

PUNJAB & SIND BANK

Related Party Transactions Policy

1. Preface:

In terms of Clause 23 of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (hereinafter called LODR Regulations), the listed entities are required to formulate a policy on materiality of Related Party Transactions and also dealing with Related Party Transactions.

However, in case of Banks related party transactions are also governed by the Reserve Bank of India vide its Master Circular No. DBR.BP.BC No.23/21.04.018/2015-16 July 1, 2015 on Disclosure in Financial Statements - Notes to Accounts.

2. Objective:

In view of RBI guidelines and as per the requirements of Clause 23 of LODR Regulations, 2015, this Related Party Transactions Policy is framed and intended to ensure proper approval and reporting of transactions between the Bank & its Related Parties.

3. Applicability:

This policy shall be applicable to transactions made with:

- (a) Key Managerial Personnel (KMP) of the Bank & their Relatives; and
- (b) Related Parties, as defined hereinafter.

4. Definitions:

a) “Associate” means an enterprise in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the Bank.

b) “Audit Committee or Committee” means a Committee of the Board constituted by the Board of Directors as per the guidelines of the Reserve Bank of India (RBI) and Govt. of India. The Committee provides direction as well as overseeing the operation of the audit function of the Bank, which includes the organization, operationalisation and quality control of internal audit and inspection within the Bank and follow –up on the statutory/external audit of the Bank.

c) “Arm’s length transaction” “Arm’s length transaction” means a transaction as defined under the Companies Act, 2013 includes transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

d) “Board” means Board of Directors of the Bank in terms of Section 9 (3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980.

e) “Control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

f) “Joint Venture” means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

g) “Key Managerial Personnel (KMP)” means those persons who have the authority and responsibility for planning, directing and controlling the activities of the Bank. As per RBI guidelines, whole-time directors i.e., Executive Directors & Chairman and Managing Director are considered as KMP.

h) “Material Related Party Transaction” for the purpose of the policy means a transaction with a related party if the transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover as per the last audited financial statements of the Bank.

i) “Office or place of profit” means an office or place where such office or place is held by a KMP and receives from the Bank anything by way of remuneration over and above the remuneration to which he is entitled as KMP, by way of salary, fee, perquisites, incentive, any rent-free accommodation etc. or otherwise as may be fixed by the Central Government from time to time;

j) “Policy” means Related Party Transaction Policy.

k) “Related Party” means subsidiaries, associates, joint controlled entities, KMP and their relatives or an entity as may be defined by RBI for compliance of Accounting Standards.

l) “Relative” means and includes anyone who is related to another, if –

- i) They are members of a Hindu undivided family;
- ii) They are husband and wife; or
- iii) Father (including step-father)
- iv) Mother (including step-mother)
- v) Son (including step-son)
- vi) Son’s wife
- vii) Daughter
- viii) Daughter’s husband
- ix) Brother (including step-brother)
- x) Sister (including step-sister); or
- xi) as may be notified by RBI or Ministry of Corporate Affairs from time to time.

m) “Related Party Transaction” is a transfer of resources, services or obligations between the Bank and a related party, regardless of whether a price is charged.

Explanation: A “transaction” with a related party shall be construed to include single transaction or a group of transactions in a contract.

n) “Subsidiary” means a company in which the Bank holds, either by itself and/or through one or more subsidiaries, more than one-half in nominal value of its equity share capital or of which the Bank controls either by itself and/or through one or more subsidiaries, the composition of its board of directors.

