

NOTICES

Notice No.	20220425-30	Notice Date	25 Apr 2022
Category	Circulars Listed Companies	Segment	Equity
Subject	Guidance Note on disclosure of Related Party Transactions		

Content

Dear Sir/Madam,

This is reference to Regulations 23(9) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 on disclosure of related party transactions.

Please find below in **Annexure 1**, the guidance note for disclosure of related party transactions as required under Regulation 23(9).

In case of any further queries, kindly contact [bse.regulation30@bseindia.com](mailto:bse.regulation30@bseindia.com)

All Listed companies are requested to take note and comply accordingly.

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April 25, 2022

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**Annexure 1**

**Guidance Note on disclosure of Related Party Transactions**

**Q1. What does ‘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’ in point 2 of notes in new SEBI format, mean?**

**Answer:** All related party transactions entered into by the listed entity and its subsidiaries must be reported, however, when transaction is undertaken between the listed entity and its subsidiary or between subsidiaries, the disclosure of that transaction shouldn't be repeated from point of view of each member of the consolidated entity. For e.g., X Ltd is a holding listed company and Y Ltd is a subsidiary of X Ltd. X Ltd sold goods worth Rs. 10 crores to Y Ltd. At the time of reporting RPT disclosures, this transaction must be reported only once, either from the point of view of X Ltd (holding reporting company) as sale of goods or from the point of Y Ltd (subsidiary company) as purchase of goods.

**Q2. From which period is the new format, as prescribed by SEBI in the annexure to circular dated November 22, 2021, applicable for submitting RPT disclosure?**

**Answer:** Listed entities are required to submit the RPT disclosures in the new SEBI format, for reporting period for the half year end commencing from 01 October, 2021 to 31 March, 2022.

**Q3. Are the companies required to provide RPT disclosures for the second half year, on year-to-date basis or on six-months end basis?**

**Answer:** As per the SEBI circular, the disclosure must be on six-month end basis for both, first half and second half year.

**Q4. Whether the definitions/provisions effective from April 01, 2022 apply on transactions for the half year ended commencing from 01 October, 2021 to 31 March, 2022, that are required to be disclosed in new SEBI format?**

**Answer:** No, the definitions/provisions that are specifically mentioned to be effective from April 01, 2022, shall be applicable on transactions undertaken from April 01, 2022 onwards.

**Q5. Whether the disclosure must be in standalone or consolidated basis?**

**Answer:** As per the new format of SEBI, the column header is "Details of the party (listed entity /subsidiary) entering into the transaction", therefore, the intent of SEBI is that the companies should disclose all the RPT transactions of itself and its subsidiaries. Therefore, the concept of disclosure on standalone or consolidated basis has been done away with and all the transactions must be disclosed.

**Q6. Is the RPT disclosures required even if there are no related party transactions during the reporting period?**

**Answer:** Yes, as per point 1 of notes in new SEBI format, "...opening and closing balances, including commitments, to be disclosed for existing related party transactions even if there is no new related party transaction during the reporting period".

**Q7. Materiality criteria for brand usage or royalty is defined separately in regulation 23 (1A). Does it mean that even if the threshold in proviso to regulation 23 (1) substituted w.e.f. 01 April, 2022, is exceeded in case of brand usage or royalty, still it shall not be disclosed if threshold in regulation 23 (1A) is not exceeded?**

**Answer:** Yes, transactions involving brand usage or royalty shall only be tested with the materiality threshold provided in regulation 23 (1A) and be disclosed only if the threshold therein is exceeded.

**Q8. Whether banks are also required to submit the RPT disclosures in SEBI's new format?**

**Answer:** Yes, banks are also required to submit the RPT disclosures in SEBI's new format.

**Q9. As per first proviso to definitions in regulation 2 (1) (zc), "acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public" shall not be a related party transaction, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board.**

**Further, as per point 9 of notes in new SEBI format, "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."**

**For banks/NBFC, whether such disclosure is required in the new SEBI format or as a declaration statement that "acceptance of fixed deposits by the banks/Non-Banking Finance Companies are at the terms uniformly applicable/offered to all shareholders/public"?**

**Answer:** The disclosure is required as a declaration statement that "acceptance of fixed deposits by the banks/Non-Banking Finance Companies are at the terms uniformly applicable/offered to all shareholders/public".

**Q10. As per provision 8 (a) of RBI circular RBI/DBR/2015-16/19 dated March 03, 2016 (updated as on November 11, 2021), Scheduled Commercial Banks shall, at their discretion, allow additional interest of one per cent per annum, over and above the rate of interest mentioned in the schedule of interest rates on savings or a term deposits of bank's staff and their exclusive associations as well as on deposits of Chairman, Chairman & Managing Director, Executive Director or such other Executives appointed for a fixed tenure.**

**How are Scheduled Commercial Banks expected to disclose these deposits, at an additional interest of 1% p.a., to such categories of parties?**

**Answer:** The disclosure is required as a declaration statement that "the scheduled commercial bank, as per RBI circular RBI/DBR/2015-16/19 dated March 03, 2016, has allowed additional interest of one per cent per annum, over and above the rate of interest mentioned in the schedule of interest rates on savings or a term deposits of bank's staff and their exclusive associations as well as on deposits of Chairman, Chairman & Managing Director, Executive Director or such other Executives appointed for a fixed tenure".

**Q11. When are the companies required to submit the disclosures?**

**Answer:** The listed entity shall make such disclosures every six months within 15 days from the date of publication/declaration of its standalone and consolidated financial results.

Further, a 'high value debt listed entity' shall submit such disclosures along with its standalone financial results for the half year.

The listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

**Q12. How is exemption from RPT disclosure under regulation 15 (2) of SEBI regulations interpreted?**

**Answer:** The compliance with the provisions as specified in regulations 23 shall not apply, in respect of listed entity having paid up equity share capital not exceeding rupees ten crore and net worth not exceeding rupees twenty-five crore, as on the last day of the previous financial year.

If any of the criteria (paid up equity share capital and net worth) is not satisfied, RPT disclosures shall be mandatory for the company.

Eg.: i. Paid up equity share capital-Rs. 8 cr; Net worth-Rs. 25.01 cr, RPT disclosures is mandatory

ii. Paid up equity share capital-Rs. 10.01 cr; Net worth-Rs. 25 cr, RPT disclosures is mandatory

iii. Paid up equity share capital-Rs. 10 cr; Net worth-Rs. 25 cr, RPT disclosures is non-mandatory

Further, once the RPT regulations become applicable to a listed entity, it shall continue to remain applicable till such time the equity share capital or the net worth of such entity reduces and remains below the specified threshold for a period of three consecutive financial years.

Eg.: RPT disclosures is mandatory for the FY 2021-22 (criteria as on March 31, 2021, paid up capital-Rs. 10 cr, net worth Rs. 25.01 cr).

RPT regulations shall become applicable for the FY 2022-23 even if the specified threshold is reduced (paid up capital Rs. 10 cr and net worth-Rs. 25 cr) and continue to remain applicable for the FYs 2022-23 to 2024-25.

**Q13. As per point 8 of notes in new disclosure format, "PAN will not be displayed on the website of the Stock Exchange(s)". How are the companies required to disclose the RPT in new SEBI format?**

**Answer:** In case companies are filing the RPT disclosures in PDF, PAN details should not be included in such PDF of RPT disclosure. In case companies are filing the RPT disclosures in Exchanges XBRL, PAN details would have to be included as required in the new SEBI format of SEBI. Exchanges will ensure that PAN details are not disseminated on the Exchange website.

**Note: Exchanges shall intimate shortly about the release of XBRL in new SEBI format.**