

# STOCK OPTIONS RESTRICTIONS FOR INDEPENDENT DIRECTORS



## Issue

India Inc has demanded removing those stock option restrictions that restricts offering stocks for independent directors as part of their compensation salary.

## Background

SEBI had published a paper that had asked for public opinion on allowing stocks as part of compensation to independent directors.

## Details

Currently, the law allows payment of 1lakh per board meeting for independent directors and certain compensation in form of profits. It has put restrictions on giving stocks.

## Reasons for restrictions

- Regulations are framed for preventing any conflict of interest to rise due to the independent directors becoming shareholders.
- The idea behind introducing independent directors was to see to it that they keep a watch for the interest of the shareholder and they should not be influenced by their own interest.
- If independent directors are given stake in company, they will become part of the company and their independence will be compromised.
- Independent directors will become more indulged in their profits that they will not object to bad practices to improve the share price.

### Reason for new demands

The move is expected to attract and retain best individuals as independent directors. It will provide a fitting compensation for the commitment shown by the individual.

### Middle path

- If restrictions are removed then new rules have to be framed to prevent independent directors from selling their shares for a lock-in period.
- New details can be formed such as limit of number/value, valuation methodologies, lock-in periods, pre-approval by Board and shareholders.

### NOTES

STUDY IQ

# TOP SELLING COURSES



UPSC/IAS  
(Pre + Mains)

~~Rs.58,000~~  
~~Rs.28,000~~

**Rs.18,500**

Click  
Here



All Govt  
Exams

~~Rs.33,000~~  
~~Rs.13,000~~

**Rs.11,000**

Click  
Here



SSC & Bank  
Combo

~~Rs.22,000~~  
~~Rs.8,600~~

**Rs.5,999**

Click  
Here



UPSC Prelims  
Test Series

~~Rs.7,500~~

**Rs.6000**

Click  
Here



Madhya Pradesh  
PSC

~~Rs.52,000~~  
~~Rs.28,000~~

**Rs.20,000**

Click  
Here



Uttar Pradesh  
PSC

~~Rs.52,000~~  
~~Rs.27,500~~

**Rs.20,000**

Click  
Here



Bihar PSC

~~Rs.52,000~~  
~~Rs.28,000~~

**Rs.20,000**

Click  
Here



CAPF (A.C.)  
Exams

~~Rs.340,500~~  
~~Rs.17,500~~

**Rs.12,000**

Click  
Here



UPSC Opt -  
Geography

~~Rs.30,000~~  
~~Rs.13,500~~

**Rs.12,000**

Click  
Here



RBI Grade B

~~Rs.24,000~~  
~~Rs.11,000~~

**Rs.8,200**

Click  
Here