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A Comparative Study of the Legal Prohibitions Applicable to Directors of Joint-Stock Companies under Iranian and French Law

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1. Round 1

1.1. Reviewer 1

Reviewer:

The literature-review portion of the Introduction requires substantial strengthening. The manuscript discusses only a limited number of previous studies and summarizes them descriptively, for example: "Fallah and Zeinali examined the civil liability of directors" and "Khoshnoudi and Yaghoubi Nader analyzed the inherent powers of the chief executive officer." The authors should move beyond reporting the topics and conclusions of previous publications and critically identify their methodological and substantive limitations. It should be explained precisely which dimensions of directors' prohibitions were addressed by each study, which areas were omitted, and how the present article differs in terms of legal sources, comparative framework, or analytical categories. The claim that no comprehensive comparative study exists should be substantiated through a systematic account of the reviewed literature. The authors should also clarify whether French-language scholarship, French judicial decisions, and official French legal commentaries were included in the literature review, because a comparison based primarily on Iranian secondary sources may not adequately represent the French legal system.

The final part of the Introduction claims that the article develops an "operational model of graduated supervisory mechanisms" and applies a "five-stage comparative analytical model encompassing philosophical foundations, legal structure, enforcement mechanisms, supervisory mechanisms, and effectiveness assessment." These claims are potentially important, but the proposed models are neither formally defined nor consistently operationalized in the body of the manuscript. The authors should provide a clear explanation of each stage, identify the variables or criteria examined at each stage, and show how the stages structure the comparative analysis. The concept of "graduated supervisory mechanisms" should also be presented as an explicit model, preferably through a concise analytical table or figure showing the progression from disclosure and inquiry to expert examination, derivative litigation, civil liability, and criminal enforcement. Without such clarification, the asserted methodological novelty appears more rhetorical than substantive. The article's contribution would be considerably stronger if the proposed framework were transparently applied to each category of prohibition.

The Research Method section is insufficient for a comparative legal study of this scope. The statement that the research used "a descriptive-analytical method and a comparative approach" does not explain how legal materials were identified, selected, interpreted, or compared. The authors should specify the temporal scope of the research, the date up to which the legislation was examined, the databases and libraries consulted, the languages of the sources, and the criteria used to include or exclude statutes, regulations, judicial decisions, academic books, articles, and theses. The manuscript should also identify the type of comparative method employed, such as functional comparison, doctrinal comparison, institutional comparison, or problem-oriented comparison. Furthermore, the method should explain how equivalent concepts were identified across systems when Iranian and French legal categories do not perfectly correspond. A comparative legal study cannot rely solely on juxtaposing statutory provisions; it must address interpretation, implementation, institutional context, and judicial practice.

The Research Method section refers generally to "the laws and regulations relevant to the subject in the Iranian and French legal systems," but the manuscript relies overwhelmingly on statutory provisions and provides little evidence of systematic engagement with case law, administrative guidance, corporate-governance codes, securities regulations, or enforcement practice. This is particularly problematic because several conclusions concern the practical effectiveness of the two systems. Statements about effectiveness cannot be established through statutory text alone. The authors should incorporate relevant judicial interpretations of directors' powers, conflicted transactions, misuse of corporate assets, derivative actions, and directors' liability. They should also consider whether listed companies are subject to additional capital-market regulations that differ from the general company-law regime. If judicial and administrative materials were unavailable or excluded, this limitation should be expressly acknowledged. Otherwise, the authors should revise the methodology and analysis to reflect the actual sources used and avoid making empirical claims about enforcement effectiveness.

The discussion of Article 166 in Section 3.2 requires verification and clearer classification. The manuscript presents the provision as requiring directors of public joint-stock companies to disclose their direct and indirect shareholdings within 15 days and then criticizes the absence of a prohibition on insider trading. The authors should verify whether the cited article directly establishes the described disclosure obligation and whether separate securities-market legislation governs directors' dealings and inside information. Company law and capital-market law should not be treated as a single regulatory field. The article should distinguish between disclosure of directors' ownership, disclosure of changes in ownership, insider dealing, market manipulation, blackout periods, and reporting to a securities regulator. If Iranian securities legislation contains relevant rules, they must be incorporated into the analysis; if the article intentionally limits itself to the Commercial Code, that limitation should be acknowledged. Otherwise, the conclusion that no relevant Iranian mechanism exists may be overstated.

