

PwC forensic audit finds diverse violations by MCX

The unregulated National Spot Exchange Ltd (NSEL) was not the only entity in the Financial Technologies (FTIL) group ridden with irregularities. A forensic audit by PricewaterhouseCoopers has reported several alleged violations from the books of fully regulated Multi Commodity Exchange (MCX).

The findings have triggered a multi-agency probe into the affairs of the exchange and could embroil the bourse in further legal proceedings. A report, given recently to the Forward Markets Commission (FMC), mentions several irregularities in the functioning, including huge payments without the backing of proper vouchers and related-party transactions. It has raised issues about untenable agreements with technology partners and related parties, such as FTIL.

FMC has asked MCX for its comments. "The interim report by the forensic auditor indicates violations of the Companies Act and Sebi (Securities and Exchange Board of India guidelines). The report has been shared with Sebi and MCA (Union ministry of corporate affairs), which will probe these violations," said an official familiar with the matter. The Unionfinance ministry has got a copy.

In response to an email seeking comments on the report, an FTIL spokesperson said, "We are not privy to such reports. MCX is a listed entity and has always been run by a board, with a majority of independent and regulator-nominated members. Since the query is pertaining to MCX, they would be in a better position to respond."

The exchange is under a new management, headed by Manoj Vaish. it is said to be studying the report and is expected to give its comments to FMC in the next 15 days. MCX declined to comment. The findings largely pertain to a period before the Rs 5,600-crore NSEL payment crisis broke out. At the time, MCX was run by a board which included FT group promoter Jignesh Shah, former MCX Stock Exchange chief Joseph Massey and Shreekant Javalgekar. The trio was later declared not fit and proper to run the exchange, as they had also served on the board of NSEL.

Sebi and MCA are also investigating alleged violations of laws and regulations reported by the forensic auditor. FMC has also written to Sebi, communicating alleged specific violations of listing agreement provisions and disclosure violations in the run up to the bourse's Initial Public Offering, in 2012.

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