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Sir John Kingman
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2nd August 2018

Dear Sir John,

The United Kingdom Shareholders' Association (UKSA) and the UK Individual Shareholders Society (ShareSoc) have been invited to make input to your review of the Financial Reporting Council (FRC). This covering letter summarises our assessment of the FRC's current strengths and weaknesses and makes suggestions for addressing the weaknesses. We have appended responses to the questions raised in the Review consultation document circulated by BEIS. We would be pleased to discuss our proposals with the Review team. We confirm that are happy for you to release, as you see fit, the information contained in this letter and in our responses to the consultation questions.

We would like to take the opportunity to confirm that we wholeheartedly support the objectives of the Review. Our wish is to see a better, stronger FRC which is fit for the future and which will truly stand 'as a beacon for the best in governance, transparency and independence'.

1. Summary of requirements for a more effective FRC

Our main desired outcome is firmer and faster action against those who violate the integrity of reporting standards. It seems to us (and to the general public) that in practically every financial scandal or financial crisis, the FRC seems to have taken far too long to decide and too often has concluded that nothing has gone seriously wrong. We have the following suggestions about achieving our desired outcome of firmer and faster action:

- Companies and auditors should be told and know that concerns about doubtful behaviour and practices will be publicly exposed at an early stage.
- A more principles-based approach to regulation is necessary. Rules cannot account for every eventuality and are easy to 'game'.
- A lower bar for regulatory action is required. This could be greatly reinforced by:
    i. providing immunity from prosecution for the Regulator;
    ii. shifting the burden of proof to the producers of reports, rather than the users;
    iii. Introducing a new category of regulatory "concern", where the FRC is aware of concerns but has not necessarily started a detailed case investigation;
    iv. Continuing to encourage better standards of governance and behaviour.

- A clearer role and remit should be set for the FRC. We believe that the overall mission (*to promote transparency and integrity in business*) is consistent with our overall desired outcome. However, greater clarity is needed in terms of what this involves and how the FRC will go about achieving it.
- Change in culture and organisation.
    i. The FRC's board is currently over-represented by members of the accountancy profession as producers of reports and by auditors. The balance needs to be towards the users of these reports in the broadest sense (investors, analysts, customers, suppliers and employees) and the majority of board members should be drawn from those communities.
    ii. The FRC needs to recruit executives who clearly understand that their role is to make decisions so as to achieve the goal of firmer and faster action, transparently. The current culture of delay and obfuscation must change: the current behaviours of seeking more information, of trying to be 100% sure and allowing cases to drift on must change and those executives who fail to change should be counselled and if necessary asked to leave.
- The power to hold company directors to account and take action against them regardless of whether they are qualified accountants or members of an accountancy body.
- More resources should be provided, if required, in order to meet the above outcomes.
- A proper remit should be included to address the current weakness in capital maintenance standards (almost entirely lacking in IFRS, for example).

The FRC should be given 3 more years to prove that it has changed; if not, it should be abolished and its duties allocated to other bodies. There are arguments that this should be done now, but to do so would ensure massive disruption and there is no guarantee that the new body would be any better. The FRC already does much work that is good or very good. There are also signs that it is already addressing certain weaknesses. With sufficient help and encouragement it should be able to achieve the desired result of firmer and faster, transparent regulation with lower risk than other solutions.

Our proposals are discussed in more detail below.

2. Specific Issues and proposals

2.1 The FRC and Regulatory Environment

<u>The issue:</u>

The existing regulatory environment is primarily based on the observance of rules. The problem with this is that:

- Rules cannot cover every eventuality. It is too easy for companies to 'game' a rules-based system by adhering to the rules while adopting approaches to financial reporting which are legal and comply with the letter of the rules but which fail to reflect the standards of reporting that investors and other stakeholders expect. Carillion's approach to its financial reporting was a case in point. Quindell is another.
- Under a rules-based system the regulatory environment becomes one in which the regulator tends to refer to the rule book when deciding whether standards are compliant. This is not a sound basis for ensuring 'true and fair reporting' – which is one

of the FRC's key priorities. It is worth noting that 'true and fair reporting' implies a judgment from the regulator. It is crucial that the FRC should be able to exercise this sort of judgment and that those they regulate understand this. An essentially rules-based approach frustrates this requirement.

