

ACGA 2017

Discussion on corporate governance culture in India

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Remarks of

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CG Regulatory framework – Developments

1. Listing Agreement replaced by Listing Regulations from Dec 2015.
Highlights of Listing Regulations:
 - **A good mix of Principle based regulation and Rule based regulation.**
 - **Expectations from governance set up of corporate entities is clearly laid down in simple English.**
 - **Matters to be dealt with by Audit Committee, Board are clearly laid down; this is in addition to clarify offered in companies act.**
 - **Role of stock exchange as front level regulator is very well laid down.**
 - **Enforcement framework is set up. Standard Operating Procedure to be followed uniformly by all stock exchange is prescribed.**

Corporate governance principles

- **Principles relating to disclosure obligations:**
Adequacy, accuracy, timeliness, simple language, disclosure through channels which assure cost effective access to such disclosures.
- **Principles relating to protection and facilitation of shareholder rights**
Right to participate in governance, protection of minority shareholder rights, right to timely information, equitable treatment to all shareholders
- **Principles relating to responsibility of Board of Directors**
Be above conflict of interest, manage conflict of interest of managers, monitor governance practices, function on fully informed basis, check over-optimism, step back and challenge assumptions of the management, etc.

Enforcement sustains CG practices

Scheme of enforcement : Graded enforcement action.

Standard Operating Procedure to prevent regulatory arbitrage.

Notice and financial penalty.

Move to trading segment for illiquid securities (Trade to Trade settlement).

Freezing transferability of promoters shares.

Suspending company from trading.

Minimum CG hygiene expected

- **To adhere to prescribed Board Composition.**
- **To adhere to prescribed Audit and other Board Committee composition.**
- **To disclose every quarter information on Financial Results, Corporate Governance compliance status, shareholding pattern.**
- **To disclose every year annual financial results, audit report, secretarial audit report and several other annual disclosures as prescribed.**
- **To disclose/announce developments in corporate affairs promptly. Decisions like bonus, dividends, etc are to be disclosed within 30 mnts. Structure disclosure statement is prescribed.**

Trends in CG compliance

Clause	2016-17	2015-16	2014-15
Financial Results	1552 (98%)	1469 (97%)	1418 (98%)
Shareholding Pattern	1551 (99%)	1482 (99%)	1458 (99%)
Corporate governance	1525 (99%)	1475 (99%)	1461 (99%)
Appointment of Woman Director	1478 (96%)	1429 (96%)	-

Enforcement action Fines Levied

Regulation wise fines levied total (cumulative)

Regulations	No of Companies	Total Fine levied (Rs. in million)
Corporate Governance	103	40.5
Shareholding Pattern	143	118.5
Financial Results	242	475.5
Annual Report	213	37.5

Action against company and promoters (cumulative)

Activity	2017- 18 (till 31 Oct2017)	2016-17	2015-16
No. of companies securities transferred to BZ (trade or trade)	8	24	25
No. of companies promoter holding frozen	13	24	23
No. of companies suspended	9	21	23

Capacity building

Capacity building is a voluntary initiative taken by NSE to help improve compliance with corporate governance.

Areas Covered

- **Listing Regulations**
- **Electronic Filing of disclosures**
- **Alerts to companies regarding filling of reports to the Stock Exchange within due date.**
- **Publication of compliance calendar**
- **Secretarial Audit workshops**
- **Board Evaluation workshops**
- **Business Responsibility Reporting (Sustainability Reporting) workshops**

Thanks
for the opportunity