

Skipping response to regulator should be made punishable offence: Damodaran

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Former SEBI chief says NSE saga throws lessons for corporates

The entire NSE saga has brought into focus many issues for corporate India to act on to avoid such a fiasco in their organisations.

M Damodaran, former Chairman of SEBI and Chairman of Excellence Enablers, told BusinessLine that the fatal flaw in any organisation will be to allow any two persons to occupy the top management positions for years together. They tend to concentrate all decision-making in their hands without empowering persons at other levels, and this needs to be addressed on priority before the problem becomes unmanageable.

Creating an independent board

Getting distinguished individuals on the board and describing it as power-packed is pointless if members do not exercise the power, Damodaran said.

Filling up board positions with persons belonging to the comfort zone of management will lead to peaceful co-existence between the board and the management with no tough questions asked. The attention given to past careers and accomplishments without considering their contextual relevance is a serious matter, he added.

The appointment of the immediate predecessor CEO/ MD as a non-executive member of the board may lead to circumscribing of powers available to the newly appointed MD. In addition, both past and present incumbents can act in concert and run the organisation like a personal fiefdom, without recognising the role that boards play in corporate entities, he said.

In entities which have public interest directors, the problem is further compounded because their silence and tacit

endorsement of management could let down the regulator and the general public, said Damodaran.

The NSE case has demonstrated that the board did not ensure timely response to communications from the regulator and such offences in regulatory organisations should be treated as a punishable offence, he added.

The whistleblower mechanism and the role of the Chair of the Audit Committee also needs to be carefully examined to prevent management control on this front. Compliance officers serve as the conscience keeper of the organisation and are expected to alert the board and the regulator on transgressions with the blessings of top management.

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