

5 The Regulatory Framework

1. Legislation regulation, and Corporate Governance Code

- Being a creation of the law, limited-liability companies depend on the **company law** for their existence, continuity, and winding-up → CL defines incorporation, directors appointments, shareholders relations, disclosure and filing agreements. Companies must follow the CL of the jurisdiction in which they are incorporated and the legislation of the countries they operate in.
- **US**: companies are incorporated **within a state** not federally, and states company laws varies which is why many companies are incorporated in **Delaware** (Company Legislation, Court of Chancery, large body of company-firefly case law).
- Companies and their directors are also exposed to other legislations:
 - **health and safety regulation**
 - **consumer protection**
 - **environmental standards**
- The company secretary takes the lead of the compliance.
- Corporate regulation extend and amplify the law. These regulations are mandatory, otherwise penalty.
 - taxation regulations
 - import/export regulations
 - requirements on employee working conditions
 - accounting standards
 - **US: GAAP** = Generally Accepted Accounting Standards
 - **others: IFRS** = International Financial Reporting Standards
 - The stock exchange rules of the listed companies.

2. Corporate regulation

2.1. In the US

Each State has its own Company Law + The oversight of the SEC (**Securities and Exchange Commission**, set up in **1932-33** after the stock market crash of 1929 and the following Great Depression).

- SEC developed an extensive **Corporate governance Regime** for the US listed companies, its missions:
 - Protect investors
 - maintain fair, orderly, and efficient markets.
 - facilitate capital formation
 - Oversees the key participants: