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## PROTECTING THE RIGHTS OF THIRD PARTIES IN JOINT-STOCK COMPANIES AGAINST REDUCING CAPITAL

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### ABSTRACT

*It is clear that all companies including joint-stock company should have proprietary capital, but it is particularly important in the joint-stock company. One of the features of the company's capital is its steady and fixed nature, but the company may make some changes in its capital, due to some reasons, whether compulsorily or voluntarily. The reduction of company's capital has different effects on third parties. Therefore, the issue of protecting the rights of third parties against capital cuts in joint-stock companies is one of the most important and considerate issues. According to this descriptive-analytic study, third parties against joint-stock company can be divided into two main categories including bondholders and creditors of the company, and the rights of these persons should be considered when the capital is reduced. Before proceeding to reduce capital, the decision of the general assembly shall be based on the repayment of the government-issued bonds as well as their interests. Also, the rights of creditors, including creditors with and without bail, should be considered. In case of non-compliance, the legislator has provided creditors and bondholders with the right to complain against the reduction of capital, in case their demand was before the reduction.*

**Keywords:** *Third Party, Joint-Stock Company, Capital Reduction.*

### INTRODUCTION

Capital is a positive part of the company's assets, that creditors can count on it and shareholders have provided the company with it aimed at being a bail with regard to paying the company's revenues to third parties. In other words, it is the capital for the responsibility of company. Although being fixed is among the features of the company's capital, it does not mean that the company cannot change its capital. Changing capital in joint-stock companies is one of the important issues in corporate law, and not changing the capital over lifetime, rarely happens for a company.

Decline in the capital is one of the changes occur in the company. The effects of reducing capital on those associated with the company, including the joint-stock company, shareholders and third parties are different. The company has a legal personality independent of partners. With independent legal personality, independent rights and obligations are presumed for the company, and regarding the reduction of capital, the decision must also be taken in such a way that the legal personality is preserved, not resulting in bankruptcy or dissolution.

The capital in joint-stock companies may be reduced voluntarily and compulsorily, in accordance with Iranian commercial laws. In case of not being able to reach its purpose soon and having capital more than needed, the company can reduce its share of the capital and

return it to the partners. According to Article 189 of the amendatory bill, a part of the Commercial Law approved in 1968; the extraordinary general assembly may decide voluntarily on the proposal of the board of directors to reduce capital, provided that the equity of the right of the shareholders is not violated and the capital of the company is not lower than the determined minimum amount. This minimum amount should not be less than one million IRR in the public joint-stock companies and less than five million IRR in the private joint-stock companies.

Reducing capital is possible through the following two ways: Reducing the number of shares, in which some of the partners receive their nominal value and withdraw from the company with the consent, and reducing the nominal value of shares (e.g., the shares with the value of ten thousands IRR are reduced to five thousand IRR, and the surplus is returned to the shareholders. In Iran, the law only considers the voluntary reduction of capital by reducing the price of the nominal value of the shares with an equal ratio and returning the reduced amount of each share to its owner.

On the other hand, according to the law in Iran, if at least half of the company's capital is lost, the board of directors is obliged to immediately call the extraordinary general assembly of shareholders to promote the issue of dissolution or survival of the company. Based on the rules, if the assembly does not vote on the dissolution, at the same meeting, it must reduce the company's capital to the amount of available capital<sup>1</sup> (i.e. the company has two choices: reducing the capital to survive or dissolving the company). Compulsory reduction of capital is due to losses to the company for the protection of third parties and shareholders, so that the company does not continue to survive with inert capital. In the compulsory reduction of capital, nothing is returned to the shareholders, because the reason for the decline is not the high amount of capital, but the harm done to the company. Although the compulsory reduction of the capital can exceed the amount of losses, this should be in an account called "the save preventing capital reduction"<sup>2</sup>, because when the condition of company is not good, sum should not be distributed among shareholders. Compulsory reduction of capital may be carried out by reducing the number of shares or lowering the nominal value of the stock<sup>3</sup>.

