

The assessment of legal management in Iran's regulation system and the recognition of the weakness and strength points

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Abstract

The emergence of business was coincidence with the establishment of the communities; The social changes have been mentioned as the other point for the emergence of the business. The necessity of business is beyond measure so that all the communities have acclaimed their need to the business; Subsequently, they have put the most effort to advance the business in their community. From the inflectional point, Businessmen's level of familiarity with company structure and also communicating with others are mentioned in making finance and business engagement. Undoubtedly, the recognition of the legal status is most important stage in order to develop the commercial companies, and their legal status. Establishment of the great industrial companies, Banks, insurance centers, transportation networks need exorbitant sums which this could not be undertaken by the residents. Thus, firstly it is a necessity for the communities to provide the finances, and then act to establish the companies. In present paper, it has been attempted to observe the legal status of the authorities in the stock markets in Iran, So that firstly the structure of the management authorities and also the legal adjustment of the management legal authorities in stock market companies in Iran's regulation system would be considered. The observation on the basis of establishing the management authorities in the stock market companies, and the observation about the privileges of the stockbrokers in providing the proceedings to manage the stock market companies and give the response to the legal management authorities have been all discussed in present paper which all are studied in Iran's stock market companies. Legal management in the companies needs the cooperation between the members serving in the company; As a matter of fact, lack of communication in the company leads to dis-coordination in the company by which, little by little the advancement of the company would be undergone. The principle "decision making" and "Legal Management" is the fundamental factors leading to the emergence of general strategies and aims of the company. To do the duties, the directors follow a process involving the elements such as planning, organizing, control, communication, decision making, and etc. A specialist in the field of "Economic management" has mentioned the management as a better alternative for decision making, which the management has been introduced as the most fundamental role of the manager.

Key words: Business, Authorities, Stock Market, Legal Status

Introduction

To identify the legal status of the legal management of the authorities in companies, Firstly It is essential to peruse the legal management authorities. According to the point that the word “management ” connote to various kinds , and any kind involve a particular role and liability , so that it is essential to consider the various kinds of the managers serving in stock market companies in Iran . In this relation, Dr Naser Katoozian acclaimed that “Contracting Company” is a kind of contract by which two or more individuals consider their privileges in order to take the multiple ownership, then divide the profit and loss and sometimes for other purposes , actually they act like this in order to be the multiple ownership . (Naser Katoozian , civil law , companies , exchange , Beh Nashr publication , pp 58) . Dr Seid Hussein Imami has also defined the “Contracting Company” , says , “Contracting Company” is a kind of contract between two or more individuals to transact the common property , it is also called the civil company . (Islamic bookstore publication , volume 2 , pp 137 , Tehran)

In the Law enforcement of France with recourse to the 1832 article of civil law , the company has been defined , put a pity on the point that the privilege of this article is not effective for giving statement about the commercial companies . “Contracting company” is An agreement between two or more parties, especially one that is written and enforceable by law, so that in this case parties could share their properties. (Kourosh Kaviani Bad Darbani, The comparison of the civil company and Stock Market Company Impacts in Law of Iran , The Thesis for the private law ‘s master degree , Tehran university , political science and law faculty , pp 15 , 1992-1993)

In The trade reform Act about the law of business in Iran, it is stated that various kinds of business companies have been defined, however, a comprehensive definition about all the companies has not been represented . Through this , There is a point to say so that it is better to mention that the most important impact of contract in the commercial company is the very legal management status which this characteristic makes these companies distinctive from the civil companies .In the article 583 of the law regulation of Iran , it is announced that all the commercial companies involve legal management status .The privilege of this article is the very point that legal management status is the fundamental characteristic of the “contracting companies” ; Also , it is believed that there is no doubt on the point that legal management status is the main characteristic of the commercial contracting company . In jurisprudence, a natural –legal person is a real human being, as opposed to a legal person, which may be a private or public organization. In many cases, fundamental Human rights are implicitly granted only to natural persons. (Seid Hasan Vafaei ,civil law , Semat publication , volume one , pp 53)