In Section 3.3, the analysis of Article 142 asserts that a director who causes loss through incompetence or negligence "may escape liability" unless a statute, the articles of association, or a general-meeting resolution has been violated. This conclusion requires more careful doctrinal analysis. The authors should examine whether general civil-liability principles, fiduciary obligations, standards of care, or interpretations of statutory duties may encompass negligence and mismanagement. It is not sufficient to infer the complete absence of liability solely from the wording of one article. The discussion should distinguish between the statutory grounds of corporate liability, general tort liability, contractual or quasi-contractual liability, and special liability in insolvency. The authors should also explain the applicable burden of proof, causation standard, collective decision-making implications, and possible defenses. This would provide a more accurate basis for comparing Iranian law with the French concept of faute de gestion.

Authors revised the manuscript and uploaded the document.

1.2. Reviewer 2

Reviewer:

In Section 3.1, the manuscript characterizes the two-year term of directors under Iranian law as a "two-year temporal prohibition" and argues that it may encourage short-termism and increase knowledge-transfer costs. The terminology is problematic because a maximum term of office is more accurately described as a statutory limitation or governance rule rather than a prohibition. Moreover, the manuscript does not distinguish between the expiration of a term and the possibility of immediate re-election. If directors may be re-elected, the rule does not necessarily produce frequent turnover or prevent long-term planning. The critique should therefore be reconsidered and supported by a more nuanced analysis of actual corporate practice. The authors should examine whether the two-year term requires formal renewal without mandating replacement, whether reappointment is common, and whether the principal concern is administrative burden rather than instability. The discussion should also compare the rule with the variable terms permitted in France rather than assuming that a shorter term is inherently inefficient.

The discussion of Article 118 in Section 3.1 requires greater doctrinal precision. The manuscript states that when a director exceeds the corporate purpose, "the transaction may be declared invalid even if the counterparty acted in good faith." This is a central legal proposition, yet it is stated without a careful distinction between the powers of the board as an organ, restrictions arising from the articles of association, the corporate purpose, and the enforceability of internal limitations against third parties. The authors should analyze the exact legal effect of acts outside the corporate purpose and distinguish between the validity of the transaction, the company's ability to invoke the limitation, and the director's internal liability. The manuscript should also avoid conflating the board of directors with the chief executive officer, because the statutory bases and scope of their powers may differ. This issue is fundamental to the comparison with French apparent-authority principles and must be treated with greater technical accuracy.

The discussion of the chief executive officer's legal status in Section 3.1 is conceptually valuable but presently one-sided. The paragraph beginning "Iranian legal scholars disagree over the legal nature of the chief executive officer's position" strongly favors the organ theory and criticizes the agency theory as inconsistent with modern commerce. The authors should present the doctrinal arguments for both positions more systematically. For example, they should examine the statutory source of the chief executive officer's authority, the significance of delegation by the board, the chief executive officer's power to bind the company, and the relationship between corporate-organ theory and representation. The manuscript should also explain whether characterizing the chief executive officer as an organ necessarily entails inherent powers independent of the board. A more balanced analysis would avoid treating agency and organ theories as mutually exclusive without examining hybrid approaches. The recommendation to adopt the organ theory should follow from a comparative analysis of consequences rather than from normative assertion alone.

Section 3.2 appears to conflate two distinct categories of transactions when discussing Article 129. The sentence "directors and the chief executive officer may not undertake transactions similar to those of the company where such transactions compete with the company's operations" appears to combine conflicted transactions with competitive activities. The authors should verify the statutory allocation of these subjects and separately analyze transactions between directors and the company, competition with the company, loans and guarantees, voting restrictions, and qualifying-share requirements. Each prohibition has a different rationale, authorization procedure, and sanction. Combining them risks legal inaccuracy and weakens the comparative mapping with the French regulated-agreements regime. A revised structure should provide a distinct subsection for each prohibition, identify the protected interest, specify whether the rule is absolute or conditional, describe the approval or disclosure mechanism, and state the civil and criminal consequences of non-compliance.

The critique of the Iranian authorization procedure for directors' transactions is persuasive but should be developed through a more systematic procedural comparison. The manuscript asks: "Can the interested director participate in the vote? Is a special majority required?" These are appropriate questions, but the article should not leave them as rhetorical observations. The authors should examine whether the relevant statutory provisions, general principles concerning conflicts of interest, the company's articles of association, or judicial practice provide answers. The comparison with France should be presented in a structured manner addressing initiation of the transaction, disclosure of the director's interest, exclusion from deliberation and voting, board approval, auditor or inspector review, shareholder approval, quorum calculation, subsequent ratification, invalidity, and liability. A comparative table would be particularly effective. Such a table would enable readers to distinguish between the apparent simplicity of the Iranian regime and the multilayered French procedure without relying on repetitive narrative assessments.

Authors revised the manuscript and uploaded the document.

2. Revised

Editor's decision: Accepted.
Editor in Chief's decision: Accepted.