

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 4141
ANSWERED ON FRIDAY, THE 11th AUGUST, 2017/
SHRAVANA 20, 1939 (SAKA)**

JJ IRANI COMMITTEE

QUESTION

4141. SHRI S. RAJENDRAN:

**Will the Minister of CORPORATE AFFAIRS
be pleased to state:**

कारपोरेट कार्य मंत्री

(a) whether the Securities Exchange Board of India (SEBI) has requested the Government for amendments in the Companies Act, 2013 and if so, the details thereof;

(b) whether the JJ Irani Committee constituted by the Government has submitted its report; and

(c) if so, the details thereof and the major recommendations made by the Committee along with the action taken by the Government thereon?

ANSWER

**THE MINISTER OF STATE
IN THE MINISTRY OF CORPORATE AFFAIRS**

(SHRI ARJUN RAM MEGHWAL)

(श्री अर्जुन राम मेघवाल)

कारपोरेट कार्य मंत्रालय में राज्य मंत्री

(a):- SEBI has suggested for reviewing/amending section 169 of the Companies Act, 2013 in such manner that a resolution to remove an Independent Director should be by way of a special resolution, on which the promoter should not be permitted to vote.

(b) to (c):-The Expert Committee on Company Law under the Chairmanship of Dr. J.J. Irani had submitted its report to the Government on 31st May, 2005. The major recommendations of the Committee are at Annexure-I. The full report is available on www.mca.gov.in.

After considering the Report of the Irani Committee and other inputs received from time to time, the Government took up the exercise of comprehensive review of the Companies Act, 1956 and introduced the Companies Bill, 2009 in the Lok Sabha. After introduction, the Companies Bill, 2009 was referred to Parliamentary Standing Committee on Finance for examination and report.

Keeping in view the recommendations made by the Standing Committee in its report, a revised Companies Bill, 2011 was prepared and was introduced in the Lok

Sabha on 14th December, 2011, which was also referred to Standing Committee subsequently and it got enacted as the Companies Act, 2013, which was notified on 29th August, 2013.

ANNEXURE REFERRED TO IN REPLY TO PART (b) to (c) OF THE UNSTARRED QUESTION NO. 4141 FOR ANSWER IN LOK SABHA ON 11.08.2017

Irani Committee - Main recommendations

- **Introduction of concept of Small Companies and One Person Companies.**
- **There may not be any restriction to a company having any number of subsidiaries.**
- **Limited liability partnerships should be facilitated through a separate enactment.**
- **Government should not intervene in the process of appointment and removal of directors in non-Govt companies.**
- **Law should recognize the principle of independent directors and spell out their attributes, role, qualifications, liability and manner of appointment. However, prescription of the number and proportion of such directors in the Board may vary depending on size and type of company and may be prescribed through Rules.**
- **Decision on remuneration of directors should not be based on a “Government approval based system” but should be left to the company.**
- **Board Meetings by electronic means to be allowed.**
- **Rights of investors in respect of unclaimed dividends etc. to be recognized even after 7 years period. IEPF should not be based solely on expropriated unclaimed returns but should be in the form of a corpus in which funds may be parked to be managed and utilize for investors education.**
- **The provisions in the Companies Act allowing multiple jurisdiction may be done away with. There is however, need for different regulatory agencies to interact with each other more comprehensively in operational matters.**
- **Concept of Shelf Prospectus may be extended to other class(es) of companies who access capital market more frequently as Well Known Seasoned Issuers (WKSI).**

- **The regime of acceptance and invitation of Public Deposits should be made stricter. The insurance option should be explored for deposits with the companies.**
- **Registration of charges to be enabled by the lender if the borrower does not register the charge within a fixed time.**
- **Non-cash consideration for allotment of shares should be valued through independent valuers.**
- **Provisions relating to inter-corporate loans and investments should be strengthened to ensure that there is no mis-use of these provisions for price rigging or by diversion of funds.**
- **Penalties for fraudulently inducing any person to invest money should be made more stringent**
- **Consolidation of financial statements should be made mandatory.**
- **Small Companies should be given exemptions/relaxations in respect of disclosures relating to financial statements.**
- **The Act should provide flexibility in respect of rates of depreciation for infrastructure or similar projects.**
- **Rotation of auditors not be mandated in Law. Auditor to be prohibited from performing certain non-audit functions/services to be specified in Law/rules.**
- **Valuation of shares of companies involved in schemes of mergers and acquisition by independent registered valuers (rather than court appointed valuers) should be made mandatory.**
- **There is need to clarify issue regarding payment of stamp duty on Court Orders sanctioning schemes of merger/acquisition.**
- **The concept of Electronic registry should be evolved. Jurisdictional issues vis-à-vis stamp duty should be resolved to enable single registry.**

- **'Contractual mergers' and 'Cross Border mergers and acquisition' may be suitably addressed in the new Act.**
 - **Mergers among associated companies, private companies or companies where no public interest is involved, should be allowed through a less stringent framework.**
 - **The fees paid by transferor company on the authorised capital should be available as a set off to the transferee company upon the sanction of the scheme.**
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- **A Non obstante provision to be introduced to ensure that the assets and liabilities of transferor company absolutely vest in the transferee company notwithstanding anything to the contrary in any other law.**
 - **The Govt may appoint an officer of the Govt or any private professional as inspector to carry out investigation.**
 - **The Serious Frauds Investigation Office (SFIO) should be strengthened. A separate statute may be framed for SFIO.**
 - **A clear regime for identification of Officers-in-default to be necessary.**
 - **The Company Law to provide for an in-house structure for levying non discretionary monetary penalties only (i.e. in respect of offences not involving imprisonment).**
 - **The penalties may be classified in the form of two self-contained schedules –one for monetary penalties and the other for those involving imprisonment, with or without fine. The Law to lay down the maximum as well as minimum quantum of penalty for each offence.**
 - **In case of fraudulent activities/actions, provisions for recovery and disgorgement to be suitably provided for.**
 - **The law should strike a balance between rehabilitation and liquidation process. It should provide an opportunity for genuine efforts towards revival. Only where revival/rehabilitation is not feasible, winding up should be resorted to.**

- **A Panel of Administrators and liquidators should be prepared and maintained by an independent body out of experienced and knowledgeable Insolvency Practitioners.**
- **Private professionals should play a meaningful role in all aspects of insolvency process. The law should encourage and recognize concept of Insolvency Practitioners.**
- **Public interests, Government claims should not get precedence over private rights.**
- **Provisions relating to rehabilitation cess should be replaced by the concept of “Insolvency Fund” [Fund] with optional contributions by companies.**
