

**DUTIES AND LIABILITIES OF KEY MANAGERIAL PERSONS:**

1. An important duty of every Key Managerial Person like other directors is to disclose any interest whether financial or otherwise by way of an annexure in the explanatory statement to the notice calling the general meeting as per Section 102 of the 2013 Act.
2. In the event that, the shareholding of the KMP exceeds 2% of the paid up share capital of the Company, that has to be also laid out in the statement annexed under Section 102 of the 2013 Act.
3. Section 170(2) of the 2013 Act requires a return containing the documents to be filed with the Registrar within 30 days of the appointment or any change taking place.
4. A director or a Key Managerial Person is required to disclose to the company within 30 days of appointment any concern or interest in associations to be included in the register as per Section 189(2) of the 2013 Act.
5. Rule 3 of the Companies (ARMP) Rules, requires a return of every appointment and change in KMP has to be filed with the ROC in eForm MR-1, within 60 days of the appointment or the change as the case may be. This has to be done by the company.
6. The KMP and other directors are prohibited from forward dealings in securities under Section 194 of the 2013 Act. Further in any case acquisition of securities a KMP is liable to surrender the securities which would not be recorded in his name and shall continue to remain in the names of the transferors.
7. The KMP's and directors are prohibited from engaging into insider trading under Section 195 of the 2013 Act. Insider trading means:

*an act of subscribing, buying, selling, dealing or agreeing to subscribe, buy, sell or deal in any securities by any director or key managerial personnel or any other officer of a company either as principal or agent if such director or key managerial personnel or any other officer of the company is reasonably expected to have access to any non-public price sensitive information<sup>1</sup> in respect of securities of company; or*
8. A KMP is restricted from holding office in more than one company simultaneously. Also if in case a KMP holds any such office, then he is required to choose a company within 6 months of the commencement of the 2013 Act<sup>2</sup>.
9. The Financial statements of a company are required to be signed either by the Chairperson of the company or by two directors out of which one shall be managing director and the Chief Executive Officer, if he is a director in the company, the Chief Financial Officer and the company secretary of the company, wherever they are appointed.

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<sup>1</sup>"price-sensitive information" means any information which relates, directly or indirectly, to a company and which if published is likely to materially affect the price of securities of the company.

<sup>2</sup>Section 203(3) of the Companies Act, 2013

10. Duties of Directors are laid down under Section 166 of the 2013 Act. Since, they are KMP for Company in various circumstances, hence their duties as provided under the Act is listed. Section 166 of the 2013 Act provides that:

- i. *Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.*
- ii. *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.*
- iii. *A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.*
- iv. *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.*
- v. *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.*
- vi. *A director of a company shall not assign his office and any assignment so made shall be void.*
- vii. *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.*

11. Duties of Company Secretary are provided under Rule 10 of the Companies (ARMP) Rules. They are an important part of the KMP and hence they have to comply with the following duties in addition to the General Duties provided above. The Rule provides for the following duties as under:

- i. *to provide to the directors of the company, collectively and individually, such guidance as they may require, with regard to their duties, responsibilities and powers;*
- ii. *to facilitate the convening of meetings and attend Board, committee and general meetings and maintain the minutes of these meetings;*
- iii. *to obtain approvals from the Board, general meeting, the government and such other authorities as required under the provisions of the Act;*
- iv. *to represent before various regulators, and other authorities under the Act in connection with discharge of various duties under the Act;*
- v. *to assist the Board in the conduct of the affairs of the company;*

- vi. *to assist and advise the Board in ensuring good corporate governance and in complying with the corporate governance requirements and best practices; and*
- vii. *to discharge such other duties as have been specified under the Act or rules; and*
- viii. *such other duties as may be assigned by the Board from time to time.*