

MCA finds lapses by NSEL promoters; Sebi probes MCX, FTIL

The Ministry of Corporate Affairs is believed to have found serious violations of companies law by the owners of crisis-ridden NSEL, while market regulator Sebi is also investigating corporate governance-related lapses by the group's two listed entities -- FTIL and MCX.

In the wake of Rs 5,600 crore payment crisis at Jignesh Shah-led National Spot Exchange Ltd (NSEL), other group entities have also come under the scanner. The bourse is promoted by Financial Technologies (India) Ltd (FTIL).

Sources said that the Ministry has found serious violations of Companies Act by the promoters of NSEL.

FTIL and Multi-Commodity Exchange of India (MCX) are listed entities.

While the Securities and Exchange Board of India (Sebi) has been probing fluctuation in the share prices of the two entities and role of certain brokers ever since the NSEL crisis broke out in August last, the latest round of investigation stems from an FMC ordered audit carried out by consultancy PwC, sources said.

Recently, PwC submitted its audit report on MCX to Forward Markets Commission and a copy was also given to Sebi.

An inspection of NSEL books by the Ministry had found that the exchange's board failed to perform its duties towards shareholders in violation of regulations.

The interim report of inspection, carried out by the Registrar of Companies (RoC), Mumbai, had found corporate governance failure at multiple levels, including lack of transparency, integrity, compliance and ethics.

Discrepancies in the minutes of board meetings and it has been found that the board did not discuss the exchange's compliance with various rules such as those related to admission of new members were also detected.

Many of the NSEL directors, including Jignesh Shah and Joseph Massey, were holding common directorship in group companies of FTIL and they cannot claim to be not aware about happenings at the exchange, sources had said.

The inspection of books of NSEL was ordered under Section 209 A of the Companies Act.

(Economic Times)