

ADDRESS – OPEN PLENARY OF THE 42ND NATIONAL CONVENTION OF COMPANY SECRETARIES, KOLKATA -SHRI R.K. DUBEY, CMD, CANARA BANK- 21 AUGUST, 2014

Shri R Sridharan, President ICSI, Shri Vikas Y Khare, Vice President, ICSI, Shri Anil Murarka, Past President and Council Member, ICSI and Chairman Convention Organising Sub-Committee, Shri M. S. Sahoo, Secretary, ICSI, Shri Arun Kumar Khandelia, Chairman, EIRC of the ICSI and Members of the Institute present here,

Dear Company Secretaries and the distinguished guests present here,

It is an honour to be with you all to acknowledge the accomplishments of the profession of Company secretary. The esteemed profession has developed manifold to deliver to the high expectations of the stakeholders.

I am delighted that I am here on the occasion of the National Convention of Company Secretaries on the theme “CS-Change, Challenge, Opportunity”.

The profession of Company Secretary has developed significantly over the years. The Company Secretary is trusted by the government, regulatory authorities, shareholders and other stakeholders.

The role of Company Secretary has increased manifold because of wider compliance along with traditional role. A Company Secretary is responsible for implementation of all relevant laws applicable to the Companies, viz., Annual Return, Secretarial Audit, Restructuring, Liquidation, Valuation and much more. Section 203 of the Companies Act, 2013 has accorded an important position to Company Secretaries and provides for compulsory appointment of whole-time Key Managerial Personnel (KMP).

Company Secretary Professional is in the core managerial team. He needs to play the role of a business manager, adviser and value enhancer to board and senior management on good board practice, corporate governance, compliances, sustainability, business ethics and corporate social responsibility.

Company Secretaries in the Banking Companies formed either under the Companies Act, 2013 or any other legislation(s) and having Banking License from RBI under the Banking Regulation Act 1949, have to discharge onerous responsibility not only to ensure compliance with the various statutory provisions as a Principal Officer, but also to ensure fulfillment of the requirements of various allied Statutes, Rules, Regulations issued by statutory authorities/Govt. agencies including RBI, SEBI, Ministry of Corporate Affairs, Govt. of India on issues related to the banking sector. Company Secretaries are in a better position to discharge this responsibility with greater confidence.

Irrespective of their nature of corporate entities such as commercial banks, Regional Rural Banks, Non- Banking Finance Companies, Development Finance Institutions will be better placed where professionally qualified Company Secretaries are employed in view of their diversified knowledge in legal and related fields.

It is indeed an arduous task for the Board of Directors to see that not only the shareholders, but also the other stakeholders, viz. the customers, suppliers, investors, employees and the society at large, are benefited by the result of excellent management practices, so as to justify the survival and sustenance of the organization. The role of a Company Secretary, being a Principal Officer of the organization, in the banking sector, is crucial, since he acts as a facilitator in the

entire corporate management process, to ensure that the corporate entity is run on sound management principles and practices.

The role, functions and responsibilities of the Company Secretary as a key functionary in the corporate hierarchy has become more significant with the process of liberalisation and globalisation which has ushered in a large inflow of foreign capital compounded by the unprecedented economic growth and consistently improving performance of the corporate sector. With most of the public sector banks going public, the banks in addition to the various statutes and guidelines applicable to the Banks, are also required to abide by the SEBI Regulations and the Listing Agreements of the Stock Exchanges. This has been further necessitated by the enhanced role of Banks in moving towards Universal Banking and International Standards besides adopting the best practices in Corporate Governance.

Company Secretaries also play an important role in the process of conforming to the different statutory/regulatory requirements as prescribed by RBI such as maintaining Statutory Liquidity Ratio, Cash Reserve Ratio, Capital Adequacy etc. Banks are also required to ensure compliance with the lending norms in different sectors/categories as specified by RBI from time to time. In view of strict banking governance norms, especially to achieve Basel I/II compliance targets, professional services rendered by Company Secretaries, in this regard, deserve due recognition.