Although the definition presented about the legal person, but it seems that to identify the legal management status this definition would not be a good choice for legal status of the commercial companies. Representation of a better definition for legal entities is needed to get the self-awareness from the legal management status and the essence of it. *A legal person has certain rights, protections, privileges, responsibilities, and liabilities under law, similar to those of a natural person. The concept of a legal person is a fundamental legal fiction. It is pertinent to the regulation of law, as it is essential to laws affecting a corporation-corporation law.*

Legal personality allows one or more natural persons to act as a single entity for legal purposes. Legal personality allows that composite to be considered under law separately from its individual members or shareholders. They may sue and be sued, enter contracts, incur debt, and own property. Entities with legal personality may also be subjected to certain legal obligations, such as the payment of taxes. An entity with legal personality may shield its shareholder from personal liability. The stock market is one of the most important sources for companies to raise money. This allows businesses to be publicly traded, or raise additional financial capital for expansion by selling shares of ownership of the company in a public market. This is an attractive feature of investing in stocks, compared to other less investments such as real state.

In article 21 of the business regulation, It has been stated that stock companies are the companies in which the business affairs developed and the finances devised in stocks, by which only within the regulations represented for stock companies, the stockbrokers could act for the enactment and authorization. Accordingly, the stock company would get through a business only while the business affairs be involved in it. In The trade reform Act about the law of business in Iran, the stock company has been mentioned as the commercial company. It could be mentioned that through the finance making, the stock markets could act and represent their activities, so that in this case while the finance gets provided the results of stock market would be represented as well.

In legal management status of Iran within the enactment of the trade reform Act, the business regulation (1995) was not possible in this year; This is due to the fact that this Act is involved of the regulation about the board making decision in this relation. Hence, It could be said that the agreement has been considered by the manager. (Mansoor Safari, business law courses, political science and law faculty, Tehran university, 1336); Through this, in case of manifestation of the public and private stock after enacting the reform Act for the business law, a counsel has to be organized in which legal personality does not exist. (Rabia Eskini, the business law for commercial companies, ninth edition, volume second, pp 1382)

The fact mentioned in previous part could be deducted from the sixth part of the ACT by the title of board. For this, it is mentioned in the article 107 that, stock company could be managed and controlled by the board of the company serving in the domain of stock issues. The board of the company has to act as a cooperative union, and only through the cooperative Enactment by the board, any decision making would be possible. Hence, No director could get through the responsibilities by himself, so that according to the article 118 of the reform Act- the board could take all the responsibilities to do the affairs of the company. Board is not only responsible to manage the affairs of the company, but also is responsible to consider the practical administration of the company. Through this, the bestowing of the authorization by the director would not be possible. As a matter of fact, director takes the responsibility to control and perform the enactments of the board. Hence, legal entities could be the best choice for being the director of the company. In this case, a party has to be introduced as a permanent representative in order to do the activities of the legal management. (Article 110 of the reform Act). In The trade reform Act about the law of business in Iran, without taking permission of the shareholders to do the tasks, selection of the board members would not be possible, while today director of the companies are a good dealer toward administrative affairs having particular education status and experiences, whereas the shareholders might not have the particular qualifications. In these companies, the affairs of the company rely on the director only. Also, due to lack of skilled and specialized directors

in the company , the control and management of the company would not be undertaken by them . Two parties , director and vice director are the ones who play very important role in the board , actually among the individuals these ones have to be selected (Article 119 , Islamic Act) . According to article 112 of the reform Act , it has been mentioned that in case of death , resignation or disqualification of the parties in the board , the board 's population would be decreased , and due to this the alternative ones would be a better choice in order to be involved in the board . Therefore, the main directors are the ones who become the director exactly after being selected by general assembly , by this they could issue the enactment for the company in accordance with legal regulations . An alternate director is a person who is appointed to attend a board meeting on behalf of the director of a company where the principal director would be otherwise unable to attend. The law relating to alternate directors varies from country to country, but in most jurisdictions, the alternate director has the same powers to attend, speak and vote at meetings as the principal director would have had, had the alternate not been appointed. In some jurisdictions, the alternate director must also be a director in his or her own right; however such structures are not common in developed legal systems. The role of the Executive Director is to design, develop and implement strategic plans for their organization in a cost-effective and time-efficient manner. The Executive Director is also responsible for the day to day operation of the organization, including managing committees and staff and developing business plans in collaboration with the board for the future of the organization. In essence, the board grants the executive director the authority to run the organization.