- The current system produces bad outcomes. Corporate Governance is not working anything like as well as it could or should. The evidence is in the list below. All bar Conviviality have been FTSE100 companies.

Carillion	Bust
Conviviality	Bust
Persimmon	Excessive Pay
Berkeley Homes	Excessive Pay
WPP	Excessive Pay
Melrose	Excessive Pay
BAe	Alleged Bribes *
GSK	Alleged Bribes *
Rolls Royce	Alleged Bribes *
RBS *	Banks (multiple failings)
Lloyds (HBOS) *	Banks (multiple failings)
Barclays *	Banks (multiple failings)
HSBC *	Money laundering
Aviva	Irredeemable prefs ⇒ brand reputati
BP *	safety
Shell	accounting, reserves
Tesco	accounting
GKN	FMs sold out to arbs
Who have we forgotten?	

Note * indicates that a settlement has been agreed, but with no admission of guilt.

Proposed solution

Financial reporting *standards* are already based on principles rather than rules; however the FRC's *approach* seems to be primarily rules-based. While there have to be some rules surrounding financial regulation, the balance should move towards the *application of principles*. When carrying out reviews of corporate reporting and also of audit quality the FRC needs to be ready to condemn and take action against approaches that are designed to push the boundaries of what is seen to be true and fair, as well as legal, and to challenge and take action to at least expose the perpetrators.

It should not be for the Regulator to have to prove conclusively that a given approach to financial reporting is not strictly legal or compliant with the rule-book before publicising its concerns. See our further comments below.

The FRC needs to clearly rebut concerns about market implications of their actions and, if necessary, request the Government to change the law to allow it to make statements without risk of being sued. It is better for the market to be made aware of concerns at an early stage as this assists in price discovery. Also, the threat of FRC action will lead to Finance Directors and Boards being more cautious in their approach and less likely to push the boundaries of acceptability.

We note that the FRC has very recently started posting brief details on its website of companies that it is investigating. This is to be applauded. The FRC needs to go further in publicising more widely that it is now taking this sort of action. This should be a key and formal part of its role and remit.

2.2 Swift and decisive action

The issue

Too often the FRC takes an inordinate time to decide nothing was wrong, when clearly something was wrong. We understand the need for fairness to those it regulates and the fact that detailed investigations require time and resource. However, the glacial speed of response to serious failures in financial reporting and auditing encourages companies to adopt approaches to reporting which are not strictly illegal but which are misleading and unhelpful to shareholders in the certain knowledge that the FRC will be slow and 'timid' in challenging them.

The claim that concerns cannot be raised publicly by the FRC for fear of being sued by the company or the auditors is a further serious concern. Two other issues require clarification:

- the ease with which whistle-blowers can raise concerns with the FRC and be confident that these will be followed up promptly;
- the extent to which the FRC is exempt from putting information into the public domain under the Freedom of Information Act. The FT reported on 12th April 2018 that the FRC had avoided giving full responses to nearly 90 per cent of the Freedom of Information requests it received since 2013; it answered just six of the 51 FOI requests it received since 2013, according to its own disclosure log.

It is tempting to accept arguments that major investigations into corporate failures require huge resource and take years to complete. The recent inquiry into the collapse of Carillion by the Work and Pensions and BEIS Committees disproves this. Carillion went into administration in January 2018. The two committees delivered a damning report on 18th May – just four months later. It did not mince its words. It was utterly direct and clear in its recommendations. Furthermore, the proceedings of the committees were open to all to watch on-line. They made compelling viewing. Thought should be given to how the FRC can learn from this model, where appropriate, with its own investigations.

Proposed solution

The FRC should publicly state its commitment to firm, fast and transparent action.

The FRC should introduce two new categories of possible censure, private concern and public concern.

- Private concern would be where the FRC is aware of concerns about a particular company and when it raises the issue with the company, the FRC is not 100% comfortable with the response. Such discussions would remain private between the company and the FRC and would not be disclosed. This would enable the company to take steps to rectify the problem/potential problem.
- Public concern would be when these concerns are such that the FRC wishes to make it public that it is aware of the concerns. This would not necessarily mean that the FRC had launched a full scale case review.

