

PRESS RELEASE

September 30, 2013

CHIEF OF BUREAU

ICSI National Seminar on “Indian Financial Code” at Chennai



Shri P. Chidambaram, Hon'ble Union Minister of Finance, inaugurated the ICSI National Seminar on “Indian Financial Code” at Chennai.

Seen on the dias from L to R - CS M.S.Sahoo, Secretary, The ICSI, Justice Mr. B.N. Srikrishna, Former Judge, Supreme Court of India and Chairman of the FSLRC, Shri P. Chidambaram, Hon'ble Union Minister of Finance , CS S. N. Ananthasubramanian, President, Council of The ICSI, Ms. Chitra Ramakrishna, Managing Director and CEO, National Stock Exchange Limited

In order to facilitate healthy debate on the recommendations of the FSLRC (Financial Sector Legislative Reforms Commission) , including the Indian Financial Code, among the people who matter in the financial markets and to sensitise the various professionals, including Company Secretaries, about the likely reforms path in the financial legislations, The Institute of Company Secretaries of India (ICSI) is organising a series of seminars and workshops throughout the country. It has already organised four hugely successful national seminars—one in Hyderabad, second one in Mumbai, third one in New Delhi and the fourth one in Patna. One Such Seminar was organised on 30th September 2013 at Taj Coromandel, Chennai.

Shri P. Chidambaram, Hon'ble Union Minister of Finance, inaugurated the Seminar. In his Inaugural Address, he said that multiplicity of institutions and regulators which had come up from time to time to meet newly-perceived requirements, had potentially created regulatory overlaps, gaps and ambiguity on account of lack of role clarity.

This, he said, created inefficiencies in addressing critical emerging issues in an increasingly dynamic, complex and interconnected financial world.

“The present arrangements have a number of gap areas, where no regulators are unambiguously in-charge, such as issue of regulatory oversight over diverse Ponzi schemes that we have discovered recently. These are cleverly designed to be out of the purview of regulatory agencies,” he said.

Referring to the set of financial rules, regulations and Acts that have been passed in the last 80 years, Mr. Chidambaram pointed out that these have left lapses and gaps between regulators, the legal system and conflicting policies.

The current legislative framework, he said, addressed only temporary pressure and not critical key issues. Besides, there were multiplicity of laws, institutions and regulators that created ambiguity.

The present financial architecture, the Finance Minister said “has evolved over the years with a sequence of piecemeal measures and legislations responding to immediate pressures from time to time. It is not specifically comprehensively designed to meet some key objectives”.

Mr. Chidambaram also highlighted the challenges that lie ahead with regard to legislative changes, capacity building and in handling the complexity of transition from the present to the proposed code. He maintained that a careful analysis of the existing laws in bringing legislative reforms for the financial sector was required and pointed out that the IFC had sought to advocate a non-sectoral and principle-based approach.

“Alongside, very careful analysis of every sentence of the existing laws and every section of proposed code will need to be taken up before we agree upon large scale repeals of legislation. The requirements on this new arrangement will be understood and attempts made to adopt necessary changes,” he said.

In its report, the FSLRC had recommended that financial sector regulators such as Securities and Exchange Board of India (SEBI) (for capital market) and Insurance and Regulatory Development Authority (IRDA) (for insurance) be merged into a Unified Financial Agency (UFA) and the role of the Reserve Bank of India (RBI) should be restricted to regulating banks and managing the country's monetary policy. Pointing to the challenges ahead in this regard, Mr. Chidambaram said: “I am not sure how much this law will go through in the same fashion when it finally goes to Parliament ...[but it] will be a major milestone in Indian financial sector reforms”.

He observed that since many of the elements of the FSLRC- recommended legal processes were not unacceptable to the present laws, “therefore, I suggest the Ministry of Finance and the regulatory agencies may look seriously at operationalising some of these elements at the earliest even within the scope of the present laws”.

A Financial consumer is comfortable to participate in a regulated market where there are no sharks. These should be an assurance that she would be protected if she gets into problems. However, exploiting the limitations of the regulatory architecture, ingenious financial engineers come up with innovative products outside the regulatory jurisdiction and deprive the consumers of such products of regulatory protection.

We need to completely remove unregulated space. A recent attempt in this direction is the ordinance dated July 18, 2013, re-promulgated on September 16, 2013, which considers any raising of resources by whatever means, if not regulated otherwise, as collective investment scheme. Our endeavour is to eliminate unregulated space.

Justice Mr. B.N. Srikrishna, Former Judge, Supreme Court of India and Chairman of the FSLRC delivered the Key Note Address. While addressing the major concerns in the minds of various stakeholders and doubts surrounding the recommendations of FSLRC, Justice Srikrishna emphasized that change in the mindset and taking a bold step forward is necessary to accept the reforms envisaged which would enable the country to attune itself while paving the way to compete with the world leaders. However, he opined that all these reforms should be carried out not during the times of crisis but in times of ‘peace’.

Ms. Chitra Ramakrishna, Managing Director and CEO, National Stock Exchange Limited in her Address complimented the FLSRC for the clear, concise and comprehensive set of recommendations. She said that the first steps in financial sector legislative reforms were enabled with the SEBI Act and in the last two decades, markets have progressed to global standards. Explaining the relevance of FSLRC she said that whenever big changes were required it was inevitable to change laws and many new areas of global relevance which have emerged in the last two decades needed to be reflected in the legal framework. She identified some of the issues which needed to be focussed for implementing the report; for institutional transformation technology needed to be leveraged which can avoid duplication of cost and efforts. She also emphasized on the need for training and capacity building, to create a cadre to deal with the new paradigm.

CS S. N. Ananthasubramanian, President, Council of The ICSI in his Presidential Address, stated that ICSI's endeavour is not only to promote good corporate governance but also promote that market governance is fostered in an even-handed manner so as to ensure seamless relationship between the two. He pointed out that the FSLRC Report was timely as there was a felt need that the institutional structure of the financial sector in India needed a review and to be recast in tune with the contemporary requirements of the sector.

The seminars witnessed a galaxy of other speakers and Distinguished experts from government, regulators, industry and academia deliberated the recommendations of the FSLRC during the technical sessions:

- **Core Finance** : Micro-Prudential Regulations, Consumer Protection, Resolution, Financial Inclusion and Market Development.
- **Regulatory Regime** : Architecture, Governance and Approaches, Foundations of Contracts and Property.
- **Macro Finance** : Monetary Policy, Capital Controls, Systemic Risk And Debt Management.

The interactive seminar left the gathering enriched wanting for more and recharged with reformed thoughts. The speakers at the conference are Prof. J. R. Varma, IIMA, formerly Member, FS LRC, Ms. Aarati Krishnan, Deputy Editor, HBL, Dr. Susan Thomas, Professor, IGIDR, Ramesh Abhishek, Chairman, FMC, Ravi Narain, Vice Chairman, NSEIL, Dr. C. K. G. Nair, Adviser, MoF and formerly Secretary, FSLRC, Dr. K. P. Krishnan, Additional Secretary, MoF, R. K. Nair, Whole Time Member, IRDA, Dr. Ajay Shah, Professor, NIPFP.

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