In Article 119 of the Islamic Act, it is stated that in the first session of association, board choose a director and vice director for the board. In law of Iran, the presidency of board is an honorary position which in this case the duties would be summarized in three cases:

- Invite the member of board to develop the association
- Control the associations organized in board
- Invite the general assembly of shareholders

The mentioned facts are possible only while the selection or dismissal of the directors realizes in the general assembly of the association, so that the director of the association would be selected among the ones serving in the field of shareholder domain. (Rabia Skini., the law of business in the commercial companies, volume 2 , pp 134)

According to article 124 of the Islamic Act about the trade regulation , it is stated that the board has to select a person as the director of the company in order to take the responsibility of the company in all situations . As understood, the selection of director is a necessity for the stock companies by which it could be said that board could not avoid this duty. Surely, all the proceedings in relation with the responsibilities of the director have been undertaken by the board . (Hassan Hassani , business law , 2003 ,pp 115 , Tehran university)

Legal Essence of Relation between Directors

Determination of duties and rights of directors and shareholders: In stock company, the relation between directors and shareholders has to be realized. Due to involvement of legal management in

commercial companies, The recognition of the relation between directors and shareholders would be difficult, So that different attitudes are so much in this field .

The summarization of the main attitude in relation with the essence of Relation between Directors and Shareholders is as following :

1- The fundamental attitude has been mentioned in article 51, so that based on this article director of the company has to take the same responsibility as the responsibility of the lawyer toward client .This attitude has been criticized , so that the criticisms are as following :

-The directors are the very legal personalities , and are not the representatives of the shareholder ; In article 51 of business regulation , the shareholder has been used instead of cooperation , and the company .(Hassan Sotodeh Tehrani ,volume 2 ,pp 147)

-It is criticized that the directors of stock company are chosen while the most votes be allocated to them, so that with the least votes , the directors could not be chosen . (Naser Katoozian , general regulations of the contracts , Beh Nashr publication , volume 2 , pp 57 , Tehran)

- Death of shareholders would not bring about the consequences in rights and duties of directors

- Directors of the stock company undertake the responsibilities which these responsibilities are not observed in the field of domains undertaken by the members .

2- The other attitude is that the directors are the representatives of the legal person , and in this relation based on article 48 of the business law , It is stated that stock market could be managed by the representatives who determined among the shareholders as the temporary director .

3- Some believe that directors are the legal representatives of stock company, in this relation about the analysis of the relation between directors and shareholders, there are many viewpoints ; It is believed that directors are the main members of the legal management status . (Hassan Sotodeh Tehrani ,volume 2 ,pp 147)

Directors as the lawyers of the company

As mentioned, this theory originated from article 51 by which it is stated that the responsibility of company director against shareholders is the very responsibility which lawyer undertakes against client. Through this article , directors of company are the lawyers of the clients .

