do not . . . of themselves point to the need for any fundamental change to the framework of regulation in the UK” (1995, 251). As the finance minister relied upon the BBS report to highlight any particular changes, it seemed as if the collapse at Barings would not lead to any fundamental change in the supervisory structure within the UK. In the short term, the Board’s conclusions and also those of the inquiry for Singapore’s authorities (BBS, 1995; [Singapore] Ministry of Finance 1995) led to an audit of the bank’s internal supervisory culture. This review was carried out by external consultants and recommended a series of changes which strengthened the analytical basis on which judgements were founded (Davis, 1996; Bank of England 1996; 1997a, 1997b).

However, the election of a Labour government in 1997 transformed the situation. Labour Members of Parliament had been influential on the Treasury Select Committee and had concluded that the approach of the Bank of England was deeply implicated in the collapse of Barings, as it was in the fraud at the Bank of Credit and Commerce International (see Treasury Committee, 1996). In their report into the collapse of Barings, the Committee, which at that time had a Conservative Party majority, concluded that there was a strong case for removing the Bank of England’s supervisory functions and placing them in a separate agency. On May 20th 1997 the new finance minister, Gordon

21 Additionally, the government of Singapore also conducted their own - more critical - enquiry.
Brown, announced to the House of Commons that the approach to regulation which had dominated in Britain since the Bank of England was nationalised in 1946 was to end:

work is to start immediately on the legislation needed to simplify and reform the regulatory system at an early opportunity … In today’s world of integrated global financial markets, the financial services industry transcends geographical and political boundaries and the regulatory response must meet this challenge. The United Kingdom financial services industry needs a regulator which can deliver the most effective supervision in the world …

At the same time, it is clear that the distinctions between different types of financial institution—banks, securities firms and insurance companies—are becoming increasingly blurred. Many of today’s financial institutions are regulated by a plethora of different supervisors. This increases the cost and reduces the effectiveness of the supervision.

There is therefore a strong case in principle for bringing the regulation of banking, securities and insurance together under one roof. Firms now organise and manage their businesses on a group-wide basis. Regulators need to look at them in a consistent way. That would bring the regulatory structure closer into line with today’s increasingly integrated financial markets. It would deliver more effective and efficient supervision, giving both firms and customers better value for money, and would improve the competitiveness of the sector and create a regulatory regime to genuinely meet the challenges of the 21st century. Responsibility for banking supervision will be transferred, as soon as possible …, from the Bank of England to a new and strengthened Securities and Investments Board, which will also, as a result of forthcoming legislation, take direct responsibility for the regulatory regime covered by the Financial Services Act (Hansard, May 20 1997, Column 510)

Accordingly, from 1998, the Financial Services Authority has had responsibility for the supervision of banking, the wholesale financial markets, insurance and all retail financial services in the UK and will, by the time the handover programme is complete, it will have assumed the supervisory responsibilities and powers of nine separate bodies.

**International supervisory cooperation**

If the collapse of Barings presaged a widespread restructuring of financial service regulation in Britain, its impact on the international regulatory arena was no less important. For arguably the first time, standing bodies of international regulators began to take seriously the possibility that Barings may have been a warning of worse things to come. As Andrew Large, the chairman of the Securities and Investment Board, mused at the conference of the International Organisation of Securities Commissions (IOSCO),

“Fortunately the systemic impact of the Barings collapse was kept to a minimum by official actions and by the presence of a willing buyer.... But what if Barings had had a balance sheet 10 times or 50 times its size?... What would have happened then?” (see Large, 1995a, 7).

---

22 The BIS had in fact, begun to address the question, but most suggestions had argued that whatever problems there were would best be addressed within the markets, rather than through active regulatory intervention (see Group of Thirty, 1993; ISDA, 1994). Even a BIS economist has recently admitted that the “private sector has played the leading role” (White, 1996, 12).
Within three months of the Barings incident, regulators of the major financial centres issued the “Windsor declaration”, which signalled their willingness to force greater disclosure of information about derivatives exposure, to ensure that derivatives exchanges shared information, and to develop co-operative structures so that regulators could successfully intervene during emergencies (BIS, 1996; Corcoran, 1997). Since 1995, the shape of the emergent regulatory framework for derivatives has become clearer and involves regulatory co-operation and moves towards harmonisation; an increased emphasis on risk management; and an increased emphasis on market disclosure.

