

# THE DRAMATIC FALL OF AN INSTITUTION BUILDER

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Capital Market & SEBI

It was the summer of 1992. It was less than a year since India had embarked on its economic liberalisation when the Harshad Mehta securities scam surfaced in April, revealing the extent to which the Bombay Stock Exchange's regulatory systems had been undermined. A chastened government decided it was time to establish a technology-driven, modern stock exchange that would place transparency at the front and centre of its operations.

To this end, it dusted off a report prepared the previous year by a committee headed by M.J. Pherwani and picked veteran banker S.S. Nadkarni to lead the project. Nadkarni in turn roped in financial industry expert R.H. Patil and set about putting together a core team. With the Pherwani committee stressing the vital need for an active and transparent debt securities market, among its many recommendations, a young chartered accountant working on the bond desk of the Industrial Development Bank of India (IDBI) was among a group of five individuals hand-picked for their expertise in various aspects of the financial markets.

Chitra Ramkrishna, the debt market specialist in her early 30s, would soon prove her mettle as the team tasked with drawing up the framework and operationalising the new exchange hit the ground running. In just nine months from the finalisation of the design for the trading platform, a wholesale debt market was activated on the National Stock Exchange in June 1994 and the NSE would soon go on to rapidly expand its product offerings and trading capabilities.

"Chitra's contribution in those early days was the knowledge and understanding she brought of the debt market, among other aspects," said a former colleague at the NSE, who spoke on the condition of anonymity.

Two decades later, in April 2013, Ms. Ramkrishna was appointed the managing director and chief executive officer of the NSE, placing her in the rarefied ranks of women CEOs helming a bourse, and this at one of the world's largest exchanges by trading volume.

Within months of her nomination to the top job, however, she chose Anand Subramanian, a rank outsider to the industry, for a consulting role as her chief strategic adviser with a starting salary of Rs. 1.68 crore.

"The choice of Anand Subramanian is hard to explain and shows that her problem with trusting people in general resulted in this failure of judgement," said the former colleague. "While Chitra could be very personable when she wished to, she had poor interpersonal skills and could be rather aloof with her colleagues," the ex-colleague added.

A 190-page order of the Securities and Exchange Board of India, earlier this month, contends that Mr. Subramanian's appointment and subsequent promotion as the group operating officer as well as several other actions that Ms. Ramkrishna took during her three-and-a-half year tenure as CEO, until her abrupt departure in December 2016, were all 'guided' by an unknown yogi who purportedly resided in the Himalayas.

The SEBI order paints a picture of a powerful woman in thrall to her 'spiritual' guide. Communicating via e-mails, Ms. Ramkrishna is said to have shared confidential corporate information, including the NSE's five-year projections, and even board meeting agendas, with this unknown person, the order observes, citing a forensic audit report submitted by E&Y to the NSE in 2018.

SEBI's whole-time member Ananta Barua notes in his order that the NSE, in its communication to the regulator, cited the E&Y report to assert that the unknown 'guide' was none other than Mr. Subramanian. The exchange's legal advisers even consulted a human psychology expert, who opined that Ms. Ramkrishna had been "exploited" by Mr. Subramanian by creating the identity of the unknown 'guide' while also being the beneficiary of the advice given by the 'guide' to the NSE official. SEBI's Mr. Barua, however, decided that there was no "conclusive evidence" to establish that Mr. Subramanian was indeed the 'guide'.

### **Blind spot**

That the unknown 'guide' was clearly Ms. Ramkrishna's blind spot, emerges from her submissions to the regulator as well as the ostensible e-mail exchanges she had with this person. While she is said to have asserted that she did not know the person's locational coordinates and had only met him "on occasions in holy places", there are excerpts from e-mails where the mystery spiritual mentor comments on her appearance on a particular day, and in another asks Ms. Ramkrishna to plan a rendezvous with him in Seychelles, where she could 'chill out'.

Intriguingly, the Seychelles, an offshore tax haven, did not have an information-sharing treaty with India at the time.

The mystery e-mail 'guide' apart, Mr. Subramanian's influence as adviser to Ms. Ramkrishna appears unclear in terms of the impact on the running of the exchange.

He did, however, end up making the already retiring Ms. Ramkrishna, even more hard to reach.

"One of the early things he did was to overnight designate one of the three lifts in the building as being exclusively for the MD and others on the 7th floor," said the former colleague.

Another former colleague who had an insight into how the exchange's core trading and clearing and settlement systems were run, is emphatic that Mr. Subramanian, however, had no discernible influence on Ms. Ramkrishna's day-to-day management of the NSE's operations.

"There was always pressure in meetings with the marketing teams for insights into different highly sensitive data that a handful of operations people were privy to in order to enable them to target large investors in the course of competing for IPO business," this ex-colleague observed. "Her [Ms. Ramkrishna's] typical way of indicating that there could be no compromise on the integrity of the data, would be to get up and leave the meeting," the ex-NSE employee added.

### **Zero interference**

"There was complete freedom, zero interference and we were dealt with as adults responsible for our actions," the one-time exchange staffer said, referring to Ms. Ramkrishna's term at the helm. "The bottom line was the result and the exchange's growth and operational strength is testimony to the leadership it had right from the beginning," the ex-employee added. SEBI's order as well as the NSE's actions in dealing with the aftermath of Ms. Ramkrishna's departure posit a once-powerful CEO who veered off the rails in her judgment concerning key personnel decisions by seeking guidance from the unknown yogi. The damage that her decisions may have caused to the stock markets and retail investors, however, remains a matter of conjecture.

"Her competence and capability in managing the complexity of the exchange and keeping the NSE at the cutting edge, somehow seems to have got lost in the dust raised by all the recent revelations," the former colleague said. "Howsoever this story ends, no one can take away her

role in building this incredible institution from scratch,” the one-time colleague added.

## In Focus

Communicating via e-mails, Chitra Ramkrishna is said to have shared confidential corporate information with the unknown ‘guide’

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