

Sequence II : The Biggest Financial Scandal of the Century

1 - Reading comprehension

2 - Pronunciation

3 - Word building

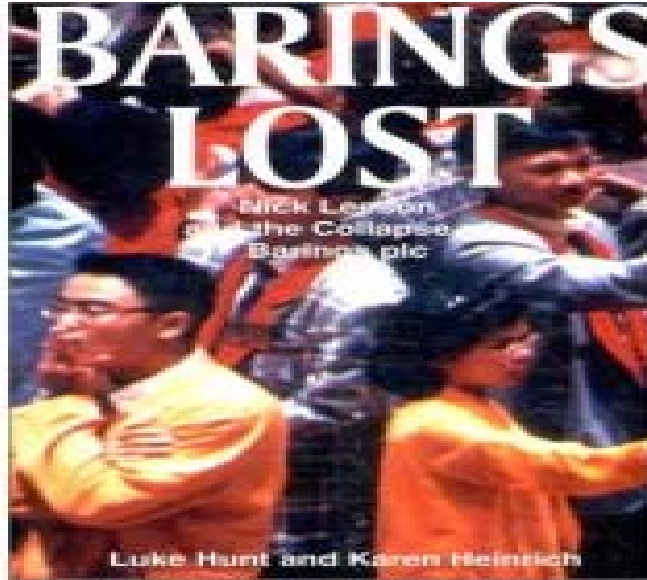
4 - Grammar

5 - Writing



Reading Comprehension

The Biggest Financial Scandal of the Century



Read carefully the text and answer the questions

Nicholas Leeson and Barings Bank



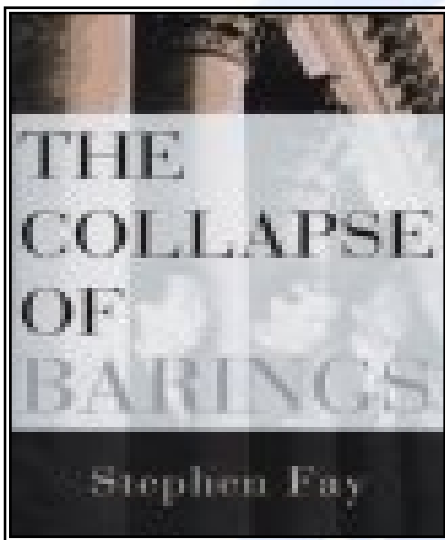
The collapse of Barings Bank (personal bank to HM The Queen) in 1995 and Nicholas Leeson's role in it, is one of the most spectacular debacles in modern financial history.

How could one trader bring down the banking empire that had funded the Napoleonic Wars and who proudly counted the Queen as a client?

Nicholas Leeson worked as a clerk before he finally settled up with Barings Bank, where he was quickly promoted.

Due to his financial skills, he was appointed manager of a new operation in future markets on the Singapore Monetary Exchange (SIMEX) where he was making large profits for Barings bank. Nicholas Leeson was **so** good at ***speculating** that he seemed ***to be infallible** to Barings Chief Executives.

Barings believed that it wasn't exposed to any losses because Leeson claimed that he was doing business for a client. In a fatal mistake, the bank allowed Leeson to remain responsible for all financial operations. This situation permitted him to hide his losses.



On the 17th January 1995, a devastating earthquake hit the Japanese city of Kobe. As a result the losses grew but Leeson continued trading. When Barings executives discovered what had happened, they informed the Bank of England that Barings was effectively ***bust**. Nicholas Leeson was arrested and sent to jail in Singapore for several years.

As a result, investors lost all their savings and some 1,200 employees lost their jobs.

Unfamiliar words:

***executives:** people who take decisions in a company.

***to be infallible:** always right, and never making mistakes.

*** bust** :(adj) a **bust** business stops operating because it does not have enough money.

*** to speculate:** to buy or sell where there is a great risk of loss, and a great chance of gain.

Activity 1: Choose the answer a), b) or c) that has the same meaning as the statements from 1 to 10.

1. Nicholas Leeson was appointed manager of a new operation on SIMEX.

- a)- Nicholas Leeson had to meet a manager at SIMEX.
- b)- Nicholas Leeson was chosen as the manager of an operation dealing with SIMEX .
- c)- Nicholas Leeson was a qualified manager of SIMEX.