Compulsory reduction of capital, in contrast to voluntary reduction of capital, is not included in section eight of the legal bill titled "changes in corporate capital", but in the sixth section of the board of directors. In other words, the legislator did not consider compulsory reduction in the capital as a capital change, and only the voluntary increase or decrease is considered as a capital change in the company; because a compulsory reduction resulted from the loss of a significant part of the capital (i.e., at least half of it), and companies and managers are obliged to carry out official formalities of reduction. In order to consider a reduction as a compulsory one, at least half of the company's capital must be deducted from the losses incurred. Therefore, the reduction of capital is not considered as compulsory one until the lost capital reaches half of the total capital. However, if the assembly considers the continuation of the company's activities in spite of losing part of the capital, the company's capital should be reduced to the present level, in compliance with Article 5 of the Commercial Law approved in

<sup>1</sup> Article 141 of the bill on amendments to part of the commercial law, approved in 1968

<sup>2</sup> Sotoudeh Tehrani (2009), p. 242; Note Article 189 of the amending law of part of the Commercial Law, approved in 1997.

<sup>3</sup> Sotoudeh Tehrani (2009), p. 244.



1968 (i.e., observing the minimum statutory capital). If the downfall of capital is such that the available capital will fall below the statutory limit set forth in the Article 5 of the amendatory bill approved in 1968, Article 141 will not be applicable anymore, and the solution of recent section in Article 5 should be considered. In fact, instead of reducing capital, the capital should be increased to the legal minimum during 1 year, or the company will be transformed into another type of business mentioned in the trade law. Otherwise, any beneficiary can apply to the competent court to dissolve the company.

The rights of third parties, who are associated with the company, may be affected by the reduction of capital. These individuals can be considered in two major categories including bondholders, and corporate creditors. However, it can be argued that, what protections of the rights of third parties have been considered in joint-stock companies by legislator against the reduction of capital?

Official capital is the criterion for any decision on the company's financial affairs, including its reduction or increase, particularly in the compulsory change of capital, as well as any claim by third parties to the company. Regarding the rights of third parties and the reduction of capital of a joint-stock company, among the factors that are considered, are the redemption of shares by the company itself, the rights of persons who are engaged to purchase participating bond, as well as the rights of creditors and their protest right. Thus, regarding this approach, we will examine these issues in separate discussions in this article.

#### ***Rights of third parties in the redemption of shares by the company***

One of the ways to reduce capital is to redeem shares by the company itself. This method of reducing capital, is the purchase of shares issued by the company by the company itself, and the stocks that are thus being bought are called treasury stocks. When a company buys back its own shares, it obtains stocks that are called treasury stocks.

Because repossessed share was kept in the company's treasury in the past, probably, the term of "treasury" has been commonplace. In financial department, treasury stock is not treated as an asset, but as one of the items declining capital<sup>4</sup>. Article 28 (b) on the elimination of barriers to the competitive production and promoting the financial system of the country (approved on April 21, 2015) states that: "the companies accepted in stock exchanges and over-the-counter *markets*, based on their floating shares in each of these markets and according to the rules that are proposed by the securities and exchange organization, approved by the supreme council of securities and exchange, can buy up to a maximum of ten percent of their shares and keep them under the title of treasury stocks. As long as the shares are at the disposal of the company, it has no voting rights. "In other words, if the joint stock companies are buying and maintaining their shares, they are referred to as treasury stocks. Of course, in accordance with the rules of purchase, maintenance and supply of treasury stocks, the shares have no voting rights in the general assembly, and in the formation of these assemblies for decision making, are not considered among the majority votes, and they also have no priority right to purchase new shares<sup>5</sup>. In this case, the purpose of the companies often is to control its *market* capitalization and do not intend to cancel the stock. Another way not to pay dividends is the redemption of shares. Theoretically, the redemption of dividend should be carried out during 1 year, since the capital benefits obtained from the redemption of share is equal to dividend

<sup>4</sup> Burr, Barry.B(2006), p.p 25-34.

<sup>5</sup> Isaei Tafreshi (2016), pp 139.



which could be obtained if there would be no selling share. After the redemption of shares, the dividend increases due to the decrease in the number of shares issued. Instead, the increase in the dividend will naturally increase the stock market price.

