



REVISED INDUSTRY STANDARDS ON RELATED PARTY TRANSACTIONS

I. Background:

- The Securities and Exchange Board of India (SEBI) *vide* Circular dated June 26, 2025 has notified revised Industry Standards on Minimum Information to be provided to Audit Committees and shareholders for the approval of Related Party Transactions (RPTs).
- The primary objective of the RPT Industry Standards is to standardize and streamline the minimum information that listed entities must provide to the Audit Committee and shareholders for the review and approval of RPTs.
- The new disclosure norms will **take effect on September 1, 2025**, (“Effective Date”) and apply to all listed entities to whom Regulation 16-27 of the Listing Regulations is applicable.
- The revised norms will replace the earlier disclosure formats under Part A and Part B of Section III-B of the SEBI Master Circulars dated November 11, 2024 and dated 21st March, 2025.

II. Key aspects of the new Industry Standards on RPTs

1. Applicability Matrix:

- The RPT Industry Standards are applicable to all RPTs that are required to be placed before the Audit Committee of a listed entity for review and approval, in accordance with Regulation 23(2) and 23(3) of SEBI (LODR) Regulations, 2015.
- The Standards shall be applicable to Material RPTs as defined under Regulation 23(1) and 23(1A) of the LODR Regulations. These transactions require approval from the Audit Committee, Board and subsequently the shareholders.
- The RPT Industry Standards **shall not** be applicable to:
 - a) Transactions that are exempted under Regulation 23(5) of the LODR Regulations (e.g., transactions between listed entity and its wholly owned subsidiaries under certain conditions).
 - b) The quarterly review of RPTs by the Audit Committee under Regulation 23(3)(d), which pertains to oversight rather than prior approval.
 - c) Any individual or cumulative transaction(s) during a financial year (including ratified transactions) not exceeding ₹1 crore with a related party are also excluded.

2. Transition requirements

- If the Audit Committee and/or shareholders have granted approval before effective date, for RPTs to be executed on or after effective date, then it will not be necessary for the listed entity to seek approval during the validity of the approval unless there is any material modification to such RPTs which is presented to Audit Committee after Effective Date.



- If omnibus approval has been granted before Effective Date for RPTs for the financial year 2025-26, then the listed entity is not required to seek fresh approval with disclosures as per the RPT Industry Standards. However, any material modification to such RPTs on or after effective date, shall be subject to the RPT Industry Standards.
- If a Material RPT is approved by Audit Committee before effective date, the RPT Industry Standards shall not apply, irrespective of whether the notice to shareholders is sent either before or on or after the effective date.

3. Executive Certification Streamlined

SEBI has simplified the management certification process. Earlier, the CEO/WTM, CFO, and promoters were all required to certify that an RPT is in the best interest of the company. Under the revised norms, only the CEO or Whole-Time Director and the CFO are now responsible for such certification. This change reduces duplicative oversight while maintaining accountability at the top executive level.

4. Mandatory Disclosure of Valuation or Fairness Reports

A pivotal addition to the framework is the mandatory sharing of valuation or **fairness reports** (where relied upon by the Audit Committee) with shareholders. These must be linked or made accessible via QR codes in shareholder notices seeking approval for material RPTs. This enhances informed decision-making by shareholders and aligns with global standards of corporate disclosure.

5. Standardized Disclosure Templates

SEBI has introduced a **uniform disclosure framework**, prescribing minimum information requirements under three parts (Part A, B, and C) of the Industry Standards:

- **Part A:** Applicable to all RPTs, whether material or not, requiring basic disclosure like relationship, nature of the transaction, and pricing terms.
 - **Part B:** Additional details for material RPTs requiring shareholder approval, including rationale, comparative terms, and justification.
 - **Part C:** Specific disclosures where a fairness opinion or external report is considered.
- These templates will streamline disclosures and foster comparability across companies.

6. Audit Committee Oversight Strengthened

The Audit Committee must now not only review and approve RPTs but also explicitly document:

- Certification from the CEO/CFO that the RPT is in the company's interest.
- The basis for approving or rejecting the transaction.
- The rationale for any redactions made in the information shared with shareholders.
- These measures underscore SEBI's focus on ensuring that audit committees are not mere gatekeepers but active evaluators of related party arrangements.

