Barings Collapse Tied to Wide Cast In Special Report

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LONDON – A long-awaited Bank of England report cast a wide net of blame for the collapse of **Barings** PLC, taking in the bank's former top management and its supervisors at the central bank as well as Singapore-based trader Nicholas Leeson.

It also recommended a number of ways in which the central bank's supervisory practices could be improved, including closer cooperation between the Bank of England and other regulators in Britain and abroad.

The 337-page report by the Bank of England's Board of Banking Supervision, published yesterday, left open the possibility that others aside from Mr. Leeson – including people outside as well as inside Barings – may have been involved in the unauthorized trading that led to the bank's collapse. And the report's authors said they couldn't exclude the possibility that funds sent by Barings to Barings Futures (Singapore) Pte., or BFS, where Mr. Leeson worked, may have been misappropriated in other ways than for funding his unauthorized trading activities.

"Significant . . . amounts were regularly remitted to BFS without any clear understanding on the part of Barings' management on whose behalf these monies were to be applied, and without any real demur," the report said. At the time of the bank's collapse, it said, such "top-up" exceeded £300 million ($475 million), approximately equal to the bank's entire share capital and reserves.

The report blames senior Barings managers, including the deputy chairman, Andrew Tuckey; the chief executive for investment banking, Peter Norris; and head of derivatives trading, Ron Baker, for failing to apply proper controls. But it also points a finger at the bank's former chairman, Peter Baring. "Ultimately" it says, responsibility "must be shared by Peter Baring, as chairman of Barings PLC."

Mr. Baring and most of Barings's senior managers, including Mr. Norris and Mr. Baker, have either resigned or been dismissed from the bank, whose main operations were acquired in March by **Internationale Nederlanden Groep** NV. However, Mr. Tuckey continues to work for ING as an adviser to Barings's corporate finance arm.

In a statement, ING said it welcomed publication of the Bank of England report, which it said "helped to end a period of uncertainty."

"Our initial reading of the report confirms our own assessment of the causes of the crisis at Barings," ING said. "We believe that it also confirms that the management action we have taken since the acquisition by ING is appropriate and comprehensive."

In addition to senior Bank of England officials, members of the Board of Banking Supervision responsible for the report included several independent financial experts, among them Sir Dennis Weatherstone, the former chairman of J.P. Morgan & Co.

In the report, these experts assessed the Bank of England's own responsibility in the Barings affair and sharply censured a series of delays and oversights. Last week, a senior manager in the Bank of England's supervisory department, Christopher Thompson, resigned rather than face dismissal, following criticism of his role in supervising Barings.

Presenting the report to Parliament, Chancellor of the Exchequer Kenneth Clarke said it recommended improvements in the central bank's supervisory mechanisms, which would be implemented. But he added that he didn't see any justification for wholesale changes.

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