

MINISTRY OF CORPORATE AFFAIRS

Reinventing a Ministry

With the changing global and Indian economic scenario within which India's corporate sector is confronted with the challenge of sustained growth, the **Ministry of Corporate Affairs** has put in place a number of legislative, regulatory, service-delivery and capacity-building initiatives to enable the Indian corporate sector explore newer and wider horizons. The result of these initiatives can be gauged by the swiftness with which the Ministry handled the Satyam scam. Enabling legislative and administrative frameworks to undertake such regulatory interventions, the speed of decision making and the thought process that the Satyam crisis should not be allowed to undermine the interests of innocent stakeholders, clearly demonstrate the impact of the numerous initiatives of this Ministry.

The journey of the Ministry to reinvent itself commenced against the historical backdrop of the Department of Company Affairs, attached to different Ministries from time to time, becoming an independent Ministry in 2004. As the new Ministry went about defining its role in the overall economic and social growth story of India, the need for a clear vision emerged. In 2007, the Ministry adopted a new name, "Ministry of Corporate Affairs", along with a new vision. This journey saw a series of new initiatives like MCA-21 e-Governance project, Limited Liability Partnership Law, establishment and operationalisation of the Competition Commission of India, amending the Acts governing Professionals' Institutes (Chartered Accountants, Company Secretaries and Cost and Works Accountants), establishment of Indian Institute of Corporate Affairs, notification of Accounting Standards and comprehensive revision of the Companies Act, 1956. So, here is a Ministry that manages the corporate affairs of India with dynamism and foresight, in a spirit of partnership. **ANURAG GOEL**, Secretary, Ministry of Corporate Affairs, talks to **SAMAR JEET** about how the Ministry has reinvented itself



PHOTO: PRADEEP GAUR

The Satyam scam has thrown several questions and has brought the role of the Ministry of Corporate Affairs in the limelight. Your first reactions?

What happened in Satyam was an unfortunate aberration. On January 7, 2009, Ramalinga Raju, the then Chairman of Satyam Computer Services Limited, made a statement about there being gross irregularities and manipulations in the accounts of Satyam, along with falsification of its financial statements for many years. The amount involved was stated to be more than Rs 7,000 crore. The Government reacted at a very swift pace and in a decisive manner. We immediately instituted an inquiry/investigation into the irregularities, falsification and the apparent fraud, to identify and punish the guilty as per law. At the same time, we initiated steps to ensure that the employees, customers and shareholders do not suffer.

What action did you take to protect the interests of the employees, customers and other stakeholders?

We decided that the erstwhile Board of Satyam needed to be replaced with a new one comprising eminent and globally renowned individuals from diverse disciplines.

To be a Leader and Partner in initiatives for Corporate Reforms, Good Governance and Enlightened Regulation, with a view to promote and facilitate effective corporate functioning and Investor protection

— Vision statement

We got the necessary order from the Company Law Board on January 9, 2009 and the new Board was constituted two days later. Kiran Karnik, former president of NASSCOM, has been nominated as the Chairman, and the members include some of the renowned professionals from different fields. The Board has worked very closely with the customers, employees, financial institutions and other stakeholders to ensure continuity of operations and prepare a roadmap for the future. We were clear from the outset that we needed to do everything possible to ensure that Satyam did not go the Enron way. With the leadership provided by the new Board, commitment of the employees and the support of the customers, Satyam is still functioning, rendering top-quality service and will survive and prosper.

And the reasons for success so far?

Three factors I would say, namely, the immediate and effective response of the Government, within the statutory framework, under the stewardship of the Minister for Corporate affairs, Prem Chand Gupta; the quality, commitment and swift action of the Board Members who have put in unprecedented levels of personal effort; and the dedication and untiring work of the Satyam team.

Do you think Satyam will recover from this scam?

I have no doubt that, like the Phoenix, the company will rise and surpass its past glory. The quality, will and the determination of the employees, customers, shareholders, the new Board and the Government shall make this

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The Satyam Crisis: Anatomy of Ministry of Corporate Affairs' Regulatory Response

On day one itself, the Ministry recognised the need to clearly distinguish between the willful wrongdoers and the bonafide employees, to punish the former and protect the latter. The Ministry also realised the nature and extent of the crisis and that it needed a swift response. A multi-pronged strategy was formulated and decisive action followed.

