

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 2

**NOTE :** Attempt **ANY FIVE** questions. All questions carry equal marks.

1. Answer **any four** of the following :

- (i) What are the legislation governing the formal structure of Corporate Governance ?
- (ii) Enumerate OECD principles of Corporate Governance.
- (iii) Explain the term 'Keiretsu'.
- (iv) Explain the term 'snowing' in the context of games, which directors play in the manipulation of meetings.
- (v) Can nominee director be treated as an independent director ?
- (vi) Are outside independent directors, truly independent ?

(5 marks each)

2. BHP Billiton is a dual listed company (DLC); created on 29<sup>th</sup> June, 2001, through the DLC merger of BHP Billiton Ltd. (formerly BHP Ltd.) and BHP Billiton Plc. (formerly Billiton Plc.), having headquarters of BHP Billiton Ltd., and the global headquarters of the combined BHP Billiton Group, located in Melbourne, Australia and that of BHP Billiton Plc. in London, UK. Both the companies have identical Boards of directors and run by a single management team. Shareholders in each company have equivalent economic and voting rights in both the companies. BHP Billiton Ltd. has a primary listing on the Australian Securities Exchange and BHP Billiton Plc. has a premium listing on the London Stock Exchange, with a secondary listing on the Johannesburg Stock Exchange. In addition, BHP Billiton has two American Depository Receipt listings on the New York Stock Exchange. Merger of BHP and Billiton, as above resulted in creation of one of the world's largest diversified resources company, with significant positions in major commodity businesses including aluminium, energy coal and metallurgical coal, copper, manganese, iron ore, uranium, nickel, silver and titanium minerals, and substantial interests in oil, gas, liquefied natural gas and diamonds. BHP Billiton strongly believes that it is ideally placed to continue to lead the resources industry into the future.

Explain the concept of DLC and the need for such an arrangement. Discuss also the relative advantages and disadvantages of DLC. Discuss Corporate Governance issues arising in DLC structure.

(20 marks)

3. The financial tsunami which lead to unprecedented global crisis prompted by securitisation of sub-prime mortgage loans leading to collapse, takeover, and in some cases nationalisation of banks and other financial institutions around the globe has raised fundamental issues on Corporate Governance. In the aforesaid background, keeping in view the international best standards, briefly discuss the legal and regulatory framework for Corporate Governance in banking and financial sector in India.

(20 marks)

4. The UK ‘comply or explain’ approach to Corporate Governance varies significantly from the general approach taken by the US regime. In light of the above, discuss the Corporate Governance initiatives taken in UK.

(20 marks )

5. Nanging Panda Electronics (NPE), a satellite communication equipment manufacturer (listed on Hong Kong and Shanghai Stock Exchanges), sometime in May, 2008 announced that its 192.8 million shares has been frozen by Chinese court in a dispute between Bank of China and its parent Panda Electronics (PE). PE had furnished the aforesaid shares as collateral for the loans obtained from Bank of China. NPE in its communication to Hong Kong Stock Exchange disclosed that PE is in dialogue to redeem the pledged shares. This only evidenced that PE was in deep financial troubles, which could potentially risk NPE's assets and business and hence NPE informed the investors that the aforesaid transaction concerning PE shall not impact the operations of NPE. Hong Kong Stock Exchange censured NPE for failure to disclose and seek shareholders approval for unsecured loans extended to three of its China based affiliates. In the past also NPE's stock took plunge by 44% on the first trading day after announcement that its 51% and 95% stake in a mobile communication subsidiary and another subsidiary was frozen by Chinese bank. The aforesaid case only highlights the effects of ‘abusive related party transactions’ between parent and subsidiaries or affiliates relating to provision of loans, guarantees and collaterals.

In light of the aforesaid, discuss how good Corporate Governance can help in fighting abusive related party transactions.

(20 marks)

6. (a) Independence of directors is not merely the question of law or regulation. How you as a Company Secretary being close confident of the Board and individual directors ensure that independence is promoted at the Board and committee meetings and also at the level of individual directors ?

(10 marks)

- (b) Write a lucid synopsis for a Post Membership Qualification dissertation on “The Directors’ Juristic Duties — *ex-contractu* as well as *ex-delicto* — as the key substrate for any Corporate Governance model.”

(10 marks)