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# Sticking to ‘letter’, not ‘spirit’ of rules

*If you play for spirit, you run into problems.*



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By [Express News Service](#)

MUMBAI: In the post-2008 era, the financial regulations have moved away from principle-based to rules-based, said Uday Kotak, banker who has also been closely involved with corporate governance regulations. In specific, he took on the issue of not being able to follow the ‘spirit’ of regulation even if the ‘letter’ carries the



‘spirit’.

“When one takes a view that let’s follow spirit, and the letter is not clear, you get a push back (saying) ‘this is the rule; have you followed it or not’. You get a slap back.

If you play for spirit, you run into problems. I’ve no ability to question spirit, (so) let me follow rules.

We are living in this world where we are going in a transition from principles to rules,” Kotak said, participating in a panel discussion on corporate governance with former Securities and Exchange Board of India chairman M Damodaran and Anand Mahindra, Mahindra group chairman. Only recently, Kotak had to encounter a situation of letter and spirit in RBI regulation, when an instrument used by the promoters to decrease the holding in the bank was not accepted by the regulator.

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