Jan 7, 2009, 9.45 am B Ramalinga Raju e-mails his resignation to SEBI admitting to financial irregularities.

Jan 7, 2009, 11.22 am The SEBI forwards e-mail to the Ministry.

Jan 7, 2009 The Ministry asks ICAI and ICSI to enquire into the role of auditors and Company Secretaries for prompt regulatory/punitive action.

Jan 8, 2009 (holiday) The Registrar of Companies obtains court's orders and seizes records of Satyam.

Jan 8, 2009 (holiday) The Ministry drafts a petition to be filed before the Company Law Board (CLB).

Jan 9, 2009 The Ministry files the petition and the same evening obtains order of the CLB to supersede the Board of Satyam and to appoint directors.

Jan 9, 2009 State police arrests B Ramalinga Raju, Chairman of Satyam and B Rama Raju, MD of Satyam

Jan 11, 2009 The Ministry constitutes a new three-member board comprising Deepak Parekh, Chairman, HDFC, C Achuthan, Ex-

Member, SEBI and Kiran Karnik, past President of NASSCOM.

Jan 12, 2009 The new Board holds its first meeting, followed by regular subsequent meetings in quick succession.

Jan 13, 2009 The Ministry hands over the case to its Serious Fraud Investigation Office (SFIO) a specialised agency created for investigating complex corporate frauds.

Jan 15, 2009 The Ministry appoints three more members, Tarun Das, Chief Mentor of CII, TN Manoharan, past President of ICAI and Surya Kant Balkishan Mainak of LIC to the Board.

Jan 19, 2009 The Ministry orders SFIO probe in two related companies, i.e., Maytas Infra Ltd. and Maytas Properties Ltd.

Jan 24, 2009 State police arrests T Srinivas and S Gopalkrishnan, of Pricewaterhouse, Bangalore, the statutory auditors of Satyam

Jan 29, 2009 The Ministry obtains orders from CLB restraining the promoters from alienating their properties.

Feb 6, 2009 The Ministry extends SFIO probe to 325 companies uncovered by SFIO in their investigation.

Feb 16, 2009 Investigation into the criminal aspects of the case entrusted to the Central Bureau of Investigation (CBI).

Feb 19, 2009 CLB orders obtained allowing increase in authorised capital and bringing in a strategic investor, to facilitate long-term restructuring and operations of the company.

happen. The strategy is to stay focused. A clear roadmap is in place. In the process of achieving this goal, we hope to create a new global model for Government-Corporate-Stakeholder partnerships for managing the aftermath of such scams. The commitment and contribution of the key players and partnerships will, indeed, become a subject of reference for many future cases.

When and why was the Ministry of Corporate Affairs set up? What were your first steps?

It is the story of the Ministry reinventing itself. The Department of Company Affairs has been in existence for decades under several ministries like the Ministry of Industry, the Ministry of Law and Justice and the Ministry of Finance. It became an independent Ministry in 2004. The formation of the Ministry was itself in recognition of the fact that the fast changing business environment requires more intensive and focussed attention in terms of the basic corporate law, framework and related services/activities. Once we started, our first priority was to provide the right

We have been able to reinvent the Ministry with a more generic model for governance

legal framework for the functioning of companies. We looked at the Companies Act, 1956, the mother Act that governs the incorporation and functioning of companies. It is the biggest single Act in the country in terms of its size and has undergone 25 amendments so far. Keeping the need to bring the Act in tune with the emerging business environment, the JJ Irani Committee was set up in August, 2004, to come out with a new revised version of the Act. The committee submitted its report after going through a wide consultative process. The Bill was thereafter introduced in the Lok Sabha in December, 2008.

How has the journey been so far?

The journey so far has been extremely satisfying. In fact, I believe that as a Ministry we have been able to achieve a lot at an exceptional pace, under the visionary leadership of the Minister. We have been able to reinvent the Ministry with, what in my opinion, is a more generic model for governance.

What kind of governance initiatives have you taken up?