It is possible that the company causes the stock price to be unrealistic and unfair, due to the purchase of its shares, and the reason for the prohibition laid down in Article 198 is this point. However, whether the prohibition is absolute or not, can be verified. In response to this question, a number of writers who are expert in law believed that the purchase of shares by the same company is prohibited, and the reason was the corroboration of the company's capital and, of course, maintaining the security of the company's creditors, because it reduced the company's capital and the creditors have the right to cancel the deal or claim for damages.<sup>6</sup> Some Philosophical jurist believe that this prohibition is due to the prevention of damage to the shareholders and third parties. In fact, the company may buy and revoke the shares of some shareholders, which will lead to a better position for the recent shareholder than other shareholders, and consequently the principle of equal rights of shareholders in the company will be vanished. Moreover, third parties contracting with the company will also face a hidden decrease in the capital<sup>7</sup>, and on the basis of Article 975 of the Civil Code, they have consider the guarantee of its implementation as termination of the transaction. In the Articles 65 and 262 of amendatory bill, redemption of share in order to reduce capital, was prohibited by legislator unless bonds have been paid or shared (i.e., if the bonds are converted into shares or its value paid, share redemption is allowed to reduce the capital). As a result, the implementation of Article 198 is not absolute. Also, if the extraordinary general assembly respect to the principle of equality of shareholders as well as formalities in order to reduce capital, due to frustration of the reason of the inhibition on the redemption of shares, the principle of prima facie is the requirement for the accuracy of such contract.

Thus, the prohibition is not absolute, because the company can reduce its capital by redeeming its share, and the reduction of capital through redemption of shares is permissible, except in the case of issuance of corporate bonds<sup>8</sup>.

Although there was a theory and thought in the past that a company could not redeem its shares, even if there is such option in the statute; because it reduces the company's capital and assigns its assets to shareholders whose shares have been redeemed. Nowadays, however, in most legal systems of countries with modern trade laws, a company not only can redeem its shares, but also has the power to issue temporary and purchasing shares. Consequently, it seems that the right or authority to redeem shares and issue purchasing and temporary shares is necessary in Iran's trade law for the public company.

In Iranian law, the company which exports share has been prohibited to redeem the share. An important issue is the determination of the legal status of a redemption contract. In other words, despite this legal prohibition, if a company had this experience, what is the legal status of this contract? It may be stated that the redemption of shares is prohibited if the company redeems its own share directly and not from another company indirectly. However, this interpretation disregards the reason and basis of this inhibition. This Article was approved to prevent companies from acquiring their own shares, whether through purchasing or

<sup>6</sup> Azami Zanganeh (1984),pp 139-141.

<sup>7</sup> Isaei Tafreshi (2016), p134.

<sup>8</sup> Article 61 of corrective bill, part of the commercial law, approved in 1968.



redeeming shares, because the ownership of the stock by the issuing company results in damage to other shareholders and is contrary to the principle of equality of rights of the shareholders, as well as the rights of third parties. This Article is used by the authors of trade law, as their views are quoted, to interpret prohibition of absolute ownership. Some authors stated that this contract is dangerous in terms of legal rights and believe that the company can affect stock price in market through its redemption, and leads to the increase in the price unfairly. Thus, regarding the risks of these deals, the Article 198 has prohibited it. However, this prohibition is not absolute because, based on the Article 65, the company can depreciate its own capital through redemption, and this depreciation is permissible except after issuing bonds.

In Article 65 of amendatory bill, the legislator also believed that the share redemption is effective to reduce capital, due to the following regulation: "the company cannot issue new replaceable bonds or depreciate the capital or reduce it through redemption, from the date of the assembly's decision on the Article 65 to the expiry of bonds. In contrast to this article, another concept implies that if the bonds are not issued, the company has the right to redeem the shares, in order to reduce its own capital.

Others also stated that the prohibition of redemption is absolute without any exception and believed that "regarding the Article 198 and the principle of the prohibition of redemption, it is difficult to consider Article 65 and Article 262 (2), referring to the capital reduction through the redemption, as a special regulation. It is possible to be said that there was no damage to shareholders and third parties if the share redemption is accompanied by the capital reduction. In response, it can be said that if this reduction is not carried out under precise legal conditions and unfortunately it is not foreseen by the Iranian Trade Act, it is possible that the company performs some superficial changes in its capital, and this practice is contrary to the principle of the stability of creditors' security and the observance of equality of rights for shareholders. Based on this theory, the absolute share redemption is prohibited. However, this theory can be considered in some ways. First, this theory is contrary to the Article 65 and Article 262 (2) of amendatory bill because the share redemption in order to reduce the capital has been prohibited by legislator before bond is paid or converted the share. Contrary to this concept is that the share redemption is permissible even after paying or converting. Therefore, considering the emergence of these two articles in the prohibition of redemption at the time of issuance of bonds and its non-prohibition in order to reduce capital, it is possible to refer to Article 198, and it is difficult to use the Commerce Act of the absolute ban on share redemption, because the principle of reduction of capital is accepted by law and one of the ways to reduce redemption of capital is the share redemption. Second, if the general assembly deciding redemption of share in order to reduce capital respects to the principle of equality of shareholders and informs the reduction of capital through a public newspaper. In this condition, it respects to this principle because according to the Article 198 of the amendatory bill, approved by extraordinary general assembly, it has the right to reduce the capital of the company, even if this reduction of capital is performed through share redemption of shareholders who don't wish the company to survive and want to be dissolved. Thus, the reduction of capital through this share redemption is right and reasonable, although Article 198 of the amendatory bill, implying to the capital reduction, reinforces the illusion that the



