336

Roll No.....................................

Time allowed : 3 hours ***Maximum marks : 100***

Total number of questions : 6 ***Total number of printed pages : 6***

NOTE : *Answer* ***ALL*** *Questions.*

PART — A

1. (*a*) India has been flooded with various Ponzi schemes that take advantage of suspicious investors looking for alternate banking options. Lacking access to formal banks, low-income Indians often rely on informal banking. These informal banks invariably consist of money lenders who charge interest at inflated rates and are soon replaced by more sophisticated methods of cunning people through disguised Ponzi schemes. Fund raising is done through legal activities such as collective investment schemes, non-convertible debentures and preference shares, as well as illegally through hoax financial instruments such as fictitious ventures in construction and tourism. The rapid spread of Ponzi schemes, especially in North India has various causes, not the least of which, include the lack of awareness about banking norms, steadily falling interest rates, lack of legal action against such activities and the security of political patronage.

The Ponzi scheme run by Saradha Group, collected money from investors by issuing redeemable bonds and secured debentures and promising incredulously high profits from reasonable investments. Local agents were hired throughout the State of West Bengal and given huge cash payouts from investor deposits to expand quickly, eventually forming a conglomerate of more than 200 companies.

SEBI first detected something suspicious in the group's activities in 2009. It challenged Saradha because the company had not complied with the provisions of Indian Companies Act, which requires any company raising money from more than 50 investors to have a formal prospectus, and categorical permission from SEBI, the market regulator. The Saradha Group sought to evade prosecution by expanding the number of companies, thus creating a convoluted web of interconnected players. This created innumerable complications for SEBI, which labored to investigate Saradha in spite of them. In 2012, Saradha decided to switch it up by resorting to different fundraising activities, such as collective investment schemes (CIS) that were disguised as tourism packages, real estate projects, and the like. Many investors were duped into investing in what they thought was a chit fund. This too, was an attempt to get SEBI off its back, as chit funds fall under the jurisdiction of the State Government, not SEBI. However, SEBI managed to identify that group was not, in fact, raising capital through a chit fund scheme and ordered Saradha to immediately stop its activities until cleared by SEBI. SEBI had previously warned the State Government of West Bengal about Saradha Group's hoax chit fund activities in 2011 but to no avail. Both, the Government as well as Saradha, generally ignored SEBI until the company finally went bust in 2013.

After the scandal broke, an inquiry commission investigated the group, and a relief fund of approximately US $90 million was created to protect low-income investors. In 2014, the Supreme Court transferred all investigations in the Saradha case to the Central Bureau of Investigation (CBI) amid allegations of political interference in the state-ordered investigation. In the light of the above, you are required to answer the following questions :

(*i*) Explain Ponzi scheme run by Saradha Group. Why chit funds or Ponzi schemes still persists in India inspite of many scams ? Comment.

(*5 marks*)

(*ii*) Discuss Indian legislations and provisions to curb Ponzi schemes.

(*5 marks*)

(*b*) Answer the following in brief :

(*i*) "A very old concept of ethics exists since the time of Aristotle (384 BC)". Discuss.

(*ii*) What are the ethical issues in finance ? Discuss.

(*iii*) Discuss the role and powers of the Board with respect to good corporate governance.

(*iv*) What are Companies (Meeting of Board and its Powers) Second Amendment Rules 2017 ? Briefly explain.

(*v*) Discuss the composition of Corporate Social Responsibility Committee with reference to the statutory provisions applicable.

(*2 marks each*)

(*c*) "Good Corporate Governance is about intellectual honesty and not just sticking to rules and regulations. It has been observed that capital comfortably flows toward companies that practice this type of good governance". Briefly comment.

(*5 marks*)

Attempt all parts of either Q. No. 2 or Q. No. 2A

2. (*a*) Discuss in brief the developments of corporate governance in U.S.A.

(*b*) "Independent directors are directors who apart from receiving director's remuneration do not have any other material pecuniary relationship or transactions with the company, its promoters, its management or its subsidiaries". Elucidate.

(*c*) "Board and executive leaders need to work together based on mutual respect, trust and commitment". In the light of this statement discuss in brief the relationship between the Board and Executive Management.

(*5 marks each*)

OR (Alternate question to Q. No. 2)

2A. (*i*) With the increasing use of internet, the listed entities have started adopting a functional website for publication of information. In the context of this, analyze the major elements to be considered in Website Disclosure Regulations.

(*5 marks*)

(*ii*) Discuss the rights of shareholder under SEBI Listing Obligations and Disclosure Requirement (LODR) Regulations, 2015.

(*5 marks*)

(*iii*) Discuss the functions of Nomination and Remuneration Committee.

(*5 marks*)

3. (*a*) "The institutional investors should use their powers and influence to ensure the implementation of the best practices set out in the Combined Code (2008)". In the light of this statement state the observations of Kumar Mangalam Birla Committee on the principles of good corporate governance for the Institutional Shareholders in Indian scenario.

(*5 marks*)

(*b*) In Indian context, there is no single apex regulatory body which can be said to be the regulator of corporate but there exists a coordination mechanism among various functional regulators. Explain by providing examples.

(*5 marks*)

(*c*) "Stakeholder engagement provides opportunities to further align business practices with societal needs and expectations, helping to drive long-term sustainability and shareholder value". In the context of this, discuss key principles of stakeholder engagement.

(*5 marks*)

4. (*a*) Discuss stewardship code for insurers in India.

(*b*) With the goal of promoting better corporate governance practices in India, the Government of India has set up National Foundation for Corporate Governance (NFCG). Explain in brief the mission of NFCG.

(*c*) What is Asian Corporate Governance Association (ACGA) ? Discuss the scope of work of ACGA.

(*5 marks each*)

PART — B

5. (*a*) What is sustainable development ? Discuss principles of sustainable development agreed upon by the world community.

(*5 marks*)

(*b*) During the "Earth Summit" at Rio (Brazil) in 1992, a blueprint for sustainable development in 21st century was signed by 179 Heads of State Governments as Agenda 21. Discuss this Agenda 21.

(*5 marks*)

(*c*) "Business cannot exist in isolation; it cannot be oblivious to Societal Development". Elaborate this statement.

(*5 marks*)

Attempt all parts of either Q. No. 6 or Q. No. 6A

6. Discuss in brief the following :

(*a*) Life Cycle Assessment.

(*b*) Environment, Social and Governance (ESG) Index.

(*c*) Global Compact Self-Assessment Tool.

(*d*) Brundtland Commission.

(*e*) Discuss Millennium Development Goals (MDGs) that were officially established by Millennium Summit of the United Nations in 2000.

(*3 marks each*)

OR (Alternate question to Q. No. 6)

6A. (*i*) The Ministry of Corporate Affairs issued the Corporate Governance Social Responsibility Voluntary Guidelines 2009, which emphasize that every business should design and formulate a CSR policy to guide the strategic planning and a roadmap for its CSR initiatives. Outline the core elements of CSR policy.

(*ii*) "Tata steel's Vision strikes a balance between economic value as well as ecological and societal value". Comment.

(*iii*) Discuss convention on Biological Diversity.

(*5 marks each*)

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