

cimplyfive's Booklet on Company Directors Responsibilities & Liabilities

*What Every Director on the Board
of an Indian Company Should
Know*



**A Primer for Directors &
Persons intending to be
Directors**

September 2022

Disclaimer and Limitations of this Booklet

- **General Information:** CimplifyFive has prepared this booklet on **Company Directors Responsibilities & Liabilities, *What Every Director on the Board of an Indian Company Should Know***, to help Directors and individuals intended to be Directors to find a summary of their responsibilities and liabilities under the Companies Act, 2013 and a select few other central legislations.

- **Limitations:** CimplifyFive has prepared this booklet for dissemination among discerning professionals based on the statutes prevailing as of September 2022. Competent professionals with adequate experience have been involved in preparing this booklet. Further, they have also followed a due process of checks and verifications to ensure accuracy of information contained in this booklet. This should have eliminated almost all errors from it. If any points in the nature of errors are brought to our notice, and we agree with the same, CimplifyFive will rectify this booklet at the earliest and have the revised booklet available on its website. CimplifyFive does not accept any loss or damage caused to any individual or institution by use of this report.

Content

1. Preface	03
2. Directors in Joint Stock Company	05
3. Duties of Directors	07
4. Directors' Liability Classified	09
5. Directors' Liability - for a generic act	14
6. Directors' Liability - for a technical act	19
7. Liability of Directors under other Acts	40

1. Preface

Directors, especially Independent Directors (IDs) have been in limelight in the recent past. With every corporate misdeed and scandal, the focus on Directors and IDs has intensified, not just from the media, but also from the regulators. For the first time globally, in India, IDs are required to get themselves registered in a central database mandated for this purpose and obtain more than 60% marks in an online test conducted by a statutory authority within one year from March 1, 2020, when this law came into effect.

Given this onerous duty to qualify as an ID by clearing an examination, we have summarized in this primer their responsibilities and penalties under a few major central statutes in one place to provide both the prospective IDs, the existing IDs, and other Directors their potential liabilities.

There is a major change in the Indian regulatory environment in the last few years, with laws and their penal provisions no longer being mere words in the statute book, but have become enforceable provisions, often triggered by impersonal automated tools that go by the records filed by the companies and stored in the regulator's repository. This makes the penal provisions harsh, as was witnessed in the 2016 enforcement drive against money laundering and benami transactions, where over three lakh Directors were disqualified when the companies in which they were Directors did not file their Annual Return as required by the law for a continuous period of three years.

Further the steps taken by the government to decriminalize penalties under the Companies Act, 2013 and has a flip side of ensuring certainty in initiating prosecution against violation with the penalties enforced in a shorter period. Consequently, appointment as a Director or ID can no longer be considered as a post retirement scheme with travel perks inbuilt. The new role envisages an alert and vigilant mind that is aware of business risks and has the acumen to differentiate between genuine business decisions that could fail and intentional misuse of corporate assets for personal gains disguised as genuine corporate

activity. Further, the requirement is to display the courage of conviction to stand-up and tactfully speak-up when business assets are inclined or prone to misuse.

Milton Friedman once said, "There is no such thing as free lunch". This is valid, especially in the case of IDs and Directors. When an ID or Director is paid more than they are 'worth', they need to be aware, that the premium paid is the risk premium for the potential liabilities they could be contracting. The only way to insulate themselves from these liabilities is diligence in going through all the Board meeting papers circulated to them, read it and form their own independent opinion of the desirability of decisions proposed considering the interest of the company and all its stakeholders, and not just the interest of the promoters or the management who may be more vocal. Directors need to tactfully speak-up and outline their rationale to ensure that they do not fall short of their fiduciary responsibilities, which is expected from them both by law and by the expected ethical standards.

This report is prepared by CimplifyFive Corporate Secretarial Services Private Limited. Our vision is to leverage research and technology to eliminate procedural non-compliance for entities regulated by the Companies Act, 2013 and SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. We look forward to your feedback on this report. Please share it with us at contact@cimplifyfive.com.

Yours Sincerely,

Shankar Jaganathan

Founder & Chief Executive

CimplifyFive Corporate Secretarial Services Pvt. Ltd.,

September 27, 2022

2. Directors in Joint Stock Companies

A brief conceptual & historical synopsis of Directors

Ownership is considered synonymous with control, with an owner being entitled to five basic rights of which control is a critical element:

1. Right to be called owner of the asset.
2. Right to receive the benefits of ownership, i.e. recurring income generated, and capital gains on its sale.
3. Right to make decisions about the asset, which includes The right to use, sell, gift, rent, lease, or otherwise deal with it as appropriate.
4. Right to consult others (experts/well-wishers) on decisions about the asset, where required.
5. Right to be informed about decisions made regarding the asset, if not part of the decision-making team.

Beneficial
Rights

Fiduciary
Rights

The advent of Joint Stock Companies in the 16th century, a novel form of business organization, for the first time separated ownership and control. Small shareholders gave up control over their assets by placing it in the hands of larger shareholders, who were elected to the Board as Directors¹. While the small shareholders retained their beneficial rights, i.e. right to be called owners and to receive the benefits of ownership, they parted with control i.e., the right to make decisions about the asset and the right to consult others where required, in return for the right to be kept informed of the decisions made.

Ownership and control combined in one person did not pose any ethical, moral, or legal challenge as the holder of rewards also decided on the nature and quantum of risks to take. But when ownership is separated from control, it creates a new challenge, of “Governance”, as the holders of fiduciary rights are

¹ In the initial days, Directors were called Governors and the Board of Directors was called the Board of Governors

required to act in a prudent manner to ensure that they do not abuse or impair the rights of beneficial owners. The evolution of corporate law and practice is primarily a journey in institutionalizing prudent behaviour by the holders of fiduciary rights.

The first joint stock company² formed in 1553 CE defined in its charter three criteria for selecting Directors who held the fiduciary rights, namely, 'Sad, Discreet and Honest'. The word 'sad' used to mean satiated or satisfied, to denote individuals whose personal thirst for wealth was quenched. In the last five hundred years, the journey of promoting good governance has evolved on all these three dimensions identified, namely;

- from Sad or satisfied directors to Independent Directors or 'disinterested' directors,
- from Discretion with company information to regulating trading by insiders with price sensitive information, and
- Honest to cleansing of tainted Related Party Transactions.

