22. The doctrine of capital maintenance

This chapter discusses doctrine of capital maintenance. The doctrine of capital maintenance is essentially a collection of rules designed to ensure, first, that a company obtains the capital which it has purported to raise; and secondly, that that capital is maintained, subject to the exigencies of the business, for the benefit and protection of the company's creditors and the discharge of its liabilities. In particular, the doctrine of capital maintenance precludes the return of capital, directly or indirectly, to the shareholders ahead of a winding up of the company. The discussions cover the purchase and redemption of a company's own shares; reduction of capital; distributions to the members; and financial assistance by a company for the acquisition of its own shares.
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