

# RPT compliances by subsidiaries of listed entities

November 3, 2022

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# Outline of the workshop

- Group level governance for RPTs
- Definition of Related Party (RP)
- Definition of RP; interpretation of RP for subsidiaries
- Wider definition of Related Party Transaction (RPT) covering cross-RPTs
- Relevance of Subsidiaries in RPT compliances on listed entities
- Systems and controls required for subsidiaries
- Identification of RPs and RPTs by subsidiaries
- Process of approval for RPT by a listed company
- Approvals required for RPTs of subsidiaries
- Determining materiality for approval of shareholders
- General exemptions; exemptions from shareholder approvals
- Disclosures before Audit Committee
- Disclosures before shareholders
- Material modification and subsequent approvals; Approvals required for ongoing transactions and subsequent modifications
- Disclosures to Stock Exchange (SE)
- Approval & disclosure matrix for RPTs
- Policy requisites
- Actionables for the subsidiaries

# Group level governance of RPTs

- RPT controls are key part of corporate governance
- Depending on the size/significance of subsidiaries, it is important for the board/audit committee of every holding company to ensure RPT controls at subsidiary level
  - Failure to ensure RPT control at subsidiary level may lead to dilution of control at holding entity level
- Interconnectivity of entities in a group
  - Uday Kotak Committee Report
    - emphasised on setting up of group governance unit/governance committee or a group governance policy.
    - the decision of setting up of such a unit/committee and having such a group governance policy may be left to the board of the listed entity
    - SEBI was to issue guidance for listed entities having multiple unlisted subsidiaries.
  - SEBI Circular of May 10, 2018
    - Where a listed entity has large number of unlisted subsidiaries
      - Board of a listed entity to take a considered call on whether to form a group governance unit/committee or have a policy.
- Board oversight by parent entity through policies
  - may be particularly needed in case of RPTs

# Definition of RP

## 1. Under Companies Act, 2013 (CA)

- Director or KMP or his relative
- Firm, in which a director, manager or his relative is a partner;
- Private company in which a director or manager or his relative is a member or director;
- Public company in which a director or manager is a director and holds along with his relatives, >2% of its paid-up share capital;
- Any body corporate whose BOD, MD or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
  - NA if advice given in professional capacity
- Any person on whose advice, directions or instructions a director or manager is accustomed to act.
  - NA if advice given in professional capacity
- Any body corporate which is;
  - a holding, subsidiary or an associate company of such company;
  - a subsidiary of a holding company to which it is also a subsidiary; or
  - an investing company or the venturer of the company

## 2. Under LODR Regulations

- Related Party” means:
  - as defined under section 2(76) of CA;
  - Applicable Accounting Standard (AS)
- Deemed RP
  - Any person/ entity belonging to promoter/ promoter group
    - irrespective of their shareholding
  - Any person/ entity
    - holding equity shareholding
    - 20% or more [w.e.f April 1, 2022]
    - 10% or more [w.e.f April 1, 2023]
  - Either directly, OR
  - Beneficial interest basis as under section 89 of CA, 2013
  - At any time during the immediate preceding FY

# Definition of RP

## 3. Under Ind AS 24

- Persons [Para 9(a)]
  - A person or a close family member is related if he:
    - Has control/joint control [Para 9(a)(i)]
    - Has significant influence [Para 9(a)(ii)]
    - Is a member of the key managerial personnel (KMP) [Para 9(a)(iii)];
  - of the reporting entity or its parent.
- Close members of a family of a person [Para 9(a)]
  - are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity including:
    - That person's children, spouse or domestic partner, brother, sister, father and mother [Clause (a) of the definition];
    - Children of that person's spouse or domestic partner [Clause (b) of the definition]; and
    - Dependants of that person or that person's spouse or domestic partner [Clause (c) of the definition];.
- KMPs are those person having authority and responsibility for
  - planning, directing and controlling the activities of the entity,
  - directly or indirectly, including any director (whether executive or otherwise) of that entity [Definition under Para 9]
- Entity [Para 9(b)]
  - An entity is related to a reporting entity if any of the below conditions are met:
    - Parent, subsidiaries and fellow subsidiaries [Para 9(b)(i)]
    - One entity is JV or an associate of the other entity [Para 9(b)(ii)];
    - One entity is associate/ JV of a member of the same group of the other entity [Para 9(b)(ii)];
    - Both entities are JV of the same third party [Para 9(b)(iii)]
    - One entity is a JV of a third party and the other entity is an associate of the third entity [Para 9(b)(iv)];
    - The entity is a post-employment benefit plan for the employees [Para 9(b)(v)]
      - of the reporting entity or
      - of an entity related thereto
    - The entity is controlled or jointly controlled by the natural person who is a related party [Para 9(b)(vi);
    - A person having control or joint control of the reporting entity has significant influence over the entity or is the member of the KMP of the entity or of the parent [Para 9(b)(vii)];
    - The entity or any member of its group providing KMP services to the reporting entity or to the parent of the reporting entity [Para 9(b)(viii)]

# Definition of RP

## 4. Under AS-18

- Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise including holding companies, subsidiaries and fellow subsidiaries;
- Associates and joint ventures;
- Company to which the reporting enterprise is an associate or a joint venture;
- Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- KMP and relatives of such personnel; and
- Enterprises over which any person described in (c) or (d) (*immediately preceding two bullets above*) is able to exercise significant influence - includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

