

New company law will not be a burden on independent directors: MCA official

Independent directors should not see the new company law provisions governing their functioning as “onerous”, said a top Corporate Affairs Ministry (MCA) official.

There need not be any apprehension that the new company law has loaded independent directors with more work and made them liable for higher penalties, said Amardeep Singh Bhatia, Joint Secretary, Corporate Affairs Ministry, at an Assocham event here on Wednesday, adding that the law had only provided a balanced picture.

“While penalties have been enhanced, there is an immunity kind of clause that unless they are conniving or have taken part in fraud or demonstrated lack of due diligence, they are not liable to be prosecuted for their acts as independent directors,” Bhatia said, adding that the new provisions have only cast greater and important responsibility on independent directors.

This is largely an outcome of a movement towards increasing responsibility of independent directors after several corporate scams, such as that of Satyam Computers, he said.

The apprehension of the new provisions being “onerous” should not be there if one is honest and not conniving with the promoters, Bhatia said.

For the first time, specific provisions have been introduced around independent directors in the new company law that got enacted last year.

Independent directors are seen as one of the pillars on which the improved corporate governance framework has been laid in the new law. To ensure their independence, the Centre has decided not to allow monthly remuneration or employee stock options for such directors.

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