Thus there would then be the following levels of censure from the FRC:

Level	Name	Description
1	Company/Individual Censure	Case completed and company and/or individual are censured and/or fined and the findings are made public If found to be innocent no announcement is made, unless the case has already been made public.
2	Case under investigation (Public)	FRC is conducting a case review and has announced that it is doing so.
3	Case under investigation (Private)	FRC is conducting a case review but has not announced that it is doing so.
4	Concern (Public)	Public concern would be when these concerns are such that the FRC wishes to make it public that it is aware of the concerns. It would not necessarily be that the FRC had launched a full scale case review.
5	Concern (Private)	Private concern would be where the FRC is aware of concerns about a particular company and when it raises the issue with the company, the FRC is not 100% comfortable with the response. Such discussions would remain private between the company and the FRC and would not be disclosed. This would enable the company to take steps to rectify the problem/potential problem.
n.a.	Normal business	No case or concern activity. The norm, we hope.

As mentioned above, the FRC should also be given immunity from prosecution by those it regulates and other related parties such as the Stock Exchange, financial advisors, short-sellers and others who may be affected by any action taken by the FRC. Concerns about aspects of a company's reporting or concerns about audit standards should be placed in the public domain as quickly as possible. The FRC should not be adopting a timid and toothless approach simply because it fears retribution from people who are already pushing the boundaries of good corporate behaviour.

It has to be assumed that FRC will not pursue frivolous or vexatious issues; it has better things to do. It is not the role of the FRC to tiptoe around doubtful corporate behaviour, making sure that it does not damage the standing or reputation of those it regulates.

If legal resources are an issue, the new FRC budget should reflect this. The FRC could also be given powers to commission separate control reviews paid for by the regulated firm. The onus should be on firms and their auditors to prove they were acting to the highest possible standards. This includes not only ensuring full compliance with what is strictly legal but also complying with what other stakeholders might reasonably see as being fair, open and honest accounting and reporting.

In a very few cases the FRC might be required to work covertly, but in all other cases the decision to mount an inquiry or review of practices should be put promptly into the public domain. There should be an estimate of the timescales of the review and regular updates of completion dates, with progress reports if appropriate. The findings and conclusions of any review should be published as soon as the review is complete. Swift and decisive action should be part of the new mission statement, and the organisation should work towards finality rather than certainty. The concept of making the proceedings public, as with parliamentary committees, should also be considered, in some cases.

2.3 Role, remit and objectives of the FRC

<u>The issue</u>

Our concerns are that:

- The overall role and remit of the FRC are not appropriately comprehensive. They also lack coherence. There are gaps in the FRC's powers – for example, its lack of authority over directors who are not members of the accountancy (or actuarial) profession. Limiting the FRC to investigate executives who are members of the accountancy (or actuarial) professions fails to address the important issue of Board responsibility. Too often Directors of companies where problems have occurred have got off scot-free. There are also some responsibilities, such as oversight of the actuarial profession, which look ineffectual, although we can understand why the FRC has ended up with responsibility for them.
- The FRC has no clear or measurable objectives. The FRC's mission (*to promote transparency and integrity in business*) is laudable but the limitations of its current remit and the powers render this unachievable. This is reinforced by the nature of its resources which are technically focused and aligned to its fairly narrow remit and powers, not its mission.
- The FRC in its strategy and budget document talks about its 'strategic priorities'; these are at variance with its powers and resources. For example, it cannot ensure 'true and fair reporting' if its remit only extends to the financial statements in the annual report. It

also requires full oversight of the narrative components of the annual report – for example, the strategic report.

- In its strategy and budget document the FRC refers to 'key deliverables'. However, too many of these are couched in vague terms such as reviewing, considering, testing and contributing to wider debate and discussion. It is very hard for anyone to assess what the FRC has really achieved within any given timescale in respect of these activities.

The FRC's 'Strategy 2018 / 2021' focuses too much on simply doing more-of-the-same for the coming year while avoiding saying much about its plans for years two and three.

<u>Proposed solution</u>

The role, remit and responsibilities of the FRC should be coherent and it should have the powers to deliver on its responsibilities.

The FRC's overall mission (*to promote transparency and integrity in business*) is sound. Unfortunately, the FRC's document, 'The FRC Mission', does not give any clear indication how it plans to achieve this. This must change. The FRC needs to produce a clear workable and achievable strategic plan covering at least the next three years setting out how it is going to deliver on its mission. The strategic plan should include:

- A clear statement of the strategy;
- Its strategic objectives for the coming year and the three-year period;
- The main actions and initiatives that it intends to implement to achieve its strategic plan;
- The resources needed (money people and other resources).