First, national regulators have built upon the experience of co-operation over the capital standards and the 1992 “minimum standards agreement” with agreements to share information about large exposures in order to gain a global picture of firms’ activities. At a minimum, such co-operation should ensure that, if banks are honest in their reporting, supervisors are aware of any potential problems before they arise. For example, in 1996, 149 derivatives exchanges signed a memorandum of understanding which agreed the trigger points at which information would be shared. Implicit in regulatory co-operation is that regulators should eventually begin to harmonise their approaches to derivatives, in much the same way as the capital adequacy accord led to a de facto norm. One of the governors of the Federal Reserve Board, for example, has recently argued that,

“We need some level of regulatory conformity... Otherwise, the inconsistencies and incompatibility of rules and regulations across countries may make it difficult, if not impossible, for some firms to engage in global business activities...

“We must also recognise that technology and financial innovation are permitting banks today to become ever more adept at avoiding regulatory barriers...” (Phillips, 1997, 2).

Any such harmonisation will be difficult to achieve and it is important to recognise that regulatory reform remains contested. At the international level, national regulators play off their own sectional interests against their perception of systemic risks and against competitor nations. The global dominance of markets in the UK and the USA remains, in

---

23 This agreement set a baseline for regulatory standards in supervising international banks (see BIS, 1997b; White 1996).
part, a regulatory creation and supervisors in those countries are acutely aware of the risks of harmonisation to nationally important industries.24

Second, national supervisors are increasingly beginning to emphasise risk management (for example, the BIS and IOSCO, 1995a; SIB, 1996; Bank of England, 1997b). This approach attempts to cover all types of derivative instrument and situate them within the total portfolio of the firm in order to assess the net value of the firm’s exposure that would be jeopardised in the event of credit, liquidity or market problems. Furthermore, the BIS and IOSCO have issued a joint paper which sets out how supervisors should assess these risks, explicitly stating that qualitative as well as quantitative judgements need to be made. However, it would be a mistake to interpret such moves as being against the grain of pro-market regulation. The BIS/ IOSCO paper emphasised that the

“Two committees are aware of the potential costs associated with requests for additional information on institutions derivatives activities and recognise that additional information requirements should only arise where there is a clear supervisory need” (1995a, para 14).

Third, supervisors argue that there is a need for firms to disclose their derivatives activities to the market. This, it is argued, will benefit firms because they will be able to assess the credit worthiness of their counter parties. Formalised through another joint report by BIS and IOSCO (1995b), during the latter half of the 1980s and 1990s it appeared as if any problem could be solved by through market disclosure (see, for example, Casson, 1996; Financial Regulation Report, 1997). As Susan Phillips, of the Federal Reserve Board, has argued, this is a voluntaristic approach, “Each institution should tailor its risk measurement and management process to its own needs. While adhering to basic principles, each institution must determine for itself the proper incentives and techniques for managing its affairs” (1997, 3). Although such disclosure is voluntary, the report maintained that

“An institution that provides little information about its risk profile may be susceptible to market rumours and misunderstandings by market participants in times of stress, which could possibly result in a loss of business with counter parties, a higher cost of capital and funding difficulties” (BIS and IOSCO 1995b, 54).