According to article 51 of the business law , the relation between director and shareholder is the very the relation between client and lawyer . One of the characteristics of the “contract law” is that within the death of a member , the liabilities of the lawyers and shareholders would be canceled (Civil law , article 678) . while Such a situation does not occur for the board in company , in this relation it is stated that directors are chosen by a majority of stockbrokers participated in the association ; There is the other point to say which is shareholders and directors would not be deposed of a position . Legal personalities with any legal essence are disqualified for the necessary ability in managing their daily affair. For this , directors of the legal management in the companies are the very real persons who undertake the management affairs in the company . (Mohammad Javad Safar, legal personality, Dana publication, Tehran, 1994, pp 96)

Directors as the representatives of the company

According to this theory, the directors are the very representatives chosen by the general assembly and finance makers in the company . In this theory , it is criticized that client could not put his liabilities on the other 's shoulders .It is concluded that directors undertake more liabilities rather than lawyers . Hence , the members of board and also the directors are the legal personality representatives in order to do the legal affairs . The liabilities of the general assembly has been mentioned in article 6 signed by founders; Actually one of the main liabilities of the general assembly is the very enactment of the resolution. In this base, the resolution has to be perused , and in case of being in consistent with the law , the report of statement would be represented . Dr Skini paid attention to the viewpoint of the lawyers and got the information from article 83 , and represented a negative response . (Rabia Skini., the law of business in the commercial companies , volume 2 , pp 44-45)

The reform of statute for the company based on article 83 has been mentioned fantabulous, but according to several reasons - it seems that the general assembly could do any reform on statute . According to the second paragraph of article 74 and article 17 of the law , it is stated that lawyers could put the liabilities on the general assembly 's shoulders , by which the statute could be reformed at any time . As a matter of fact , without the reformation of the statute- any action would be useless . Hence, the statute represented for the company and previously confirmed by the directors, would be reformed by the director . In the privilege of the statute, the facts against the regulations have been mentioned by which the conflicts would be resolved.

According to the paragraph 2 of article 74, the statute could be reformed by the general assembly, also based on article 75 all the decisions of the general assembly with the majority of two third of the votes would be resulted in the association, through this a similar point with the article 85 concerning the decisions of the general assembly would be realized. The only different point between the general assembly and superior general assembly is about the number of people involving in the association, meaning that the number of individuals involving in these two assemblies is different.

Methodology

The principle of the authorization of directors and the exceptions in this relation

Authority of directors

The word "authority " could be defined as the selection , having the absolute power and freedom to do the affairs (Hassan Amid ,Pishin , pp 95); The word "authority" in legal expression means the ability to do legal management (Seid Hossein Safaei , Seid Morteza Qasem Zadeh , civil law for individuals , Semat publication , pp157 , 1995 , Tehran) -So many people believe that the ability to apply law and justice for others is called guardianship . Authority means permission, a right coupled with the power to do an act or order others to act. Often one person gives another authority to act, as an employer to an employee, a principal to an agent, a corporation to its officers, or governmental empowerment to perform certain functions. There are different types of authority including "apparent authority" when a principal gives an agent various signs of authority to make others believe he or she has authority, "express authority" or "limited authority" which spell out

exactly what authority is granted,"implied authority" which flows from the position one holds, and "general authority" which is the broad power to act for another.

Thus , authority is the ability granted to individuals , by which the individual could apply the law and legal management ; ability of the individual relies on the limits which law has certified in which the proceedings mentioned out of the contact would not be in domain of the legal management for the individuals . The directors are responsible for the management of the company's business, for which purpose they may exercise all the powers of the company. Most companies do not have special articles and most have not passed special resolutions to restrict the directors 's powers, so the reality is that in most companies the directors can make any decision unless the Act says it needs a resolution in general assembly is required. Some things, such as the appointment of additional directors, can be done by the board or the general assembly. If the directors are actually or potentially in breach of their fiduciary duties, a resolution in general assembly, properly passed, and may be used to authorize a transaction or give the company's consent to a profit or interest of the director. Serious potential liabilities can arise if the directors do not obtain the approval of the general meeting when this is required. The boundaries of liabilities and legal management of the stock companies could be an apprehension about the right of the third party (Hassan Sotodeh , Business right , volume 2 , pp 2).The apprehension is about the point that no effort along with the essence of legal personality and the exceptions about the liabilities of the stockbrokers and the consistency in this base accomplished .

