

Govt will reduce provisions to prosecute under Cos Act

Plans Settlement Mechanism To Ease Burden On Corporates

TIMES NEWS NETWORK

New Delhi:

The government is all set to further reduce the provisions that attract prosecution for violation of the Companies Act, while looking to introduce a settlement mechanism and “deferred prosecution agreements” under the law to ease the burden on the corporate sector.

A committee headed by corporate affairs secretary Injeti Srinivas will examine various options, including the feasibility of “deferred prosecution agreements”. Government officials said, through the mechanism, a company can commit to take remedial measures to cure defaults within a specified timeframe and will only face prosecution in case it fails to deliver on its promise.

“It will essentially be a chance and an incentive for a company to come back into the fold of the law. It is prevalent in some jurisdictions,” an official told **TOI**.

Officials said as far as possible, the Companies Act will allow for compounding of offences by payment of fine, except in cases of fraud or mismanagement.

The 11-member panel follows recent concerns over prosecution of companies and its managers for violations of provisions, including failure to comply with the corporate social responsibility guidelines.

Finance minister Nirmala Sitharaman had told industry chiefs that she would examine the provisions.

This is the latest in a series of committees to be set up by the corporate affairs ministry to ensure that the Companies Act does not impose difficult conditions.

The Company Law Committee will also suggest measures for removing any bottlenecks in the overall functioning of statutory bodies like the Serious Fraud Investigation Office (SFIO), Investor Education and Protection Fund Authority (IEPFA) and National Financial Reporting Authority (NFRA).

Apart from Srinivas, other members of the panel include Uday Kotak, MD of Kotak Mahindra Bank; Ajay Bahl, founder and managing partner at AZB & Partners, Advocates & Solicitors; Xpro India chairman Sidharth Birla; Shardul S Shroff, executive chairman at Shardul Amarchand Mangaldas & Co; and T K Viswanathan, ex-secretary general, Lok Sabha.

TO DE-CLOG **NCLT**

➤ Company Law Committee has been tasked with identifying specific provisions under Companies Act, 2013 and Limited Liability Partnership Act, 2008, which are required to be amended to bring greater ease of living for corporate stakeholders

➤ It will propose measures to further de-clog and



improve the functioning of the National Company Law Tribunal (NCLT)

➤ The committee will submit its recommendations in phases and subject-wise to government from time-to-time as may be decided by the chairperson. It will have a tenure of one-year from the date of its first meeting