# Interpretation of 'RP' for subsidiaries

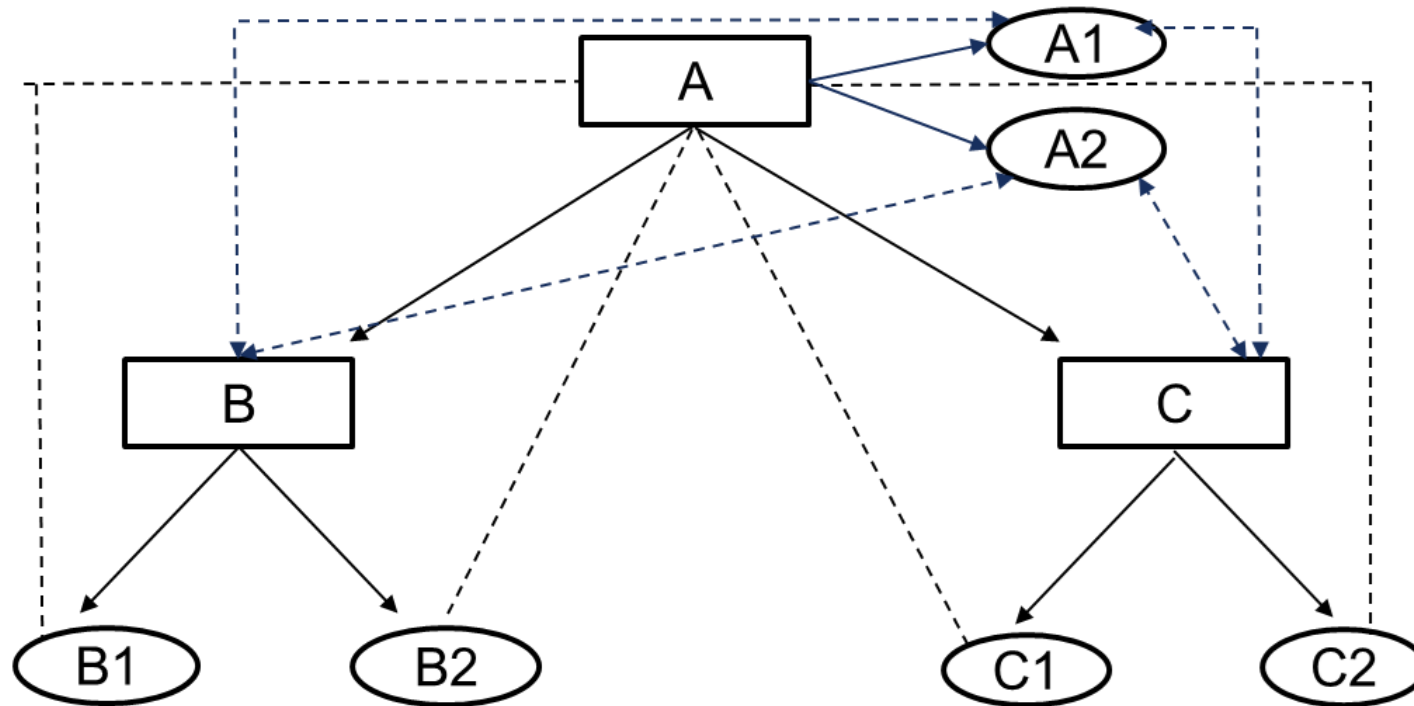
- Basis of determination of scope of 'RP' for subsidiaries
  - As per law applicable to listed parent; OR
  - As per law applicable to the subsidiary?
- Equity listed to which reg. 15 and 23 of LODR is applicable:
  - LODR Regs = Promoter/promoter group + substantial shareholders + Companies Act + Applicable AS
  - How to determine applicable AS?
    - As applicable to the entity?
    - As applicable to the consolidating entity?
- Equity listed to which reg. 15 and 23 of LODR is not applicable (i.e. SME, Co. with PUE<10Cr & NW<25Cr , ):
  - CA
- Debt listed entities which are HVDLE:
  - LODR Regs = Promoter/promoter group + substantial shareholders + Companies Act + Applicable AS
    - comply/explain till March 31, 2023
- Debt listed entities which not are HVDLE:
  - CA
- Unlisted Company
  - CA
- Foreign companies
  - As per laws of the host country
- LLPs
  - no specific definition under LLP Act
  - Partners?

# Definition of RPT

- No definition under CA.
  - Sec. 188 lists down certain types of RPTs;
    - financial transactions are not covered.
  - Framework for approval of RPTs u/s 177 and 188
- RPT under LODR Regulations means –
  - A transaction involving
  - transfer of resources, services or obligations between
    - a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
    - a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand,
      - the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, [w.e.f. April 1, 2023]
  - regardless of whether a price is charged; and
  - a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract



# Erstwhile definition of RPT



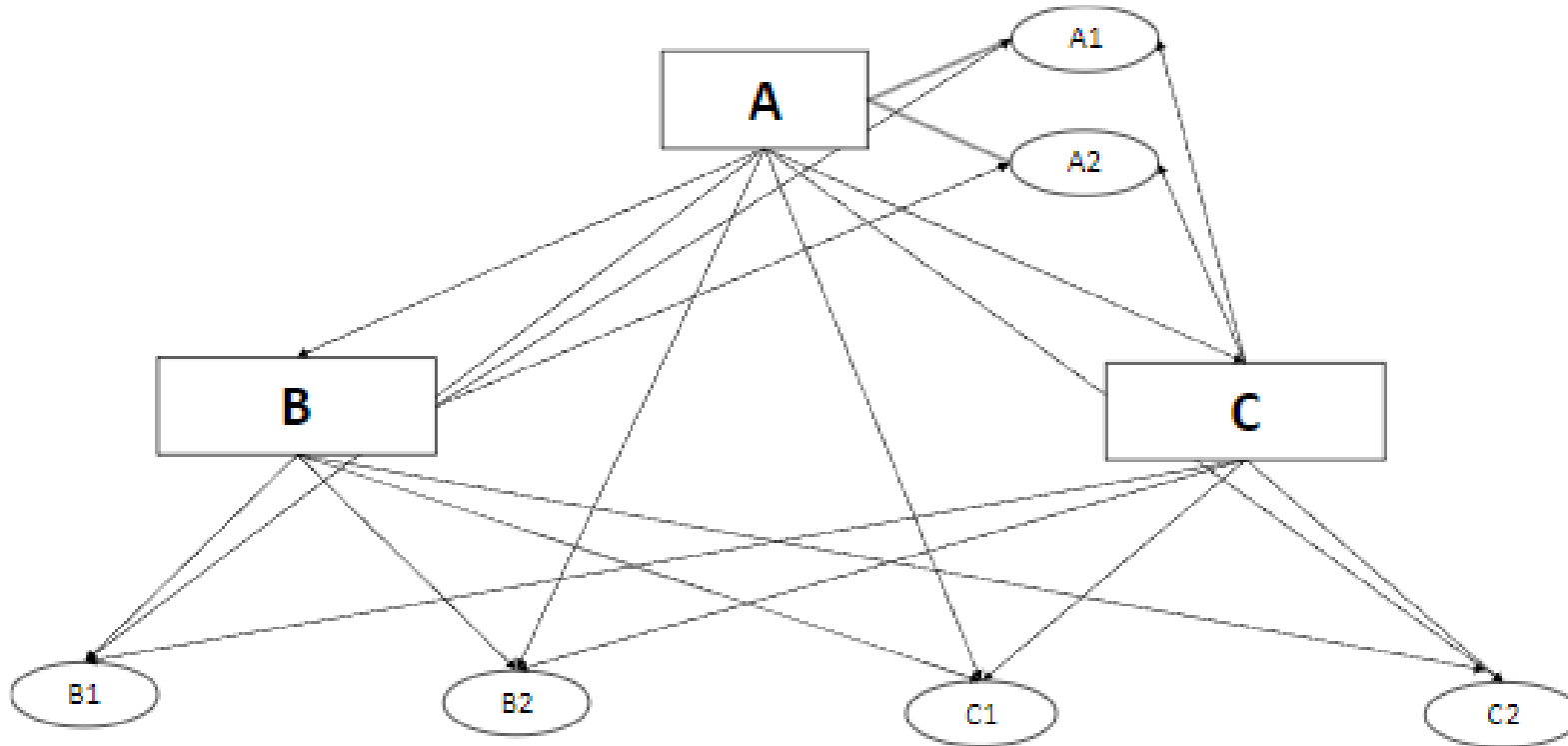
A is a listed entity;  
B and C are its  
subsidiaries.

