

Satyam fraud can raise the bar in corporate governance: Dr Madhav Mehra

Good news is that Satyam fraud has raised the bar on corporate governance. For the first time corporate governance has become a household world. Markets have punished companies with poor corporate governance. The fraud exposes involvement of big names such as PriceWaterhouse Coopers: Dr Madhav Mehra

New Delhi, Delhi, IND, 2009-01-22 10:35:50 (IndiaPRwire.com)

The Stink May Do More to Improve Corporate Governance than Sarbanes Oxley Act

'Satyam fraud is symptomatic of the Economy of shock and surprise that we live in. These frauds have been integral part of corporate history. The disclosures show that our radars have become stronger and society's tolerance of corporate misdemeanours has reached its limits. Meltdown is a punishment inflicted by investors on greedy hedge fund managers and private equity manipulators. The heads of five top investment banks who were active participants in the Wall Street Ponzi scheme called credit default swaps lost \$2.2 billion of their personal wealth in 2008. The world would never have known about the fraud had a few shareholder activists not been persistent in opposing the unanimously approved resolution of 16 December 2008 acquiring the property company owned by the son of the promoter at an extortionate price.'

This was stated by Dr Madhav Mehra, the President of the World Council for Corporate Governance, UK at the 19th World Congress on Leadership in the Economy of Surprise, Wrenching Change and Contradiction concluded recently in Mumbai.

Dr Mehra added, 'Satyam gives India opportunity to lead the world by better enforcement of Clause 49 through proper selection, training, evaluation and monitoring of directors. The main problem of the Indian boards is their sameness. Same directors find seats on all the boards. That encourages cosy relationship. We need to encourage dissent, diversity, difference, dialogue and disclosure. To make it happen we don't need more laws but more training both of directors and investors.' Dr Mehra lamented "the institution of independent directors is a myth world over for two reasons: they depend on CEO for their remuneration. The dependence has only increased with phenomenal rise in their remunerations. It is difficult for people to understand something when their salary depends on not understanding it. Secondly as per a survey conducted by the WCFCG, the average time spent by independent directors in board meetings in a year is 14 hours. Better training will ensure that independents engage themselves in committee work such as audit committee, risk management committee, nomination committee and remuneration committee."

"Good news is that Satyam fraud has raised the bar on corporate governance. For the first time corporate governance has become a household world. Markets have punished companies with poor corporate governance. The fraud exposes involvement of big names such as PriceWaterhouseCoopers. This shows inadequacy of even draconian legislations like Sarbanes Oxley Act to curb frauds. The fraud also exposed stock market's worst disease - the insider trading. Respectable financial institutions profited by offloading Satyam shares just before Raju's confessions. Satyam has done more to raise the corporate consciousness than Sarbanes Oxley Act. Insider trading is a worldwide phenomenon and has been reported by many regulators with little enforcement. Linda Chapman Thompsen, Enforcement Director of Securities and Exchange Commission of US, warned last year that insider trading in Wall Street had become worse than during

Ivan Boesky's time. 'The tippers and tippees have been in senior positions of trust and confidence'. Warnings made little difference because western governments themselves play hostage to the big financiers and are scared of regulating them lest they move their assets to lightly regulated territories. Wall Street has seen worst destruction of shareholder values since the depression of 1929. India's intense reaction to Satyam crisis may be a defining moment to curb this corporate greed', added Dr Mehra.

Earlier Mr Ola Ullsten former prime minister of Sweden and chairman of the World Council for Corporate Governance, in his opening remarks stated 'Our industrial growth has been a zero sum game. We have destroyed much more than we have added. It is time we made a 180 degree shift in our growth model and use the market meltdown as an opportunity for clean and green initiatives. Renewable energy offers huge opportunity for generating employment, boosting the capital market and regenerating the planet.'

Golden Peacock Awards were presented by the Governor to some of India's top companies for Quality and Innovation. Mr Jamir commended the Institute of Directors and the World Council for Corporate Governance instituting the Golden Peacock Awards. He said 'These awards have raised the bar for corporate excellence because of their transparency and impartiality. India's recognition as a manufacturing hub worldwide is due primarily to the competitiveness generated by these awards. The very process of completing the application provides self learning and self assessment.'

The conference was attended by eminent business leaders, jurists, members of parliament, and experts on corporate governance. It was addressed by a diverse group of jurists, academics, policy makers, legislators, business leaders, financial experts, bankers and film personalities. They included besides Mr Jamir, the Governor of Maharashtra, Justice Venkatchaliah, former chief justice of India and Ram Jethmalani Member of Parliament, Michael Ward director of Far Pavilion, Alfred Harl chairman Professional Association of Management Consultancy and IT from Austria, Sunil Chandiramani, National Director Ernst & Young, Dr Friedrich Bock, Chairman Federal Commission for the Accounting Profession Austria, Aziz Mehdi Khan, Secretary Industry, Government of Maharashtra, Suresh Prabhu MP, Prof B L Mungrekar, Member Planning Commission and Chairman Indian Institute of Advanced Study, Prof N M Kondop Vice Chancellor, NMIMS, Indu Shahani, Sheriff of Mumbai, Bianca Jagger, Chairman World Future Group, Yash Chopra, the noted film producer, S Jambunathan former Chairman Bombay stock Exchange, S N Shaherwalla Managing Director Bombay Mercantile Coop Bank, and Mr Tirodkar Chairman GTL. Both Mr Chopra and Mr Tirodkar were awarded Distinguished Fellowships of the Institute of Directors.

A jury comprising Mr Ola Ullsten, former prime minister of Sweden, Kalpana Morparia, CEO of J P Morgan in India, N R K Raman, Managing Director and CEO Oracle, US Jha, Chairman RCF and R N Mukhija, Member L&T Board selected the winners of Golden Peacock Awards for CSR after a public presentation of case studies of 13 finalists.

- END -

For more information, Please contact:

Rahul Mittra
CEO - Brandsmith

You can also visit www.brandsmithindia.com for more information.