Good Governance is present when each and every Director acts in the best interest of the company, i.e., with a satiated appetite reflecting an unbiased mind for decision making, exhibits discretion, i.e., does not indulge in or enable insider trading, and honest as reflected in absence of questionable related party transactions.

Laws enacted for governance seek only to achieve this goal by prompting the Directors to act for the benefit of shareholders, even as the social environment and media seek to restrain Directors and keep them on the virtuous path of Good Governance.

² Muscovy Company or the Russian Company formed in London to trade with Russia in the year 1553 CE

3. Duties of a Director

The duties of a Director are explicitly spelt out in the Companies Act, 2013("Act"). Section 166³ of the Act lists six distinct duties, of which three are positive and require the Director to act in accordance with

- the Articles of Association the company,
- to act in good faith in the best interest of the company's stakeholders, and
- to act with due diligence and care.

The other three duties are what the Directors should not do, which are:

- act with any conflict of interest,
- gain any undue gain or advantage to himself or to his relatives, and
- assign his office.

Failure by a Director to comply with their duties can result in a fine which shall not be less than one lakh rupees and may extend to five lakh rupees.

³ Section 166 "(1) Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.

(2) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.

(3) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.

(4) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.

(5) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives , partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.

(6) A director of a company shall not assign his office and any assignment so made shall be void.

(7) If a director of the company contravenes the provisions of this section such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees."

In addition to the penalty that can be levied on a Director for failure to perform their duties as specified in section 166, there are other sections that impose penalty or punishment for contravention of specific sections of the Companies Act, 2013. A Director is responsible for all acts of omission or commission that occurred during their tenure. Resignation by a Director only absolves them of liabilities for penalty or punishment for acts that occur after the date of their resignation. For acts that occurred during their tenure, they remain liable, as explicitly spelt out in section 168 (2) of the Act.

The Act also acknowledges in section 149 (12) the position of Independent Directors and Non-executive Directors who are not promoters or key managerial personnel, as individuals who are not connected with the routine operations of the company and holds them liable only in respect of such acts of omission or commission by a company which had occurred with their knowledge, attributable through Board processes, and with their consent or connivance, or where they had not acted diligently.

BLISSDOCS

A Board app for Directors

- Handcrafted User Interface compatible with both Mobiles and Tablets
- Document review and annotation features that also work offline
- Color coded calendar
- Voting for Circular Resolution



Google Play



App Store



Testimonial

“CimplyFive is a great application and one of the best cloud-based applications to meet the A to Z needs of a company’s secretarial function. It is very comprehensive as it tracks and drives us to stay compliant ahead of the time.

All our secretarial records, since inception, were paper-based and stored physically. We digitized with the help of CimplyFive and today, we are completely digitized, and everything is on the Cloud. We can retrieve documents as and when required and we are conducting paperless board meeting with CimplyFive’s BLISSDOCS.

We have been using this application for the last 3 years. The experience is seamless and flawless. In my view, amid ever-growing challenges in Company’s Act compliance, this is a must-have application for every company to stay-complied always.”

Mr. Sathyamurthy, Chief Financial Officer, Gokaldas Exports Limited

4. Directors Liability Classified

Recent judgement in 2019 reinforces the view that liability of directors can arise broadly from two distinct elements:

1. Explicit liability provided under statutes like the Companies Act, 2013, the Income Tax Act, 1961 or the Negotiable Instruments Act, 1881 among others, and
2. Prosecution for active role involving breach of fiduciary duty, or ultra-vires acts or negligence or mala fide acts.

From the regulatory perspective, the responsibility, and liabilities of all the Directors is not the same. It varies based on the class of company, their individual economic interests in that company, and the nature of other directors on the Board of that company.

- **Listed and unlisted companies** are the two broad class of companies with the Directors of listed companies having the additional responsibility as laid down by SEBI through their regulations, mainly Listing Obligations and Disclosure Requirements (LODR), 2015 Prohibition of Insider Trading (PIT) Regulations, 2015 and Substantial Acquisition of Shares and Takeover (SAST) Regulations, 2011.
 - The economic interest of the Director in a company can stem from their or their relatives' shareholding in the company or contractual relationship with the company as employees, suppliers, or customers. The Director with an economic interest is also called an Interested Director⁴. Section 2(49) of the Companies Act, 2013 had defined an interested Director, but this sub-section was later omitted with effect from February 2nd, 2018. However, where the company deals in Related Party Transactions, this concept comes into play. The opposite of

⁴ Interested Director -2(49) Interest director means a director who is in any way, whether by himself or through any of his relatives or firm, body corporate or other association of individuals in which he or any of his relatives is a partner, director or a member, interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into by or on behalf of a company. [omitted with effect from 9-2-2018]

Interested Director is an Independent Director⁵, i.e., independent of all economic ties with the company.

The Companies Act, 2013 defines different types of Directors based on their nature, namely, Managing Director⁶ and Wholetime Director⁷.

- Further the provisions pertaining to penalties are different for Directors of companies that have one or more Wholetime Directors or a director specifically assigned to take the responsibility, and other companies, and a Director of a company that does not have a Wholetime Director or a director specifically assigned to take the responsibility. Section 2 (60) defines an 'Officer who is in default' who is liable to any penalty or punishment by way of imprisonment or fine. This section specifically identifies as being liable to any penalty or punishment, all the Directors of the Board of those companies which do not have

⁵ Independent Director -184 (2) Every director of a company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into—

(a) with a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or

(b) with a firm or other entity in which, such director is a partner, owner or member, as the case may be, shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

⁶ Managing Director -2(54) "managing director" means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.

⁷ Wholetime Director -2(94) "whole-time director" includes a director in the whole-time employment of the company

key managerial personnel or Wholetime Directors or Directors specified by the Board and who have given their consent in writing to the Board accepting such responsibility.

The different types of Directors can be listed down based on the descending order of responsibility and liability to penalty or punishment. The Director with the highest level of responsibility is the Managing Director, followed by Wholetime Directors and Directors in a company where there is no Wholetime Director or a Director assigned for taking this responsibility. The Director with the least responsibility is a Director in a company that has a Managing Director or a Wholetime Director or a Director who has accepted specific responsibility.

