

The Shaping and Reshaping of the Blockholder-Centric Model of Corporate Law in Taiwan: The Example of Shareholder Resolution Regime

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Abstract

This article proposes that Taiwan's legal regime on corporations can be labeled as a blockholder-centric model. The model originates from the Special Corporation Act of 1940 promulgated by the Nationalist government, which aimed at exempting the special corporations from certain rules in the Republic of China Company Law of 1929. At the time when the Special Corporation Act of 1940 was enacted, the shareholding of each special corporation was mostly in the hands of the government and other blockholders. In light of the foregoing, the Special Corporation Act of 1940 was custom-made for the business entities comprised only of blockholders. Moreover, the overhaul of the Republic of China Company Law in 1946 and 1966 respectively put rules in place to reinforce the blockholder-centric model. In comparison, by looking into the evolution of the legal regime on limited liability company, it shows that the legal form and rules of limited liability company were first created in 1946 based on the same blockholder-centric model. However, the following revisions of this regime have gradually shifted away from the model since then.

Understandings gained from the progression of the blockholder-centric model can shed new light on several controversies concerning shareholder resolutions. On one hand, it reveals that the mainstream judicial opinions on several controversial cases are aligned with the blockholder-centric model. On the other hand, it demonstrates that some revisions on legal rules have been

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made without taking into account the model that the previous rules derived from. Therefore, these revisions while well-intentioned might do more harm than good. This article suggests that two lines of reform be initiated and implemented. We shall first make sure rules governing the existing corporations are complementary to the blockholder-centric model. In addition, another model with a different set of rules shall be created for future business entities to choose to be subject to.

Keywords: blockholder, the blockholder-centric model, shareholder resolution, special corporation, cumulative voting, quorum