prohibition of redemption is absolute. However, with respect to the appearance of Articles 65 and 262 of the amendatory bill the appearance of this allusion is not possible.

In Iran's trade law, this principle should be adjusted in Article 198 of the amendatory bill, because if the company does not use the capitals and reserves, which are out of use, there is no reason for the absolute prohibition of share redemption. The philosophy of the article is to prevent possible abuse in the share redemption; and it is not possible to prohibit this contract if it proves that the company has not had any abusive activity in the redemption agreement, because nobody has suffered damage as a beneficiary to complain to the court. In addition, the temporary or buyable share is one of the requirements of Iranian business law, since the issuance of government-issued bonds that are currently used to attract the company's capital needs, are possible to be considered as something like gavel. The best way to get rid of this doubt is the temporary share through which the company invests in capital, and at the end of the contract, or due to an agreement between the parties, the shareholder of the company is excluded from the company and the cash required for the company is also provided. Therefore, the decree of Article 198 is restricted to the cases, in which company misuses the share redemption. Due to the importance of maintenance of the market and credit of the commercial company, if the company misuses the share redemption, disturbs the exchange and creates a black market, these deals are invalid and are considered as disruptor of economic orders. However, in other cases, it should not be inhibited and is valid.

Similar to some authors, the legislator also considered that the redemption of shares to reduce capital is incisive in Article 65 of the amending law due to the following regulation: "the company cannot issue new replaceable bonds or depreciate the capital or reduce it through redemption, from the date of the assembly's decision on the Article 61 to the expire of bonds...". In contrast to this article, another concept implies that if the bonds are not issued, the company has the right to redeem the shares, in order to reduce its own capital.

To complete the cases mentioned above, it can be cited that one of the advantages of the share redemption is that if the stock market price increases as a result of share redemption, shareholders can benefit from capital gain by selling share with higher price. However, if dividends are directly paid, shareholders must also pay tax on dividends.

On the other hand, the disadvantages of the share redemption are that the positive effect of dividing interests on stock market prices may be more than the redemption of shares, and if the treasury stock is bought at a very high price, the remaining shareholders will suffer. There is high stock price when stock exchanges are limited.

#### ***Rights of government-issued bonds and shareholders against capital cuts***

The issue of government-issued bonds by joint stock companies is one of the methods to attract investors. As some of the authors referred and according to the purpose of these bonds, their description as investment certificates is good description.

In financial problems condition, companies issue bonds to escape from formalities and heavy loans. The position of holders of these securities is to be creditor to the company, and apart from the interest and amount of cash paid for the securities, they have no rights to company. According to the definition in the amending bill, "the bond is a bond representing the amount of loan with specified interest, in which all or part of it must be returned in due time", and according to the definition cited in the law of issuing bonds; participating bonds are anonymous or named bonds that are issued with a specified price and period and are assigned



to investors who intend to participate in the implementation of the project, and will be shared proportional to the nominal value and duration of participation. The adoption of this law, as well as the removal of a number of bond regulations based on the views of the Guardian Council, resulted in removing the concept of bond from the legal framework of the country.

Due to the characteristics of the participating bonds and legal documents assigned by the legislator for holders of such securities, including the principal and their interests, the reduction of capital should be made in such a way that the principal and their interests are returned before any extradition of the nominal value of shares as well as the reduction of the number of shares.

According to the Article 193 in amendatory bill; "in the case of voluntary reduction of the capital in a company, each bondholder or creditor whose demand is prior to the date of publication of the last notice in Article 192, can complain to the court within two months from the date of the publication."