2. He was making large profits for Barings.

- a)- He was printing money for Barings bank.
- b)- He was wasting making money for Barings bank.
- c)- He was earning money for Barings bank.

3. Leeson was so good at speculating that he seemed to be infallible to Barings Chief Executives.

- a)- His superiors believed he could not make mistakes because of his previous successes .
- b)- His superiors believed he was a good manager.
- c)- His superiors did not know he was speculating.

4. Leeson claimed that he was doing business for a client.

- a)- Leeson was buying orders for a client.
- b)- Barings asked him to purchase orders for a client.
- c)- Leeson justified the financial operations by saying that he was operating for a client.

5. The 17th January 1995 devastating earthquake hit Kobe. As a result the losses grew.

- a)- The market dropped because of the earthquake.
- b)- The losses stopped because of the earthquake.
- c)- The gains increased after the earthquake.

6. When Barings executives discovered what had happened, they informed the Bank of England that Barings was bust.

- a)- As soon as Barings executives realized what had happened, they informed the Bank of England that Barings was bankrupt.
- b)-When Barings executives discovered what had happened, they asked the Bank of England to help Barings.
- c)- The Bank of England informed Barings executives that their bank was effectively bust.

7. As a result, investors lost all their savings and some 1,200 employees lost their jobs.

- a)- The fraud was an excuse to sack employees.
- b)- About 1200 employees were unemployed and thousands of people lost their savings due to Lesson's fraud.
- c)- The bankruptcy was due to political reasons.

Activity 2:

Rewrite the right answers from activity 2 so as to get a summary of the text.

Do not forget capitalization and punctuation.

Nicholas Leeson

.....
.....
.....
.....
.....

Pronunciation

Activity:

**Read aloud the phonetic transcriptions
and then write the full words**

phonetic transcription	words
1. / k ə'ləʊps /	1.
2. / faɪ'nænfəl /	2.
3. / ə'pɔɪnt /	3.
4. / 'spɛkjələɪt /	4.
5. / 'steɪbəlaɪz /	5.

Word Building

Activity 1:

Complete the table below:

Verbs	Nouns	Adjectives
1. to collapse	a	collapsible
2. to	finances / a financier
3. to appoint
4. to	speculation / speculator
5. to	stable

Activity 2:

Now, complete the following sentences with the correct word or verb form.

e.g.: We have met at the **appointed** time.



1. He buys all sorts of goods hoping to make a large profit when he sells them.
He is a

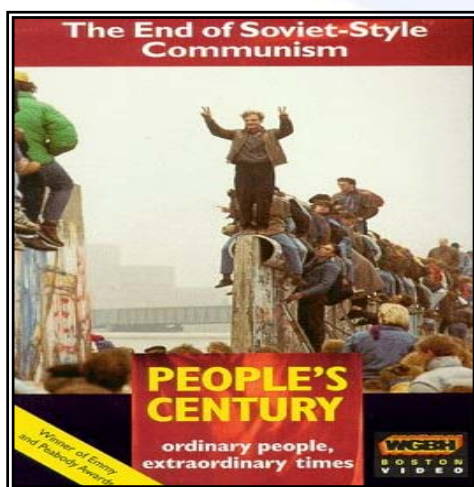


2. The school's budget is limited. That is why the parents' association is the closing ceremony.

3. Several buildings during the last earthquake.



4. The secretary called a client to cancel the



5. The

of communism in Eastern Europe was reported in all the media.

6. John is fixing the wooden wall on a ladder.



7. His bedroom is very small.
He's bought
chairs that can be folded up .

Grammar

Connectors of cause and effect

1. Cause

- For giving reasons, use: **as, since, because**

e.g.: **As** Leeson used a falsified account, Barings did not know about the losses.

Since Leeson used a falsified account, Barings did not know about the losses.

Barings did not know about the losses **because** Leeson used a falsified account.

or: **because of / due to / as a result of + noun**

e.g.: We are recruiting fewer employees this year

due to/ because of budget cuts.

As a result of budget cuts, we are recruiting fewer employees this year.

2. Result

- for introducing a result use:

thus, consequently, therefore, so,

that is why, for this reason,

e.g.: He was good at speculating. **Therefore**, the executives **believed he was infallible**.