Article 115 of the reform Act is the very a part of the business law about sharing the liabilities of the directors and shareholders against the third parties. Thus, based on this article except from the cases which liabilities are undertaken by the general assembly, the other liabilities have been undertaken by the directors of the companies; It could be said that all the necessary authorities to execute the affairs of the company have been undertaken by the directors of the company .In terms of the relation between directors and stockholders , The boundary of the directors 's authorities was validate only in the statute or the general assembly .

The Boundary of the Directors's Authorities

The Boundary of the Directors 's Authorities in the companies might be determined through the general assembly or the Authorities of Directors might be mentioned in the statute as well . In the modern legal systems, the Authorities of Directors in the companies might be neutral against the third parties. The Authorities of Directors are not only relied on the legal management, but also are relied on the orders issued by the stockholders by which the authority to execute the company would be undertaken by the directors. Hence, the directors could not act beyond the boundary of authorities .In this case, director is the very lawyer which has to act in boundary of the authorities issued for the authorities of the lawyers. For instance , while the director does not be allowed to do transactions on the basis of real estate in the company , in this case the director has to undertake all the losses .

Results and Discussion

The liabilities of the legal management positions in the stock companies in legal management system

The most fundamental liabilities of the directors in the stock companies have been mentioned in the reform Act of the business law , so that refer to following factors for this :

- 1- Expected *loss distribution* in the outstanding catastrophe *bond*
- 2- The selection of director and vice-director for board in the first session of board
- 3- Ask help from the board and general assembly of the stockbrokers as the liability of chairman in the board in the cases while the chairman undertakes the liabilities
- 4- Adjust the assembly of the board with giving statement about the summary of negotiations and decisions , and also the outlooks of the cons
- 5- Introduce the representative through the legal persons , the member of board in order to participate in the associations
- 6- Elect the director , determine the boundary of authorities , and etc
- 7- Consider the legal regulations in the transactions accomplishing in the company
- 8- Lack of drawing up contract
- 9- Lack of doing transactions such as the transactions of the company involving the competence with the company 's operations
- 10- Adjust the finance note and loans of company in every six month in order to present it to the director
- 11- Adjust the balance sheet and the annual profit and loss accounts of the company
- 12- Impose one twentieth of the gross domestic profit of the company in each year as the legal savings up to the time that the savings arrive at one tenth of company 's finance
- 13- Charge the unpaid amount of the stock price of the company from the stockholders in a particular period of time mentioned in the statute
- 14- In the statement of finances , documents and etc , State how much the exact finance is
- 15- In the statement of finances , documents and etc , State the registration Number of companies
- 16- In article 214 of the bankruptcy regulation, moreover the personal legal regulation, the qualified skills, information and experiences expected for a director have to be undertaken by him .

Consider the legal regulations in the transactions between director and company

In the transactions between director and company , there is possibility of risk which it could be stated that directors may take advantage of their position and do the transaction in such a way that maximum profit made for them . In fact , it is approved that this situation is prominent more in the stock companies in which the directors do not control and execute the performance of the directors sufficiently . In the reform Act of business law , a legal management law has been made for drawing up the contracts between director and stock companies . The law is made because maybe without the law- the directors take advantage and do against the law. On the other side , the rules governing transactions between a company and it's directors have slightly altered. Approval of shareholders by a simple majority is required when the company and a director are involved in a transaction where the asset in question exceeds of the Company's net assets. It is also worth bearing in mind that it is legitimate to make an agreement conditional, if shareholder approval is given. This rule including the need for shareholder approval does not apply in the case of a company which is in administration. Please note this is only a summary of rules governing "substantial property transactions " and we

recommend that legal advice be obtained where such transactions are being considered. We would also recommend that taxation advice be obtained before entering into these transactions.

