**LEGAL REGULATIONS AND RISKS FOR THE MANAGERS OF JOINT STOCK COMPANY**

Nowadays, the type of joint-stock company is very popular with investors, which have an apparent division between the roles of the  Owners and the Managers. The Owners is General Meeting of Shareholders (“**GMS**”) does not directly manage and operate the company daily. They delegate their rights and responsibilities to the Managers including the Board of Directors (“**BOD**”), Director or General Director. So, in this context, questions about what the Managers' responsibilities are and What risks they may be subject to according to the law are asked a lot.

Law on Enterprise 2020 has stipulated legal responsibilities for the Managers in order to limit power abuses, individual interests and protect shareholders' interests, and at the same time create a basis for forming a decentralized mechanism of corporate management authority. According to Clause 1, Article 165 Law on  Enterprise 2020, the Managers are responsible for:

1. Perform their rights and obligations in accordance with the law, the company's charter and resolution of the GMS;

1. Perform their rights and obligations honestly and prudently to serve the best and lawful interests of the company;

1. Be loyal to the company’s interests; do not abuse their power and position or use the enterprise’s information, secrets, business opportunities and assets for personal gain or serve any other organization’s or individual’s interests;

1. Promptly and fully provide the company with relevant information and do not conflict with the company’s interests.

According to the principle of decentralization of authority, the higher the authorities, the greater the responsibilities, and of course, if having a violation, it needs to be held responsible. However, according to Law on Enterprise 2020, the Managers may have to bear legal responsibility and risks even if they perform their authority correctly and do not commit any violations.

**Risk of possibility to be eliminated at any time**

According to Article 160 Law on Enterprise 2020, GMS has the right to dismiss or remove members of BOD in other cases specified in the company's charter or when deemed necessary. The company's charter is considered as the "rural customs" of the Owners, developed by and for the interest of GMS. In addition, the fact that "when it is deemed necessary" is subjective, it can be understood as Law on Enterprise 2020 gives full authority to decide on the dismissal or removal of a member of BOD at any time, even if they are doing their job correctly and no mistakes are happening. When members of BOD are changed, it will lead to a chain change in the company's management structure because other management positions such as director, general director, chief accountant, etc., are selected and decided by BOD.

**Accountability and risk of losing interest.**

Within the scope of responsibility for publicizing related interests, clauses 2 and 5, Article 164 Law on Enterprise 2020 stipulates that members of BOD, Director, or General Director act on behalf of an individual or in the name of another person to perform public duties within the scope of the enterprise's work must explain the nature and content of such work to BOD, the Supervisory Board and can only be performed when approved by a majority of the members of the Board of Directors; if performed without declaration, or without the approval of BOD, all income from such activities belongs to the company.

**Compensation and joint liability**

According to Article 162 Law on Enterprise 2020, the Director or General Director conducts the daily business of the company in contravention of the law, the company's charter, the labor contract signed with the company and resolutions, the decision of the Board of Directors, which causes damage to the company must be held responsible before the law and must compensate for the damage.

Clause 2, Article 165 Law on Enterprise 2020 stipulates that the Managers who violate the regulations on the responsibility of the Managers will be personally or jointly responsible for compensating for lost interests, returning received interests, and compensating the company and third parties for damages. Currently, this regulation does not provide further guidance on the division of responsibilities of each manager. Therefore, if the company's charter does not clearly define the scope of authority and each individual's responsibilities, all members of BOD may be jointly responsible when just a member of BOD breaches and causes damage to the company or a third party.

Contracts and transactions between the company and related persons must be performed under the order of notice and approval of GMS and BOD as in Article 167 Law on Enterprise 2020 and the company's charter (if any) before signing. Pursuant to Law on Enterprise 2014, the factor "causing damage to the company" is focused when examining the responsibility of the involved parties if their contract or transaction is not performed in accordance with regulations. With the regulation of the Law on Enterprise 2020, the factor "causing damage to the company" has been eliminated. Therefore, any contract or transaction that is entered into or performed in contravention of regulations, even though it does not cause damage, is not self-interested, or even brings benefits to the company, it shall be invalidated under the decision of the Court and the person signing the contract, transaction, shareholder, member of the Board of Directors or the relevant Director or General Director still has to jointly compensate for damage, return to the company the profit earned from the performance of such contract or transaction (if any).