There are many ways of looking at governance issues and many models are available. What we have used is a concept in which we see our role in three major parts. First, the Ministry needs to provide an efficient corporate law structure for incorporation and functioning of companies and other corporate entities along with appropriate policy framework and prescriptions. Second, we need to build appropriate institutions, delivery mechanisms and systems for regulation, enforcement and service delivery. Third, we need to build the people working in the system to be able to regulate and serve effectively. In brief, we see our role as that of building laws, institutions and people. Even more importantly, while doing so, we must be extremely sensitive and focussed on the needs and aspirations of the entities and persons who are to benefit from our efforts.

You talked of reinventing the Ministry. How has this been done?

As I mentioned earlier, in 2004, we started looking at the corporate laws in the context of modern business environment and requirements. In March 2006, we amended the Acts governing the professionals — Chartered



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Accountants, Company Secretaries and Cost and Works Accountants. These professionals provide the backbone for the corporate governance of any company. The amendments helped create an internal structure in the three institutes, making the professionals more accountable. Accounting standards were notified in December, 2006. The Limited Liability Partnership Act, 2008, has been enacted.

Building institutions have also been taken up. The Competition Commission of India (CCI) is being established and operationalised to ensure smooth free and fair competition in the functioning of the business sector. We have also established the National Foundation for Corporate Governance (NFCG) as an apex national body to promote good and responsible corporate governance practices. The Investor Education and Protection Fund (IEPF) has been established to promote investor awareness. This was further followed by creating and setting up the Indian Institute of Corporate Affairs (IICA) which would act as a think-tank, action research, service delivery and capacity-building institute to serve the Ministry, corporates and all other stakeholders in a one-stop-shop mode.

Simultaneously, we have tried to upscale the capacity of our officials, professionals and so on through a series of HR initiatives. The erstwhile Indian Company Law Service has been rebuilt and renamed as the Indian Corporate Law Service. Action has been taken

for empowering investors, building stakeholders' capacity and catalysing entrepreneurs/innovators.

The Ministry had introduced the concept of LLP. What is the progress on that front?

The LLP is a corporate structure that is available in many other countries. You see we have the company structure that provides limited liability but comes with a relatively complex framework of compliances because of the public interest factor. Another form is the partnership, which does not entail compliance requirements like filing of annual returns or balance sheet. The corporate governance and management aspect is not regulated either, so you govern yourself. What was missing in India was a structure that allowed flexibility of partnerships with a limited liability aspect. We started towards creating this new structure and it received the President's assent on January 7, 2009. This new corporate structure is available as a result of "building law" efforts of the Ministry and is expected to be operationalised by April, 2009.

Regulating more than 800,000 companies must be a huge effort for the Ministry?

I would like to divide that into two parts. First, we have struck off about 1,40,000 companies which are dormant and it's a continuing exercise. The second part has been to put in place efficient reporting, monitoring, feedback and evaluation systems to ensure effective regulation and focus on companies that involve a higher level of public interest. And, of course, MCA-21 has helped tremendously.

MCA 21 e-Governance project has been one of the most remarkable achievements of the Ministry that has revolutionised the Government-to-Business transactions. This e-governance effort has also received international recognition as being a path-breaking initiative. What do you think is the single most important achievement of the MCA 21 project and how do you see it shaping up for future requirements?

MCA 21 has indeed brought about a revolution in the way the Ministry transacts its business and extends the services to its clients. In one stroke, the entire business process of the office of Registrar of Companies, which included incorporation of companies, filing of various compliances under the Companies Act have been made available through a secured online system. This has substantially reduced the compliance cost as well as the compliance effort. The most striking feature

Indian Institute of Corporate Affairs

“An institute, created with a unique structure to function as a think-tank, action-research and capacity-building support to the Ministry and other stakeholders, providing thought leadership to help business of today and shape tomorrow”

With the corporate sector expanding in size as well as its reach in the global arena, corporate governance has become a focus area for the Government. The Ministry of Corporate Affairs is endeavouring to create enabling legislative/regulatory/service-delivery frameworks which are at par with the global competitive business environment to help effective corporate functioning and investor protection.