A1/A2, B1/B2 and  
C1/C2 are related  
parties of A, B and  
C respectively.

—————→ RPT  
- - - - - not a RPT

Source: [Annexure II of SEBI Meeting file](#)

# Amended definition of RPT

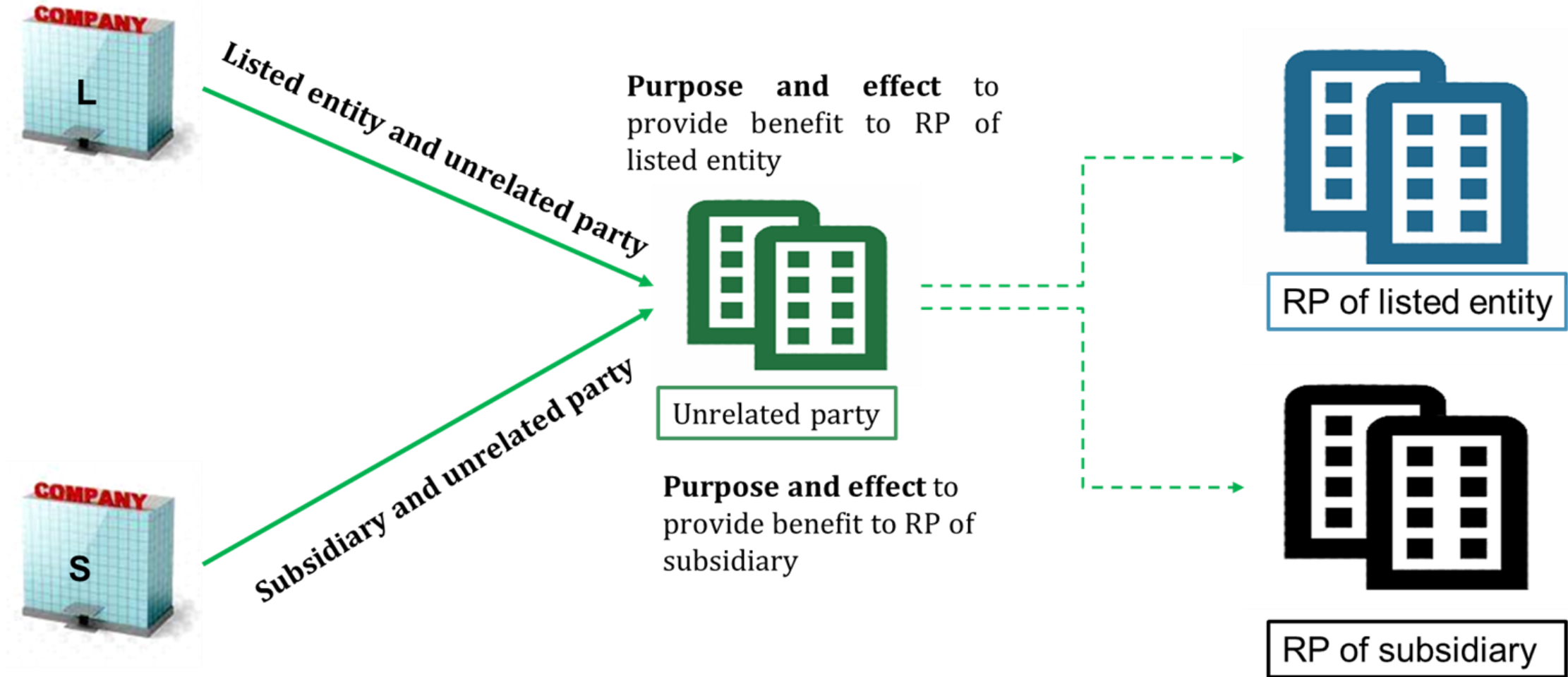


A is a listed entity; B and C are its subsidiaries. A1/A2, B1/B2 and C1/C2 are related parties of A, B and C respectively.

Representation excludes second part of the recommendations which refer to transactions with unrelated parties, the *purpose and effect* of which is, to benefit related parties of the listed entity.

Source: [Annexure II of SEBI Meeting file](#)

# Amended Definition of RPTs wef 1<sup>st</sup> April ,2023



# Decoding the phrase “Purpose and Effect” (P&E)

## Purpose

- never documented or explicit
- may be evident by examining the commercial justification of a transaction
  - If the transaction did not have a commercial justification, sans the benefit to the RP, the purpose becomes clear
- determination remains subjective and investigative/ forensic.

## Effect

- is likely to be explicit.
- may be evident by examining the presence of purpose
  - If the transaction did not have a purpose to benefit, however, effect is visible, the same may not be counted
- determination remains subject to establishment of purpose.

