

# **The Director's Relatives (Office or Place of Profit) Rules, 2003**

UNION OF INDIA

India

## **The Director's Relatives (Office or Place of Profit) Rules, 2003**

### **Rule**

### **THE-DIRECTOR-S-RELATIVES-OFFICE-OR-PLACE-OF-PROFIT-RULES of 2003**

- Published on 5 February 2003
- Commenced on 5 February 2003
- [This is the version of this document from 5 February 2003.]
- [Note: The original publication document is not available and this content could not be verified.]

The Director's Relatives (Office or Place of Profit) Rules, 2003Published vide Notification No. G.S.R. 89(E), dated 5th February, 2003Ministry of Finance and Company Affairs(Department of Company Affairs)G.S.R. 89(E). - In exercise of the powers conferred by clause (b) of sub-section (1) of Section 642, read with sub-section (1B) of Section 314 of the Companies Act, 1956, the Central Government hereby makes the following rules, namely:-

#### **1. Short Title and Commencement.**

(1)These rules may be called Director's Relatives (Office or Place of Profit) Rules 2003.(2)They shall come into force on the date of their publication in the Official Gazette.

#### **2. Applicability.**

- These rules shall apply to all companies registered under the Companies Act, 1956 except as provided in these rules.

#### **3. Approval of the Central Government in case of Appointment of Relatives etc. of Directors.**

- No appointment for an office or place of profit in a company shall take effect unless approved by the Central Government on an application, in respect of-(a)Partner or relative of a Director or Manager; or(b)Firm in which such Director or Manager, or relative of either is a partner; or(c)Private company of which such Director or Manager or relative of either is a Director or

Member which carries a monthly remuneration exceeding Rs. 50,000 p.m.

#### **4. Procedure of examination of applications.**

- The application under rule 3 shall be examined with respect to the following, in addition to all other requirement under the Companies Act, 1956:- (1) An undertaking from the appointee that he/she will be in the exclusive employment of the company and will not hold a place of profit in any other company. (2) The monetary value of all allowances and perquisites and of total remuneration package (monthly/annually) proposed to be paid to the appointee and details of the services that will be rendered by him to the company. (3) Shareholding pattern particularly the shareholding of the Directors along with his/her/their relatives, the public holding, institutional holding (each institution separately). (4) The educational qualification/experience, pay scale, allowances and other benefits of similarly placed executives. In case of the appointment of a relative, then, an undertaking from the Director/Company Secretary of the company that the similarly placed employees are getting the comparable salary shall also be enclosed along with the application. (5) List/particulars of the employees who are in receipt of remuneration of Rs. 50,000/- or more per month. (6) The total number of relatives of all the Directors either appointed as Managing/whole time Director, Manager or in any other position in the company; the total remuneration paid to each relative and the total remuneration paid to them altogether as a percentage of profits as calculated for the purpose of Section 198 of the Companies Act, 1956. (7) The selection and appointment of a relative of a Director for holding office or place of profit in the company shall be approved by adopting the same procedure applicable to non-relatives. However, in the case of public companies, the selection of a relative of Director for holding place of office or profit in the company shall have to be also approved by a Selection Committee. Explanation. - For the purposes of sub-rule (7) of Rule 4, the expression "Selection Committee" means a Committee, the majority of which shall consist of independent Directors and an expert in the respective field from outside the company.