Key components should include its role in overseeing standards of audit and accounting, its oversight and promotion of UK corporate governance and its oversight and promotion of high standards of stewardship.

Its powers should include:

- Full oversight of the audit profession and over standards of audit.
- Full oversight of the quality of company reporting – at the very least for all listed companies.
- The power to carry out investigations into reporting and audit standards both on a specific (individual company) basis and on a more general thematic basis. This needs to go well beyond simply checking whether they comply with current rules but also reviewing fitness for purpose. For example, the FRC needs to power to review and make recommendations on all aspects of the structure and preparation of the annual report.
- A much stronger strategic focus; the current focus is excessively technical and tactical. It does these things well but there is evidence that its activities are often misdirected due to a lack of strategic context and direction.
- The power to hold company directors to account and take action against them regardless of whether they are qualified accountants or members of an accountancy body.
- Stronger powers to take action against directors where there is evidence of poor standards of corporate governance.

- Greater powers to expose and take action against poor standards of stewardship. This is a key component in ensuring high standards of corporate governance. The Stewardship Code is due for review later this year. Changes to the Code need to ensure that it is more demanding in terms of the information it asks for, the publication of this information and sanctions against those who fail to comply.
- Clear and measurable objectives, reflecting goals that the FRC can genuinely achieve. The FRC may not be a statutory body but it does have statutory powers. Care is needed in setting objectives which reflect these powers because they tend to end up being narrow, technically focused and tactical. We would like to see objectives which support the FRC's mission of 'promoting transparency and integrity in business' but which stop short of aspirations such as 'working in the public interest to ensure a strong flow of investment into public companies'. This is too vague and encompasses outcomes over which the FRC acting on its own has little control.

The FRC already has the power to levy appropriate sanctions on members of the accounting and audit professions for 'misconduct'. The application of sanctions, however, should be a last resort in the FRC's range of options for dealing with poor behaviour on the part of those it regulates. **The primary requirement is that companies and auditors know that concerns about doubtful behaviour and practices will be publicly exposed at an early stage.**

2.4 FRC Culture

<u>The issue</u>

The FRC's board is dominated by members who represent the producers of statutory reports, rather than those who represent the users. Thus it is effectively run by those who it is meant to regulate. This contributes to a tactical and reactive approach. Worse, it has led to an unbalanced view of *fairness*. Fairness should apply equally to the users of company reports and those responsible for producing them, and the FRC should consider the interests of all stakeholders, not just those it regulates.

For example, the bankruptcy of Carillion did not merely impact retail shareholders – as some within the FRC have suggested. It also caused serious damage to:

- The many suppliers and subcontractors who have lost money; some of these business will fail as result with the owners facing bankruptcy and their employees losing their jobs;
- Some 43,000 Carillion employees who have lost their jobs, including 19,000 in the UK;
- the financial prospects of the many thousands of members of Carillion's pension fund;
- Carillion's customers (not least one of which is the UK government) in terms of losses, dislocation to services, delays in completing works contracts and the costs of finding new suppliers and re-letting contracts.

Our sense is that the true scale of the Carillion disaster is still not fully appreciated within the FRC in terms of its overall impact on all stakeholders. It is breathtaking that the FRC looked into Carillion's reporting in 2015 but never took any follow-up action. This demonstrates a failure of the FRC on every count: audit and accounting standards, governance and stewardship. The response of the FRC is that it has to be absolutely fair to the company and its auditors in deciding how to react and to consider issues such as the impact on the company's share price before making any public statement. How much better would it have been for everyone if, at the time, the FRC had announced its 2015 investigation into Carillion's accounts, the dividend had, as a result, been cut, the share price had collapsed but the Company was now in 2018 in recovery mode and still trading?

Proposed solution

Create a board that is more representative of a wider range of stakeholder interests. Ensure that the FRC mission is taken seriously, i.e. 'To promote transparency and integrity in business'. Cultural attitudes start at the top of the organisation. The FRC needs a board and senior managers who have the vision, foresight, and will to ensure that the FRC can respond to and address the wider economic and social issues that its responsibilities to its stakeholders imply – and which are currently stated as being part of its mission.

