

An Introduction to the Law on Financial Investment, 2nd ed. BY IAIN G MACNEIL
[Oxford: Hart Publishing, 2012. xlviii + 493 pp. Paperback: US\$76.00]

There are a number of ways to writing a law book. One is the traditional 'black letter' approach, by providing information on what the current rules and principles of law are and how to use those rules and principles to solve legal problems. This approach assumes that legal issues are by and large separate and distinct from normal everyday

activity. However, law is essentially a socio-political institution. For corporate law, there is an added dimension of economic considerations. Therefore, it is no longer sufficient for authors writing on an applied area of law to produce a purely expository text without considering its non-legal context. Iain MacNeil's book is one of such books that provide more than just the legal principles and regulatory rules relevant to financial investment. He also tries to draw from other disciplines relevant theories and principles in order to introduce an element of critical awareness and assessment into the areas considered.

MacNeil's book is timely and updated, taking into account of the various measures taken by the international bodies in response to the global financial crisis in 2007 which eventually led to the European sovereign debt crisis in 2009. The focus is however, still very much on the UK and EU regulatory frameworks with little comparative discussion—a point brought up by some reviewers of its first edition. In addition, although the second edition has included updated coverage on the relevant laws and regulations, the book remains to be an introductory text to the subject matter. Someone hoping to find a more detailed and theoretical analysis of the various topics, such as the legal nature of government and public securities, especially in light of the sovereign debt crisis or on directors' legal duties in the heightened awareness of sound corporate governance, may go away disappointed. That said, a reader looking for a comprehensive overview of the general regulatory fundamentals and various techniques of investment law will still find the book informative and useful.

The structure of the book is very much similar to its earlier edition. There are altogether four parts in the book. It begins by examining the nature of investment, first from an economic standpoint followed by its legal definition. It then explains the process of investment in light of its legal context. Chapter 2 looks at the rationales for regulation and the various regulatory techniques, especially those employed by the UK through the years. Chapter 3 goes into the details of the regulatory system currently in place in the UK, focusing in particular on the changes brought about by the new *Financial Services Act 2010* (U.K.), 2010, c. 28 ("*FSA 2010*"). Although *FSA 2010* made no changes to the institutional structure of regulation, it introduced reforms in responses to the financial crisis and the Turner Review.¹ These include empowering the Treasury to make regulations about the preparation, approval and disclosure of executives' remuneration reports in relation to authorised firms and extending the Financial Services Authority's disciplinary powers in several significant ways.

Part 2 of the book looks at the different forms of investment and the regulatory rules applicable to the institutional and retail investors. Chapter 4 explains the legal nature and characteristics of different types of investment, focusing in particular on those that fall within the scope of the *Financial Services and Markets Act 2000* (U.K.), 2000, c. 8 ("*FSMA 2000*"). In addition to the usual forms of investment such as deposits, shares,

¹ In October 2008, the Chancellor of the Exchequer asked Lord Turner, the newly appointed chairman of the Financial Services Authority, to review the causes of the financial crisis and to make recommendations on the changes in regulation and supervisory approach needed to create a more robust banking system for the future. The Turner Review, published in 2009, made a number of recommendations to reform the banking and financial sector. See U.K., Financial Services Authority, *The Turner Review: A Regulatory Response to the Global Banking Crisis* (March 2009), online: Financial Services Authority <<http://www.fsa.gov.uk/pages/library/corporate/turner>>.

investment-related life assurance, debentures and bonds, MacNeil also touches on newer financial investments such as investment trust, exchange traded funds and 'sukuk' instruments.² Chapter 5 examines the legal structures and characteristics of the various forms of institutional investors. It also covers on how these institutional investors are regulated, in particular under *FSMA 2000*. The way in which the *FSMA 2000* system of regulation and the common law deal with the private or retail investors is explained in Chapter 6. This chapter also includes the complaints and redress options available to a private investor when there has been a contravention of any applicable regulatory rules and the role played by the Financial Services Ombudsman.

Part 3 discusses the general principles on corporate finance and corporate governance. Chapter 7 explains some of the issues concerning the raising of finance and the rationales behind the choice between equity and debt financing. Chapter 8 focuses on the regulatory regime that applies when a company wishes to raise capital through a public offer. Chapters 9, 10 and 11 deal with the various issues in corporate governance in listed companies, a topic which has gained much importance in the last decade since the Enron debacle. Some of the areas covered in these chapters include board structure, directors' remuneration, internal controls in listed companies and the regulatory regime for takeovers. Other than discussing the relevant provisions in the UK Corporate Governance Code, references are also made to the changes introduced by the *Companies Act 2006* (U.K.), 2006, c. 46. Unfortunately, MacNeil did not touch on some relevant corporate governance case studies, such as the takeover of Cadbury by Kraft which may have inspired the latest round of reform of the City Code on Takeovers and Mergers.

The final part of the book takes a closer look at the regulations of trading markets and market participants. Chapter 12 explains the rationale of market regulation and the implementation of the EU regulatory framework established by the Markets in Financial Instruments Directive in the UK. Several financial concepts such as systematic internalisers and dark pools are also covered in this chapter. MacNeil then looks at the prevention of market abuse regime that is currently in place in UK in chapter 13 and finally, the duties and responsibilities of the financial intermediaries such as stockbrokers, market-makers and custodians *etc.* in chapters 14 and 15.

Overall, the book has achieved its objective to "provide a broadly based and critical account of the role of law in financial investment". It is suitable for law students intending to go into the practice of financial services, as well as practitioners who may want a quick overview of the relevant rules and principles in the area. For scholars or readers who may be interested to delve deeper into the various topics outlined in the book, MacNeil has provided ample research sources in the footnotes which will help his readers to carry out further research on specific aspects of the law on financial investment.

LAN LUH LUH
Associate Professor
Faculty of Law, National University of Singapore

² These are 'Shari'ah-compliant' financial instruments suitable for investment by the Muslim communities around the world in accordance to their religion. They are debt instruments and perform an equivalent function to loans or bonds in the western financial system.