



## **INDIA-OECD CORPORATE GOVERNANCE POLICY DIALOGUE ON INSTITUTIONAL INVESTORS**

# **AGENDA**

**Organised with the support of the Government of Japan**

**13 February 2014  
Mumbai, India**

## Background

This programme aims to deepen policy dialogue between the OECD and decision-makers in India, to support implementation and enforcement efforts. The method is to analyse key market practices and policy developments that may affect the quality of corporate governance in India and provide policy advice to the authorities. India has been increasingly active in both the regional work, through the Asian Roundtable on Corporate Governance, and in the OECD Corporate Governance Committee.

Following the policy dialogue meeting in March 2013 where both independent directors and the role of institutional investors in promoting better corporate governance were discussed, it was agreed to focus our work on the role of institutional investors. It is important to better understand who they are and specific concerns according to the respective institutions, including their own business models and governance. Change will take time but there was great interest in facilitating dialogue around international examples of best practice. Some anecdotal figures: 55% of the Indian market is promoter (owner) controlled, 18% foreign IIs, 11% domestic IIs (insurance and banks 8%, mutual funds 2.75% of market cap). The number of foreign institutional investors is rising.

The corporate governance framework decides how shareholders can monitor and engage in the corporate decision-making process. The possibilities for such monitoring and engagement cover a vast number of means and issues. It includes the ability to sell the stock, which may signal dissatisfaction but also more direct ways of engagement, through for example shareholder meetings, board representation or even a takeover.

While some obstacles for shareholders to exercise these rights may still exist in India, a more important question is whether institutional shareholders have the willingness and ability to exercise their rights. The issue of institutional shareholder engagement is one of six agreed priorities by the Asian Roundtable (2011, OECD – Reform Priorities for Asia, taking corporate governance to a higher level).

### **Guidance for moderators, speakers, commentators and participants**

Moderators are invited to encourage open discussion among all participants, to maintain the focus on the theme of their session and to be strict in managing time. The objective is to encourage the exchange of views and experience on these complex issues among all participants. Speakers should help frame the discussion by providing an analysis of the issues discussed. Panellists are expected to comment on the main presentation and highlight the main challenges related to the specific theme, provide some elements to answer the related questions, and illustrate with their country experience. These initial presentations should last no more than 15 minutes each. If power point presentations are used, please limit the number to 8 and circulate descriptive documentation in advance. Participants are invited to provide their views and discuss the issues raised in the agenda. All participants are encouraged to actively and openly participate in discussions to provide valuable inputs to meet the objectives of the discussion.

## AGENDA

### 9h00-9h30: Opening remarks

- **SEBI**
- **Mr. Akira Nozaki**, Economist/Policy Analyst, OECD

### 9h30-11h00 Session 1: THE GLOBAL INSTITUTIONAL INVESTOR LANDSCAPE

- *During the last decade, most OECD countries have experienced a dramatic increase in institutional ownership of publicly listed companies. Moreover, a number of new institutions have entered the scene and have become important owners alongside the more traditional institutional investors, such as pension funds and investment funds. These developments have given new impetus to the discussion about the role of institutional investors as owners of publicly listed companies. Of particular interest is how they carry out the corporate governance functions that are associated with share ownership.*
- *The increase in institutional ownership has also provoked regulatory and voluntary initiatives aiming at increasing their level of ownership engagement. While such initiatives have typically increased voting among institutional investors, there is also concern that they have had little effect on the quality of ownership engagement. OECD's work on this issue, embodied in the paper "Institutional investors as owners: Who are they and what do they do?" will provide background to this discussion.*
- *How do the business models, competitiveness and investment strategies of different institutional investors affect their ownership engagement? How do their actions relate to the objectives of the ultimate owners?*

**Moderator:** **Mr. Brendan Kelly**, Vice Chair, OECD Corporate Governance Committee, and International Economist, U.S. Department of the Treasury