*The words have been used cumulatively, with a conjunctive, hence both the purpose and effect have to be directed to the RP.*

Purpose	Effect
✓	✓
✓	✗
✗	✓
✗	✗

# Relevance of Subsidiaries in RPT compliances on listed entities

- Transactions possible
  - RPTs of parent listed entity with the RPs of subsidiaries
  - RPTs of subsidiaries with its own RPs
  - RPTs of subsidiaries with RPs of parent listed entity
  - RPTs of subsidiaries with RPs of other subsidiaries
- Controls required
  - Determination of RPs
  - Approval mechanism:
    - approval by the transacting entity
    - approval by the audit committee of the holding entity
    - approval by the shareholders of the holding entity
  - Information flow from subsidiaries to holding entity
  - Policy

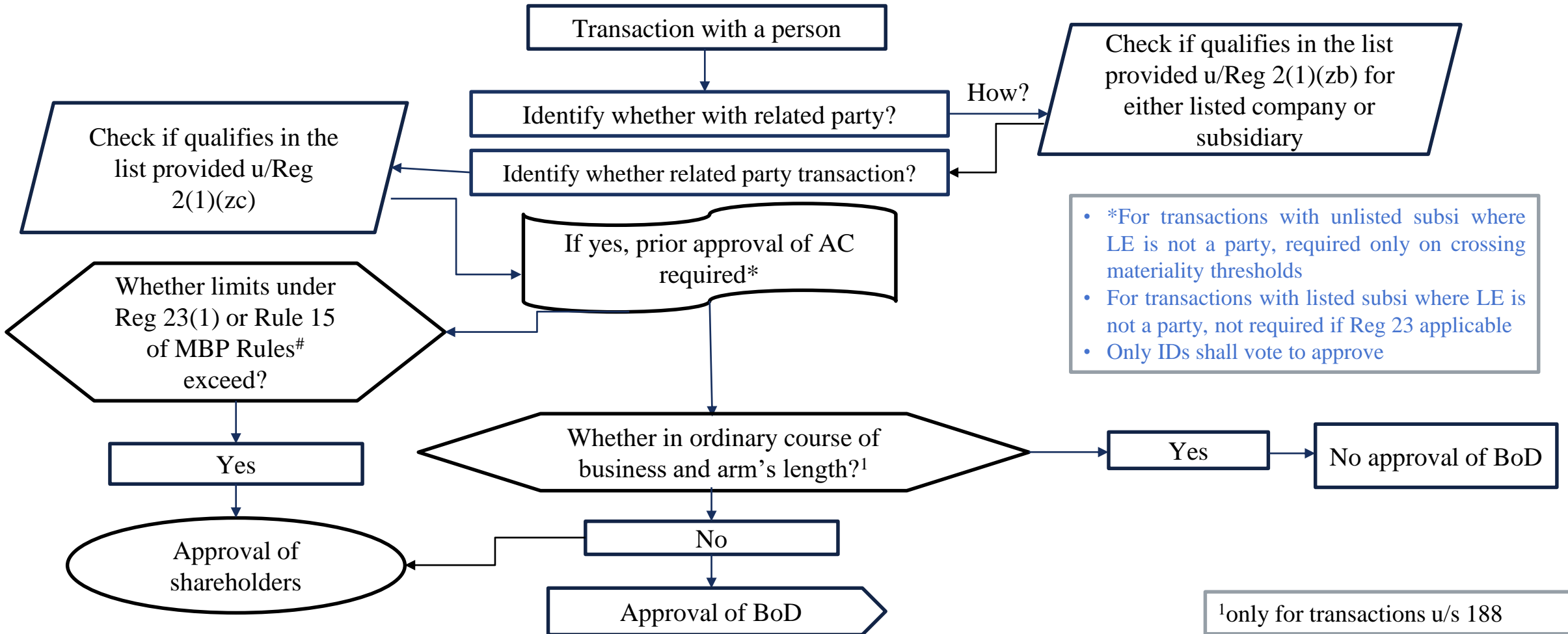
# Systems and controls required for subsidiaries - Overview

- Identification and mutual sharing of list of related parties
  - Subsidiaries to have information about related parties of the parent and fellow subsidiaries
  - Parent to have information about RPs of the subsidiaries
- Tracking/collating of all related party transactions, basis the RPs identified
- Setting up approval systems, to ensure that RPTs are approved by AC of the subsidiary/AC of the parent, as the case may be, wherever so required (see discussion in subsequent slides)
  - Approvals by the transacting party, approvals from AC and shareholders of holding company
  - Identifying significant RPTs in terms of reg. 23(2) - for approval by AC of listed parent
    - 10% of the annual consolidated turnover, or
    - 10% of the annual standalone turnover of the subsidiary. (wef 01.04.2023)
- Identifying material RPTs in terms of reg. 23(4) - for approval by shareholders of listed parent
  - Material RPTs - Whether aggregation will be done across transactions with one RP by parent and subsidiaries? OR
  - Whether aggregation will be done across transactions with one RP by respective entities?
- Identifying material modifications
- Information flow: Subsidiary to make disclosures of RPTs to listed holding company for reporting purpose u/r 23(9)
- Policy for RPT controls
  - only at holding entity level or subsidiary level too?
  - Confirmation/ certification to be obtained from the subsidiary?

# Identification of RPs and RPTs

- Preparation of list of RPs
  - RPs of subsidiary itself
  - RP of the parent
  - RP of fellow subsidiaries
    - as per respective laws applicable to each of the companies
- Sharing of lists
  - Subsidiary to share with the parent, fellow subsidiaries
  - Parent, fellow subsidiaries to share with the subsidiaries
- Periodicity of sharing
  - At regular intervals +
  - Adhoc, on any change
    - Mutual obligation
- Streamlining of systems for obtaining inputs for preparation of RP list
  - declarations from directors/KMPs, promoters, promoter group entities, etc.
- Identification of RPTs basis lists prepared
  - RPTs of subsidiary with own RPs
    - RPT controls as per laws applicable to the subsidiary
  - RPT of subsidiary with own RPs, RPs of the holding company and fellow subsidiary:
    - identification of significant transactions [reg. 23(2)]
      - for seeking prior approval of AC of holding entity
    - identification of material transactions [reg. 23(4)]
      - for seeking prior approval of shareholders of holding entity
    - Exemptions for listed subsidiaries covered under reg. 23 and other exemptions - see further slides
  - Collation of details of all RPTs for disclosure purposes to holding entity
    - includes RPTs undertaken with RPs of holding and fellow subsidiaries

# Process of approval for RPT by a listed company



#only for transactions u/s 188 if not in ordinary course of business/ not in arm's length