7. The Revised RPT Standards bring in the following key updates in the disclosure of minimum information requirements-

- **Reduced information on financial performance of the related party:**

The earlier circular on RPT standards required the management to provide financial performance details of the related party - covering turnover, net profit, and net worth for the



past three financial years as part of basic details of the related party. Under the Revised RPT Standards, this has been reduced to only the immediately preceding financial year.

- **Inclusion of trade advances and certain performance guarantees:**

Under the Revised RPT Standards, ‘minimum information’ for specific transactions now include trade advances along with sale, purchase or supply of goods or services. Further, under the information for guarantees, performance guarantees in the nature of security/contractual commitment, or which could have an impact in monetary terms on the issuer of such guarantee are covered. These aspects were not included in the earlier circular on RPT standards.

- **Bids/proposals for transaction related to purchase/sale, lease or disposal of assets of subsidiary or of unit, division or undertaking of the listed entity or disposal of shares of subsidiary or associate:**

The earlier circular on RPT standards, required the management to obtain a minimum of three bids, and if fewer were secured, the Audit Committee had to justify the adequacy of the reduced number. Under the Revised RPT Standards, obtaining bids or proposals is no longer mandatory and is now subject to the management’s discretion and justification.

- **Credit rating of related party:**

The earlier circular on RPT standards required disclosure of the related party’s credit rating and evaluation of interest rates based on that rating for loans, advances, or inter-corporate deposits. Under the Revised RPT Standards, only the latest credit rating is required for material RPTs. Other evaluations are no longer mandated.

- **Expansion of exemptions criteria:**

The Revised RPT Standards extend certain exemptions related to transaction of loans and advances (other than trade advances), inter-corporate deposits given, investments made, borrowings by the listed entity or its subsidiary to insurance companies and housing finance companies. The earlier circular on RPT standards gave these exemptions only to listed banks and Non-Banking Financial Company (NBFCs).

- **Reduction in disclosure of minimum information:**

In relation to investments made, the Revised RPT Standards no longer mandates following information:

- expected annualised returns (for debt instruments)
- returns on past investments over the last three financial years, including Return on Equity and
- justification for negative returns and asset-liability mismatch post investment (for debt instruments) Further, in relation to sale, lease or disposal of assets of subsidiary or of unit, division or undertaking of the listed entity or disposal of shares of subsidiary or associate, details of operating cash flow margin and Return on Assets are no longer required.

- **Royalty payment information:**

The Royalty payment information has been significantly reduced for non-material RPTs. Details required under the Revised RPT Standards for material RPTs are - purpose of royalty, value, details of royalty paid by parent company and sunset clause. Further, information related to royalty paid/ payable for imported technology, for brands or other intangible assets, along with the turnover attributable to their use which were previously required are now deleted.



Further peer comparison requirement previously mandated companies to benchmark royalty payments against global peers and prescribed a hierarchy. This has now been removed to reduce compliance burden.

The earlier circular on RPT standards required Audit Committee to provide comments alongside the management's comments for the information to be provided in the RPT standardised format. The revised format has removed this requirement.

8. Enhanced Shareholder Disclosures

Information provided to shareholders for approval of material RPTs must **mirror** that which was furnished to the Audit Committee. This includes detailed disclosures on pricing, benchmarking, and independent opinions. Some of the key changes from previous requirements are as follows:

- The earlier circular on RPT standards required the Copy of valuation/expert reports considered by Audit Committee was required to be provided to the shareholders. As per the Revised RPT Standards, a web-link and QR code to access reports is to be provided.
- As per the earlier circular on RPT standards, the Audit Committee was permitted to approve redaction of commercially sensitive information from the minimum information to be provided to shareholders, provided it certifies that the remaining content is sufficient for informed decision-making. Under the Revised RPT Standards, the Audit Committee and the Board of Directors need to approve redaction of information.
- The earlier circular on RPT standards required justification to be provided to the shareholders if bids were not invited for certain specified transactions. This requirement has now been removed.
- The earlier circular on RPT standards required the Audit Committee to confirm that all relevant information was reviewed and that the promoter(s) would not benefit from the RPT at the expense of public shareholders. Now, this requirement has been removed.
- The Revised RPT Standards require that a disclosure be provided to shareholders that material RPT or any significant modification to RPT has been approved by the Audit Committee and that the Board recommends it for shareholders' approval. This requirement was not present under the earlier circular on RPT standards.