1. In 1992, General Electric (GE), U.S., settled with the government over charges that the company had been falsely billing the federal government for military sales to Israel during the 1980’s. Due to inadequate self-regulation, the company’s employees had conspired with an Israeli Air Force General to divert the money to their own pockets. In consequence, GE’s jet engine division was suspended from bidding for future Pentagon contracts and, the company paid fines of $69 million. GE’s shares dipped $0.87 on the news reported in The Financial Times, 3rd June, 1992.

   (a) Should only such a weak corporate self-regulation justify stern and comprehensive corporate criminal laws? Especially when “did you ever expect a corporation to have a conscience, when it has no soul to be damned and nobody to be kicked.” Pen Edward, First Baron Thurlow, Lord Chancellor of England.

   (10 marks)

   (b) And what about the today’s Indian scenario?

   (10 marks)

2. “The much admitted and often exaggerated ‘Keiretsu’ system of cross ownership and close monitoring by banks and big block holders has become less effective (in Japanese Corporate management) and no new structure has been developed to replace it. In this sense, the current recession gripping Japan can be described as a ‘governance recession’. ” — B. Minoru Makihara, CEO, Mitsubishi Corporation. In fact, this trend has fast caught up all over.

Identify and work out a model legal frame of corporate governance to answer the challenges of a dynamic complex business world with special reference to India.

(20 marks)
3. (a) The UBS, one of the world’s largest banks, is one of the biggest losers in the sub-prime crisis. It has taken a loss of about US$38 billion. Examine the causes attributable to the heavy losses identified and the remedial measures taken under the corporate governance regulatory framework to prevent such crisis in future.

(10 marks)

(b) Xavier of RigaRole Ltd. has written a secret letter to the Managing Director, informing that he knows about siphoning and diversion of funds of the company by some senior executives. He offers to provide the details and cooperate in the investigation against the wrong doers, provided his particulars are kept confidential and he is given protection by the company. Advise the Managing Director in this case about the relevant corporate governance regulations in the US and India.

(10 marks)

4. (a) “All international corporate governance codes or practices are ultimately consensus or local-level coordination based as compared to sanction based domestic codes.” Elucidate with reference to recent institutional reforms in corporate governance on the lines of Organisation for Economic Co-operation and Development (OECD) principles in emerging markets like Korea, Hong Kong, Malaysia or Russia.

(10 marks)

(b) Briefly discuss the goals of the Sarbanes-Oxley Act, 2002 and also salient features of the rules framed by the Securities and Exchange Commission (SEC) for protecting investors and maintaining the integrity of the securities market in implementing the provisions of the Sarbanes-Oxley Act, 2002.

(10 marks)

5. Presently, the US financial markets and banks have been facing severe financial crisis. Briefly, explain the reasons for the financial crisis and remedial actions under the corporate governance regulatory framework. Examine whether the situation of banks and financial institutions in India is different from the US, and, if so, how?

(20 marks)
6. (a) "Corporate Governance in a banking company appears to be just a shades different from other companies." Really? How? What does law say about it?  

(10 marks)

(b) An institutional shareholder points out that the company has not filed the requisite certificate regarding compliance of stipulated conditions of corporate governance, with the annual report or the director's report for the year 2008. The Company Secretary replies "it is just optional — hence omission is not material." What can the shareholders do?  

(10 marks)