

## **POLICY ON RELATED PARTY TRANSACTIONS**

### **1. PREFACE**

The Board of Directors (**the “Board”**) of Oriental Bank of Commerce (**the “Bank”**) shall adopt the following policy and procedures with regard to Related Party Transactions as defined below.

### **2. OBJECTIVE & SCOPE**

The Policy has been formulated to regulate transactions between the Bank and its Related Parties based on the laws and guidelines applicable to the Bank. The main objective of the Policy is to determine the materiality of related party transactions and the dealings with related party transaction and is intended to ensure proper approval and reporting of transactions between the Bank and its Related Parties.

### **3. DEFINITIONS**

- a) **“Arm’s length transaction”** “Arm’s length transaction” means a transaction as defined under the Companies Act, 2013 and includes transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- b) **“Associate”** means an enterprise in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the Bank.
- c) **“Audit Committee or Committee”** means Committee of Board of Directors of the Bank constituted in pursuance of the directives of Reserve Bank of India.
- 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”** means
  - i) The Managing Director & Chief Executive Officer appointed under the Nationalized Banks (Management And Miscellaneous Provisions) Scheme, 1980;
  - ii) Whole-time director;
  - iii) Chief Financial Officer;
  - iv) Company Secretary; and
  - v) such other officer as may be prescribed;

- h) **“Manager”** (as defined under Companies Act, 2013) shall mean an individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of a company, and includes a director or any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not
- i) **“Material Related Party Transaction”** for the purpose of the policy means a transaction with a related party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover (Business) of the Bank as per the last audited financial statements of the Bank:
- j) **“Office or place of profit”** means any office or place
- i) where such office or place is held by a director, if the director holding it receives from the Bank anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
  - ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the Bank anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.
- k) **“Policy”** means Policy on Related Party Transactions.
- l) **“Related Party”** as per Listing Regulations is defined as:

An entity shall be considered as related to the company if:

- i) such an entity is a related party under Section 2(76) of the Companies Act, 2013; or
- ii) such an entity is a related party under the applicable accounting standards.

**“Related Party” as defined under Section 2(76) of the Companies Act, 2013 is as follows:**

- i) a director or his relative ;
- ii) a key managerial personnel or his relative ;
- iii) a firm, in which a director of the Bank or his relative is a partner ;
- iv) a private company in which a director of the Bank is a member or director ;
- v) a public company in which a director or manager of the Bank is a director or holds along with his relatives, more than two per cent of its paid-up share capital ;

- vi) any body corporate whose Board of Directors, managing director, or manager is accustomed to act in accordance with the advice, directions or instructions of a director of the Bank ;
- vii) any person under whose advice, directions or instructions a director or manager is accustomed to act :

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- viii) any company which is –
  - o a subsidiary or an associate company of the Bank; or
  - o a subsidiary of the holding company to which it is also a subsidiary ;
- ix) such other person as may be prescribed;

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

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

**n) “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)

**o) “Subsidiary”** As per the Companies Act 2013, “subsidiary company” or “subsidiary”, in relation to any other company (that is to say the holding company), means a company in which the holding company—

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies

#### 4. DISCLOSURES

- The policy on dealing with Related Party Transactions shall be disclosed on Bank's website and the web link of the policy shall be given in the Annual Report of the Bank.
- The Reserve Bank of India vide its Master Circular No. RBI/2015-16/99 DBR.BP.BCNo.23/21.04.018/2015-16 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. The illustrative disclosure format recommended by the ICAI as a part of General Clarification (GC) 2/2002 has been suitably modified by RBI to suit Banks and is given as Annexure -1. The Disclosures shall be made in accordance with this Policy.

#### 5. TYPE OF TRANSACTIONS TO BE COVERED

- 5.1. As per the Companies Act 2013, the following transactions will be covered under this Policy:
- a) Sale, purchase or supply of any goods or materials;
  - b) Selling or otherwise disposing of, or buying, property of any kind;
  - c) Leasing of property of any kind;
  - d) Availing or rendering of any services;
  - e) Appointment of any agent for purchase or sale of goods, materials, services or property etc.
  - f) Such related party's appointment to any office or place of profit in the Bank, its subsidiary company or associate company;
  - g) Underwriting the subscription of any securities or derivatives thereof, of the Bank.
- 5.2. Pursuant to Listing Regulations, the following transactions shall also be covered –
- Transfer of resources, services or obligations between the Bank and a related party, regardless of whether a price is charged.
- 5.3. 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

#### 5.4 **Approval of Related Party Transactions**

5.4.1 All Related Party Transactions shall require prior approval of Audit Committee. 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 in line with the Policy on Related Party Transactions 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 shall 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 ₹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.

5.4.2 All Material Related Party Transactions shall require prior approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

Further, as per extant provisions of the Listing Regulations:

- ✓ *The prior approvals both in the case of Related Party Transactions and Material Related Party Transactions shall not be required in the following cases:*

*(i) transactions entered into between two government companies;*

*(ii) 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.*

*Explanation: Government company(ies) shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013.*

- ✓ *The provisions of the SEBI Listing Regulations pertaining to related party transactions (Regulation 23) shall be applicable to all prospective transactions.*

## 5.5 **Identification of potential Related Party Transactions**

A declaration / Disclosure of interest by all the Directors and Key Managerial Persons (KMP) shall be obtained by the Bank at the beginning of every financial year and / or at the time of his/her appointment / at the time of change in the interest or concern in the Form as per Annexure-2.

