ACGA 2017
Discussion on corporate governance culture in India

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Remarks of
Dr V. R. Narasimhan
Chief Regulatory Officer, NSE
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

<table>
<thead>
<tr>
<th>Clause</th>
<th>2016-17</th>
<th>2015-16</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Results</td>
<td>1552 (98%)</td>
<td>1469 (97%)</td>
<td>1418 (98%)</td>
</tr>
<tr>
<td>Shareholding Pattern</td>
<td>1551 (99%)</td>
<td>1482 (99%)</td>
<td>1458 (99%)</td>
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<tr>
<td>Corporate governance</td>
<td>1525 (99%)</td>
<td>1475 (99%)</td>
<td>1461 (99%)</td>
</tr>
<tr>
<td>Appointment of Woman Director</td>
<td>1478 (96%)</td>
<td>1429 (96%)</td>
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</table>
Enforcement action  
Fines Levied

Regulation wise fines levied total (cumulative)

<table>
<thead>
<tr>
<th>Regulations</th>
<th>No of Companies</th>
<th>Total Fine levied (Rs. in million)</th>
</tr>
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<tbody>
<tr>
<td>Corporate Governance</td>
<td>103</td>
<td>40.5</td>
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<tr>
<td>Shareholding Pattern</td>
<td>143</td>
<td>118.5</td>
</tr>
<tr>
<td>Financial Results</td>
<td>242</td>
<td>475.5</td>
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<tr>
<td>Annual Report</td>
<td>213</td>
<td>37.5</td>
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Action against company and promoters (cumulative)

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<tr>
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<tbody>
<tr>
<td>No. of companies securities transferred to BZ (trade or trade)</td>
<td>8</td>
<td>24</td>
<td>25</td>
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<tr>
<td>No. of companies promoter holding frozen</td>
<td>13</td>
<td>24</td>
<td>23</td>
</tr>
<tr>
<td>No. of companies suspended</td>
<td>9</td>
<td>21</td>
<td>23</td>
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</table>
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