

Laws & Regulations

Regulation:

ESTABLISHING A JOINT STOCK COMPANY IN IRAN

(continued from last issue)

(e) Statement designating the general circulation newspaper in which the legal notices of the company will be published.
(f) a declaration (on a form furnished by the Companies Registration Office).

A public company is formed when its Articles of Association has been approved by the shareholders at a founders (or statutory) meeting and filed with the companies Registration Office together with a minute showing the election of directors and inspectors and their signed a acceptances of their positions. The public company's promoters, who must subscribe to at least 20% of the company's capital, begin the process of formation by submitting to the Companies Registration Office in Tehran draft Articles, a draft prospectus and a declaration which must state:

- (a) Name of the company
- (b) Identify and domicile of promoters
- (c) Objectives of the company
- (d) Capitalization, including separate identification of stock paid in kind and in cash.
- (e) Number of registered and bearer shares together with their par value and the number of preferred shares together with a description of the rights of preferred shareholders.
- (f) Contributions, cash and kind,

of the promoters.

(g) Principal office, and

(h) Duration

When the Companies Registration Office is satisfied with the information furnished by the promoters, it will permit publication of the prospectus which must include information and instructions regarding how and where interested investors may subscribe for shares of the company's stock. When the total capital of the shares of the company has been subscribed and at least 35% has been paid in, the promoters and required to allot the shares to subscribing shareholders and then call the founders (or statutory) meeting. At this meeting the subscribing shareholders are to review the Articles of Association, elect the first directors and inspectors and designate a newspaper to publication of the company's legal notices. Upon approval of the Articles by the subscribing shareholders, they must be submitted to the Companies Registration Office together with the minute of the meeting.

3.6. Publication

A notice of the company formation is required to be published both in the official Gazette and the general circulation newspaper designated by the founding shareholders. Publication of this

notice is paid for by company and usually contains the following information:

- (1) Name and style
- (2) Objects
- (3) Location and date of the head office
- (4) Duration and date of formation
- (5) Nationality
- (6) Share capital, par value of shares and type of shares
- (7) Paid-up portion of the share capital and number of bank receipt or receipts evidencing the payments.
- (8) Identify of founders and number of shares held by them
- (9) Names of first board members and managing director
- (10) Managing director's authorities
- (11) Persons authorized to sign on behalf of the company
- (12) General circulation newspaper in which legal notices will be published
- (13) Names of the first statutory inspector and alternate inspector
- (14) Manner of liquidation

3.7 Commencement of Legal Existence

Although the registration and publication requirements must be met to complete the formation process, the legal existence of the Commences on the date the directors and inspectors accept their positions in writing.

3.8 Costs

The following charges and fees will be incurred in connection with the formation of the Company.

- (a) Registration fee based on the capitalization of the company payable to the Companies Registration Office
- (b) Charges for publication in the Official Gazette of the notice of registration payable to the Official Gazette at current rates.
- (c) Charges for publication in a general circulation newspaper at current rates.
- (d) Stamp taxes on share certificates.

3.9. Liability of Promoters

The law provides that the promoters of the company are jointly liable for all acts and functions which they perform in connection with formation of the company.

Board of Directors

4.1 Number

Although the law prescribes that a public joint stock company must have a minimum of five directors, there is no minimum prescribed for private joint stock companies. However, since the board of a private company, as well as a public company, is required to elect a Chairman and a Vice Chairman, and a board is required by law, the board of a private company must consist of at least two directors.

4.2 Election and Removal

Directors must be elected from among the shareholders at least once every two years. It is mandatory that the election be by cumulative voting and that it takes place at an ordinary general

meeting. Any one or more of the directors and subject to removal by the shareholders. Directors are also eligible for re-election. Legal entities may be elected as directors.

4.3 Duration of Office

The term of office for directors must be fixed in the Articles of Association but may not be for more than two years. However, if the term expires before successor directors are elected, the existing directors continue to be responsible for the affairs and management of the company until the new directors are elected.

4.4 Security Shares

Directors are required to possess the number of shares specified by the Articles of Association and this may not be less than the number required for voting at general meeting. Each director must place the required number of shares in the custody of the Company for the duration of his term of office to serve as security against losses which may result to the company through violations by the directors of their duties. These shares must be registered shares. The law provides that failure to comply with the requirements will result in the offending director being considered to have resigned from his office.

4.5 Authority

The law specifically provides the board with all necessary authorities for the management of the company within the limits of the company's objectives as stated in Articles of Association. However, the board may

exercise any power which have been expressly reserved to the shareholders acting in general meeting, and limitations on the board's authority which will be valid as between the directors and shareholders, but not respect of third parties, may be written into the Articles of Association.

4.6 Liability

Directors are not only subject to the ordinary rules of fair play in respect of the company, its shareholders, and third parties dealing with the company, and thus liable for any violations of these rules, but they are also, individually and jointly, subject to criminal prosecution for specified acts and omission.

4.7 Meetings

The board is expected to act in meeting at which a quorum of a majority of the directors is present. The manner of calling board meetings including any notice requirement should be specified in the Articles of Association. In any event, the law provides the board chairman and any group of directors constituting one-third (1/3) of the board with authority to call meeting. Resolutions will be adopted when passed by the favorable votes of a majority of the directors present at the meeting, unless a higher vote requirement is specified in the Articles of Association.

Minutes for each meeting must be kept and signed by a majority of the directors who attended the meeting. The minutes must show the names of the directors who attended and who were absent, a summary of the deliberations and actions taken, and the date of the meeting.

To be continued