¹only for transactions u/s 188



## Approvals required for RPTs of subsidiaries post amendments (1/2)

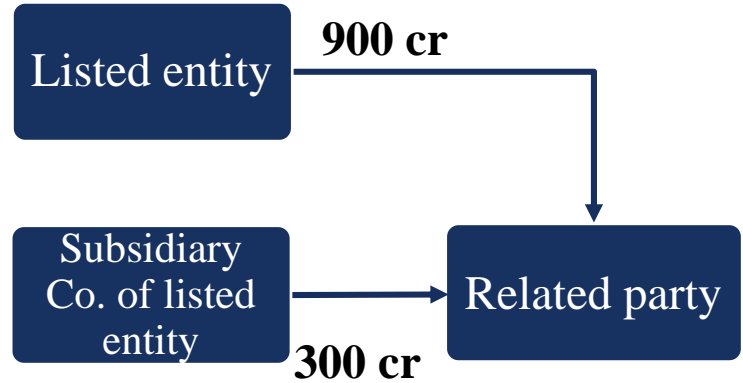
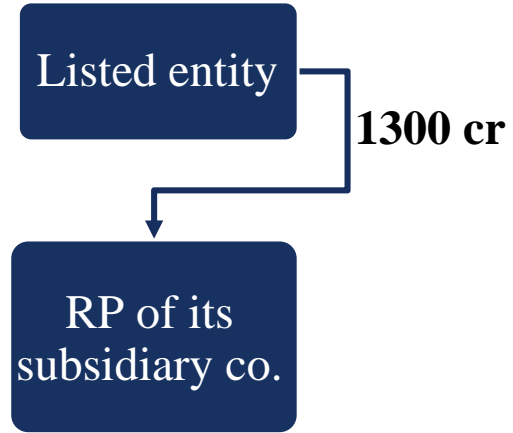
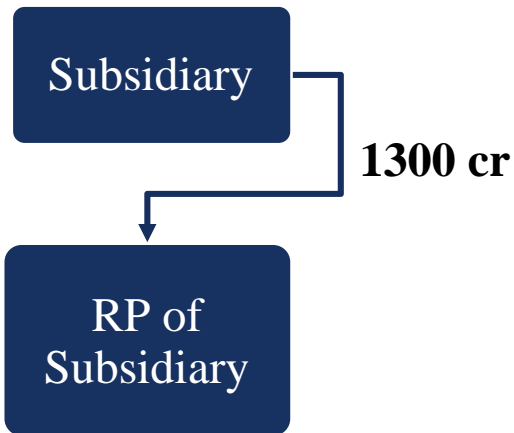
Transacting party	Counterparty	Approvals by transacting party	Approval of Audit Committee of Holding Company	Approval of Shareholders of Holding Company
Unlisted Subsidiary	RP of holding company/own/fellow subsidiary	AC and shareholders (as applicable) of unlisted subsidiary as per sec. 177 and 188. For significant transactions required to be placed before AC of holding company, should be approved by AC of subsidiary too. In case there is no AC, should ideally be approved by board of subsidiary	required if significant - 10% of consolidated turnover  10% of subsidiary's turnover (w.e.f 1st April, 2023)	Required if <b>material</b> - 10% of consolidate turnover or Rs. 1000 crores - lower
Listed subsidiary - equity listed (reg. 23 applicable)	RP of parent listed company/subsidiary/fellow subsidiary	AC and shareholders of listed subsidiary, as applicable	Not required	Not required

## Approvals required for RPTs of subsidiaries (2/2)

<b>Transacting party</b>	<b>Counterparty</b>	<b>Approvals by transacting party</b>	<b>Approval of Audit Committee of holding entity</b>	<b>Approval of Shareholders of holding entity</b>
Listed subsidiary - equity listed (reg. 23 not applicable)	RP of parent listed company/subsidiary/fellow subsidiary	same as that of an unlisted subsidiary	same as that of an unlisted subsidiary	same as that of an unlisted subsidiary
Listed subsidiary - HVDLE	RP of parent listed company/subsidiary/fellow subsidiary	AC and shareholders of listed subsidiary, as applicable	not required at holding company's level, if the HVDLE complies	not required at holding company's level, if the HVDLE complies
Listed subsidiary - debt listed (non-HVDLE)	RP of holding company/subsidiary/fellow subsidiary	same as that of an unlisted subsidiary	same as that of an unlisted subsidiary	same as that of an unlisted subsidiary

All the aforesaid cases refer to such transactions where the listed holding entity is not a party

# Determining materiality for approval by shareholders



**Prior** approval of shareholders required for –

- a. Material RPTs
- b. Subsequent material modifications in RPTs

## Threshold of materiality

If the transaction(s) to be entered into **individually / taken together with previous transactions during a FY** exceeds:

- Rs. 1000 crore OR
- 10% of the annual **consolidated turnover** of the listed entity

} lower

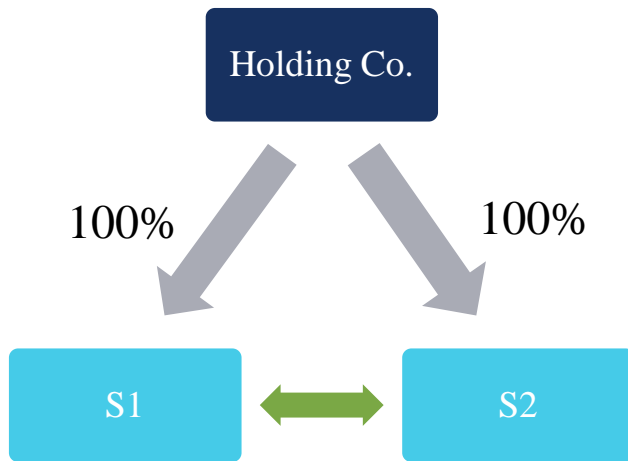
*Whether the transactions entered into by listed entity and one or more subsidiaries with the same related party are required to be aggregated at listed holding company's level to calculate the materiality thresholds?*

## General Exemptions [reg. 23(5)]

- Approval of AC and shareholders exempted in following cases:
  - RPT between two Govt. companies.
  - RPT between holding company & WOS whose accounts are consolidated with holding company & placed before shareholders for approval
  - RPT between two WOS of listed company whose accounts are consolidated with the holding company & placed before shareholders for approval
- Exempted transactions entered into by the subsidiaries
  - approvals of parent's AC and shareholders not required
- Exemption from approvals; disclosures still required u/r 23(9)

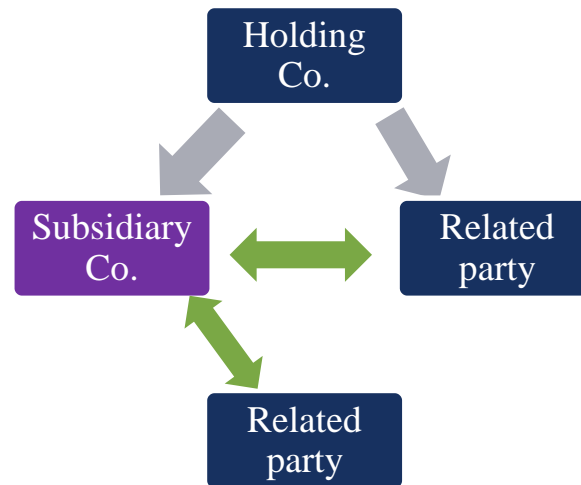
# Exemptions from shareholders' approval in case of material RPTs