The profession

I have talked about some key provisions of the CA 2013 that are likely to have a positive bearing on the governance and compliance culture in the corporate world. However, simply enshrining the provisions in the Act will not ensure that governance standards are enhanced. The key in my view lies in their appropriate implementation, which will need to be ensured. Towards this end, the Act has

significantly enhanced the role of company secretaries. As a professional class, Company Secretaries will in the year ahead, need to emerge as an extremely reliable source of assessing existing or potential compliance risks in the corporate sector; a source whose integrity will be relied upon by various regulators and agencies, and indeed the corporate sector itself. So, what needs to be done? Where does the profession see itself going forward and how does it get there?

To answer the questions, let me go back to some issues relating to the roles and responsibilities of Company Secretaries. The conduct of the annual secretarial audit that Practising Company Secretaries will have to perform going forward will entail i) reporting to the Board about the compliance with the provisions, rules and laws applicable to the company, and ii) ensuring compliance with the secretarial standards, as issued by ICSI. These two functions will cast an overwhelming responsibility on Company Secretaries that will require them to incur knowledge and experience of various laws, regulations and practices on the one side and display commitment and integrity in performance on the other.

To illustrate the enormity and depth of the task entrusted to Company Secretaries in Practice, the scope of the secretarial audit will include assessing a company's compliance with all applicable provisions of the Companies Act 2013, SEBI Act 1992, RBI Act 1934, Securities Contracts Act 1956, Depositories Act 1996, FEMA 1999, Competition Act 2002, listing agreement and any other law specifically applicable. Compliance with various secretarial standards issued by the ICSI to aid companies in discharging their corporate responsibilities will also need to specifically assess as these standards, several of which are non-financial, have been provided statutory recognition in Companies Act 2013 as against their earlier recommendatory nature. Further, the secretarial standards cover the entire range of company operations including conduct of meetings, dividends, shares, maintenance

of records, inter-corporate interactions, contracts, appointment of auditors, etc. which Company Secretaries will need to assess.

I understand that the ICSI will be embarking upon a nationwide capacity building exercise amongst the existing professionals and members to meet the expectations and requirements of the enhanced position of CS under the new Act. In addition, to bring up a niche cadre of high quality professionals in the coming years, the Institute also plans to initiate a long duration integrated programme for company secretaries. These initiatives are timely and warranted, and if I may say so necessary for developing world class professionals who will facilitate corporate sector growth through their knowledge, expertise, guidance, analysis and insights. These formal capacity building initiatives will, however, need to be supplemented with self-motivated learning as well as regular interactions with companies, regulators, government agencies and other stakeholders to understand organisational issues, compliance requirements and disclosure rationales. Company Secretaries will soon move to the centre of the corporate world. It is imperative that they are geared for this enhanced role.

In any country, banking industry plays a key role in the economic development by providing necessary impetus to various sectors. Financial assistance and related services extended by the banks facilitate national development.

II. CHANGE (Business Environment & Regulatory Changes):

Change is inevitable and it is contagious. But of late, the pace of change has intensified and become wide-spread. In the last few years, the Indian Market has been flooded with consumer goods and new services resulting in wider choice for consumers.

Organizations are vying with each other to increase their market share by providing value for money and variety of promotional packages.

Organizations have realized that in the current scenario either they excel or perish, thereby leaving no room for complacency.

The interplay of six aspects of business environment – Political, Economical, Social, Technological, Environmental & Legal have completely transformed both the form and substance of business. In short, the Three Key Drivers of Change in the Business Environment are:

- Globalization
- Technology
- Concentration of Market Power in Large Pension and Mutual Funds.

These three drivers have resulted in :

- Inexpensive Information
- Increased Competition

Inexpensive Information and Increased Competition led to:

- An increased pace of change in the business world;
- Shorter product life cycles and shorter competitive advantages;
- A requirement for better, quicker, and more decisive actions by the management;
- Emergence of new companies and new industries;
- Outsourcing of non-value added, but necessary, services;
- Increased uncertainty and the explicit recognition of risk;
- Increasingly complex business transactions;

- Changes in financial reporting and relationships with financial markets and major market players;
- Increased regulatory activity;
- Increased focus on customer satisfaction;

Organizations thus have to prepare themselves to survive in a turbulent and complex environment.