Real estate transaction

In law of Iran , there is not a general regulation for legal prohibition of the transaction between director and company . In this relation, No regulation in the law of Iran has been mentioned , whereas the other regulations on the basis of engagement , divorcement , and etc have been mentioned which we have to follow whenever necessary . In article 129 of reform Act , it has been stated that without permission of the board , the members of board and the director of company could not do the transaction ever . According to the point that general assembly could observe the transaction , so that in case of any loss arriving at company , the director would be responsible at this time . Therefore , the report has to be included of the type of transaction confirmed by the director . Obviously, before taking permission of stockbrokers mentioned in the statute , the enactment of the general assembly is useless. In business Law , the boundary to do the transaction with the company would be possible within the presence of members of board, the director of company and institutes and the shareholders .

Lack of taking credit from the company

Lawmaker has prohibited the directors from doing the transactions in case of no profit making for the company and only when there is a profit for the directors . In article 132 of reform Act , it is stated that director of the company and members of board except from legal personalities could not impose any loan or credit from the company . About the banks ,credit and financial companies , the transactions would be authentic in general condition . Moreover the directors and the members of the board , the relatives of them could not also impose any loan or credit from the company. Hence , based on article 132 of reform Act in business regulation , it is mentioned that the relatives of director and board are prohibited from imposing any loan or credit from the company .Since , the legal persons in the board are not able to do the liabilities of director , so that a real legal person as a permanent representative has to be introduced in this case- such a representative has to undertake all the liabilities , commitments of the board members .(Article 110 of reform Act in business regulation) The mentioned facts for the director are not true for the alternate director . As a matter of fact, The appointment of a temporary alternate is one of the few exceptions to the general rule that the office of a director is not assignable and non-delegable , thus all the rules would be also true for the alternate directors . A company was generally prohibited from making loans to a director. This general prohibition has now been abolished in respect of all companies in law of business and has been replaced by a requirement for shareholder approval for any such loan. No shareholder Approval is required in respect of a company that is not registered in law of business or a wholly owned subsidiary. This is also true for the alternate directors.

Lack Drawing up a contract with company without getting permission from the board

Business contract between company would be possible in two ways, in one case the contract director draws a contract with company for the purpose of providing services like providing the financial or legal consultation. Also, there is another point to say – director is the permanent employee of the company which the contract is drawn up by him . Employees of the company and

the shareholders may be chosen as the director of company , and in this case they may get through a long term contract with the company . The matter “director’s contract with the company” has not been taken into account by the lawmaker , in which any particular regulation has not been allocated . In reform Act, there is no particular regulation about the business of the directors on the basis of lack of directors’s qualifications about the contracts . (Rabia Skini , the business law of commercial companies , volume 2 , pishin , p.p 144)

It is believed that due to the point that there is no regulation for the business contract in Iran law , so that the regulations on the basis of transactions between members of board with the company about the business contract with the company have to be taken into account . In order to draw up a contract with company , the order has to be issued by the board , by which the board has to inform the director of company from this issue .

Lack of competition with company

One of the other liabilities of the companies is that the directors have not to undertake the proceedings or do the transactions leading to challenge with the other rival companies. As the directors know all the secrets of transaction and all other activities, and they are aware of information of company, it is recommended they do not be intervened in such a transactions and activities . As a matter of fact this is due to the fact that director may take the presidency of other companies . In the other word, acting to undertake the same activities and transactions needs challenging with other companies. In the challenge between the companies , the superior proceedings and activities would be prominent . In article 133 of the reform Act , the proceedings of the director which are with the challenges would be prohibited , in this case the losses have to be compensated .