Activity 1:

Write the following sentences using as or since

e.g.: I decided to go home **because** it was getting late.

a)- As it was getting late, I decided to go home.

b)- **Since** it was getting late, I decided to go home.

1. All the shops were shut **because** it was a public holiday.

a)-

b)-

2. We've decided to sell the car **because** we don't use it very often.

a)-

b)-

3. I don't sleep well because the neighborhood is noisy.

a)-

b)-

Activity 2:

Make logical sentences by combining a sentence from A with a sentence from B in appropriate order, as in the example.



e.g.: 1 + (c)

Since all the books looked interesting she couldn't decide which to choose.

Column A	Column B
<ol style="list-style-type: none">1. She couldn't decide which to choose2. Motorists were told to drive very carefully3. Robert is now 18 years old4. She didn't know how it worked5. After the game, they bow courteously6. The delegates negotiated the contract7. Materazi, the Italian footballer was knocked off both by Zidane and Giovani.	<ol style="list-style-type: none">a. He can take the driving license test.b. his repeated misbehaviour during the matches.c. they knew they would get a discount.d. all the books looked interestinge. the highway was slippery.f. it is a basic rule of Ethics in Judog. she had to ask for the teacher's help.

1. c	2. ...	3. ...	4. ...	5. ...	6. ...	7. ...
------	--------	--------	--------	--------	--------	--------



1. + (...)

Motorists are told to drive very carefully
because

.....

2. + (...)

As

.....

.....



4. + (...)

.....

because

.....



5. + (...)

As

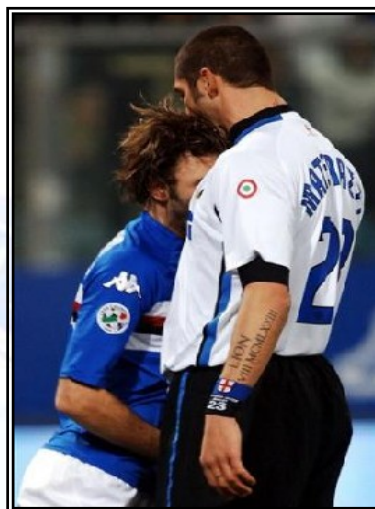
.....



6. + (...)

Since

.....



because of

Activity 3:

Complete these sentences using **due to** + one of the phrases from the box.

/ a mechanical failure / the bad weather / an ankle injury / / floodings /
fraud / technical fault /



e.g.: Most casualties in Bangladesh **were due to** floodings.



1. The collapse of the Baring Bank was



2. The breakdown was most likely



3. According to the conclusion of the investigation, the plane crash



4. He was unable to play
the match



5. Many flights have been canceled

Activity 4:

Now complete the sentences below using
because or because of + one of the phrases
from the box:

- they were worthless
- his financial skills
- he didn't want to be imprisoned in Singapore
- Leeson hid his losses in a falsified account
- Leeson's fraudulent speculations /

1. Leeson was appointed manager in Singapore

2. The bankers did not realize what was happening

3. Thousands of people lost their jobs



Activity 5:

1). Match the prompts from column A with column B endings.

2). Rewrite the sentence using:
because (of), as, since to join the two parts.

Column B endings

I would see better.

regular mail is too slow.

there is heavy traffic.

this coastal city has beautiful beaches.

police started patrolling.

the rain.

smokers are limited to special areas.

Column A	Column B	Column C
e.g.: I prefer to use e- mail	as / since/ because (of)	regular mail is too slow.

I prefer to use e-mails because regular mail is too slow.



Column A	Connector	Column B
a. We cancelled the picnic		
a.		
b. Smoking is banned in public places		
b.		
c. I turned on the light		
c.		
d. Crime has decreased		
d.		

e. They are building a subway		
e.		
f. Tourism flourishes in this coastal town.		
f.		

Activity 6:

Join the following sentences using the connectors between brackets as in the example.

