

PRESS RELEASE: A NEW STUDY BY AVIV PICHHADZE CALLS FOR RETHINKING THE FUNDAMENTALS OF OUR APPROACHES TO CORPORATE GOVERNANCE REGULATION.

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FOR IMMEDIATE RELEASE

AIMING FOR INFORMED CORPORATE GOVERNANCE REFORMS: A NEW STUDY CALLS FOR RECONSIDERING THE FUNDAMENTALS OF REGULATORY APPROACHES TO CORPORATE GOVERNANCE.

There is growing recognition, both nationally and internationally, that the existing approaches to corporate governance need to be rethought. These concerns have been heightened by links between corporate governance failures and the recent economic crisis. The road to rethinking corporate governance theory, however, is hindered by the continuing reliance on outdated models of corporate governance that fail to reflect current market realities and future trends.

A new study by Aviv Pichhadze (PhD candidate at Osgoode Hall Law School, York University), which was recently published in the January 2010 issue of the *Capital Markets Law Journal*, urges bringing corporate governance theory in line with existing and future market trends. The aim is to enable corporate governance models, which shape socio-legal policies, to become more relevant and effective.

The new study, entitled “The Nature of Corporate Ownership in the USA: The Trend Towards the Market Oriented Blockholder Model”, challenges the traditional assumption that the ownership patterns in the US public corporation is appropriately characterized as dispersed. The study reveals that, on the contrary, ownership patterns in the US have been evolving towards a hybrid form of ownership structure, which is more properly characterized by what Pichhadze calls the Market Oriented Blockholder Model (MOBM).

The emergence of the MOBM is of great significance. Unlike the traditional models, the MOBM makes it possible to achieve the dual objectives of (i) increased monitoring of management by equity holders (associated with the concentrated ownership model as in Germany for example) and (ii) increased liquidity in the capital markets (associated with the dispersed ownership model as in the US and UK for example).

At the international level, the MOBM is also of great significance because it makes it possible to achieve globally coordinated effort to tackle corporate governance failures. Currently economics around the world formulate their socio-legal policies based on different models of corporate governance. The MOBM would make it possible to achieve a functional harmonization of corporate governance models, which in turn would

make it possible to align policies around the world. Alignment is essential to facilitate increasingly globalized markets.

At the national level, the MOBМ is necessary for guiding US policies. Recall that certain aspects of US securities regulation have, to an extent, been guided by the widely quoted 1932 book by Adolf Berle and Gardiner Means, *The Modern Corporation and Private Property*.

Berle and Means laid the foundation for what has become the dominant corporate paradigm of 20th century American capitalism – that the ownership pattern in the US is diffused. In reality, however, Berle and Means’ observation focused on a relatively small segment of public corporations (namely, large corporations that made up 23% of the markets at the time of their study), while overlooking the impact of the other 77% of corporations.

As Pichhadze observes, the emergence of new blockholders in the US public firm – the institutional investor – has significantly altered market realities. Rather than being characterized by diffused ownership, the new reality reveals corporate ownership patterns that are more accurately characterized by the MOBМ. As such, national policies ought to be updated and guided by the MOBМ.

Pichhadze urges that in light of the biggest economic crisis since the great deprecation, regulators cannot afford failing to rethink and update the foundations of their national and international policymaking.

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Click [here](#) to download Aviv Pichhadze’s article: “The Nature of Corporate Ownership in the USA: The Trend Towards the Market Oriented Blockholder Model” 5:1 *Capital Markets Law Journal*, pp. 63-88.

ABOUT AVIV PICHHADZE:

Aviv Pichhadze is the founder and Principal of Pichhadze Legal, a business law practice based in the Greater Toronto Area. He is currently a Doctoral Candidate at Osgoode Hall Law School, where his research focuses on corporate governance and international securities regulation and harmonization. Aviv holds a BSc, LLB (Honours), MBA, LLM (Securities), and LLM (Tax). Prior to establishing Pichhadze Legal, Aviv acted as a Senior Corporate Finance Consultant at KPMG (Israel) and was a Student-at-Law with the Toronto office of the international law firm Baker & McKenzie. Aviv also served as an Adjunct Professor of Entrepreneurship at the Business School, Humber College (Toronto), and as an External Advisor to the Management Field Study Program at the Schulich School of Business, York University (Toronto).

ABOUT PICHHADZE LEGAL:

Pichhadze Legal is a law office located in the Greater Toronto Area, Canada. The office was established by Aviv Pichhadze in 2005. We service the needs of entrepreneurs, businesses and

their investors, and government bodies in Canada and across the globe, by providing them with first-rate personalized, practical, common-sense, cost-effective legal services.

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