Table 1: Directors Listed based on the descending order of Responsibilities and Liability to Penalty or Punishment

Sl. no.	Category of Director	Responsibility
1	Managing Director	Is an Officer in default ; responsible for all activities of the company in which they are Managing Directors
2	Wholetime Director	Is an Officer in default ; for all activities of the company for which they are assigned responsibility; where no specific area is assigned, all activities
3	Director in a company where there are no Wholetime Directors	Can be held liable as an Officer in default for all activities on par with Wholetime Directors, unless specifically excluded by some other Directors taking the responsibility for operations
4	Independent Directors	Not categorized as Officer in default . Responsible for acting in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.
5	Director in a company in which there are Wholetime Directors	Not classified as an Officer In default . Responsible for acting in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.
6	Interested Director	To disclose their interest in the contract or arrangement in which they, including their relatives, as defined in the statute, have an interest.

The liability of a Director for penalty or punishment can be due to an act of commission or omission. Further, the act of commission or omission can be general in nature inviting penalty or punishment or be technical, that is specific to corporate law and not recognized as an offense in the generic world. Hence the liability for penalty or punishment is categorized into two sections and dealt with in this report.

Category 1: Act of Omission or Commission that is Generic and attracts penalty or punishment

Category 2: Act of Omission or Commission that is technical and attracting penalty or punishment

5. Directors' Liability

Category 1: For a Generic Act of Omission or Commission

A Fraud

Like any ordinary individual, a Director too is liable for acts of fraud. Fraud as defined in the Companies Act, 2013 is “fraud” in relation to affairs of a company, or any body corporate, includes any act, omission, concealment of any fact or abuse of position committed by any person or any other person with the connivance in any manner, with intent to deceive, to gain undue advantage from, or to injure the interests of, the company or its shareholders or its creditors or any other person, whether or not there is any wrongful gain or wrongful loss;”

Section 447⁸ provides for punishment which is imprisonment for a term of between six months to ten years, **and** a fine of an amount which ranges between the amount of fraud at a minimum to three times the fraud amount at a maximum, for frauds involving an amount in excess of Rs.10 lakhs or 1% of the turnover of the company, whichever is lower. But where a fraud involves public interest, then the minimum punishment is three years imprisonment. For smaller frauds, where the amount involved is less than Rs.10 lakh or 1% of the turnover,

⁸ **Penalty for Fraud [section 447]**

Without prejudice to any liability including repayment of any debt under this Act or any other law for the time being in force, any person who is found to be guilty of fraud involving an amount of at least ten lakh rupees or one percent. of the turnover of the company, whichever is lower , shall be punishable with imprisonment for a term which shall not be less than six months but which may extend to ten years and shall also be liable to fine which shall not be less than the amount involved in the fraud, but which may extend to three times the amount involved in the fraud:

Provided that where the fraud in question involves public interest, the term of imprisonment shall not be less than three years.

Provided further that where the fraud involves an amount less than ten lakh rupees or one per cent. of the turnover of the company, whichever is lower, and does not involve public interest, any person guilty of such fraud shall be punishable with imprisonment for a term which may extend to five years or with fine which may extend to fifty lakh rupees or with both.

the maximum punishment is capped at five year imprisonment and the fine is capped at fifty lakh rupees.

Under the Companies Act, 2013, the following acts attract section 447 punishing fraud:

Table 2: Acts of Omission or Commission Attracting Punishment as Fraud

Sr no.	Section reference & Heading or Subject matter	Nature of offense	Liable for Penalty or Punishment
1	7-Incorporation of Company	Providing false or incorrect information or suppression of material information	First Directors of the Company and person named in the articles as Director, Manager or Secretary of the Company
2	8-Formation of companies with charitable objects, etc.	Affairs of the company conducted fraudulently	Officer in default
3	34-Criminal liability for mis-statement in prospectus	Untrue or misleading information or omission of matter likely to mislead	Every person who authorises the issue of prospectus
4	35-Civil liability for mis-statement in prospectus	Fraudulently inducing person to invest money	Every person who is the Director of the Company or authorises the issue of prospectus
5	38-Punishment for personation for acquisition, etc., of securities	Makes or abets making of application in fictitious name or makes multiple applications	Any person
6	46-Certificate of Shares	Issue of duplicate share certificate with an intent to defraud	Every officer in default
7	66-Reduction of	Concealing the name of any	Any officer [#]

	capital	creditor or misrepresenting the nature of debt or abets or is privy to such concealment or misrepresentation	
8	75-Damages for Fraud	Deposit accepted with the intent to defraud depositors or for fraudulent purpose and failure to repay deposits and interest	Every officer [#]
9	76-Punishment for contravention of section 73 and 76	Contravened provisions knowingly or wilfully with the intention to deceive	Every officer who is in default
10	86-Punishment for contravention	Wilfully furnishes false or incorrection information or knowingly suppresses material information related to registration of charges	Any person
11	90-Register of significant beneficial owners in a company	Wilfully furnishes false or incorrection information or knowingly suppresses material information	Any person
12	206-Power to call for information, inspect books and conduct inquires	Business of a company has been or is being carried on for a fraudulent or unlawful purpose	Every officer who is in default
13	213- Investigation into company's affairs in other cases	Business of the company is being conducted with intent to defraud its creditors, members or any other persons or otherwise for a fraudulent or unlawful purpose, or that the company was formed for any fraudulent or unlawful purpose or any person concerned in formation of company or management of affairs have been guilty of	Every officer who is in default

		fraud	
14	229-Penalty for false furnishing statement, mutilation, destruction of documents	Destruction, mutilation or falsification or concealment or tampering or unauthorised removal of, documents; making false entry in any document or providing a false explanation.	A person who is required to provide an explanation or make a statement during the course of inspection, inquiry or investigation
15	251-Fraudulent application for removal of name	Application for removal of name of Company made with an intent to evade the liabilities or defraud the creditors or any other persons	Person in charge of management
16	339- Liability for fraudulent conduct of business	With an intention to defraud creditors	Every person who was knowingly a party to the carrying on of business
17	448-Punishment for making false statement	Furnishes false or incorrect information or knowingly suppresses material information	Any person

Officer as defined in the Companies Act⁹, includes Directors

B Other Generic Acts of Omission and Commission

There are three sections in the Companies Act, under which a Director is liable for penalty or punishment for reasons that are obvious, such as functioning as a Director when they know they have been disqualified and disobeying the directions of the Registrar or inspector during any inspection or inquiry or during any proceedings.

