

Issues in implementation of the Companies Act, 2013 can be addressed through responsive Rule-making: Secretary, Ministry of Corporate Affairs

An Interactive Session on Implementation of the Companies Act, 2013 was organized by the National Foundation for Corporate Governance here in New Delhi today. The Session was addressed by the Presidents of CII, FICCI, ASSOCHAM and PHDCCI, Shri Ajay Shriram, Shri Sidharth Birla, Shri Rana Kapoor and Shri Sharad Jaipuria. They unanimously underscored the need for ensuring that the new law should aim at progression and development of business to avoid unintended negative outcomes. The industry representatives hoped that the Ministry would take into consideration the challenges being faced by corporates and take corrective steps in consultation with all stakeholders.

Key issues highlighted related to need for greater clarity vis-à-vis responsibility of Independent directors, implications of power with the minority shareholders for the principle of majority rule in dealing with related party transactions, issues of capital raising, provisions concerning confidentiality of Board minutes, apprehensions about limits on the number of investment companies with a possibility of adverse effect on mobilization of funds and the added burden on the Board to exercise certain responsibilities of an executive nature.

Acknowledging industry's concerns in the implementation of the Companies Act, 2013, Shri Naved Masood, Secretary, Ministry of Corporate Affairs said, "The law fortunately delegates considerable power to the Government to make rules, through which many of the issues highlighted by the industry can be addressed". Shri Masood further explained that the session was organized to take a feedback from a cross-section of stakeholders and on the basis of suggestions received, the Ministry will identify major areas of correction and review the Rules, wherever required, in order to facilitate smooth implementation of the new legislation. He also clarified that the legislation itself is open to amendments where the difficulties are serious enough to warrant such a course of action.

While welcoming the Secretary, Corporate Affairs and other distinguished guests, Shri Chandrajit Banerjee, Managing Trustee, NFCG acknowledged the initiative undertaken by the Ministry to understand stakeholders' views to help smoothen the implementation of the new Companies Act.

There were specific sessions on important matters like Financial Reporting & Auditing, Related Party Transactions, matters concerning the Board and Corporate Social Responsibility where extensive discussions took place and a number of constructive suggestions were made to facilitate achievement of objectives that these important provisions of Company Law seek to achieve.

New Delhi
21 June 2014