



# SECRETARIAL STANDARD - 7 (SS-7)

Passing of Resolutions by  
Circulation  
Issued by ICSI

# INTRODUCTION

- A company, being a legal entity, can act only through its Board of Directors.
- Decisions on policy and operations are made at Board meetings.
- For urgent matters, resolutions may be passed by circulation.

# SCOPE

- This Standard lays down principles for passing resolutions by circulation.
- Ensures consistency in decision-making without physical meetings.
- Provides a structured process for obtaining Board approval remotely.

# DEFINITIONS

- **'Act'** means the Companies Act, 1956 or any statutory modifications or re-enactment thereof
- **'Articles'** means the Articles of Association of a company
- **'Board'** means the Board of Directors or and includes a committee constituted by the board

# AUTHORITY

- The Chairman or Managing Director (MD) decides if a resolution can be passed by circulation.
- If a resolution is proposed by another director, the Chairman/MD must approve before circulation.
- If no Chairman or MD is present, any other director can make this decision.

# PROCEDURE: DRAFTING THE RESOLUTION

- The resolution is drafted along with an explanatory note providing relevant details.
- The note should specify:
  - I. Background of the proposal.
  - II. Justification for the decision.
  - III. Instructions for directors to signify approval or rejection.

# PROCEDURE: CIRCULATION

- The resolution is sent to all directors, including those residing abroad.
- It can be sent via:
  - Hand delivery
  - Post
  - Fax
  - Email
  - Any other electronic mode.
- If sent electronically, a hard copy must also be provided.

# APPROVAL PROCESS

- The resolution is passed, when it is approved by a majority of directors entitled to vote on the resolution other than interested directors.
- The resolution is deemed to have been passed on the date on which it is approved by the majority of the Directors



# SPECIAL APPROVALS

- Some resolutions require special majority or affirmative votes of particular directors.
- The Articles of Association may specify additional requirements for passing resolutions.

# VALIDITY OF RESOLUTIONS BY CIRCULATION

- A resolution passed by circulation is as valid as one passed in a Board meeting.
- However, the requirement to hold regular Board meetings remains unchanged.

# RECORDING OF RESOLUTIONS

- Every resolution passed by circulation must be recorded in the next Board meeting.
- The minutes should include:
  - The resolution text.
  - Any dissent recorded.
  - Mention if an interested director abstained from voting.

# MATTERS THAT REQUIRE A BOARD MEETING - PART 1

Certain matters must be approved in a Board meeting and cannot be passed by circulation: ⚙️

- To make calls on shares in respect of unpaid share capital of the company
- To issue debentures.
- To borrow money otherwise than on debentures.
- To invest the funds of the company
- To give loans.
- To buy-back its own securities
- To make political contributions
- To fill casual vacancy in the Board.

# MATTERS THAT REQUIRE A BOARD MEETING - PART 2

- To sanction contracts in which a director is interested
- To make investment in shares of other companies.
- To make declaration of solvency with respect to voluntary winding up.
- To enter into joint venture and collaboration agreement.
- To commence a new business activity
- To approve mergers and acquisitions
- To shift the location of plant or factory or a registered office.
- To appoint or remove senior management personnel one level below the Board
- To appoint internal auditors and cost auditors.

# MATTERS THAT REQUIRE A BOARD MEETING - PART 3

- Adoption of Common Seal
- Forfeiture of shares.
- Granting loans to directors.
- Noting of directors' interest.
- Noting of directors' shareholdings.
- Appointment or resignation of Managing Director or whole-time director or Manager.
- Appointment of a Managing Director /Manager as a Managing Director/Manager in more than one company
- Appointment and removal of the Chief Financial Officer and the Company Secretary.
- Appointment of sole-selling agents.
- To approve quarterly, half-yearly and annual accounts and cost accounts.

# MATTERS THAT REQUIRE A BOARD MEETING - PART 4

- Annual operating plans and budgets.
- Any material default in financial obligations.
- Noting of statutory compliance reports, show cause notices, prosecutions and penalty notices of material nature.
- Sale of investments, subsidiaries or assets which is not in the normal course of business.
- Any issue which involves possible public or product liability claims.
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movements.
- To accept fixed deposits and related matter

# ENSURING TRANSPARENCY & COMPLIANCE

- Resolutions should always be properly documented- Directors must be fully informed before making decisions.
- Decisions should align with the Companies Act and Articles of Association.
- Maintaining records is essential for legal compliance and audits.



# CONCLUSION

- Passing resolutions by circulation is an efficient decision-making tool
- It is particularly useful for urgent matters that do not require in-depth discussions.
- However, not all matters can be approved through circulation, and regular board meetings remain crucial.

*Thank  
You*

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