



## Tax alert: SEBI Introduces key amendments to Related Party Transactions

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The Securities and Exchange Board of India (SEBI) vide notification dated 12 December 2024 has notified the SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2024, which *inter alia* includes amendment to the provisions relating to Related Party Transactions (RPT).

### In a nutshell



Amendment to the definition of related party transactions exempting corporate actions of subsidiaries from the purview of RPT.



Introduction of post-facto approval of RPTs by the Audit Committee of the listed entity.



Omnibus approval for RPTs of subsidiaries by the Audit Committee of the listed entity subject to specified conditions.



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SEBI has amended SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR) on 12 December 2024, which *inter alia* includes amendment to Related Party Transactions (RPT). The amendments relating to RPTs have been summarized below:

- **Amendment in the definition of related party transaction:**

The following will **not** be considered as RPTs and hence, will **not** require approvals and disclosures under SEBI LODR:

- Corporate actions (viz. dividend, rights, buy-back, etc.) by subsidiaries of a listed entity and corporate actions received by the listed entity or its subsidiaries which are uniformly applicable to all shareholders in proportion to their shareholding
- Acceptance of current account deposits and saving account deposits by banks as per directions of Reserve Bank of India / central bank in the overseas jurisdiction from time to time (applicable to banks)
- Retail purchases from any listed entity or its subsidiary by its directors/ employees, without establishing a business relationship and at the terms which are uniformly applicable to all directors and employees

- **Remuneration and sitting fees:**

Remuneration and sitting fees paid by listed entity or its subsidiary to its directors, KMPs or senior management (excluding promoters/promoter group) is now exempt from the requirement of prior approval of audit committee provided the transaction is not material. Further, no disclosure is required to be made to the stock exchanges for the same.

- **Post facto ratification of RPTs:**

In case if RPT is not approved (prior / omnibus) by the audit committee, then the audit committee can ratify RPTs within 3 months from entering into the transaction (or) in the immediate next meeting, whichever is earlier, provided the value of the RPTs is less than Rs. 1 crore in a financial year, the RPT is not-material in nature and subject to fulfillment of specified conditions. In case RPT is not ratified, then such transaction will be voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director concerned shall indemnify the listed entity against any loss incurred by it.

- **Omnibus Approval for RPTs of subsidiaries:**

- For RPTs entered into by subsidiaries where listed entity is not a party (see note below), omnibus approval of audit committee can be taken in line with omnibus approval undertaken by the listed entity.
- Audit committee need to set criteria for granting the omnibus approval.
- In addition to existing requirement of review of RPTs entered into by the listed entity on a quarterly basis, audit committee shall also review the RPTs of subsidiaries that were approved under omnibus route.
- Omnibus approval of audit committee of listed entity can be taken for unforeseen RPTs of subsidiaries (where listed entity is not a party).

**Note:** As per SEBI LODR Regulations, for RPTs entered into by subsidiaries of listed entity, where listed entity is not a party, approval of audit committee of listed entity is required if the transaction (whether entered into individually or taken together with previous transactions during a financial year) exceeds 10% of standalone turnover of the subsidiary (as per the last audited financial statements of the subsidiary).

- **Exempt RPTs:**

Following RPTs are exempt from the requirement of obtaining approval of audit committee or shareholders:

- Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and Central Government or State Government or any combination thereof on the other hand
- Transactions entered into between a public sector company (as defined in Securities Contracts (Regulation) Rules, 1957) on one hand and the Central Government or any State Government or any combination thereof on the other hand.

**Conclusion:**

These amendments aim to streamline compliance requirements for listed entities and their subsidiaries by exempting certain transactions from approvals and disclosures, providing flexibility through post-facto ratification and omnibus approvals. Aforesaid changes would require listed entities to review their existing RPT policy and RPT Framework to align with the amended regulations.

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