This requires an institutional system that enables a continuous understanding of the business environment and expectations of the stakeholders with an ongoing action research. With this in mind, the Ministry has set up an Indian Institute of Corporate Affairs, a new institution with a mandate to help the business of today and shape tomorrow's. In the ever changing world of business, yesterday's regulations and policies cannot drive tomorrow's growth. IICA, a research-based think-tank and capacity building centre, has been established to proactively assist the Ministry in designing Legislative/Regulatory/Service delivery frameworks for the corporate sector and assist other stakeholders in entrepreneurship development.

IICA is conceptually unique. It will take-up/treat holistically all issues/disciplines which impact on corporate effectiveness and functioning. It is the first institution being set up to be formally the 'think-tank' for a major Ministry of the Government. Symbiotic partnerships with corporates, professionals and world class universities/

institutions/experts will be built into its DNA. Knowledge creation and knowledge management are key components of its strategy for excellence. Inclusive growth issues would receive focussed attention through Corporate Social Responsibility initiatives. Capacity building, Organisational Development (OD) and innovation, both in government and the corporate sector would lay the foundation for effective interventions. Global knowledge will be applied for finding local solutions. Latest pedagogy and learning models would be drawn upon, including distance education, e-learning and self learning.

A state-of-the-art and IT-enabled Knowledge Management (KM) system will synergise the initiatives and capabilities of the five centres within IICA, as also with its partners. It will provide a two-way window between India and the world on the corporate landscape, developments, performance, potential and data. Knowledge creation would include large scale action research on actual ground level issues/problems, for finding real-time solutions and capitalising on immense opportunities thrown up by environmental/energy/technological challenges. The KM system will also disseminate knowledge/information/data to all stakeholders whenever and wherever they need it, in an easy to understand and use format. The institute will plan it's priorities/activities on the basis of alternative visions of the likely future world/national economic scenario, and

work with Government, corporates, professionals etc to proactively set in place appropriate legal framework, policy prescriptions, institutional structures and delivery systems for optimising economic growth and productivity.

A number of institutions in India and abroad, as also captains of Indian industry, have indicated interest/support for the institution. Partnership with IIT, Kharagpur, George Washington University (Law School), Washington DC, USA and the Evian Group IMD, Lausanne, Switzerland are already in advanced stages of finalisation. Distinguished President/Deans/Professors from Carnegie Mellon University, Kellogg School of Management, Yale University etc. have also evinced interest, in addition to institutions like IIM, Bangalore and other international/multi-lateral organisations/institutions. The institute would encompass provisions for schools and centres dedicated to various aspects of corporate affairs and capacity-building functions.

Name of Schools:

- School of Corporate Laws
- School of Finance
- School of Corporate Governance
- School of Business Environment
- School of Competition Law

Name of Centres:

- ICLS Academy
- Innovation Centre
- Centre for E-governance
- Corporate Governance Centre
- Partnership Centre

of MCA 21 is the in-built scalability to add more and more G-to-B services on the same platform. The Ministry is already working fast towards the Next Generation MCA 21 which will expand the scope of G-to-B services and also create enriched corporate databases for various users.

The Ministry regulates the functioning of Chartered Accounts, Company Secretaries and Cost and Work Accountants. How do Accounting Technicians, the new category of professionals introduced by the MCA, fit into this scenario?

Accounting Technicians are being developed as an intermediate stage for final professional qualifications of CAs and Cost and Work Accountants. The former would meet a strong felt need for accounting professionals required by a huge number of small and medium enterprises. Even the corporates require people with basic financial and accounting skills below the level of Chartered Accountants and

‘Develop and establish a new discipline called “Corporate Affairs” for holistic treatment and coverage of all subjects involved in, or impacting on, corporate functioning, e.g. management, economics, finance, taxation, accountancy, law, regulation, compliance management, global business scenario, emerging technologies, energy, environment, ethical corporate governance, corporate social responsibility, inclusive growth, sustainable development’ — IICA

Costs and Works Accountants, and can use the services of Accounting Technicians. It will provide employment to a large number of educated young people, make them professionally qualified and improve the compliance management under various statutes.

Does the Ministry have the human resources to meet the new global challenges? What is the Indian Institute of Corporate Affairs (IICA) supposed to achieve?