⁹ **Section 2 (59) Officer:** “officer” includes any director, manager or key managerial personnel or any person in accordance with whose directions or instructions the Board of Directors or any one or more of the directors is or are accustomed to act

Sl no	Section reference & Heading	Penalty Clause	Category of Directors
1	167. Vacation of office of director	(2) If a person, functions as a director even when he knows that the office of director held by him has become vacant on account of any of the disqualifications specified in sub-section (1), he shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.	Director
2	207. Conduct of inspection and inquiry	(4) (i) If any director or officer of the company disobeys the direction issued by the Registrar or the inspector under this section, the director or the officer shall be punishable with imprisonment which may extend to one year and with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees.	Any director or officer
3	217. Procedure, powers, etc., of inspectors	(6) (i) If any director or officer of the company disobeys the direction issued by the Registrar or the inspector under this section, the director or the officer shall be punishable with imprisonment which may extend to one year and with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees.	Any director or officer



Automation of Corporate
Secretarial Work



E-Repository for
All Secretarial Records



Risk Management
Dashboard & Email Alerts

Testimonial

"CimplyFive is a very user-friendly secretarial tool for the secretarial team and directors. Amazing customer service from CimplyFive team."

**Ms. Chava Seshanuradha, Company Secretary, Chief Regulatory Officer & General Counsel,
Tanla Platforms Limited**



080-23324212



www.cimplyfive.com



contact@cimplyfive.com

6. Directors' Liability

Category 2: For a Technical Act of Omission or Commission

Directors' liability for penalty or punishment can be categorized under the following three groups:

Nine sections where the Directors have or would be presumed to have personal knowledge and need to act/ disclose and failure to act /disclose will result in penalty or punishment.

SI no	Section reference & Heading	Penalty Clause	Category of Directors
1	8. Formation of companies with charitable objects, etc	(11) If a company makes any default in complying with any of the requirements laid down in this section, the company shall, without prejudice to any other action under the provisions of this section, be punishable with fine which shall not be less than ten lakh rupees but which may extend to one crore rupees and the Director and every officer of the company who is in default shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to twenty-five lakh rupees.	All Directors
2	127. Punishment for failure to distribute dividends.	Where a dividend has been declared by a company but has not been paid or the warrant in respect thereof has not been posted within thirty days from the date of declaration to any shareholder entitled to the payment of the dividend, every director of the company shall, if he is knowingly a party to the default, be	Every director, if he is knowingly a party to the

		punishable with imprisonment which may extend to two years and with fine which shall not be less than one thousand rupees for every day during which such default continues and the company shall be liable to pay simple interest at the rate of eighteen per cent. per annum during the period for which such default continues.	default
3	165. Number of directorships	(6) If a person accepts an appointment as a director in violation of this section, he shall be liable to a penalty of two thousand rupees for each day after the first during which such violation continues, subject to a maximum of two lakh rupees.	Director, personal responsibility
4	184. Disclosure of interest by director	(4) If a director of the company contravenes the provisions of sub-section (1) or sub-section (2), such director shall be liable to a penalty of one lakh rupees.	Director, personal responsibility
5	188. Related party transactions	(5) Any director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the provisions of this section shall,— (i) in case of listed company , be liable to a penalty of twenty-five lakh rupees ; and (ii) in case of any other company, be liable to a penalty of five lakh rupees.	Director, personal responsibility
6	189. Register of contracts or arrangements in which directors are interested	(6) Every director who fails to comply with the provisions of this section and the rules made thereunder shall be liable to a penalty of twenty-five thousand rupees.	Director, personal responsibility

7	191. Payment to director for loss of office, etc., in connection with transfer of undertaking, property or shares	(5) If a director of the company makes any default in complying with the provisions of this section, such director shall be liable to a penalty of one lakh rupees.	Director, personal responsibility
8	203. Appointment of key managerial personnel	(5) If any company makes any default in complying with the provisions of this section, such company shall be liable to a penalty of five lakh rupees and every director and key managerial personnel of the company who is in default shall be liable to a penalty of fifty thousand rupees and where the default is a continuing one, with a further penalty of one thousand rupees for each day after the first during which such default continues but not exceeding five lakh rupees.	Every Director and KMP who are in default
9	238. Registration of offer of schemes involving transfer of shares	(3) The director who issues a circular which has not been presented for registration and registered under clause (c) of sub-section (1), shall be liable to a penalty of one lakh rupees.	Director who issues the circular

Responsibilities of Managing Director and Wholetime Directors

- Four sections under which Managing Directors or the Wholetime Directors are liable for acts of Omission or Commission.

Sl no	Section reference & Heading	Penalty Clause	Category of Directors
1	128. Books of account, etc., to be kept by company	(6) If the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person of a company charged by the Board with the duty of complying with the provisions of this section, contravenes such provisions, such managing director, whole-time director in charge of finance, Chief Financial officer or such other person of the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees.	Managing Director, Whole-time Director in charge of finance, the CFO or any other person charged with maintainin g books of Accounts
2	129. Financial statement.	(7) If a company contravenes the provisions of this section, the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person charged by the Board with the duty of complying with the requirements of this section and in the absence of any of the officers mentioned above, all the directors shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to	Managing Director, Wholetime Director in charge of finance, the CFO or any other person charged with maintainin

		five lakh rupees, or with both.	g books of Accounts
3	137. Copy of financial statement to be filed with Registrar	(3) If a company fails to file the copy of the financial statements under sub-section (1) or sub-section (2), as the case may be, before the expiry of the specified period in section 403 therein, the company shall be liable to a penalty of ten thousand rupees and in case of continuing failure, with a further penalty of one hundred rupees for each day during which such failure continues, subject to a maximum of two lakh rupees, and the managing director and the Chief Financial Officer of the company, if any, and, in the absence of the managing director and the Chief Financial Officer, any other director who is charged by the Board with the responsibility of complying with the provisions of this section, and, in the absence of any such director, all the directors of the company, shall be liable to a penalty of ten thousand rupees and in case of continuing failure, with further penalty of one hundred rupees for each day after the first during which such failure continues, subject to a maximum of fifty thousand.	Managing Director, Wholetime Director in charge of finance, the CFO or any other person charged with maintainin g books of Accounts
4	243. Consequence of termination or modification of certain agreements	(2) Any person who knowingly acts as a managing director or other director or manager of a company in contravention of clause (b) of sub-section (1) or sub-section (1A), and every other director of the company who is knowingly a party to such contravention, shall be punishable with fine which may extend to five lakh rupees	Managing Director, Director or Manager