## Case 1:



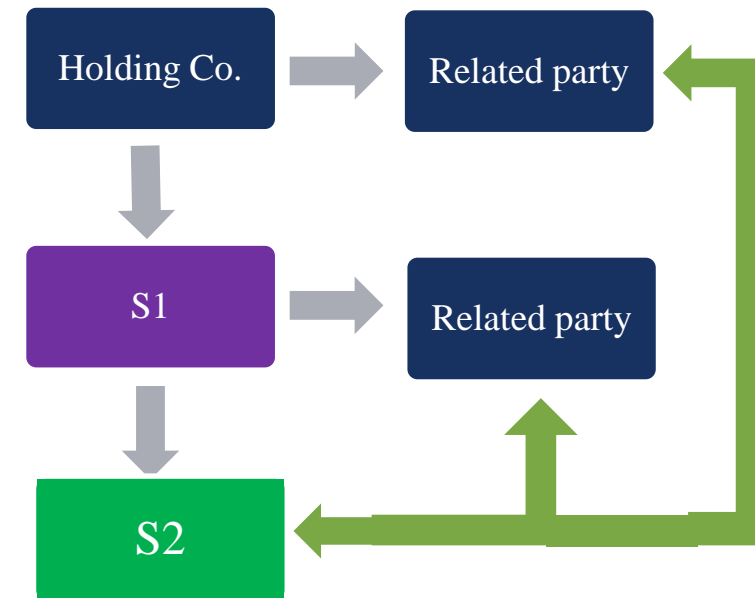
*RPT b/w two fellow W/O subsidiaries*

## Case 2:



*RPT b/w listed subsidiary & related party of holding co. and RPT b/w listed subsidiary and related party of subsidiary*

## Case 3:



*RPT b/w step down subsidiary of holding co. and its related party or with related party of subsidiary, provided S1 takes AC/shareholder approval*

■ Exempted RPT;  
■ whether listed / unlisted;

■ whose specified securities are listed / HVLDEs  
■ unlisted

# Disclosure before Audit Committee: LODR v/s SEBI Circular

As per Reg. 23 (3) of LODR (conditions for OA)	As per SEBI Circular
Name of the RP and nature of relationship with the RP	-Do-
Nature, Tenure of RPT	-Do-
Maximum amount of RPT to be entered into	-Do-
Indicative base price/ current contracted price and formula for variation in the price, if any	-Do-
Justification as to why such RPT is in the interest of listed entity	-Do-
	% of listed entity's annual consolidated turnover, for the immediately preceding FY, that is represented by value of the proposed RPT (and for a RPT involving a subsidiary, such % calculated on the basis of the subsidiary's annual turnover on a standalone basis);
	% of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
-	Copy of the valuation or other external party report, if any such report has been relied upon;
	Additional disclosures If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary: For details, see below

# Disclosures before Audit Committee

- Type, material terms and particulars of the proposed transaction;
  - What should be disclosed under ‘material terms’?
- Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
  - What should be disclosed for ‘nature of its concern or interest’?
  - Similar disclosure is also required under Section 102 of CA, 2013 for directors, manager, KMP and relatives for all special business.
- Tenure of the proposed transaction (particular tenure shall be specified);
  - What should be disclosed if the contract is of ongoing nature with no specific tenure?
- Value of the proposed transaction;
  - What if the actual value is not determinable at the time of taking approvals?
- The percentage of the listed entity’s annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary’s annual turnover on a standalone basis shall be additionally provided);
  - Whether disclosure of annual standalone turnover of subsidiary is applicable from April 1, 2022?
- A copy of the valuation or other external party report, if any such report has been relied upon;
  - In which cases will the requirement of valuation report arise?
  - Can it be obtained by the counterparty and the same be used by the listed entity?
- Percentage of the counter-party’s annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- Audit committee shall also review the status of long -term (more than one year) or recurring RPs on an annual basis

# Disclosures before Audit Committee

- If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
  - details of the source of funds in connection with the proposed transaction;
    - How will the company determine the source of funds?
    - Is there an exemption for financial sector entities?
  - where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
    - nature of indebtedness;
    - cost of funds<sup>#</sup>; and
    - tenure;
  - applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
    - What does ‘ultimate beneficiary’ mean? How can this be identified or verified by the listed entity?
- Justification as to why the RPT is in the interest of the listed entity;
  - How is the interest to be determined? Merely on the basis of transaction being on an arm’s length basis?
- Any other information that may be relevant

*#if the same is identifiable*



# Disclosure before Shareholders for Material RPTs

As per Rule 15 of MBP Rules	Additional disclosures as per SEBI Circular
Name of the related party;	A summary of the information provided by the management of the listed entity to the audit committee
Name of the director or key managerial personnel who is related, if any;	Justification for why the proposed transaction is in the interest of the listed entity
Nature of relationship;	Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified in earlier slide; (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs.)
Nature, material terms, monetary value and particulars of the contract or arrangements;	d. A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
Any other information relevant or important for the members to take a decision on the proposed resolution	e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;

# Material modification and subsequent approval

## ❑ What is termed as a material modification?

- The term has not been explicitly defined in the Regulations but the idea of requiring prior approval is to put the modifications at the same pedestal as that of the RPT for approval

## ❑ Who is to determine the material modifications?

- The Audit Committee has been entrusted with the task of determining material modification
- The material modification shall be documented in the Policy - materiality of related party transactions

### Modification under CA, 2013

- S.177 requires prior approval of audit committee in case of modification of RPTs;

### Material modification under LODR

- Prior approval reqd. in case of material modification;
- In case of material RPT, any material modification would require approval of shareholders also

## ▪ Intriguing questions-

Whether material modification will be determined on the basis of :

Whether materiality be taken into account of the original transaction or the modification



- Value of transaction;
- T&C of transaction;

**YES**

- What will be the threshold of materiality ? **25%?**

# Approvals required for ongoing transactions and subsequent modifications

<b>Original RPT by the subsidiary</b>	<b>Modification</b>	<b>Whether requires approval of AC / shareholders of holding company</b>
Not significant, not placed before AC of holding company	Non-material/ material	AC approval not required.
Not material, not placed before shareholders of holding company	Non-material/material	Shareholders approval not required.
Significant, approved by AC of holding	Non-material	AC approval not required
-Do-	Material	Prior approval of AC required
Material, approved by shareholders of holding company	Non-material	Shareholders' approval not required
-Do-	Material	Prior approval of shareholders required, in terms of reg. 23(4). Also, 'prior' approval of AC is required.

