Asian Roundtable
Task Force on
Related Party Transactions

Session 4: Fiduciary duties: A precondition for enforcement
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Fiduciary duties: a preconditions for enforcement

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1. Duty of loyalty

Stipulated in China’s "Company Law" amended in 2005:
What’s the duty?
Which conducts should be prohibited?

2. Duty of Care

Not appeared in "Company Law"
How to understand the duty?

1. Clear legal provisions
2. Training the directors
Administrative responsibility:

Fine
Confiscating illegal income
Disqualification
Ordered to end the breach
Ordered to correct the violations
Banned to enter into the securities market
Criminal Liability:

Shareholders can file a lawsuit with the competent people's court.

The directors, supervisors, senior management, and the controlling shareholders or the actual controllers of a listed company should be punished for lawbreaking.

Penalties: imprisonment, criminal detention, fine
Civil Liability:

The directors should bear civil liabilities to the company and public shareholders for their violations.

The laws and regulations are relatively lack of operability.

There is a big obstacle for the court to accept such civil cases.
Thanks!