Technical Aspects where the Officer in Default is liable for penalty or punishment

This is the longest list and contains 50 aspects that attract penalty or punishment. Given that these provisions are attracted only by an Officer in Default, Non-executive Directors on the Board of companies that have Whole-time Directors are insulated from these penalties or punishments if they stay within their brief as Non-executive Directors.

Sl no	Section reference & Heading	Penalty Clause	Category of Directors
1	10A. Commencement of business, etc.	(2) If any default is made in complying with the requirements of this section, the company shall be liable to a penalty of fifty thousand rupees and every officer who is in default shall be liable to a penalty of one thousand rupees for each day during which such default continues but not exceeding an amount of one lakh rupees.	Every officer who is in default
2	12. Registered office of company	(8) If any default is made in complying with the requirements of this section, the company and every officer who is in default shall be liable to a penalty of one thousand rupees for every day during which the default continues but not exceeding one lakh rupees.	Every officer who is in default
3	15. Alteration of memorandum or articles to be noted in every copy	(2) If a company makes any default in complying with the provisions of sub-section (1), the company and every officer who is in default shall be liable to a penalty of one thousand rupees for every copy of the memorandum or articles issued without such alteration.	Every officer who is in default

4	17. Copies of memorandum, articles, etc., to be given to members	(2) If a company makes any default in complying with the provisions of this section, the company and every officer of the company who is in default shall be liable for each default, to a penalty of one thousand rupees for each day during which such default continues or one lakh rupees, whichever is less.	Every officer who is in default
5	26. Matters to be stated in prospectus.	(9) If a prospectus is issued in contravention of the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to three lakh rupees and every person who is knowingly a party to the issue of such prospectus shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to three lakh rupees .	Every person who is knowingly a party to the issue
6	39. Allotment of securities by company	(5) In case of any default under sub-section (3) or sub-section (4), the company and its officer who is in default shall be liable to a penalty, for each default, of one thousand rupees for each day during which such default continues or one lakh rupees, whichever is less.	Every officer who is in default
7	40. Securities to be dealt with in stock exchanges.	(5) If a default is made in complying with the provisions of this section, the company shall be punishable with a fine which shall not be less than five lakh rupees but which may extend to fifty lakh rupees and every officer of the company who is in default shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to three lakh rupees.	Every officer who is in default

CimplyBest

Tailored for Indian Corporate Board Evaluation

Optimise Board's Time & Effort

- Prepopulated, customisable Survey Questionnaires for the Board, Sub-committees, Chairperson, Independent Directors & Executive Directors.
- Prepopulated questions for each survey with multiple answering options provided - Multiple choice-single selection, Multiple choice- multiple selection, Single line answers, Descriptive answers.

Confidentiality Assured for Frank Feedback

- Response delinked from respondents
- Auto generate Reports with graphs and tables to protect respondents' identity.



Automated Evidence for Secretarial Audits

- Information for Secretarial Audit available in one screen.
- Blank survey questionnaire sent to Directors available for the auditor.
- Start date, end date, number of respondents sent to and responded
- Emails sent to Directors available with proof of despatch.

Software with Advanced Features

- Role based user rights -Admin, Editor, Auditor, Director.
- Activity log to track usage and access by authorized users for additional security comfort

8	42. Issue of shares on private placement basis	(9) If a company defaults in filing the return of allotment within the period prescribed under subsection (8), the company, its promoters and directors shall be liable to a penalty for each default of one thousand rupees for each day during which such default continues but not exceeding twenty-five lakh rupees.	Its promoters and directors
9	42. Issue of shares on private placement basis	(10) Subject to sub-section (11), if a company makes an offer or accepts monies in contravention of this section, the company, its promoters and directors shall be liable for a penalty which may extend to the amount raised through the private placement or two crore rupees, whichever is lower, and the company shall also refund all monies with interest as specified in sub-section (6) to subscribers within a period of thirty days of the order imposing the penalty.	Its promoters and directors
10	53. Prohibition on issue of shares at discount	(3) Where any company fails to comply with the provisions of this section, such company and every officer who is in default shall be liable to a penalty which may extend to an amount equal to the amount raised through the issue of shares at a discount of five lakh rupees, whichever is less, and the company shall also be liable to refund all monies received with interest at the rate of twelve per cent. per annum from the date of issue of such shares to the persons to whom such shares have been issued.	Every officer who is in default
11	60. Publication of authorised, subscribed and paid-up	(2) If any default is made in complying with the requirements of sub-section (1), the company shall be liable to pay a penalty of ten thousand rupees and every officer of the company who is in default shall be liable to pay a penalty of five thousand rupees, for	Every officer who is in default

	capital	each default.	
12	64. Notice to be given to Registrar for alteration of share capital	(2) Where any company fails to comply with the provisions of sub-section (1), such company and every officer who is in default shall be liable to a penalty of five hundred rupees for each day during which such default continues, subject to a maximum of five lakh rupees in case of a company and one lakh rupees in case of an officer who is in default.	Every officer who is in default
13	67. Restriction on purchase by company or giving of loans by it for purchase of its shares	(5) If a company contravenes the provisions of this section, it shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years and with fine which shall not be less than one lakh rupees but which may extend to twenty five lakh rupees.	Every officer who is in default
14	68. Power of company to purchase its own securities.	(11) If a company makes any default in complying with the provisions of this section or any regulation made by the Securities and Exchange Board, for the purposes of clause (f) of sub-section (2), the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees and every officer of the company who is in default shall be punishable with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees.	Every officer who is in default