The Board could include employers' organisations (CBI / FSB), the TUC and organisations concerned with environmental and ethical issues. There are also individuals, like Professor John Kay, who although essentially an academic and writer, has a breadth of vision and insight which would be valuable on the FRC board.

Clearer and more specific objectives and a more coherent remit, as outlined above, would also help in promoting a culture that was more forward-looking and pro-active and focused on the strategic issues implicit in the FRC's current 'mission'. The issue of the FRC's culture and its resources also affects concerns about regulatory capture which is discussed below.

2.5 FRC resources

The issue

The FRC has significantly less resource than the FCA or the PRA as the table below shows.

FRC staffing and resource compared to the FCA and PRA (Source: Ernst and Young – Key regulator comparison 2018)

	FRC	**FCA**	**PRA**
Funding for 2016 / 17	£32.0m funding from professions	£566.3m of which fee income from regulated firms was £543.9m	£254m total income of which fee income from regulated firms was £243m
Number of FTEs at March 2017	171	3,422	1,363
Breakdown of staff numbers	154 - Accounting, audit and corporate governance; 4 actuarial standards and regulation.	1332 – supervision; 670 – enforcement and market oversight; 435 –strategy and competition; 926 - operations and central services.	23 – CEO and Executive Committee; 1115 – Managers and Analysts; 178 – other staff.

This comparison shows how much smaller the FRC is than the FCA. It is tempting to suggest that the FRC should be taken over by the FCA. One reason for not doing this is the sloth like performance of the FCA in pursuing misconduct or alleged misconduct. A second reason is that the ensuing disruption will inevitably slow down progress in the short term

This comparison above does not provide a definitive argument for increasing the budget or the staffing of the FRC. However, the fact that the FRC is so much smaller than the other regulators suggests that there are grounds for reviewing the adequacy of its funding and resources. Clearly, this needs to take into account the exact role and remit of the FRC but there is evidence, as outlined above, to suggest that the current remit of the FRC (leaving aside the grandiose claims of its mission statement) is too narrow and too technically focused.

We do not believe that it is appropriate that the FRC should receive all its funding from those it regulates. It merely contributes to the scope for 'regulatory capture'. The fact that the FCA and PRA are in a similar position does not make this situation any more satisfactory.

The amount of resource that the FRC has at its disposal is not the only issue. The current resource is predominantly narrowly focussed on technical aspects of financial reporting and legal expertise for enforcement. The people it employs are in many cases drawn from the major audit firms or from a technical financial background in industry. This creates a self-perpetuating circle in which these people focus on what they are good at, namely the 'nuts and bolts' of accounting practice. There are two major problems with this:

- It further reinforces 'regulatory capture';
- There is a failure to see the bigger picture and to address the wider strategic issues that are semi-explicit in the FRC's mission statement.

The review is not considering the issues surrounding the oligopoly that exists between the 'Big Four' audit practices and what should be done about it. However, it is pertinent to comment that this is an issue on which the FRC should have been leading a serious debate for some time now. This has not happened. One has to conclude that the reasons for this are partly the result of regulatory capture which has led to a lack of incentive to address the issue and also a simple and inexcusable lack of strategic vision on part of the FRC's directors. Far from seeking to tackle the issue, the FRC's ill-judged short-term, tactical solution appears to have been to go easy on sanctions against members of the Big Four for poor audit work for fear that serious action against any of them might lead to the creation of the Big Three.

Even at a purely technical level, the FRC's skill-base is inappropriate to meet its needs. For example, the Reporting Lab projects that the FRC runs are excellent in so far as they go – i.e. analysing particular thematic aspects of company accounts and considering how they can be improved. Because the FRC has few if any professional communications skills or resources, the outputs from Reporting Lab projects fail to realise their potential. Reports of a somewhat academic nature are produced when it would be more helpful to provide practical and well-crafted guidance with clear examples of good and poor practice. Current follow-up typically consists of another review to see whether anything has changed after a couple of years. In reality, a number of well-structured, practical working groups involving companies and investors to implement proposed new practices with a view to refining them further would be better.

Excessive and unnecessary consultation can be part of the problem rather than the solution. It can slow down the pace of change and fall prey to the blandishments of those who wish to protect the status quo. Big changes have to be driven by a small group of expert, knowledgeable people who are willing to push forward with ideas that some in the industry will not welcome. At present, the FRC suffers from a lack of vision of what it could achieve and hence of the types of resource needed for this to happen.