Do not forget the punctuation and add capital letters if necessary:



e.g.: The traffic was unexpectedly heavy. I arrived late
at the appointment. (therefore)

**The traffic was unexpectedly heavy. Therefore, I
arrived late at the appointment.**



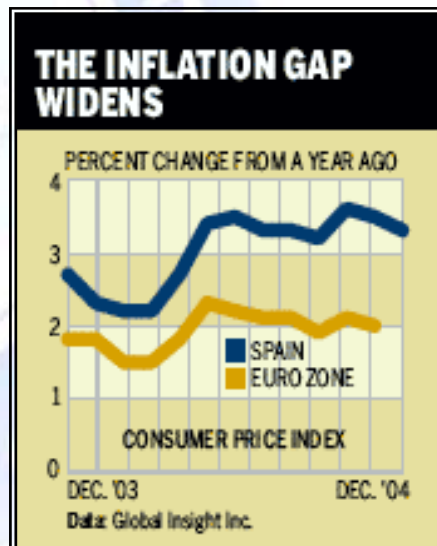
1. Taxes on imported vehicles are high. Only a few people can afford a new car. (consequently)

.....

2. There is a growing inflation in the country. All the prices are rising. People reduce their expenses. (that is why)

.....

.....



3. Being a pilot is sometimes rather stressful. a regular medical check up is required. (therefore)

.....

.....

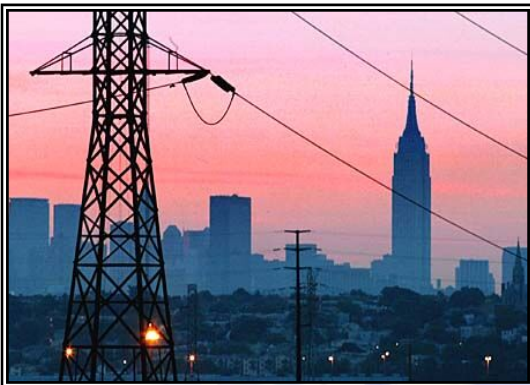
4. Plane ticket prices are getting more and more expensive. People travel less frequently. (thus).

.....



5. The storm damaged the power lines. The city was without electricity for several hours. (consequently)

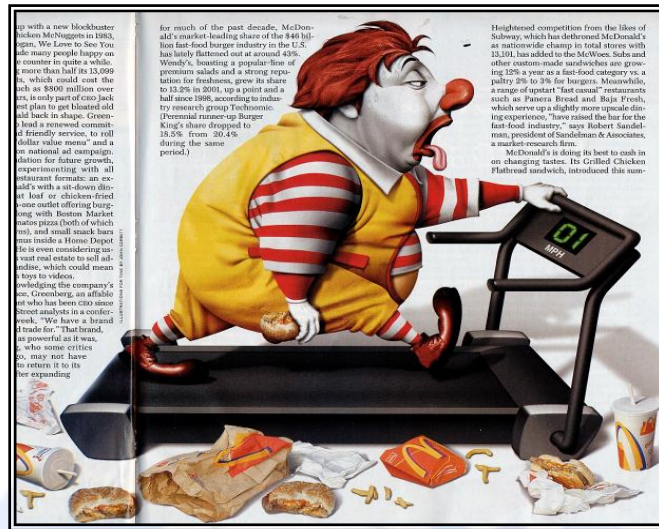
.....



6. Leila enjoyed studying sciences in high school. She decided to study medicine. (therefore)

.....

Circle the right connector in the newspaper article



According to an American survey, McDonald's reputation for fast and friendly service has been spoiled over the last few years. (**That is why, because, since,**) they rank low behind the other fast-food restaurants.

(**Another cause / As a result / Because**) for trouble is the lack of variety at McDonald's. (**Consequently, Because of / Since**) McDonald's restaurants get low ratings for the lack of innovations in its menu which has remained unchanged for years. It has also been proved that its fat-rich food is unhealthy. (**Since, Therefore, Because of,**) dieticians strongly advise people against McDonald's. (**Since / Thus / That's why**) there is high competition against other fast-food chains, McDonald's faces additional trouble.

WRITING

a)- Write one reason explaining the decreasing popularity of McDonald's under each picture.



1.

.....

2.

.....



3.....

.....



b)- Now rewrite the full sentences stating the reasons for the decreasing popularity of Mc Donald. (There is more than one possibility)

- Start like this:

The popularity of Mc Donald's is decreasing

.....

.....

.....

.....