Based on the regulations amending part of the Commercial Code 1968 and compared to previous bonds, participating bonds are divided into simple and complex categories. In this area, according to the kind of bond, the reduction of capital is evaluated:

- a) Simple participating bonds: this type is the most common form of participating bonds, and its owner is a partner of issuing company, and its relationship with the company is cut off after the implementation of the project, and ultimately the principal and its interest returns to the owner. Because of legal solutions and guarantee for returning the principal and its interest, there is no problem in this deal.

In reducing capital, it should be taken into account that simple participating bonds have guarantee for repayment of the principal and its interest, and before the reduction of capital, these bonds must be taken into account, so that firstly the principal and secondly the interest should be returned to the owner.

- b) Complex participating bond: This type of bond, which is issued only by public companies, based on the law of issuing bonds, includes:
  1. Participating bonds which are convertible to the share: according to the regulation of issuing bonds, the convertible government-issued bonds is a security that can be converted into the stock of a company. This type of bond is different from the simple government-issued bonds so that if the economic condition of a company is developing, the owner of this bond can convert it to the share to get interest in this situation. In the case of this type of security, the general assembly should also consider that if the holder of this bond would like to be owner of company's shares; the reduction of the capital, in particular by reducing the number of shares, should be so that the holders can convert their bonds into the stocks. Also, the company cannot issue new replaceable bonds or depreciate the capital or reduce it through redemption, from the date of the assembly's decision to the expiry of bonds. Henceforth, Article 35 of the regulation states that the issuance of new shares as a result of the transfer of capital reserves or allocation and payment to shareholders as the prize is prohibited, unless the rights of shareholder, in proportion to the shares which they are owned through the converting, is maintained. Therefore, the company must take measures that the holders be able to maintain their capital equally and under the same conditions.



However, in practice, holders of convertible participating bonds do not interest in converting bonds into corporate stocks that are not well-off.

It is also noteworthy that the requirement for the issuing the convertible bonds is that the company should increase its capital. Also, the company does not have to raise its capital at the same time with decision of extraordinary general assembly, in order to issue participating bonds. Although it can be said, if the capital increases along with issuing these bonds, there is a greater guarantee for the holders of these securities.

In fact, the increase in capital, given by the general assembly to the board of directors, is possible when the period in which holders of such securities can convert their bonds into the shares, is expired. In this case, the company's capital increases as much as the non-repayable amount transferred to the shares of the company, and after registration of this increase, the new shares will be issued and the holders of participating bonds will be shared as much as the non-repayable amount.

2. Participating bonds which are replaceable with shares: Contrary to convertible participating bonds, the legislator, despite the regulation of bill 1968 in the creation of replaceable participating bonds, the legal system separates these bonds from the convertible bonds. This case seems not to be logic and as a result, companies and people don't like to invest in replaceable participating bonds. In fact, according to the regulation of amending part of Commercial Code 1968, replacement of bonds by government-issued bonds is right, and is currently applicable to the conversion of participating bonds into shares.

According to the Article 21 and regulation of issuing bonds, participating bonds may be replaceable by shares of other companies accepted in the securities and exchange organization. In this case, the publisher has to retain capital at least as much as the amount of replaceable bonds, until the expiry of the participating bonds with the shares. To provide the replacement of participating bonds by share, the company is not obligated to increase its capital and issuing new share for the replacement. It is enough for the publisher to have shares in other companies of the stock exchange. If the holders want to be owner, they can purchase the shares of other companies, in which the publisher has share

In this case, it should be acknowledged that the reduction of capital has no direct effect on these securities, and the holder can exchange his securities with the shares of the other companies admitted to the Stock Exchange. Also, maintaining the capital as much as the mount of replaceable participating bonds until its expiry, better guarantee the right of the holders. Replacing a bond with the share depends on willingness and satisfaction of the holder. Before the expiry, the bondholder can replace it with the company's shares under the conditions at any time in the order indicated in the bond. Replacing these bonds with stocks is done according to the conditions cited in the bonds. If the bondholder does not replace its shares with the company's shares, the shares remained in the bank or the financial institution. If it is agreed in the contract between the bank or the issuing institution and the company that the stock company should be depreciated in this case and the values



returned to the bank or the financial institution for its underwriting contract, the bank or the financial institution are not the owners of shares, and if such agreement has not been made, the bank or the financial institution will remain a partner of the company.