We have the Registrars of Companies (RoC)

and the Official Liquidators (OLs). We realised that unless these institutions and people are reorganised, a transformation in quality and outcomes would not be possible. We started working towards it, and with our MCA 21 programme, we have revolutionised the way RoC functions. We have started computerisation of records of Official Liquidators offices. Our next step would be to go for e-Governance in the Official Liquidator's offices. We also felt a need to create an institutional structure to be a quality think-tank,

Limited Liability Partnership Act

"The Ministry of Corporate Affairs enables entrepreneurs to segregate and protect personnel assets from business risks"

The Ministry of Corporate Affairs has been listening to all the stakeholders and entities involved in fuelling the economic growth of India and recognises the entrepreneurs will be a key driving force of our country.

Recognising the need for a new corporate format and structure which enables the entrepreneurs to de-risk their personnel assets from business assets and risks, a far reaching change has been heralded by the Ministry of Corporate Affairs by the introduction of Limited

Liability Partnerships (LLP) Act, which enables:

■ The professional expertise to organise and provide a range of services to the corporate sector in a comprehensive and efficient manner.

■ Partnerships to compete effectively in the corporate environment and also create a level playing field by doing away with unlimited business liabilities and introducing simple compliance procedures.

Apart from this, the Act also supports existing companies. The existing partnerships/private limited/ proprietorship

firms can easily transfer to an LLP and enjoy the various provisions proposed under the Act. As the notifications have already been issued under the Act, any company that is willing to form LLP can now register with the Ministry of Corporate Affairs and enjoy the fruits of this new initiative.

The LLP Act will enable entrepreneurs who are limited in fully accessing the market opportunities today to move to a structure that will not over-engineer them, yet will allow them a format which is more amenable for maximising their potential.

which also has the ability to deliver. We started the process of setting up the Indian Institute of Corporate Affairs (IICA), which has now been registered and is functional. In terms of concept, design and functioning, it is unique. The IICA has partnerships with IIT Kharagpur, the George Washington University (Law School), Washington DC, USA and the Evian Group IMD, Lausanne, Switzerland and the Carnegie Mellon University, USA. On the corporate side, we have a partnership with Intel. These initiatives incorporate the vision of building institutions and people aspect of MCA.

How has the Ministry upgraded its own human resource?

We started with changing the way people were recruited under the Indian Company Law Service to which the RoCs and OLs belong. After changing the name to Indian Corporate Law Service (ICLS), we have got it incorporated as an allied service in the Civil Services Examination conducted by the UPSC. Our effort is to ensure that those who clear the ICLS develop a common identity of their own and capacity to play a larger role. In addition, we are upgrading offices which will now be called Corporate Bhavans, and will have the office of RoC, Official Liquidator and National Company Law Tribunal (NCLT), all in a single integrated modern office complex.

The Serious Fraud Investigation Office (SFIO) is investigating the Satyam fraud. Does it have the required manpower to deal with cases of corporate frauds of this magnitude?

SFIO is a multi-disciplinary body with experts from IT, police, taxation, audit and SEBI trained to investigate corporate fraud. A committee has been set up to recommend measures to make SFIO more effective. The report will come in a month or two. After the Satyam case surfaced, it was also felt that there

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is an urgent need to strengthen the SFIO. At the moment we have people on temporary deputation. To strengthen it further, we have created 58 more posts.

What about having a system of early warnings and alerts for preventing corporate frauds?

We certainly need the early warning system and have been working in this direction. The next generation MCA 21 system will have a huge database regarding corporates and very sophisticated analytical tools. Once the XBRL system is introduced over the next few years, we will evolve a system which will start ringing the bell in cases of potential frauds much earlier than it does now.

The corporate sector is the key driver for economic growth in India. Don't you think that the Ministry can play a larger role beyond regulation of companies and contribute to economic growth?

Yes. In fact, we see corporates as a major vehicle of economic growth and promoting/facilitating effective corporate functioning is an intrinsic part of our vision. Good corporate governance practices are in the long-term interest of the company as well as the investors. I find that the concept of Corporate Social Responsibility (CSR) has grown significantly in the last two-three years and is becoming almost synonymous with the idea of inclusive growth, for which the Government and corporates should partner.