# Disclosures to stock exchanges

## ■ Half-yearly disclosures under Regulation 23(9) -

Entities that have listed their specified securities

- w.e.f. April 01, 2022: within 15 days from the date of publication of standalone & consolidated financial results for the half year;
- w.e.f. April 01, 2023: simultaneously on the date of publication of the financial results.

High Value Debt Listed Entities

Along with the standalone financial results  
[on comply or explain basis till March 31, 2023]

## ■ Disclosure in corporate governance report–

- Disclosure under Para A Sch V;
- Disclosure of loans & advances in the nature of loans to firms / companies in which directors are interested by name and amount – by the listed entity and its subsidiaries;
- Above information required to be furnished in the CG report for FY 22-23
- Disclosure of Material RPTs in the quarterly CG report filed under Reg. 27.

# Format for disclosure to Stock Exchange | Reg 23(9)

## Format for disclosure of related party transactions every six months (see Note 4)

										Additional disclosure of related party transactions - applicable only in case the related party transaction relates to loans, inter-corporate deposits, advances or investments made or given by the listed entity/subsidiary. These details need to be disclosed only once, during the reporting period when such transaction was undertaken.							
S. No	Details of the party (listed entity /subsidiary) entering into the transaction		Details of the counterparty			Type of related party transaction (see Note 5)	Value of the related party transaction as approved by the audit committee (see Note 6a)	Value of transaction during the reporting period (see Note 6b)	In case monies are due to either party as a result of the transaction (see Note 1)		In case any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments			Details of the loans, inter-corporate deposits, advances or investments			
	Name	PAN	Name	PAN	Relationship of the counterparty with the listed entity or its subsidiary				Opening balance	Closing balance	Nature of indebtedness (loan/ issuance of debt/ any other etc.)	Cost (see Note 7)	Tenure	Nature (loan/ advance/ inter-corporate deposit/ investment)	Interest Rate (%)	Tenure	Secured/ unsecured
Total (of Note 6b)																	

# Notes to disclosures

- The details in this format are required to be provided for all RPT undertaken during the reporting period. However, opening and closing balances, including commitments, to be disclosed for existing RPTs **even if there is no new RPT during the reporting period.**
- Where a transaction is undertaken between members of the consolidated entity (between the listed entity and its subsidiary or between subsidiaries), it may be reported once.
- Listed banks shall not be required to provide the disclosures w.r.t. RPT involving loans, inter-corporate deposits, advances or investments made or given by the listed banks.
- For companies with FY ending March 31, this information has to be provided for six months ended September 30 and six months ended March 31. Companies with financial years ending in other months, the six months period shall apply accordingly.

# Notes to disclosures

- Each type of RPT (for e.g. sale of goods/services, purchase of goods/services or whether it involves a loan, inter-corporate deposit, advance or investment) with a single party shall be disclosed separately and there should be no clubbing or netting of transactions of same type.
  - However, transactions with the same counterparty of the same type may be aggregated for the reporting period. For instance, sale transactions with the same party may be aggregated for the reporting period and purchase transactions may also be disclosed in a similar manner. There should be no netting off for sale and purchase transactions. Similarly, loans advanced to and received from the same counterparty should be disclosed separately, without any netting off.
- In case of a multi-year RPT: a. The aggregate value of such RPT as approved by the audit committee shall be disclosed in the column “Value of the RPT as approved by the audit committee”. b. The value of the RPT undertaken in the reporting period shall be reported in the column “Value of RPT during the reporting period”.
- "Cost" refers to the cost of borrowed funds for the listed entity.
- PAN will not be displayed on the website of the Stock Exchange(s).
- Transactions such as acceptance of fixed deposits by banks/NBFCs, undertaken with related parties, at the terms uniformly applicable /offered to all shareholders/ public shall also be reported - This was included in the WG Report.
- As per clause (c) of exclusions from definition of RPT

# Discussion points on half yearly disclosures

- Timeline for submission of disclosures to parent listed entity
  - Parent being equity listed entity
    - within fifteen days from the date of publication of its standalone and consolidated financial results.
    - Effective April 1, 2023 - on the date of publication of its standalone and consolidated financial results.
  - Parent being an HVDLE
    - on the date of publication of its standalone and consolidated financial results
      - Till March 31, 2023 - On comply or explain basis
      - Effective April 1, 2023 - mandatory requirement.
    - Subsidiary being equity listed or HVDLE
      - Same as above.
- Nature of RPTs to be disclosed
  - Refer next slide
- Clubbing/ grouping of transactions
  - not permitted except for similar transactions with same RPs.
- Disclosure in case of significant RPTs to which LE is not a party
  - Value of AC approved by the parent or that approved by the subsidiary?
- Disclosure of RPTs received from 2 subsidiaries
  - Value of AC approved by which subsidiary to be mentioned?
    - if one of it is a listed subsidiary that is itself required to submit disclosure under Reg. 23 (9)?
- Disclosure of value approved by AC
  - In case no approval has been obtained by the subsidiary or parent listed entity?
- Disclosure in case of exempted transactions for Listed Banks
  - involving loans, inter-corporate deposits, advances or investments made or given by the listed banks.
  - Whether the subsidiary can avail exemption from disclosing.
- Disclosure with respect to fixed deposits
  - Banks and NBFCs to provide declaration in XBRL format
  - Whether subsidiary to disclose details of fixed deposits placed.





