

Wary Ind Directors Ringfence Assets; transfer to Trusts, Kin

Centre may hold a director personally liable, no limitation of liability

**Kala Vijayraghavan,
Maulik Vyas & Lijee Philip**

Mumbai: Several independent directors have begun ring-fencing their assets by transferring titles to trusts or family members, to safeguard their interests in case of any acts of financial mismanagement or fraud by the company, promoter or management of boards they sit on.

Several directors ET spoke to said they are consulting top lawyers to protect assets from personal liabilities. Scope of Section 212 of the Companies (Amendment) Act, 2019 has been expanded and the Centre may file an application before NCLT for holding "any director" personally liable without any limitation of liability.

The move by the ministry of corporate affairs to freeze assets of independent directors of defaulting firms among other stringent measures have also led to concerns and growing exodus of independent directors from boards.

"When the law does not safeguard my rights as an independent director, I will need to take care of it myself," said a top corporate director who sits on multiple boards. "As a director who attends board meets six

times a year and invests as much time as one possibly can, I cannot be held liable for acts of a promoter or management if they collude and hide facts. Independent directors are not given that kind of rights to safeguard corporate governance and to take action and nor are they encouraged to dissent by most promoters. In fact, the compensation paid is a pittance for the risk taken."

RC Bhargava, chairman, Maruti Suzuki, said, "What is worrisome is when independent directors resign before their term ends. They fear that if something goes wrong in the company, liability and responsibility is very huge."

Suruchi Suri, partner, Suri & Company, said, "If at all qualified professionals can be con-

vinced to come on board as independent directors, it will be no surprise if they ensure assets in their name are few."

Independent directors are now looking at tightening directors and officers liability insurance to protect them from every possible claim made while serving on a board," said Huzefa Nasikwala, founding partner, Nasikwala Law Office.

Dr Neeti Shikha, member of the academic advisory council at Indian School of Public Policy, said, "If the independent directors have some impetus like Esops or term-linked monetary incentive then only we can increase more participation of independent directors."

For full report, go to
www.economicstimes.com

CLOSE WATCH

SEVERAL DIRECTORS
are consulting top lawyers to protect assets from personal liabilities

Scope of Section 212 of the Companies (Amendment) Act, 2019, has been expanded, giving the Centre more teeth



IN FY20, 1,344 ind directors quit from NSE-listed cos, 45% more than FY19*

MOVE HAS LED to concerns and independent directors' exodus from boards

*Source: primeinfobase.com