III. CHALLENGES

In post liberalization era, Indian organizations, have been striving to meet the challenges. The Indian economy showed remarkable recovery during the last decade in terms of Macro Economic Indicators including the Foreign Direct Investment. Several Indian organizations are in the process of transforming themselves into multi-nationals and are on the path of becoming formidable global players. But there is a compelling need to meet the following challenges:

Global Standards

In global economic order, it is imperative for organizations to achieve global standards of performance in productivity, quality, cost, delivery and customer service.

Life Cycle of Organization

The organization's life cycle has transformed. Organizations are made up of their products and procedures, people and their relationships, knowledge and technology. Innovation has gained importance. Manufacturers are thus producing products with new variations at a rapid rate, thereby shortening the product cycle.

The life span of organization is increasingly becoming shorter. The growing trend towards acquisition, merger even bankruptcy is indicative of this trend.

Price Led Strategy

With the growing competition providing wider choices of products and services in the markets, organizations are forced to produce or provide service at a competitive and affordable price. Organizations, therefore, have to develop price-led strategy in place of cost-led strategy.

Decision Response Time

In a highly competitive scenario characterized by constant change, organizations have to respond quickly to the internal pressures within the system and demands of the external environment.

Business transactions need to be carried out quickly. The speed at which the organizations respond decisively influences their growth and even survival. This necessitates continuous and progressive reduction in decision response time in organizations.

Knowledge Capital

Knowledge capital is unique to the organization which can neither be copied nor borrowed. Human resources as custodian of knowledge thus are being considered as assets capable of growth with no known limits. Organizations, therefore, need to continually invest in utilizing, nurturing and developing its intellectual capital.

Market Challenges

The marketing concept has changed dramatically over the last few decades. The focus has increasingly moved to global markets and the various technology issues that impact the market.

The boom in computer, telecommunications and information technology, as well as the merging of these technologies, has had a major impact on the way, businesses bring value to their customers.

Due to these technological developments, the market places have become market spaces. And it is up to us to use these developments to create more opportunities.

Governance Challenges

Indian industry has come a long way since 1991. There has been a phenomenal growth both in the quality and number of Corporates in the country. Some of them are acquiring global footprints and some of our Corporates have set high corporate governance standards.

Corporate India has taken significant steps, especially in the last decade. Experience on governance issues in the country shows that none of the Corporate Governance principles can be cast in stone and are subject to constant modifications.

There is a need for constant review and course corrections to achieve corporate excellence by a judicious mix of legislation, regulation and suasion. This task needs to be addressed by growing maturity and competitive compulsions. We must gradually reduce legislative interventions and increase regulatory compliance with self-induced adherence to the best practices in this field. Till then, however, legislation and regulations have to ensure at least certain minimum standards. To facilitate this migration to better governance practices, globalization has opened up new opportunities to Corporate India.

There are no soft options available. The Indian Corporate sector must necessarily turn to good governance in its pursuit of competitive excellence in a challenging

business environment. There are already some Corporates in our country which have set new benchmarks of corporate governance in their organizations. Such examples now need to be replicated in a big way across the country.

IV. OPPORTUNITIES:

Challenge offers Opportunities. We contribute to Change and often be the Change. With our optimism, self-confidence and openness, and adventurous spirit, we find Challenges in Change and convert the Challenges to Opportunities.

legislations such as Securities Laws, Corporate Laws, Competition Laws, Insurance Laws etc., are the corner stone of Corporate edifice. I hope in the technical sessions, the Corporate Professionals would deliberate on various aspects of CHANGE, CHALLENGE and OPPORTUNITIES for sustained development.

The Institute of Company Secretaries of India (ICSI) came forward for offering a joint certification with Indian Institute of Banking & Finance to their members as also the Certified Associate of Indian Institute of Bankers (CAIIB) holders to make available well qualified candidates to perform the compliance function in banks. Certification powers have also been granted to company secretaries by All India Financial Institutions such as the Industrial Development Bank of India (IDBI) and the Industrial Credit and Investment Corporation of India (ICICI), Besides, a CS is also recognized by the RBI for conducting due diligence of borrowing companies in case of consortium lending and multiple banking arrangements.

Here, I would request the Institute to play a vital role in development of the genre of the “Chief Governance Officers”. Institute should foresee professional challenges and formulate the action plan to upgrade various skills such as soft skills, updation of knowledge, etc. to help professionals remain competitive.

I compliment the Institute for choosing a vibrant topic as the theme for the conference.

Thank you