Proposed solution

A full review of the FRC's resources is required from the board down. As indicated, we would like to see a board which is significantly less skewed toward the financial services industry in terms of the background of its members and which is more representative of wider shareholder interests in the work of the FRC.

The FRC's directors need to be able to display meaningful strategic vision. They also need to encourage the ability to think strategically at all management levels within the organisation. The FRC needs to be ready to prompt debate on a number of issues surrounding the future of the audit and accounting industries. This includes the problems created by the steady concentration of power into the hands of the Big Four auditors. There is also a debate to be had about the amount of consultancy work they do and the extent to which this potentially compromises their ability to bid for work with new audit clients when it comes up for tender. Further strategic debate is required about issues such as the increasing use of technology and 'big-data' in carrying out audit work. Systems standardisation, or lack of it, and the scope that this creates for lock-in with a particular audit firm, are matters that the FRC should be aware of and on which it should be encouraging debate with all key stakeholders.

The FRC has done some excellent work engaging with shareholders and companies. It also runs some good initiatives such as the Reporting Lab projects. However, these are failing to achieve their full potential due to a lack of appropriate skills. It needs skills in:

- Marketing and communications;
- Design of publications and electronic media content;
- Project planning and management;
- Consultancy and facilitation skills.

It is true that the FRC currently runs some good projects to improve corporate reporting; but the scope is often limited and the time horizons are relatively short term. The choices can appear piecemeal and slightly haphazard. It doesn't have to be like this. With a clear strategic plan and appropriate planning skills the FRC can develop a series projects to address the challenges facing financial reporting, auditing, corporate governance and stewardship in the twenty-first century. This should include such issues as shareholder oversight of boards, the ownerless corporation and the general lack of engagement from shareholders.

As to the level of funding that the FRC requires, we believe that it is under-resourced. However, it is not just about money; input-in-kind should also be considered. Given the enormous resources of the 'Big Four' audit firms there ought to be scope for the FRC to get some of them to run, on its behalf, a few major strategic projects – such as a complete review and overhaul of the annual report. With a well-balanced senior management team at the FRC the risks of 'project capture' should be manageable. There is also enormous scope to leverage the knowledge, skills and capabilities of FTSE 100 companies outside the financial services sector. They are often as frustrated as anyone about apparent levels of investor apathy and what should be done to address it.

2.6 Accounting standards

<u>The issue</u>

The Review is not directly considering questions about accounting standards, which fall outside its terms of reference. However, it is clear that current standards fall short of what is desirable, as the Local Authority Pension Fund Forum (LAPFF) has argued for a long time. For example, the notion of 'distributability' of capital has disappeared from modern accounting standards. Current reporting requirements set no clear test for when capital is distributable as dividends, or the extent to which debt is sustainable.

Currently, it is difficult to distinguish companies which are taking high risk with a relatively small amount of capital available to absorb losses, from companies which are suitable for investors with a moderate or low appetite for risk. Apparently sound companies, i.e. companies where audit reports suggested moderate to low risk, have gone into insolvency. This reflects badly on the current reporting system, and discourages future investment. Financial reports should provide creditors and shareholders with a clearer sense of the risk than they are currently getting.

While the FRC's mission is supposed to be wide ranging, forward-looking and strategic in nature, its behaviour is overwhelmingly one of protecting the status quo while busying itself with making detailed changes around the edges of financial reporting and corporate governance.

<u>Proposed solution</u>

Our research suggested that the FRC has a relatively small policy and accounting standards team. It is also unclear whether the team is working effectively with similar teams at the Financial Conduct Authority, The Bank of England and the Prudential Regulation Authority.

The FRC should be given oversight of accounting standards and the resource to build a stronger accounting standards team. It should address the question of capital adequacy and the development of an accounting standard that supports the stability of the whole financial system while allowing investors to match their investments with their desired risk appetite. This oversight should extend to the work of the International Accounting Standards Board, whose abandonment of the 'prudence principle' allowed banks to stop reserving for bad debts and contributed indirectly to the 2008 banking crisis.

Peter Parry – Policy Director, UK Shareholders' Association

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Cliff Weight – Policy Director, UK Individual Shareholders' Society