

Duties of Directors and Controlling Shareholders in Relation to Share- Trading.

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Abstract:

For nearly a score years the threatened or actual creation, allotment, and issue of company shares by its board of directors have provided the factual background for the leading cases on directors' fiduciary duty to exercise management powers over shares for a proper corporate purpose.

Akin to this matter are legal problems related to the exercise of share voting power by controlling shareholders ratifying directors' improper issues of shares; and the use of those powers to alter the company's articles of association in reference to shareholdings.

Often in such matters, controlling shareholders breach their duty owed to the company to exercise their share-voting power bona fide in the interests of the company.

Whether controlling shareholders act independently or collude with directors in these matters, the capacity of minority shareholders to enforce the duties owed by both organs is diminished by questionable standards of judicial review concerning the nature of the duties involved, and the scope of the division of powers between the board of directors and shareholders in general meeting.

Keywords: Share-holdings/ fiduciary duty/ share-voting power

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