15	74. Repayment of deposits, etc., accepted before commencement of this Act.	(3) If a company fails to repay the deposit or part thereof or any interest thereon within the time specified in sub-section (1) or such further time as may be allowed by the Tribunal under sub-section (2), the company shall, in addition to the payment of the amount of deposit or part thereof and the interest due, be punishable with fine which shall not be less than one crore rupees but which may extend to ten crore rupees and every officer of the company who is in default shall be punishable with imprisonment which may extend to seven years or with fine which shall not be less than twenty-five lakh rupees but which may extend to two crore rupees, or with both.	Every officer who is in default
16	86. Punishment for contravention	(1) If any company is in default in complying with any of the provisions of this Chapter, the company shall be liable to a penalty of five lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees.	Every officer who is in default
17	91. Power to close register of members or debenture-holders or other security holders	(2) If the register of member or of debenture-holders or of other security holders is closed without giving the notice as provided in sub-section (1), or after giving shorter notice than that so provided, or for a continuous or an aggregate period in excess of the limits specified in that sub-section, the company and every officer of the company who is in default shall be liable to a penalty of five thousand rupees for every day subject to a maximum of one lakh rupees during which the register is kept closed.	Every officer who is in default

18	92. Annual return	(5) If any company fails to file its annual return under sub-section (4), before the expiry of the period specified therein, such company and its every officer who is in default shall be liable to a penalty of ten thousand rupees and in case of continuing failure, with a further penalty of one hundred rupees for each day during which such failure continues, subject to a maximum of two lakh rupees in case of a company and fifty thousand rupees in case of an officer who is in default.	Every officer who is in default
19	94. Place of keeping and inspection of registers, returns, etc	(4) If any inspection or the making of any extract or copy required under this section is refused, the company and every officer of the company who is in default shall be liable, for each such default, to a penalty of one thousand rupees for every day subject to a maximum of one lakh rupees during which the refusal or default continues.	Every officer who is in default
20	102. Statement to be annexed to notice	(5) Without prejudice to the provisions of sub-section (4), if any default is made in complying with the provisions of this section, every promoter, director, manager or other key managerial personnel of the company who is in default shall be liable to a penalty of fifty thousand rupees or five times the amount of benefit accruing to the promoter, director, manager or other key managerial personnel or any of his relatives, whichever is higher.	Every promoter, director, manager or KMP
21	105. Proxies	(3) If default is made in complying with sub-section (2), every officer of the company who is in default shall be liable to a penalty of five thousand rupees.	Every officer who is in default

22	111. Circulation of members' resolution	(5) If any default is made in complying with the provisions of this section, the company and every officer of the company who is in default shall be liable to a penalty of twenty-five thousand rupees.	Every officer who is in default
23	117. Resolutions and agreements to be filed.	(2) If any company fails to file the resolution or the agreement under sub-section (1) before the expiry of the period specified therein, such company shall be liable to a penalty of ten thousand rupees and in case of continuing failure, with a further penalty of one hundred rupees for each day after the first during which such failure continues, subject to a maximum of two lakh rupees and every officer of the company who is in default including liquidator of the company, if any, shall be liable to a penalty of ten thousand rupees and in case of continuing failure, with a further penalty of one hundred rupees for each day after the first during which such failure continues, subject to a maximum of fifty thousand rupees.	Every officer who is in default including liquidator of the Company
24	118. Minutes of proceedings of general meeting, meeting of Board of Directors and other meeting and resolutions passed by postal ballot	(11) If any default is made in complying with the provisions of this section in respect of any meeting, the company shall be liable to a penalty of twenty-five thousand rupees and every officer of the company who is in default shall be liable to a penalty of five thousand rupees.	Every officer who is in default
25	119. Inspection of minute-	(3) If any inspection under sub-section (1) is refused, or if any copy required under sub-section (2) is not furnished within the time	Every officer who is in default

	books of general meeting	specified therein, the company shall be liable to a penalty of twenty-five thousand rupees and every officer of the company who is in default shall be liable to a penalty of five thousand rupees for each such refusal or default, as the case may be.	
26	121. Report on annual general meeting	(3) If the company fails to file the report under sub-section (2) before the expiry of the period specified therein, such company shall be liable to a penalty of one lakh rupees and in case of continuing failure, with a further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of five lakh rupees and every officer of the company who is in default shall be liable to a penalty which shall not be less than twenty-five thousand rupees and in case of continuing failure, with a further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of one lakh rupees.	Every officer who is in default
27	134. Financial statement, Board's report, etc	(8) If a company is in default in complying with the provisions of this section, the company shall be liable to a penalty of three lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees.	Every officer who is in default
28	136. Right of member to copies of audited financial statement.	(3) If any default is made in complying with the provisions of this section, the company shall be liable to a penalty of twenty-five thousand rupees and every officer of the company who is in default shall be liable to a penalty of five thousand rupees.	Every officer who is in default

**BLISS
LISTED**

A CLOUD hosted software for Listed Companies.



Risk management and alert system



E-repository for Secretarial records



Automation of Secretarial Compliance



www.cimplyfive.com

Testimonial

"The wide features available on the CimplyFive platform help to manage the stringent regulatory requirements, hassle-free management of all the applicable compliances in a timely manner in a single-window platform. It provides with multiple Compliance Management Tools that reduce the compliance burden of a Company Secretary. Working with CimplyFive has led to a smooth, formal, authentic way to ensure compliance requirements under all the applicable provisions of the Companies Act, 2013, SEBI (LODR) Regulations, 2015 and such other applicable laws. The unwavering support and interaction with the CimplyFive Team helps us to manage our compliances without any challenges or difficulties."