24 Compare, for example, the rhetoric of Tietmayer (1997) the head of the Bundesbank, with Arthur Levitt, chairman of the Securities and Exchange Commission (1997). Although the substantive conclusions are similar, Hans Tietmayer’s language is happy that regulation is a social good, while Levitt sees it as a necessary evil.
Assessment

In narrow terms, the handling of the crisis at Barings was a policy success. Despite a considerable shock, the financial system remained largely unperturbed: none of Barings’ counterparties encountered significant problems and although trading in derivative products dipped during 1995, by the year end it had yet again reached new records both in terms of the number of contracts traded and the value of those contracts. Furthermore, that the bank was allowed to fail can also be considered a policy success. Although banks occupy a particular place in capitalism which oils the credit creation process, when governments conclude that banks are too important to fail (or that the any such failures should be victimless), ‘moral hazard’ arises. Moral hazard refers to a state where excessive risks are taken because the risk-takers are comforted that any resulting failures will not penalise them. The collapse of Barings gave a very clear signal that inadequate managerial control structures would not be sufficient cause for the Bank of England to step in to rescue a bank, however noble its pedigree or blue-blooded its clients. In a sense, it signalled that the Bank of England was willing to use its lender of last resort powers very carefully.

Furthermore, the collapse of Barings was a ‘policy success’ for a British government which remained largely insulated from any fallout. There are a number of explanations for this. In the popular imagination the cause of the collapse was simple: the mass circulation tabloid newspapers the collapse of Barings was presented as somehow being due to the lax morals and personal failings of one individual rather than as being the result of systemic problems. *The Sun* explained to its readers that the bank was, ‘brought down single-handedly by dealer Nick Leeson, 28’ and the stories throughout the subsequent week concentrated on Leeson as an individual. More profoundly, although it is intensely political, there is a bipartisan and depoliticised approach to the City in British politics. Financial capital occupies a privileged position in Britain and even before Tony

---

25 The best recent example of this occurred in the debacle in the United States after the Reagan government removed restrictions on the portfolios of the Savings and Loans but retained the Federal Deposit Insurance scheme which underwrote lending to the S&Ls. The resulting fall-out cost upwards of $500 billion to US taxpayers.

26 T Kavanagh and I Murray, ‘Charles’s trust hit for £1M’ *The Sun* 28 February 1995, page 1
Blair transformed it into ‘New Labour’, the Labour Party never seriously attempted to grapple with its power.\textsuperscript{27}

However, if our understanding of the policy framework is widened to that of a neo-liberal approach to financial supervision, the collapse of Barings highlighted considerable problems in the regulatory approach. In contrast to classical economic theory, which underpins the liberal view, the collapse of Barings demonstrates that financial markets are \textit{not} always efficient allocators of resources, but are vulnerable to a herd mentality and volatility (Thaler, 1993; Summers, 1986).\textsuperscript{28} In privileging non-state authority, the policy community has internalised an (accurate) assessment of the difficulties of reigning in the markets and their belief in the desirability and rationality of efficient markets, and concluded that strong regulation is impossible. Yet the collapse of Barings and, more recently, the Asian financial crisis have truly shaken the mantra of liberal economists and it may be that the liberalisation trends underway since the 1970s will turn out to be an historical curiosity. Certainly, in the last year western European and North American finance ministers and bank supervisors have conspicuously called for a ‘new architecture for the international financial system’ (see, for example, Alan Greenspan [Chair of the US Federal Reserve Board], 1998; Michael Camdessus [Managing Director of the IMF], 1998; Robert Rubin [US Treasury Secretary], 1998).

How, then, should we interpret the emergent framework for international regulatory cooperation? On one level, it appears as if national-states are beginning to wrest power back from markets which saw restraints progressively lifted during the post-Bretton Woods era. Although the scope of the regulatory intervention is limited, regulators have, in this analysis, accepted that financial markets have more power than any national state and, therefore, that their intervention must work with the grain of the market and is necessarily limited.

\textsuperscript{27} Indeed, in many respects Labour governments have historically been more City friendly than Conservative ones. For example, the nationalisation of the Bank of England was largely done on terms dictated by the Bank itself and it was a Labour government which opened up London to foreign banks in the 1950s.