**Presentation by Mrs. Fianna Jurdant**, Senior Policy Analyst, Corporate Affairs Division, OECD

#### Panel:

- **Ms. Anne Molyneux**, Directeur, CS International, and ICGN Representative
- **Mr. Dolphy D'Souza**, Partner and National leader, IFRS Services, EY India
- **Mr. KEC Raja Kumar**, MD & CEO of Ascent Capital Advisors, India
- **Mr. Sanjay Nayar**, CEO & Country Head, Kohlberg Kravis Roberts & Co, India

**11h00-11h30 Tea break**

**11h30-13h00 Session 2: Institutional investors in India : their business model**

*Issues for discussion:*

- *The quality of ownership engagement is determined by a number of different factors that together make up the institutional investors' "business model". In some business models, active ownership engagement is a vital component, while others have clearly stated that ownership engagement has no function whatsoever, representing nothing more than a cost. In the first case mandatory rules on ownership engagement are unnecessary and in the latter case they are likely to have little effect beyond simple box ticking. The reason is that the factors that determine the degree of ownership engagement are deeply embedded in the institutional investor's business model, which is typically beyond the reach of regulatory intervention.*
- *To understand the situation in India we need to better understand the purpose of the institutions, their liability structures and portfolio strategies. What are the characteristics of institutional investors in India, both domestic and foreign, in terms of their (i) purpose (ii) liability structure (iii) investment strategy (iv) portfolio structure (v) fee structure (vi) presence of political and social objectives? (vii) levels of ownership engagement?*

**Chair:** Mrs. Chitra Ramkrishna, MD, National Stock Exchange of India

Presentation by **Ms. Sharmila Gopinath**, consultant, India

**Panel:**

- **Mr. David Gerald**, President and CEO, Securities Investors Association, Singapore
- **Mr. Bandid Nijathaworn**, President and CEO, Thai Institute of Directors
- **Mr. Milind Barve**, MD, HDFC Mutual Fund, India
- **Mr. Ranganath Athreya**, GM & Joint Company Secretary, ICICI Bank, India

**13h00-14h30 Lunch**

**14h30-16h00 Session 3: Institutional ownership engagement in India: implications for policy**

*Issues for discussion:*

- *What specific concerns do different institutional investors (e.g. private equity, insurance, pension, sovereign wealth and hedge funds) face, including in their own governance in India? How do IIs seek to influence corporate behaviour in India (e.g. participation in general shareholder meetings, voting)? Do IIs have enough information to make informed decisions? Do they work together (e.g. associations or forums whereby IIs can make their voices heard)? Is outsourcing of voting a common practice?*
- *To what extent do different categories of shareholders actually perform their fundamental role to bring new and independent information about corporate aspects to the market? What are the fundamental incentives for active and informed ownership for institutional shareholders in India? In what context is the free-rider problem a major obstacle?*

**Chair: Mr. Ashish Chauhan**, MD & CEO, BSE Limited, India

Presentation by **Mr. Amit Tandon**, MD, Institutional Investor Advisory Services, India

**Panel:**

- **Mr. Moty Yamin**, Director of Corporate Finance Department, Israel Securities Authority; India + Korea (Hasung)
- **Mr. Jamie Allen**, Secretary General, Asian Corporate Governance Association, Hong Kong China
- **Mrs Rita Benoy-Bushon**, Chief Executive Officer, Minority Shareholder Watchdog Group (MSWG), Malaysia
- **Mr. Suhail Nathani**, Partner, Economic Laws Practice, India

**INFORMAL TEA BREAK**

**16h00-17h00 CONCLUDING SESSION**

*Issues for discussion:*

- *What can policy-makers do to support effective engagement by institutional investors in India?*
- *What can be done by the private sector to influence a change in behaviour?*

**Whole Time Member**, Securities and Exchange Board of India

**Dr. Tony Tan**, Head, Standards & Financial Market Integrity, Hong Kong China

**Mrs. Fianna Jurdant**, Senior Policy Analyst, OECD

**Concluding remarks by SEBI and OECD**