Address by
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“Regulation – Shield or Sword?”
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Shri M. Damodaran, Chairperson, Excellence Enablers, Shri Amitabh Kant, former CEO, NITI Aayog, Shri M. Nagaraju, Secretary, Department of Financial Services, distinguished guests, ladies and gentlemen, a very good morning to you all!

I am delighted to be here today amidst those who play a vital role in strengthening corporate governance across our financial markets. Markets, after all, are not just driven by capital or technology — they are built on confidence, on credibility, and on the quiet assurance that every participant will play by the rules.

In this context, the theme of my address today is both relevant and thought-provoking — “Regulation: Shield or Sword?”.

‘Shield’ is usually a defensive weapon- one that protects; while ‘Sword’ is usually identified as an offensive weapon- one that harms or kills, although both shield and sword can also double up for both defensive and offensive purpose. Regulations too, are capable of both defence and offence; protection and attack; reward and sanction, depending on the context, situation, purpose and use.

Just as we are basking in glory of Indian women cricket team winning the ICC World Cup, an analogy from cricket may be apt. The rules and regulations of cricket have played a key role in making the game safe, enjoyable and rewarding, encouraging millions of men and women, boys and girls to work hard to learn and play the game, as also millions of fans to enjoy it. Same rules also sanction and penalise the wrong doers who choose not to honour, to violate or transgress the sanctity of rules. Overall, rules have acted as a shield as well as a sword for healthy nurturing and development of the game.

It is same in the capital market too. When an institution functions with integrity and transparency, regulation acts as a shield — protecting its reputation, reinforcing investor trust, and ensuring a fair and level playing field. But when an entity drifts from those principles, the regulation becomes a sword — sharp and unforgiving, to preserve the market integrity.

This duality captures the true nature of regulation. That is why corporate governance — the invisible architecture of ethics, accountability and purpose

— lies at the heart of this conversation. Governance determines on which side of regulation an entity will stand.

From Compliance to Character — The Real Test of Governance

Over the years, we have often equated good governance with compliance — with meeting regulatory checklists, appointing independent directors, filing timely disclosures, or convening committees. But governance, in its essence, is deeper. It is the bridge between the rules that exist on paper and the values that guide decisions in practice.

A well-governed institution does not act out of compulsion; it acts out of conviction. It treats compliance not as the ceiling of aspiration but as the foundation on which credibility is built. This distinction — between regulatory compliance and governance maturity — determines whether a company merely meets the letter of the law or embodies its spirit.

Today's markets demand more than technical adherence. They demand a moral centre.

Investors may no longer evaluate companies solely on performance metrics – they may look for signs of integrity and transparency.

Employees seek purpose and ethical leadership.

Customers seek fair terms.

And regulators look for ethos that makes misconduct the rare exception, not an accepted risk of business.

This shift reminds us that governance is about earning trust. Regulations set the boundary, but governance defines the standard. And those, who understand this distinction, transform regulations from an external constraint into an internal strength.

The Indian Journey — How Regulations Strengthened Governance

India's own journey in corporate governance reflects this evolution. Each market episode, from accounting irregularity to mis-selling, from fraud to disclosure failure, has left behind important lessons. Our regulatory system has absorbed those lessons and translated them into thoughtful reform.

Over the years, SEBI's initiatives have gradually reshaped the governance landscape for listed entities. The framework for board composition, for instance, now places strong emphasis on independence, diversity and accountability. By strengthening independent board structures, we have empowered boards to serve as conscience-keepers rather than ceremonial bodies.

Similarly, the transformation of disclosure norms has been remarkable. From a time when compliance meant filing periodic statements, we have moved towards a value system which fosters meaningful transparency, where disclosures are expected to provide not just data but also the context.

Reforms in related-party transactions (RPTs) with scale-based thresholds consistent with a pragmatic approach that balances the interests of investors and listed entities can help ensure fair conduct alongside management of conflict of interest.

We have brought in periodic shareholders' approval (once in 5 years) for any special right granted to a shareholder of a listed entity to address the issue of perpetuity of special rights and do away with practice of permanent board seats.

