Q. Discuss the various impacts related to SEBI's recently approved key changes with respect to related party transactions.

Ans → A related-party transaction is an arrangement between two parties that have a preexisting business relationship. The most common types of related parties are business affiliates, shareholder groups, subsidiaries, and minority-owned companies.

KEY CHANGES BY SEBI ON RPs

- Inclusion of 'Promoter' within the definition of a related party.
- SEBI has amended the definition of RPT to cover transactions undertaken at subsidiary level.
- Audit Committee approval for transactions ~~at~~ undertaken at subsidiary level.

- 'Material Modification' of RPTs.
- SEBI has revised the materiality threshold for obtaining shareholder approval.

VARIOUS IMPACTS

- By including any person/entity belonging to the promoter/promoter group within the definition of related party will ensure that transactions entered into between the listed entity and its promoters will not escape the regulatory net.

- Even transactions undertaken between two subsidiaries will have to face scrutiny and that may reduce ~~fraud~~ financial ~~fault~~ fraud.

There are some negative impacts such as,

- Inclusion of transaction between subsidiaries under RPTs lead to complication of compliance at investee company level.
- It can be counterproductive to the competitiveness of firms and also impact efficiencies.

- The requirement of approval of audit committee even in subsidiary level will adversely affect the workings of audit committees and would reduce efficiencies of board and the company itself.
- Reversal of materiality threshold will affects the course of business as it can be undertaken only pursuant to shareholders approval.

Conclusion.

SEBI's recent amendments hold the risk of a policy overkill and could adversely impact the business climate in India.