

Bourses ask firms to tell about boards

Ashish Aggarwal / New Delhi January 04, 2006

The Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) have asked listed companies to certify that they have complied with the new norms regarding the strength of independent directors on their boards, which came into effect on January 1.

While the BSE has given the companies till January 9 to file the information, the NSE is in the process of communicating the compliance requirements to the listed companies.

“Exchanges would otherwise get to know the status of compliance only in April, when the quarterly results are filed. Therefore, we are asking the companies to furnish details of compliance,” the NSE spokesperson said.

“The stock exchanges are ensuring that companies comply with Clause 49 of the listing agreement,” Sebi Chairman M Damodaran said.

The clause requires companies to have one-third directors on their boards as independent directors if the chairman is a non-executive director and 50 per cent as independent directors in case the chairman is an executive director.

“The existing law does not have the concept of independent directors so many companies have mentioned the appointment as additional directors, which is defined in the Companies Act. The additional directors are non executive directors and most of them are expected to be independent directors,” said Prithvi Haldea, CEO of Primedirectors.com, adding, “In the last one-and-a-half month companies have shortlisted about 1,800 persons for independent directors from our website. Surprisingly, chartered accountants and company secretaries have not found many takers and companies have instead chosen army personnel, research scholars and professors from IITs and IIMs.”

The BSE data shows that companies have appointed about 50 independent directors on their board in the last week of December. By mid January, it is expected that the status of compliance by the listed private and government companies would become clear.