Lack of misusing the property of the company

Being a responsible director means more than just acting with honesty and integrity and using your talents to the company's best advantage. It means developing an understanding and awareness of the ever increasing legal obligations and responsibilities being placed on directors, breach of which can give rise to personal liabilities under the civil and criminal law and even disqualification from holding office as a director. The thrust of much recent legislation has been to seek the promotion of better standards of management in companies. Whilst the aim was to curtail irresponsible directors, the effect has been to create an increased burden of responsibility on all directors, irrespective of the size and nature of the enterprise which they manage .As the directors confirmed as the trusted individuals in the company so as The directors have chosen to keep the property of the company . In law of Iran, the prohibition of using company ‘s property by the director is in consistent with the general regulations . Moreover in the reform Act of business law , misusing the property of company has been prohibited . In paragraph three of article 258 , it is stated that director or the members of board in the company who used the property of the company for their usage - would be condemned to the punitive imprisonment . It is stated that misusing the property of the company does not only involve the real estate, but also whatever involves economic value for company bringing about profit. Therefore, usage of the members of board from immaterial property and real estate is prohibited. Misusing the property could be possible in different ways like allocation of property , giving property to others as donation , pay high salary , and sell with low cost . Despite profit making

for the company or personal usage, Any misuse of the property is prohibited which is a punishment .

The type of directors' liabilities in stock companies

Various types of director's liabilities on the basis of how using it in law of Iran are as following
Personal –collective liability

Generally, the liability out of the authorities of the board would be called the personal liability . Personal liability is only relies on the director 's liabilities , but if board get informed of this , in this case the violations would be prohibited , otherwise other directors would be also the directors .

Partnership liability

It is stated in the reform Act of business law that the partnership liability is a very important issue in stock companies. In article 143 , it is stated that property of company is not sufficient for the payment . A limited liability partnership is a partnership in which some or all partners have limited liability. It therefore exhibits elements of partnerships and corporations.

Civil liability

Civil liability is the Potential responsibility for payment of damages or other court-enforcement in a lawsuit, as distinguished from criminal liability, which means open to punishment for a crime. Only the administrative bond forecasted in the regulations for the transactions between directors could lead to the cancellation of the transactions. According to 132 article of Business Regulation Reform Act , director of company or members of board could not take any loan .

Business contract of directors with company

According to the point that no particular regulation about the business contract of directors with company has been mentioned in Business Regulation Reform Act , so that general regulations on the basis of property transactions of the board members with the company have been forecasted . (Rabia Skini , the business law of commercial companies , volume 2 , pishin , p.p 144)

Misusing the company property

In the Business Regulation Reform Act about misusing the property of company , the regulation has been issued by the enforcement and criminal administration , but a particular enforcement and criminal law has not been forecasted for it .For this , the general regulations have to considered in this case .

Lack of paying the determined profit or fictitious profit division among shareholders

Directors of the company have to avoid from the division of fictitious profit among the shareholders, otherwise they would be sentenced. In the Business Regulation Reform Act , no regulation about the probable misuse of directors from the authorities about the division and payment of stock profit for the civil and enforcement bond has been mentioned . Bond of the Civil enforcements in terms of type of misusing among directors is different . To pay the profit despite the regulation of civil enforcement bond is the very compensation of losses arrived at company and shareholders.

Also, in case while the payment of fictitious profit division has been prohibited, so that stockholders could request the directors to pay it.

Lack of new stock subscription

For new stock subscription, the bond of the criminal and enforcement regulation has been mentioned. A subscription contract does not have to be in a particular form, or even in writing, provided the undertaker clearly indicates an intention to have such an agreement or contract. Where a state law mandates a writing, the subscriber's name can be signed to the contract by the individual who solicits the contribution for the organization, if that person is authorized to do so by the subscriber. The offered subscription must be accepted if it is to legally bind the subscriber. It is essential that acceptance occur within a reasonable time, since, as an offer, the subscription can be revoked any time prior to its acceptance. A subscription is also revocable upon notice given by the subscriber if a condition upon which it is based has not been performed. A subscriber may be prevented from claiming revocation in situations where it would be contrary to the interests of justice.

Competitive transactions with company

If the director of company deals in the domain of commercial activities whether he gets attempted to do commercial activities and gets through the competitive activities, in this case the activities such as supplying the same goods cheaper than other companies, or providing more benefits for customers, all of these would be prohibited. Finally on the basis of The right of stockbrokers in transferring property in the company, it could be said that Transfer of the property is the most characteristic of fundamental legal possession, so that it is mentioned both in civil law and business law.

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