

# SEBI- UPDATE ON RELATED PARTY TRANSACTIONS

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2022

# Securities and Exchange Board of India

## CIRCULAR

Circular Number: SEBI/HO/CFD/CMD1/CIR/P/2022/47

Dated: April 8th, 2022

Subject: **Clarification on applicability of Regulation 23(4) read with Regulation 23(3)(e) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in relation to Related Party Transactions.**

### Overview

Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015 is one of the most important regulations mandated by Securities and Exchange board of India to Enable transparency and fair disclosures by all listed entities. The circular is primarily concerned with the validity of shareholders' omnibus approval for related party transactions given in an annual general meeting. The move is intended to make it easier for public listed companies to integrate their processes of holding annual general meetings (AGMs) and obtaining omnibus shareholder approval for material Related Party Transactions.

### Present Status

According to **Regulation 23(3)(e)** of the SEBI LODR Regulations, the audit committee's omnibus approval is only valid for one year and requires new approvals after that time term is up. For material related party transactions, Regulation 23(4) of the SEBI LODR Regulations also requires shareholder approval. On the other hand, **Section 96(1)** of the Companies Act, 2013, states that the interval between two Annual General Meetings (AGMs) cannot exceed fifteen months.

As a result of these two factors, representations have been received asking clarification on the validity of the omnibus clearance in situations where the transactions are material and shareholder approval is also necessary.

### Amendment-Clarification provided by SEBI

While providing clarification to the raised representations it has been decided to specify that the shareholders' omnibus approval for related party transactions given in an annual general meeting will be valid up to the date of the next such meeting for a period not exceeding 15 months.

In case of omnibus approvals for material RPTs, obtained from shareholders in general meetings other than AGMs, the validity of such omnibus approvals **shall not exceed one year**.