# Approval and Disclosure matrix for RPTs



## Disclosure requirement for subsidiaries under Reg. 23 (9)

Transacting party	Transactions to be reported to listed parent	Transactions to be reported to stock exchange
Listed subsidiary - equity listed (reg. 23 applicable)	All RPTs as per Reg. 2 (1) (zc) of LODR Also, RPTs with RPs of Parent Listed Entity, RPs of fellow subsidiaries.	All RPTs as per Reg 2 (1) (zc) of LODR; that is, transaction between LE and subsidiaries on one hand and RPs of LE and subsidiaries on the other hand.
Listed subsidiary - equity listed (reg. 23 not applicable)		N.A
Listed subsidiary - HVDLE		All RPTs as per Reg 2 (1) (zc) of LODR
Listed subsidiary - debt listed (non-HVDLE)		N.A
Unlisted subsidiary		N.A

Sr. No.	Type of RPT	Requirement of prior approval of AC	Value to be considered for half-yearly disclosure	Remarks
1	<b>Where listed entity is a party</b>			
	RPT between listed entity and RPs of listed entity/ subsidiaries	Approval of AC of listed entity	Value approved by AC of the listed entity	
2	<b>Other cases where listed entity is not a party</b>			
2.1	<b><u>Undertaken by a listed subsidiary (where Reg. 23 and Reg. 15 are applicable)</u></b>			
	RPT with RPs of self/ parent listed entity/ fellow subsidiaries	Approval of AC of listed subsidiary	Value approved by AC of listed subsidiary	Listed subsidiary which is required to follow reg. 23, is not required to take RPTs that are significant transactions to AC of the listed parent.

Sr. No.	Type of RPT	Requirement of prior approval of AC	Value to be considered for half-yearly disclosure	Remarks
2	<b>Other cases where listed entity is not a party</b>			
2.2	<b><u>Undertaken by unlisted subsidiary or listed subsidiary (where reg. 23 is not applicable)</u></b>			
(a)	<b>RPT with own RPs (as per law applicable to the subsidiary)</b>			
I	<b>- Cases requiring approval in terms of sec. 177/ 188</b>			
	Significant transactions	Approval of AC of subsidiary + Approval of AC of parent listed entity.	Value will remain same. In case the AC of parent overrules the value approved by AC of subsidiary, then the limit approved by AC of parent listed entity should be considered.	
	Non-significant transactions	Approval of AC of subsidiary only	Value approved by the AC of subsidiary	

Sr. No.	Type of RPT	Requirement of prior approval of AC	Value to be considered for half-yearly disclosure	Remarks
2	<b>Other cases where listed entity is not a party</b>			
2.2	<b><u>Undertaken by unlisted subsidiary or listed subsidiary (where reg. 23 is not applicable)</u></b>			
(a)	<b>RPT with own RPs (as per law applicable to the subsidiary)</b>			
II	<b>- Cases not requiring approval in terms of sec. 177/ 188</b>			
	Significant transactions	Approval of AC of parent listed entity. Practically, may not be possible to place the transaction for approval of AC of parent listed entity without getting approval from own AC. As such, approval of own AC will also be required..	Value approved by both AC will remain same. In case the AC of parent listed entity overrules the value approved by AC of subsidiary, then the limit approved by AC of parent listed entity should be considered.	
	Non-significant transactions	Not required	Can state "Not applicable" citing reasons in the note.	

Sr. No.	Type of RPT	Requirement of prior approval of AC	Value to be considered for half-yearly disclosure	Remarks
2	<b>Other cases where listed entity is not a party</b>			
2.2	<b><u>Undertaken by unlisted subsidiary or listed subsidiary (where reg. 23 is not applicable)</u></b>			
(b)	<b>RPTs with RPs of parent listed entity (which are otherwise not RPs of the subsidiary as per applicable law)</b>			
	Significant transactions	Approval of AC of parent listed entity. Practically, may not be possible to place the transaction for approval of AC of parent listed entity without getting approval from own AC. As such, approval of own AC will also be required..	Value approved by both AC will remain same. In case the AC of parent listed entity overrules the value approved by AC of subsidiary, then the limit approved by AC of parent listed entity should be considered.	
	Non-significant transactions	Not required	Can state "Not applicable" citing reasons in the note.	

Sr. No.	Type of RPT	Requirement of prior approval of AC	Value to be considered for half-yearly disclosure	Remarks
2	<b>Other cases where listed entity is not a party</b>			
2.2	<b><u>Undertaken by unlisted subsidiary or listed subsidiary (where reg. 23 is not applicable)</u></b>			
(c)	<b>RPTs with RPs of fellow subsidiaries (which are otherwise not RPs of the subsidiary as per applicable laws)</b>			
	Significant transactions	Approval of AC of parent listed entity. Practically, may not be possible to place the transaction for approval of AC of parent listed entity without getting approval from own AC. As such, approval of own AC will also be required..	Value approved by both AC will remain same. In case the AC of parent listed entity overrules the value approved by AC of subsidiary, then the limit approved by AC of parent listed entity should be considered.	
	Non-significant transactions	Not required	Can state "Not applicable" citing reasons in the note.	

# Policy requisites

- Group level governance by listed parent
  - orchestration of entire RPT controls of subsidiaries
  - from laying down standards of transacting to those of reporting
- General philosophy and approach towards RPTs
- Standards of transacting
- Approach of framing the database of related parties
- Arms' length assessment
- Determination of ordinary course
- Exceptions from definitions of RPT
- Systems to ensure all significant transaction reach the parent's AC
  - with requisite details
- Obligations to share details of RPs at required intervals and details of RPTs for disclosures to stock exchange
  - periodicity of flow of information
  - format of reporting
  - standards of reporting
- Formal confirmation for RPT compliances at subsidiary level
  - on periodic basis
- Consequences of violation of policy



# Actionables for the subsidiaries

- Amend/update or frame their RPT policy
  - in discussion with holding company
  - duly aligned with the needs of the holding company
- Share RP list with holding company and fellow subsidiaries
- Seek RP list from holding company and other subsidiaries
- Provide information on any changes in RPs
- Identify RPT with RPs of holding company, RP of fellow subsidiaries
- Identify transactions requiring prior approval of AC/shareholders of holding company
- Forward the transactions to the holding company for prior approval from AC and shareholders, if applicable
- Share the details of RPT with holding company for disclosure to stock exchanges

# Our resources on the subject

- FAQs
  - [Half-yearly disclosure of RPTs to the stock exchanges](#)
  - [RPT regulatory framework as amended by the 6th LODR Amendment](#)
- Podcast
  - [Regulatory framework on RPTs- a quick snapshot](#)
  - [Taking RPTs to shareholders for approval](#)
- Video recordings
  - [Amendment in SEBI Framework for RPTs](#)
  - [Guidance on framing Policy on Materiality of RPTs](#)
- Articles
  - [Life of shareholders' approval for material related party transactions](#)
  - [New Materiality Threshold for RPTs: Nagging questions on shareholder approval](#)
- Presentations
  - [Amended SEBI Framework on Related Party Transactions](#)
- Our resource centre on RPT can be accessed [here](#).

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