\textsuperscript{28} As one (now retired) national regulator explained in an interview with the author, “What you have to realise is that traders have their own view of the market and they bet their view. And when the market doesn’t react to the way that they think, their instinct is to double to bet. And then they hide, because they sincerely think that they are right” (May 1998).
Powerful though such an analysis is, it is important to recognise that pro-market regulation is inscribed with a series of ideological understandings about the role of the state. It is not just that the state’s capacity to intervene effectively in financial (and other) markets has been eroded (although this is the case, Clark, 1998), so have the ways of thinking about the state’s role. In this sense discourses which emphasise that states have little power end up naturalising the very processes they describe (Dicken et al, 1997). Therefore, the development of a transnational policy community in finance centred on the BIS, which is largely technocratic and free from democratic accountability, serves not only to set the tone for the international co-operation, it also sets the parameters of thinking. In the case of derivatives trading, the policy discourse still largely adheres to liberal understandings of market rationality. A recent example of the ways in which technocrats have internalised a liberal logic was shown by the response to moves to increase the supervision of over-the-counter derivatives by the Commodity Futures Trading Commission - a Federal Government agency. Echoing industry claims that even a review of OTC markets would raise serious problems, Alan Greenspan, chairman of the Federal Reserve Board, argued that

“There appears to be no reason for government regulation of off-exchange derivative transactions between institutional counterparties. Private market regulation appears to be achieving public policy objectives quite effectively and efficiently ... Participants in these markets have been savvy enough to limit their activity to contracts that are very difficult to manipulate. Institutional participants in the off-exchange derivative markets also have demonstrated their ability to protect themselves from losses of fraud and counterparty insolvencies”.

Second, despite the progress made, derivatives regulation remains timid. Regulators continue to rely on firms opting to disclose information to the markets and on peer pressure to force companies to do it. However, although there is evidence that large firms are conforming (see, for example, BIS and IOSCO, 1996), progress is slow. Furthermore, there is evidence of creative compliance in the interpretation of accountancy rules (Smith, 1992; Shah, 1996a) and, at present at least, the rules allow firms to hide their exposure to derivatives.

29 Of course, it remains the case that discursive representations become effective through their mediation with extra discursive mechanisms (for example, Jessop, 1990; Sayer, 1993).

Analytical questions

The collapse of Barings Bank was a seminal moment in the history of the British financial sector. Symbolically, it signalled that hitherto protected and privileged institutions are no longer able to operate as if the Bank of England will always be there to rescue them while in more concrete terms it highlighted the ineffectiveness of a regulatory approach where the Bank of England’s assessment of the integrity of a bank still relied heavily - if implicitly - upon outmoded notions of respectability forged during a period of clubbish, informal regulation. More fundamentally, the Barings crisis exposed the flaws in a regulatory system which treated the different elements of the financial system as discrete and essentially unconnected. Barings was a merchant bank, supervised by the Bank of England. Its nemesis arose in its trading of securities (which were regulated by a different authority) in Singapore, which was - of course - a separate regulatory jurisdiction. Although the Bank of England had primary regulatory responsibility in both the UK and, as the home country authority, globally, the complexity of the arrangements contributed to shortcomings arising from the informal regulation adopted by the Bank of England.

Furthermore, it highlighted the fact that the established order is giving way to a new one in which financial - rather than establishment - power is the bottom line. In the months following the collapse of the bank, corporate customers began to move their assets away from British merchant banks to the clearing banks or to merchant banks which are part of larger groups. In concord with consolidation in the financial sector more generally, the collapse of Barings precipitated the decline of British financial institutions - even as central players in the City. Barings was just the first of four established British financial institutions to be taken over in 1995 by richer overseas companies.31

Beyond the City of London or even the financial sector, the collapse of Barings had a broader significance. Despite denials to the contrary, derivatives products were deeply implicated in the crisis and these developed partly as a result of a lack of will on the part of regulators to control them. This is not due to some shortage of wit on the part of central bankers but because ideologically inscribed neo-liberal economics has become dominant in central banks. Complex derivatives can, perhaps, serve as a metaphor for the