To strengthen the position of compliance officer, we have designated her as a KMP[1] and to be a whole-time employee not more than one level below the board of directors.

Further, we have introduced voluntary provisions relating to having women independent directors, increasing the number of meetings of independent directors and expanding the applicability of Risk Management Committee to top 2000 listed entities.

These reforms demonstrate that regulations, when applied with purpose, can not only prevent misconduct but also enable higher standards of trust.

What is particularly encouraging is that many listed entities have moved beyond mere compliance. They have internalised these standards — to see governance not as an external demand but as a reflection of their corporate identity.

Rethinking regulations- Getting the balance right

Regulations, irrespective of their purpose as a shield or a sword, are not an end in itself, but means to achieve a wholesome outcome of a vibrant capital market- a market that channels savings into productive investments; that increases productivity; and propels inclusive growth. As the context changes and technology evolves, regulatory framework needs to change too- to strike an optimal balance.

Redundant provisions must give way to prudent and smart regulations; cost-effective risk management must be given primacy; innovation with accountability must be promoted and regulatory overreach needs to be contained. We will keep engaged with the capital market participants to make it

[1] Key Managerial Personnel

happen. We will review several regulations, in consultation with industry and investors, with a view to simplify, rationalize, contextualize, clarify and update them.

Governance in the New Landscape

As markets evolve, the meaning of governance must also evolve. The challenges of today are far more complex than those of a decade ago. Technology has compressed time; information spreads instantly; and reputation can get affected overnight. Governance in such an environment must go beyond structure to substance.

The first area of change is culture and conduct. Boards must view culture as an asset that needs to be monitored, measured and nurtured. Leading institutions are now tracking indicators like employee feedback, whistle-blower activity, and conduct trends. What was once intangible is now being treated as measurable.

The second is digital governance. Today, algorithms execute trades, manage portfolios and even risks. Yet, with technology comes accountability. Boards must oversee not just financial risks, but data ethics, cyber resilience and algorithmic fairness. Governance pans from board room to cloud.

Third, disclosure must become dialogue. Instead of treating disclosure as a compliance exercise, companies should view it as an opportunity to communicate values and judgment. Investors respect candour, especially when things go wrong. A transparent narrative often restores confidence faster than any corporate statement of denial.

Finally, ESG and sustainability are no longer optional. They are now core to governance. But ESG must be authentic — not a branding exercise. It must be tied to measurable outcomes, subject to independent assurance, and anchored in genuine board oversight.

The Way Forward — Turning Regulations into Advantage

The next chapter of corporate governance must move from enforcement to empowerment. For boards and senior leaders, this means transforming regulations from a regulatory obligation into a source of strategic advantage.

It begins with measurement. Boards should adopt governance scorecards that track cultural health and conduct outcomes with the same seriousness as they track revenue and return ratios. What we choose to measure signals what we truly value.

It also calls for institutionalising ethics. Probably, a standing ethics committee at the board level can act as an early-warning mechanism — a conscience that detects patterns before they become problems. Leadership rewards must equally reflect long-term value creation, ensuring that incentives drive integrity rather than short term risk-taking.

Technology too can become an ally of governance. Automation in compliance, machine-readable reporting, and real-time surveillance can transform transparency from aspiration to reality.

Perhaps most importantly, we must embrace regulations as a partner, not a constraint. Open and honest dialogue with regulators — sharing emerging risks, proposing practical reforms, and adopting best practices voluntarily — builds mutual confidence. When regulated entities engage in the spirit of partnership and team-work, the regulatory ecosystem itself will becomes more predictable and more trusted.

And finally, governance literacy must be seen as a leadership skill. Directors and senior management must strengthen their capacity in critical domains like cyber risk, behavioural science, data ethics and sustainability. The complexity of today's markets demands informed judgment, not ceremonial oversight.

Closing Remark

At the end, our collective goal should be to build institutions that do not rely on fear of enforcement to behave well, but on pride in doing what is right. Because ultimately, good governance is not about being watched; it is about being worthy of trust even when no one is watching.

If we can build that culture — within our companies, our boards, and our markets — regulations will need only a rare use of sword, because the shield we build through integrity will already protect the system.

Thank you.