5. Disclosures:

- Pursuant to requirements of clause 23 of LODR Regulations, 2015, the Bank shall disclose to the Stock Exchanges the details of all material transactions with related parties quarterly along with the compliance report on corporate governance. The policy on dealing with Related Party Transactions shall be disclosed on Bank's website and the web link of the policy in the Annual Report of the Bank.
- Details of contract(s) or arrangement(s) with related parties shall be placed before Audit Committee for its review and prior approval and to be disclosed in the Notes on Accounts/Board's Report along with the justification.
- The Reserve Bank of India vide its Master Circular No. DBR.BP.BC No.23/21.04.018/2015-16 dated July 1, 2015 on Disclosure in Financial Statements - Notes to Accounts, has provided detailed guidance to Banks in the matter of disclosures in the 'Notes to Accounts' to the Financial Statements. The Accounting Standard 18 relating to Related Party Disclosures is applicable for reporting related party relationships and transactions between a reporting enterprise and its related parties.

6. Type of transactions to be covered:

6.1. Pursuant to RBI Guidelines on Disclosure in Financial Statements - Notes to Accounts (Accounting Standard 18), the following transactions will be covered such as:

- i) Borrowings
- ii) Deposit
- iii) Placement of deposits
- iv) Advances
- v) Investments
- vi) Non-funded commitments
- vii) Leasing/HP arrangements availed
- viii) Leasing/HP arrangements provided
- ix) Purchase of fixed assets
- x) Sale of fixed assets
- xi) Interest paid
- xii) Interest received
- xiii) Rendering of services
- xiv) Receiving of services
- xv) Management contracts

The transactions relating to transfer of resources, services or obligations between the Bank and a related party, regardless of whether a price is charged, shall also be covered pursuant to LODR Regulations 2015.

As per Para 9 of Accounting Standard-18, no disclosure is required in the financial statements of state-controlled enterprises as regards related party relationships with other state-controlled enterprises and transactions with such enterprises.

6.2. Approval of Related Party Transactions

- All Related Party Transactions shall require prior approval of Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Bank subject to the following conditions:
- a) The Audit Committee shall lay down the criteria for granting the omnibus approval and such approval shall be applicable in respect of transactions which are repetitive in nature.
 - b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Bank;
 - c) Such omnibus approval shall specify
 - (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
 - (ii) the indicative base price / current contracted price and the formula for variation in the price, if any, and
 - (iii) such other conditions as the Audit Committee may deem fit;

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding **Rs.1 crore per transaction**.

- d) Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the Bank pursuant to each of the omnibus approval given.
- e) Such omnibus approvals shall be valid for a period **not exceeding one year** and shall require fresh approvals after the expiry of one year.

Further, as per Regulation 23(5) of the Listing Regulations:

- *The prior approval in the case of Related Party Transactions shall not be required for transactions entered into between the Bank and its wholly owned subsidiary whose accounts are consolidated with the Bank and placed before the shareholders at the general meeting for approval.*

Explanation: All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

- *As per Regulation 23(6) The provisions of Regulation 23 (i.e. pertaining to related party transactions) shall be applicable to all prospective transactions.*

Further, as per extant provisions of Clause 23 of SEBI (LODR) Regulations 2015,

The prior approval in the case of Related Party Transactions shall not be required for:-

- *transactions entered into between two government companies*
- *transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.*

6.3. Identification of potential Related Party Transactions

- Each Key Managerial Personnel is responsible for providing notice to the Audit Committee, any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Audit Committee may reasonably request.

The Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

- The notice of any such potential Related Party Transaction should be given to the Audit Committee well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

6.4. Procedure for seeking approval of Related Party Transactions

As and when any transaction is contemplated with any Related Party, the concerned office entertaining the request shall submit to HO Accounts Department, the details of the proposed transaction with details/draft contract/ draft agreement or other supporting documents justifying that the transactions are on arms' length basis in an ordinary course of business at prevailing market rate. Based on this, HO Accounts Department shall appropriately take it up for necessary prior approvals from the Audit Committee at its next meeting and convey back the decision to the originator.