### *The rights of corporate creditors versus the reduction of capital*

The company's creditors can be divided into four categories: first group is non-security creditors who form a united group based on the principle of equality, but in front of them, there are individuals claiming specific rights to the company's assets. These individuals include people appealing implementation of the contract with the company, and then the creditors who claim their appeal by their security.

These two categories of creditors are separate from creditors without security and have a better fate, which are as the following:

- a) Creditors who are contracted by the company: the contracts that have been signed before the reduction of capital must be timely implemented. If the reduction of capital is an obstacle to the implementation of the contract, the other party may, in accordance with the principles, refuse to fulfill its obligation mutually and, in the absence of the contract implementation, requests its termination.
- b) The creditor with security: the creditors who have an objective security are not subject to the law of equal creditors, and the law has priority for them to be paid.

Reduction of capital does not damage to the rights of the creditors who deal with company after the reduction of capital, but the creditors who have traded with the company before the reduction in capital may be subject to foreclosure. Therefore, the legislator has made provisions for the prevention of this undesirable effect.

According to the Article 192 of amending bill, before the reduction of capital, the director board should inform the decision to the public through the newspaper or social media. Also, Article 193 stipulates that "in the case of voluntary reduction of the capital in a company, each bondholder or creditor whose demand is prior to the date of publication of the last notice in Article 192, can complain to the court within two months from the date of the publication.

These regulation are only related to the arbitrary reduction of capital, since in compulsory reduction of capital, creditors have no choice but to endure the effects of lowering capital. Some authors have described the effect of lowering capital on creditors' rights as the following: "third parties who have traded on the credit of a company's capital may be subject to the reduction of company's capital. For example, a loan is granted to the company and now there is a fear that if the inability to the payments happens it is possible that the reduced capital is not sufficient for paying loans. Therefore, it can be assumed that, as a precautionary measure, the arbitrary reduction of the capita would be associated with informing and providing third parties' rights.

The company's capital is the company's creditors and any reduction in the capital causes creditors to have less guarantees for repayment. The creditors of the company has to suffer damages resulting from mandatory reduction of capital, but this condition is not for the voluntary reduction and they can complain about it. In the case of voluntary reduction of the capital in a company, each bondholder or creditor whose demand is prior to the date of publication of the last notice in Article 192, can complain to the court within two months from



the date of the publication. If the court recognized the objection right and the company doesn't pay the request with sufficient security, the court issues order implying the payment. Apart from the duty of director board, which is informing the decision of general assembly in public and the right of creditors to protest the court in Articles 192 and 193 of amending bill, regulated on the reduction of the capital, another case anticipated is related to creditors' rights to the capital reduction in Iran's law, including obligation of the company to have security or paying to the creditor before reducing the capital regulated in Articles 194 and 195. According to the Article 195, during the two-month period referred to in Article 193, and also if there is a protest, the company is forbidden from the capital reduction until the end of sentence.

## CONCLUSIONS AND SUGGESTIONS

In concluding the discussed topics, the following results can be presented:

- 1) Reduction of capital in Iranian law may be compulsory or voluntary, which is caused by various factors.
- 2) The compulsory reduction of the capital may be occurred due to two reasons: one due to non-payment of unpaid shares by the persons having committed the shares, and the second due to the loss of at least half of the company's capital from the damages occurred.
- 3) The reasons for the voluntary reduction of the company's capital are: the recognition that the company's capital is high for the company's operations, the limitation of the scope of the company's activities, the impossibility of the company's goals, and high level of capital, etc.
- 4) In the reduction of capital, the rights of third parties, including holders of government-issued bonds as well as creditors' rights, shall be taken into account and before the capital reduction, the decision of the general assembly shall be taken based on the repayment of the principal, as well as its interest.
- 5) The rights of creditors, including creditors with bail or without it, must be respected. If this condition is not respected, the legislator gives the right to creditors and to protest against the reduction of capital.

In the form of a proposal, the following can be stated:

- 1) It is suggested that the court's approval is added to the conditions of capital reduction in Iran. This will ensure greater protection of third parties.
- 2) In addition to the supervision of internal inspectors, it is suggested that external oversight be extended, so that companies can be restricted to escape from rights or other matters that violate the rights of individuals associated with the company.

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