31 The others included Jupiter Tyndall Group (Commerzbank, April 1995); SG Warburg (Swiss Bank Corporation, May 1995); and Kleinwort Benson (Dresdner Bank, June 1995).
ascendancy of neo-liberalism: both having developed as a response to perceptions of failure elsewhere and both creating more problems than they solve. Like derivatives, neo-liberalism fuels instability, emphasising as it does that the market provides the most effective solution in the face of evidence to the contrary (Peck and Tickell, 1994; Tickell and Peck, 1995). As long as neo-liberals prevail at the Bank of England, with their emphasis on competitive relations, the market and individualism, the City will remain a dynamic and - in some respects - unstable place to be. Whilst this may be functional for the City, promoting innovation and strengthening London’s claim to be at the centre of global financial services filiere, it remains detrimental to the rest of British industry, which has to contend with an economy orientated towards the financial sector.

Furthermore, as the international financial system has become more fully integrated, geography has assumed a different importance. Financial institutions operate in a global industry, where product innovations in one place are soon copied elsewhere and where perturbations are rapidly transmitted throughout the system. Regulators are struggling, and in some respects unmotivated, to catch up. In the absence of an effective international regulatory authority, the Bank of England may appear powerless to control the activities of British banks, yet it is not the simple victim of a global financial system which has appeared from nowhere. Not only have the British authorities been among the most ardent advocates of untrammelled financial globalisation, they also retain significant formal and informal sanctions.

Conclusion

In many respects the collapse of Barings was a ‘non-event’. Although the bank was brought down by trading complex financial instruments, it was rescued a week later by one of Europe’s largest financial institutions, the markets remained calm, there was no financial meltdown. Perhaps, as the Governor of the Bank of England claimed at the time, the collapse of Barings really was unique to Barings. In this paper I have argued that this is not the case. The events that led to the collapse were specific, but by no means unique. They exposed relied upon trading in derivative instruments which have the capacity to blow up rapidly. Furthermore, the attitude of the British regulatory authorities and, on the evidence that emerged after the collapse of Barings, bank managements towards derivatives instruments has been complacent.
Yet the Barings crisis also played a role in stimulating a fundamental rethinking of these regulatory approaches.\textsuperscript{32} Within the UK, the emergent regulatory system will incrementally but absolutely shift the balance between the City and the national state and the evisceration of the Bank of England undercuts the power of the City’s representative in the state. However, this shift should not be overstated: the City of London remains above and beyond politics. As one of the most dynamic elements of the British economy, it is highly unlikely that any government will consciously attempt to wrest real power from the financial sector. Nor, too, should the differences in international approaches to derivative regulation be overplayed. As long as regulators insist on information and disclosure as being the building blocks of a new financial architecture, as they are, they remain bound by a market logic which cannot iron out the vicissitudes of market fluctuations.

\textsuperscript{32} It is important to recognise that the Barings affair was one of a number of events which, together, underscored these changes. Derivatives problems include, \textit{inter alia}, losses at Orange County, Proctor and Gamble, Yakult and LTCM; while problems which threaten the integrity of the international financial system are most obvious in the Asian financial crisis have undoubtedly been a stimulus to change.
References (incomplete)


Bank of England 1996a

Bank of England 1996b

Bank of England 1997

BBS [Board of Banking Supervision] 1995 Report of the Board of Banking Supervision inquiry into the circumstances of the collapse of Barings (HMSO, London)


BIS [Bank for International Settlements], 1995b, Issues of measurement related to market size and macroprudential risks in derivatives markets (Bank for International Settlements, Basle)


Cawson A, 1985, “Varieties of corporatism: the importance of the meso-level of interest intermediation” In Organised interests and the state: studies in meso-corporatism Ed A Cawson (Sage, London) pp 1-21


Clark M, 1986, Regulating the City: competition, scandal and reform (Open University Press, Milton Keynes)

Collins M, 1991, Banks and industrial finance in Britain, 1800-1939 (Macmillan, Basingstoke)