**Mr. Umakanta Barik, Company Secretary & Compliance Officer,
Heritage Foods Limited.**

29	147. Punishment for contravention.	(1) If any of the provisions of sections 139 to 146 (both inclusive) is contravened, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable or with fine which shall not be less than ten thousand rupees but which may extend to one lakh rupees.	Every officer who is in default
30	157. Company to inform Director Identification Number to Registrar	(2) If any company fails to furnish the Director Identification Number under sub-section (1), such company shall be liable to a penalty of twenty-five thousand rupees and in case of continuing failure, with a further penalty of one hundred rupees for each day after the first during which such failure continues, subject to a maximum of one lakh rupees, and every officer of the company who is in default shall be liable to a penalty of not less than twenty-five thousand rupees and in case of continuing failure, with a further penalty of one hundred rupees for each day after the first during which such failure continues, subject to a maximum of one lakh rupees.	Every officer who is in default
31	159. Penalty for default of certain provisions.	If any individual or director of a company makes any default in complying with any of the provisions of section 152, section 155 and section 156, such individual or director of the company shall be liable to a penalty which may extend to fifty thousand rupees and where the default is a continuing one, with a further penalty which may extend to five hundred rupees for each day after the first during which such default continues.]	Individual or director

32	178. Nomination and Remunerati on Committee and Stakeholder s Relationship Committee.	<p>(8) In case of any contravention of the provisions of section 177 and this section, the company shall be liable to a penalty of five lakh rupees and every officer of the company who is in default shall be liable to a penalty of one lakh rupees.</p> <p>Provided that inability to resolve or consider any grievance by the Stakeholders Relationship Committee in good faith shall not constitute a contravention of this section.</p>	Every officer who is in default
33	182. Prohibitions and restrictions regarding political contribution s.	<p>(4) If a company makes any contribution in contravention of the provisions of this section, the company shall be punishable with fine which may extend to five times the amount so contributed and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months and with fine which may extend to five times the amount so contributed.</p>	Every officer who is in default

34	185. Loans to directors, etc.	(4) If any loan is advanced or a guarantee or security is given or provided or utilised in contravention of the provisions of this section,— (i) the company shall be punishable with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees; (ii) every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees; and (iii) the director or the other person to whom any loan is advanced or guarantee or security is given or provided in connection with any loan taken by him or the other person, shall be punishable with imprisonment which may extend to six months or with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees, or with both.	Every officer who is in default
35	186. Loan and investment by company	(13) If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to two years and with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees.	Every officer who is in default

36	187. Investments of company to be held in its own name	(4) If a company is in default in complying with the provisions of this section, the company shall be liable to a penalty of five lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees.	Every officer who is in default
37	190. Contract of employment with managing or whole-time director	(3) If any default is made in complying with the provisions of sub-section (1) or sub-section (2), the company shall be liable to a penalty of twenty-five thousand rupees and every officer of the company who is in default shall be liable to a penalty of five thousand rupees for each default.	Every officer who is in default
38	221. Freezing of assets of company on inquiry and investigation.	(2) In case of any removal, transfer or disposal of funds, assets, or properties of the company in contravention of the order of the Tribunal under sub-section (1), the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.	Every officer who is in default

39	222. Imposition of restrictions upon securities	(2) Where securities in any company are issued or transferred or acted upon in contravention of an order of the Tribunal under sub-section (1), the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both.	Every officer who is in default
40	232. Merger and amalgamation of companies	(8) If a company fails to comply with sub-section (5), the company and every officer of the company who is in default shall be liable to a penalty of twenty thousand rupees, and where the failure is a continuing one, with a further penalty of one thousand rupees for each day after the first during which such failure continues, subject to a maximum of three lakh rupees.	Every officer who is in default
41	242. Powers of Tribunal	(8) If a company contravenes the provisions of sub-section (5), the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees.	Every officer who is in default

42	245. Class action	(7) Any company which fails to comply with an order passed by the Tribunal under this section shall be punishable with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years and with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees	Every officer who is in default
43	274. Directions for filing statement of affairs	(4) If any director or officer of the company contravenes the provisions of this section, the director or the officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than twenty-five thousand rupees, but which may extend to five lakh rupees, or with both.	Every officer who is in default
44	338. Liability where proper accounts not kept	(1) Where a company is being wound up, if it is shown that proper books of account were not kept by the company throughout the period of two years immediately preceding the commencement of the winding up, or the period between the incorporation of the company and the commencement of the winding up, whichever is shorter, every officer of the company who is in default shall, unless he shows that he acted honestly and that in the circumstances in which the business of the company was carried on, the default was excusable, be punishable with imprisonment for a term which shall not be less than one year but which may extend to three years and with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees.	Every officer who is in default

45	403. Fee for filing, etc	(2) Where a company fails or commits any default to submit, file, register or record any document, fact or information under sub-section (1) before the expiry of the period specified in the relevant section, the company and the officers of the company who are in default, shall, without prejudice to the liability for the payment of fee and additional fee, be liable for the penalty or punishment provided under this Act for such failure or default.	Every officer who is in default
46	405. Power of Central Government to direct companies to furnish information or statistics	(4) If any company fails to comply with an order made under sub-section (1) or sub-section (3), or furnishes any information or statistics which is incorrect or incomplete in any material respect, the company and every officer of the company who is in default shall be liable to a penalty of twenty thousand rupees and in case of continuing failure, with a further penalty of one thousand rupees for each day after the first during which such failure continues, subject to a maximum of three lakh rupees.	Every officer who is in default
47	446B. Lesser penalties for One Person Companies or small companies	Notwithstanding anything contained in this Act, if penalty is payable for non-compliance of any of the provisions of this Act by a One Person Company, small company, start-up company or Producer Company, or by any of its officer in default, or any other person in respect of such company, then such company, its officer in default or any other person, as the case may be, shall be liable to a penalty which shall not be more than one-half of the penalty specified in such provisions subject to a maximum of two lakh rupees in case of a company and one lakh rupees in case of an officer who is in default or any other person, as the case may be.	Every officer who is in default

48	451. Punishment in case of repeated default.	If a company or an officer of a company commits an offence punishable either with fine or with imprisonment and where the same offence is committed for the second or subsequent occasions within a period of three years, then, that company and every officer thereof who is in default shall be punishable with twice the amount of fine for such offence in addition to any imprisonment provided for that offence.	Every officer who is in default
49	454A. Penalty for repeated default	Where a company or an officer of a company or any other person having already been subjected to penalty for default under any provisions of this Act, again commits such default within a period of three years from the date of order imposing such penalty passed by the adjudicating officer or the Regional Director, as the case may be, it or he shall be liable for the second or subsequent defaults for an amount equal to twice the amount of penalty provided for such default under the relevant provisions of this Act.	Every officer who is in default
50	454. Adjudication of penalties	8 (ii) Where an officer of a company or any other person] who is in default fails to comply with the order made under sub-section (3) or sub-section (7), as the case may be, within a period of ninety days from the date of the receipt of the copy of the order, such officer shall be punishable with imprisonment which may extend to six months or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both.	Every officer who is in default