6.5. Review of Related Party Transactions

- All KMPs will give declaration on quarterly basis as per Annexure 1.
- Related Party Transactions will be placed by HO Accounts Department to the Audit Committee for review and approval on quarterly basis. Any KMP who is a member of the Committee and who has a potential interest in any Related Party Transaction will reclude himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.
- To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Bank and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:
 - i. Whether the terms of the Related Party Transaction are fair and on arms length basis to the Bank and would apply on the same basis if the transaction did not involve a Related Party;
 - ii. Whether there are any compelling business reasons for the Bank to enter into the Related Party Transaction and the nature of alternative transactions, if any;
 - iii. Whether the Bank was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Bank; and
 - iv. Whether the Related Party Transaction would present an improper conflict of interest for any Key Managerial Personnel of the Bank, taking into account the size of the transaction and the direct or indirect nature of the Key Managerial Personnel's or other Related Party's interest in the transaction and any other factor the Committee/Board deems relevant.
- If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee:

i) Any transaction that involves providing of compensation, incentive etc. to a KMP in connection with his or her duties to the Bank or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

ii) Any transaction in which the related party's interest arises solely from deposit accounts or ownership of securities issued by the Bank and all depositors or holders of such securities receive the same benefits pro rata as the related party or any loan/advance as per entitlement and in ordinary course of business.

In connection with any review of a Related Party Transaction, the Audit Committee has the authority to modify or waive any procedural requirements of this Policy.

This Policy will be placed on website of the Bank for information of all concerned.

7. Secrecy provisions:

In terms of Paragraph 5 of Accounting Standard 18, the disclosure requirements do not apply in circumstances when providing such disclosures would conflict with the reporting enterprise's duties of confidentiality as specifically required in terms of statute, by regulator or similar competent authority.

- In terms of Paragraph 6 of Accounting Standard 18, in case a statute or the RBI or SEBI prohibits the Banks from disclosing certain information which is required to be disclosed, non-disclosure of such information would not be deemed as non-compliance with the requirements of Accounting Standard 18.

- In view of above, on account of the judicially recognized common law duty of the banks to maintain the confidentiality of the customer details, they need not make such disclosures and where the disclosures under the Accounting Standards are not aggregated disclosures in respect of any category of related party i.e., where there is only one entity in any category of related party, banks need not disclose any details pertaining to that related party other than the relationship with that related party.

8. Related party transactions without the prior approval under this policy:

- In the event the Bank becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy within 3 months, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the Related Party Transaction and shall evaluate all options available to the Bank, including ratification, revision or termination of the Related Party Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under this Policy and shall take any such action it deems appropriate.

- In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction.

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9. **Records relating to Related Party / Supporting documents:**

All disclosures, supporting documents shall be preserved for a period of eight years from the end of the financial year to which it relates or as may be fixed by RBI and shall be kept in the custody of HO Accounts Department or any other person authorized by HO Accounts Department for the purpose.

10. **Interpretation:**

In any circumstance where the terms of this Policy and Procedures differ from any existing or newly enacted laws, rules, regulations or standards governing the Bank, the laws, rules, regulations or standards will take precedence over this policy and procedures until such time as this Policy and Procedures are changed to conform to the laws, rules, regulations or standards.

11. **Implementation:**

The policy shall come into effect on approval by the Board.

Annexure 1

(Format for Quarterly Related Party Disclosures by KMPs.)
(To be submitted to HO Accounts Deptt. within 7 days of end of each quarter)

PUNJAB & SIND BANK

**Declaration for the Quarter ended _____ 20____
In terms of PSB Policy on Related Party Transactions**

I hereby inform that neither the undersigned, nor any of my relatives or related party has entered into any related party transaction with the Bank in terms of Punjab & Sind Bank, Related Party Transactions Policy, during the quarter ended _____, _____, except the following transactions:

1....

2....

Detail of my deposit/advances/securities of Punjab & Sind Bank is as under :

S.No.	Name of KMP/Relative	Nature of Security/A/c	Branch Office	Outstanding at the end of Quarter (Rs.)	Remarks
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1....

2....

3....

(Chairman Managing Director /
Executive Director)

Place : New Delhi

Dated: _____ , 20____