Indeed, the Indian Institute of Corporate Affairs would take this as one of its major thrust areas.

What are the future challenges for the Ministry?

This is an interesting question. We have achieved so much in so little time but we all feel that we have miles to go before we rest. We have to concentrate on the new Companies Bill and work towards its enactment at an early date. We also need to go to the next-generation MCA-21, that involves the possible creation of a single Regulators-to-Business portal and the use of Extensible Business Reading Language (XBRL). These will furnish a vast amount of information and give advance warning against potential frauds

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and scams. We are already working in this direction. We need to focus on the small and medium enterprises, identify opportunities in the evolving business scenario and help them to act quickly and capitalise on the early mover advantage. We need to ensure convergence with the International Financial Reporting Standards (IFRS) by April, 2011. And, of course, we need to carry on and build on the initiatives undertaken so far.

Finally, how would you sum up the present Ministry of Corporate Affairs?

I would say it is a Ministry with visionary leadership and a great team, which has reinvented itself and redefined the basic framework for corporate functioning and investor protection for the 21st century business environment.

— For feedback email at agoel@nic.in

Stay clued

The MCA has started various schemes and offers to help a prospective investor and guide those who have already invested in the market

The Indian economy has been growing at a rapid pace. Noticeably, this growth is being largely driven by the corporate sector. Since the time when the Companies Act, 1956, was formulated, a lot has changed in the way the corporate sector functions. The financial reform of 1991 created a strong globally interconnected financial and capital market in India. The Indian companies are raising funds in the international market and the foreign investors are investing in Indian securities. Good financial results of the corporate sector combined with a healthy outlook for the future have brought about a boom in the capital market till 2008. Unless the regulatory

agencies understand these changing patterns on a continuing basis, regulatory initiatives could become ineffective and even become counter-productive to the nation's interests. Keeping the changing global economic environment in mind and given the fact that the corporate sector is the most important driver of economic growth, the Government converted the erstwhile Department of Company Affairs to a Ministry so as to enable a comprehensive treatment of the issues concerning the corporate sector.

The basic challenge faced by the Ministry was to integrate the role and function of a large number of stakeholders and players in the corporate arena so that together they

create an efficient, growing and buoyant India INC. The initiatives of the Ministry enable this integration by keeping the stakeholders "clued" to the corporate affairs of the country. This "staying clued" is achieved through creating the right corporate structure, facilitating the right investment decisions, a true and fair disclosure regime, large-format knowledge-management system, investor protection mechanism, cutting-age institutional framework and a vibrant human resource base. The underlining objective of all these initiatives is to provide new horizons for the corporate sector to grow and flourish and to enable all sections of the society to participate and benefit from this growth process.

MCA-21

"Ever wondered how to bring the world of corporate affairs on your fingertips? Whether you are an investor making sure that your investment decision is sound, a vendor wanting to know whether your client is credit worthy or an employee looking for the financial status of the company you are about to join?"

The Ministry of Corporate Affairs has brought efficiency and convenience of filing the various documents required by the Registrar of Companies (RoC) through its flagship MCA 21, a revolutionary initiative. It is a path-breaking effort which has removed the long hours and difficult logistics of filing returns and brought a sigh of relief to the corporate world.

MCA21 is an e-Governance project which provides easy, secure, online services to stakeholders by an interactive and paperless process through the Internet.

It is a multi-faceted tool with multiple features:

- **Information** Anytime anywhere online services with speed and certainty to all stakeholders. All disclosed financial details of public limited companies listed or unlisted are available on your screen right here, right now!
- **Guidance** All that you need to know about rules, regulations, policies and procedures on compliances and all that is required for incorporating and running an enterprise.
- **For all** It also seeks to fulfil the requirements of various stakeholders, companies, professionals, regulators, financial institutions and the public.

The MCA21 e-Governance project provides electronic filing, storage, retrieval, viewing, processing and transmission of transactions and a number of other services like incorporation of a company, filing of annual and statutory returns, registration, modification and satisfaction of charges.

