

05th January, 2016

CACS UPDATES

OMNIBUS APPROVAL FOR RELATED PARTY TRANSACTIONS FROM AUDIT COMMITTEE

Source:

MCA has inserted Rule 6A by way introducing the Companies (Meetings of Board and its Powers) Second Amendment Rules, 2015 vide its Notification No. G.S.R. ____ (E) dated 14th December, 2015.

Effectiveness:

The notification shall come into force on the date of their publication in the Official Gazette.

Amendment:

I. Insertion of Rule 6A.

Omnibus approval for related party transactions on annual basis:

- All related party transactions shall require approval of the Audit Committee.
- Audit committee may make omnibus approval for related party transactions proposed to be entered by the Company subject to the below mentioned conditions:
 1. After obtaining approval of the Board, the Audit Committee shall specify criteria for making the omnibus approval which shall include following:
 - a. Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year.
 - b. Maximum value per transaction which can be allowed
 - c. Extend and manner of disclosure to be made to audit committee at the time of seeking omnibus approval
 - d. Review of the related party transactions entered by the company with regard to the omnibus approvals made by audit committee
 - e. Transaction which cannot be subject to the omnibus approval by the Audit Committee
 2. While specifying the above criteria for omnibus approval, the Audit Committee shall consider the following factors:
 - a. Repetitiveness of the transactions (in past or in future)
 - b. Justification for the need of omnibus approval

3. Audit Committee shall satisfy itself on the need for omnibus approval for the transactions of repetitive nature and that such approval is in the interest of the company.
4. Omnibus approval shall contain or indicate the following:
 - a. name of related parties;
 - b. nature and duration of the transaction;
 - c. maximum amount of transaction that can be entered into;
 - d. the indicative basic price or current contracted price and formula for variation in the price, if any; and
 - e. any other information relevant or important for audit committee to take a decision on proposed transaction
5. In cases where the need for the related party transactions cannot be foreseen and the above mentioned details are not available, the audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction
6. Omnibus approval shall be valid for a period not exceeding one financial year and fresh approval is required after the expiry of such financial year.
7. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

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Suggestions may be sent to rupesh@cacsindia.com

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