Gowland D, 1990, The regulation of financial markets in the 1990s (Edward Elgar, Aldershot)


Helleiner E, 1996 in Drache and Boyer

Hutton W, 1995, The state we’re in (Jonathon Cape, London)


Jessop B, 1990 State theory: putting capitalist states in their place (Polity, Cambridge)

Kynaston D 199x, *The City of London* …


Lewis M K, Davis K, 1987, *Domestic and international banking* (Philip Allen, Deddington)


Longstreth F, 1979, “The City, industry and the state” In *State and economy in contemporary capitalism* Ed. C Crouch(Croom Helm, London) pp 157-190


Swyngedouw E A, 1995, “Producing futures: global finance as a geographical project” In ... Eds P Daniels and B Lever


Tickell A 1999


Walter A, 1991 *World power and world money: the role of hegemony and international monetary order* (Wheatsheaf, Brighton)


Wriston W, 1988, “Technology and sovereignty” *Foreign Affairs* **67** 63-75
<table>
<thead>
<tr>
<th>Date</th>
<th>Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thurs. February 23</td>
<td>Barings’ senior management decide that the situation in Singapore has become critical and decide to bring in Bank of England.</td>
</tr>
<tr>
<td>Friday February 24</td>
<td>Meeting between Peter Baring and Deputy Governor of Bank of England. Governor recalled from holiday. Leeson sends fax to Barings in London tendering resignation, saying that pressures have become too much to bear and that he will contact them ‘early next week to discuss the best course of action’.</td>
</tr>
<tr>
<td>Sat February 25</td>
<td>Bank of England works through week-end attempting to put a rescue bid together. Invites heads of major financial institutions in London to a meeting with a view to rescuing Barings.</td>
</tr>
<tr>
<td>Sunday February 26</td>
<td>Bank of England fails to effect a rescue of Barings. The problem is the need for an open-ended commitment on derivatives. At 8.36 p.m. it announced that the bank is going into administration.</td>
</tr>
<tr>
<td>Monday February 27</td>
<td>Governor of Bank of England and Chancellor of Exchequer attempt to minimise reverberations of the affair by emphasising that it was a ‘Barings specific’ problem and the result of a rogue trader’s activities. Chancellor announces that Board of Banking Supervision will investigate the affair.</td>
</tr>
<tr>
<td>Tuesday February 28</td>
<td>Peter Baring, chair of the bank, intimates that fraud may have been involved in bringing the bank down. This theory is rapidly discredited.</td>
</tr>
<tr>
<td>Wednesday March 1</td>
<td>Evidence mounts that Barings were aware of the rogue deals and pressure begins to develop on Barings management. Questions are asked about the independence of the Board of Banking Supervision enquiry.</td>
</tr>
<tr>
<td>Thurs. March 2</td>
<td>Nick Leeson flies into Frankfurt airport and is detained by authorities. Singapore requests extradition on grounds of fraud.</td>
</tr>
<tr>
<td>Friday March 3</td>
<td>Serious Fraud Office in Britain announce enquiry. Leeson threatens - via his lawyer - to bring down others in Barings with him. Chancellor rejects calls for an independent enquiry into the affair.</td>
</tr>
<tr>
<td>Saturday March 4</td>
<td>Negotiations for purchase of Barings intense over week-end.</td>
</tr>
<tr>
<td>Sunday March 5</td>
<td>Sunday papers reveal that Barings had been transferring hundreds of millions of pounds to cover Leeson’s transactions over a period of weeks. Press conference held by Singapore authorities releases evidence that Barings had reassured them about Leeson’s trading activities.</td>
</tr>
<tr>
<td>Monday March 6</td>
<td>Dutch bank group ING buys most of the constituent parts of Barings for £1, plus a commitment to meet the now capped liabilities, which will exceed £900 million. ING confirms that the bonuses of all staff will be paid, except to Nick Leeson. Senior directors agree to forgo their bonuses.</td>
</tr>
</tbody>
</table>