The National Foundation for Corporate Governance

With a view to support your business needs and improve the standard of corporate governance, the Ministry of Corporate Affairs has set up the National Foundation of Corporate Governance (NFCG) which provides a platform to deliberate issues relating to good corporate governance and sensitize business leaders on its importance. It enables:

Knowledge Dissemination Exchange of experience and ideas among corporate leaders, policy makers, regulators, law enforcing agencies and non-government organisations.

Capacity Building Provide research and training, capacity-building, standard setting, rating, recognition and related support in the field of corporate governance.

‘Global Collaboration Network for Governance and Economic Growth (GCNGEG), comprising governments, corporates and think-tanks for analytical treatment and action on governance and inclusive growth’ — IICA

Standard Rule Prepare a code of best practices for corporate governance and to provide advice, consultancy and technical and managerial support to the stakeholders.

To accomplish its objectives, NFCG performs the following functions:

- Creates awareness regarding benefits of implementation of good corporate governance practices.
- Encourages research capability.
- Provides key inputs for developing laws and regulations.
- Liaisons with the various regulatory authorities for proper implementation and enforcement of various laws related to corporate governance.
- Cultivates international linkages and maintains the evolution towards convergence with international standards.
- Setting up national centres for corporate governance across the country to provide quality training to directors and also to provide quality research with the aim to receive global recognition.

Accounting Standards

Accounting and financial disclosures are no longer the forte of chartered accountants and company secretaries. Business accounting reports are now the news report for the masses and go beyond financial reporting. Accounts are the window into the corporate world and hence it is critical that the various figures speak the same language and have no ambiguity in interpretation.

India has seen a paradigm shift in its economic environment during the last few years, which has led to increasing attention towards transparent financial reporting system for corporates. To bring transparency and standardise accounting structure with global standards, the MCA has initiated reforms in the accounting standards, thereby ensuring comparability of financial statements of different enterprises to provide meaningful information to various users of financial statements. The ongoing accounting standards reforms aim:

- To grant statutory status to the accounting standards which so far had only an advisory status.
- To standardise and rationalise accounting methods with guidelines that enhances transparency and align the business with international norms.
- Harmonising the different accounting policies and practices in use in a country.
- To reduce the accounting alternatives in the preparation of financial statements within the bounds of rationality.
- To enable comparability of information in the financial statements for meaningful economic decisions
- To progressively bring Indian standards in conformity with international accounting standards.

Recognising the need for an international harmonisation for accounting standards, the International Accounting Standard Committee was established. It aims at harmonising accounting standards worldwide. The new accounting standards are prepared with a view to describe the accounting principles and the method of applying these in the preparation and presentation of financial statements so that they give a true and fair view.

‘Action research, consultancy, incubation, hand-holding and problem-solving for corporates and other stakeholders’ — IICA

Investor Education and Protection Fund (IEPF)

As investors, do you feel confused at times? Do you think you are better equipped to take good investment decisions? Do you wish you were more aware about your rights and recourses? You have a friend and guide in the MCA, who is the custodian of protecting the rights of investors.

With a large population of investors, there is an ambiguity among them about who would be protecting their rights. Recognising this as a high priority area, the MCA has constituted the Investor Education and Protection Fund (IEPF). The Fund had been established under the Companies Act, 1956, for promotion of investors’ awareness and protection of their interests. IEPF plays the role of both a coach and an umpire between the investor and the corporate world. It educates and enables investors on their rights against unfair practices in corporate affairs. At the same time, it provides an efficient investor grievance redressal mechanism.

‘SME focus on innovation, entrepreneurship and employment generation’ — IICA

The IEPF aims at:

- Educating investors about market operations.
- Equipping investors to analyse information.
- Empowering investors by making them aware of their rights and responsibilities under various laws.
- Promoting research and investor surveys to create knowledge amongst them.
- Creating awareness about market volatilities.

Major activities under IEPF:

- Educating and creating awareness among investors through voluntary organisations and associations registered under IEPF.
- Educating investors through electronic media, advertising in the national and regional newspapers on various grievance redressal mechanism.
- Funding of research projects, conducting training of trainers’ programmes. A website www.watchoutinvestors.com has been launched under IEPF, which covers information or convictions by various regulatory bodies.