- *Each Director and Key Managerial Personnel is responsible for providing notice to the Audit Committee, of 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.

#### **5.6 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 the Board Secretariat Deptt. at Corporate Office, 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, the Board Secretariat 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.

#### **5.7 Review and Approval of Related Party Transactions**

- Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee 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:
  - 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;
  - 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;

- 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
- 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.
- Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Bank, taking into account the size of the transaction and the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and any other factor the Board/Committee deems relevant.

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

- i) Any transaction that involves providing of compensation to a Director or Key Managerial Personnel 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 ownership of securities issued by the Bank and all holders of such securities receive the same benefits pro rata as the related party.
- iii) Any transactions undertaken between the two Government owned companies / banks / public sector undertakings / holding and subsidiary companies in normal course of business including the commission and other services charges paid / received in the normal course of business.

## **6. 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.

- It is clear from the above that 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.
- In view of the above, 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.

## **7. 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.
- In connection with any review of a Related Party Transaction, the Audit Committee has the final authority to modify or waive any procedural requirements of this Policy.

## **8. Preservation of Records relating to Related Party Transactions**

All disclosures, supporting documents shall be preserved for a period of eight years from the end of the financial year to which it relates and shall be kept in the custody of the Board Secretariat, Corporate Office, Gurgaon, for the purpose.

This Policy will be communicated to all operational employees and other concerned persons of the Bank.

### **Addendum to Policy on Related Party Transactions**

The Audit Committee of Board in its meeting held on 22.12.2016 granted omnibus approval in respect of the following normal repetitive banking transactions entered into by the related parties:

- (i) opening of Accounts under various Deposit Schemes of the Bank
- (ii) availing retail credit under Housing /Vehicle Loan Schemes

and their related transactions, strictly as per applicable Bank's norms subject to their value not exceeding ₹1.00 crore per transaction per related party for a period of one year upto 29.12.2017.

However, all the related party transactions entered into pursuant to the aforesaid omnibus approval, are to be reported to the Board Secretariat at Corporate Office, Gurgaon for review by the Audit Committee of Board on quarterly basis.

**Annexure 1****Format for Related Party Disclosures**

The manner of disclosures required by paragraphs 23 and 26 of AS 18 is illustrated below. It may be noted that the format is merely illustrative and is not exhaustive.

(Amount in ₹crore)

Items/Related Party	Parent (as per ownership or control)	Subsidiaries	Associates/ Joint Ventures	KMP@	Relatives of KMP	Total
Borrowings#						
Deposit#						
Placement of deposits#						
Advances#						
Investments#						
Non funded commitments#						
Leasing arrangements availed#						
Leasing arrangements provided#						
Purchase of fixed assets						
Sale of fixed assets						
Interest paid						
Interest received						
Rendering of services*						
Receiving of services*						
Management contracts*						

**Note:** 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.

@ Whole time directors of the Board and CEOs of the branches of foreign banks in India.

# The outstanding at the year-end and the maximum during the year are to be disclosed.

\* Contract services etc. and not services like remittance facilities, locker facilities etc.

## Annexure-2

### Format of Notice of Interest by Director

To

Oriental Bank of Commerce

Corporate Office, Gurgaon

Dear Sir(s),

I,.....(DIN-.....),son of.....  
 .....resident of.....  
 .....  
 ..... being a director in the Bank hereby give notice of interest or concern in the following company or companies, bodies corporate, firms or other associations of individuals:-

Sr. No.	Names of the companies / bodies corporate / firms / association of individuals*	Nature of interest or concern/change in interest or concern**	Shareholding***		Date on which interest or concern arose / changed
			No. of Shares	% of paid-up capital	

Place:

Signature: \_\_\_\_\_

Date:

Name:

Designation:

\* including public companies, private companies, foreign companies, partnership firms, limited liability partnership, trusts, association of individuals, society, etc.

\*\* includes interest as a director, chairman, manager, chief executive officer, promoter, managing director, member, partner, trustee, owner, etc. and also a firm, in which his/her relative is a partner

\*\*\* includes shareholding in all companies whether public or private or any financial institution, irrespective of directorship in that entity and irrespective of number of shares.

**List of Relatives**

<b>S. No.</b>	<b>Relation</b>	<b>Name</b>	<b>Firms / LLP wherein Partner</b>	<b>Name of Public Companies (along with % of Shareholding)</b>
1	Father (including step-father)			
2	Mother (including step-mother)			
3	Spouse			
4	Son (including step-son)			
5	Son's wife			
6	Daughter			
7	Daughter's husband			
8	Brother (including step-brother)			
9	Sister (including step-sister)			
10	If the Director is a member of HUF, then other members of such HUF			

Place:

Date:

Signature:

Name: