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# Sebi's Ajay Tyagi for equal voice for independent, shareholder directors

BY ET BUREAU | UPDATED: NOV 09, 2017, 11.03 PM IST

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Sebi chairman **Ajay Tyagi** said on Thursday there is a distinct blur in letter and spirit with regard to the corporate governance practice followed by many companies in India.

“Companies do follow rules and regulations, and if their governance practices are put to test, they will likely stand scrutiny of law; however if one delves deeper, one could find that while the letter of the law may have been complied with, the spirit of regulations has not necessarily been embraced wholeheartedly,” Tyagi said.

Tyagi was speaking at the annual corporate governance summit on “Gatekeepers of Governance”, an event organised by Excellence Enablers, an initiative by former Sebi Chairman M Damodaran.

The Sebi chief said there has to be an equitable balance of power between shareholder directors and independent directors on company boards

“It also needs to be appreciated that while the "shareholder directors" may have imminent "conflicts of interest", the "independent directors" may not have so much proverbial "skin in the game". It therefore becomes imperative to ensure that equal say is imparted to the voice of the independent directors as well as the shareholder directors on a company's Board,” Tyagi said. This could involve treading a very fine line but nevertheless, one may have to see that the balance of power or accountability is not tilted in the favour of one at the cost of the other, which may compromise the effective functioning of the Board.”

He added that the key to good corporate governance lies in effective enforcement.



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G Mahalingam, whole time member of Sebi said enforcement is a major priority for Sebi right now.

He said going forward soft enforcement action such as administrative warnings will occupy less time of the regulator and it will focus more on important cases which involve serious violations.

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