



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

CORPORATE LAWS AMENDMENT BILL

Mr F Sibanda: CD Policy and Legislation
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Introduction

- Currently **the dti** is busy with corporate Law Reform Policy.
- Corporate Law Reform Policy will be finalised in 2006/2007 financial year.
- There are urgent issues that need to be attended to in the interim.
- The Bill deals with pertinent issues that need urgent attention.



Purpose of the Bill

The Bill intends to introduce the following provisions in companies and close corporations regimes:

- Exception on financial assistance by a company for purchase of own shares
- Elucidation of cumbersome procedures on dispute resolution mechanisms of the Securities Regulation Panel (SRP)
- Appointment of an audit committee
- Appointment of an audit member that acts in an independent manner



- Rotation of auditors for a certain period
- Legal backing for accounting standards
- Prohibition of auditors to render non-audit services
- Deviation of accounting standards certain circumstances (schedule 4)
- Additional information in a prospectus
- Indemnification of inspectors from liability due to bona fide act or omission during investigations
- Electronic system of registration of companies and close corporations.

Further, the Bill introduces two types of companies to which the Bill will apply, namely, "public interest companies" and "limited interest companies".



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What is the Rationale for the dti in piloting the bill?

The Bill is based on the tenets of:

- Corporate governance (disclosure of certain financial information)
- Winning the confidence of the investor
- Protection of the investor
- Accountability of the corporate world (Board of directors) to the shareholders and the public at large through the Minister
- Electronic Commerce (Electronic Commerce and Transactions Act, 2002)



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What Economic Benefits does the Bill seek to Accomplish?

The Bill seeks to achieve the following:

- Corporate governance
- Investor confidence

How will the Bill be enforced?

There are three main functions that the Bill prescribes, namely:

- Issuance or establishment of financial reporting standards for both PIC and LIC
- Monitoring and investigation for non-compliance or violation of financial reporting standards
- Registration of companies and close corporations using electronic commerce

The following bodies will be responsible for executing the above mentioned functions:

- Financial Reporting Standards Council (FRSC), issuance of financial reporting standards
- Financial Reporting Investigation Panel (FRIP), monitoring and investigation of non-compliance of financial reporting standards
- Companies and Intellectual Property Registration Office (CIPRO), registration of companies and close corporations



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Conclusion

The Portfolio Committee should note the presentation with a view of adopting the Bill at a future date.

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