7. Liability of a Director Under Other Acts

1. The Negotiable Instruments Act, 1881 -Directors liable for dishonour of cheques

- The gist of section 138 of this Act relates to dishonour of cheque for insufficiency etc., of funds in the account — Where a cheque drawn by a person for payment of a debt or liability is returned by the bank unpaid due to lack of funds, it is an offence under this Act and can be punished with imprisonment for a term which may be extended to two years, or with fine which may extend to twice the amount of the cheque, or with both.
- Section 141 of the said act relates to offences by companies. This section states that, if the person committing an offence under section 138 is a company, every person who, at the time the offence was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly. This section has a provision that any person liable to punishment under this section can be exempt from it, if they prove that the offence was committed without their knowledge, or that they had exercised all due diligence to prevent the commission of such offence.

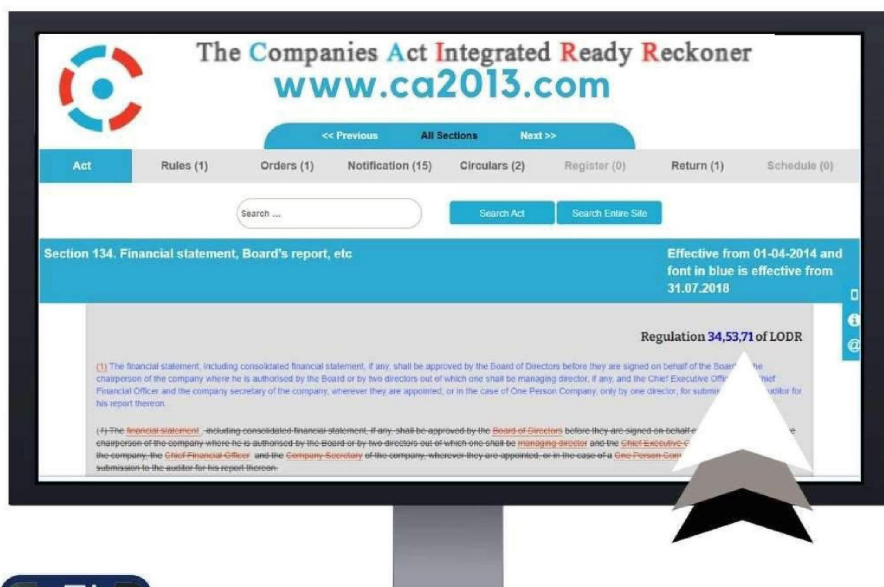
2. The Income Tax Act, 1961- Directors liable for taxes due from a private limited company under liquidation

- Section 179 of this Act makes the directors of a private company under liquidation under certain circumstances personally liable. Where any tax is due from a private company in respect of any income of any previous year or from any other company in respect of any income of any previous year during which such other company was a private company cannot be

recovered, then, every person who was a director of the private company at any time during the relevant previous year shall be jointly and severally liable for the payment of such tax unless he proves that the non-recovery cannot be attributed to any gross neglect, misfeasance or breach of duty on his part in relation to the affairs of the company.

3. The Foreign Exchange Management Act, 1999

- Section 13 of this Act deals with penalties. This section provides that, if any person contravenes any provision of this Act, or contravenes any rule, regulation, notification, direction or order issued in exercise of the powers under this Act, or contravenes any condition subject to which an authorisation is issued by the Reserve Bank, he shall, upon adjudication, be liable to a penalty up to thrice the sum involved in such contravention where such amount is quantifiable, or up to two lakh rupees where the amount is not quantifiable, and where such contravention is a continuing one, further penalty which may extend to five thousand rupees for every day after the first day during which the contravention continues.
- Further, Section 42 of the Act states that where the contravention of this act is by companies, every person who, at the time the contravention was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly. The exception to this liability is if the person liable to punishment can prove that the contravention took place without their knowledge or that they exercised due diligence to prevent such contravention. However, if it is proved that the contravention has taken place with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.



**DOWNLOAD CAIRR
PLUS ON PLAYSTORE**

**Free on the go Company
Law referencer**

**One click to Navigate
Between Companies
Act and SEBI's LODR**

Board Leaders Integrated Software Solutions



BLISSPLUS

BLISS LISTED

BLISSGLOBAL

BLISSDOCS

CIMPLYBEST



BLISS is a Cloud hosted software that automates the routines, provides an e-repository, timely alerts and a real-time dashboard, all aimed at ensuring compliance and good corporate governance. By doing so, it provides complete peace of mind to the Board of Directors and assurance to professionals by providing them with real-time compliance status with respect to the Companies Act, 2013

An advanced variant of BLISS with multiple premium features like Directors view, facility to store past Secretarial records, automated compliance tracker for size based compliance under the Companies Act, 2013

An advanced variant of BLISSPLUS for Listed Companies with Companies Act, 2013 and SEBI's LODR 2015 compliances integrated to provide a single point compliance automation, risk manager & e-repository for secretarial records including past secretarial records.

BLISSGLOBAL is a cloud hosted key document management solution with Action Tracker that provides master data capture of the entity, e-repository for document management, Automated Tracker for managing event based and calendar based activities.

An Android/iOS based Board app for Directors which provides secure access to Board documents on Tablets/mobile phones, enhancing Directors productivity and making the Board meetings efficient & effective

CimplyBest is a tailor-made software for Indian Corporates in conducting Corporate Board Evaluation which will optimize Board's Time & Effort with confidentiality assured.

CAIRR is a free to use website from CimplyFive that provides at your fingertips, an integrated view of the Companies Act, 2013, IB Code, 2015 and LODR, 2015. The site and app is updated daily at 10AM for changes in the Act & Regulations. For more details, please visit www.ca2013.com