

# Policy On Related Party Transactions



## 1. SCOPE AND PURPOSE OF THIS POLICY

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. In the light of the above, the uab bank Limited (“uab bank” or “Bank”) has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Bank.

## 2. DEFINITIONS

**“Related party in relation to a financial institution means”-**

1. a person who has substantial interest in the financial institution or the financial institution has significant interest in the person;
2. a director or officer of the financial institution or of a body corporate that controls the financial institution;
3. a relative of a natural person covered in paragraphs 1 and 2;
4. an entity that is controlled by a person described in paragraphs 1, 2 and 3;
5. a person or class of persons who has been designated by the Central Bank as a related party because of its past or present interest in or relationship with the financial institution.

**“Relative”** in relation to a person means his spouse, brother or sister of the individual, brother or sister of the spouse of the individual, any lineal ascendant and descendant of the individual or spouse of the individual and his dependents; and any such relationship created through adoption.

**“Related party transaction”** A related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

**“Substantial interest”** means owning, directly or indirectly, ten percent or more of the capital or of the voting rights of a financial institution or, directly or indirectly, exercising control over the management of the financial institution, as the Central Bank may determine.

## 3. MANNER OF DEALING WITH RELATED PARTY TRANSACTION

Related Party Transaction is regulated by Section 64 of Financial Institutions Law, 2016

1. Bank will not provide any credit facility to its directors, managers or shareholders holding more than five per centum of the voting shares.
2. Bank will not enter into transaction, directly or indirectly with a related party of the financial institutions on terms and conditions that are less favorable to the bank than market terms and conditions (arm’s length basis).
3. Bank may enter into a transaction with a related party if the following is satisfied-
  - a. Board of Directors of the Bank has approved the transaction by 2/3<sup>rd</sup> majority of directors excluding the director/(s) concerned and
  - b. transaction is secured by collateral.
4. Bank shall always abide with the limits set by Central Bank and will not enter into the related party transaction, if as a result of the transaction the limit would be breached.

The provisions mentioned in clause 3 shall not apply to a director or officer who is an employee of the bank at the time that the credit facility is granted if the credit facility is granted under the scheme applicable to the employees.

## 4. APPROVALS UNDER SECT 187 AND 188 OF THE COMPANIES LAW, 2017

The Board will be required under Sect 187 of the Companies Law to approve related party benefits, contracts, guarantees and loans.

Further, the Shareholders will under Sect 188, be required to approve the above at a General Meeting.

Before the notice convening the relevant meeting is given, the company must file with the Registrar of Companies:

- (i) a proposed notice of meeting setting out the proposed resolution;
- (ii) a proposed explanatory statement setting out all information known to the company that is material to the decision on how to vote on the resolution, including details of the director or related party receiving the payment or benefit or loan or guarantee or contract and details of such the payment or benefit or loan or guarantee or contract; and
- (iii) any other document that is proposed to accompany the notice convening the meeting and that relates to the proposed resolution

Such notice to the Registrar must be made 28 days before notice of General Meeting.

### 5. DISCLOSURES AND REPORTING

The Bank shall disclose all credit to related party in Annual Financial Statements in the format specified in relevant Reporting Standards (Standalone and Consolidated Basis) for that financial year and for each subsequent financial year till such credit facility has been repaid or settled in full.

Any related party transaction, which is in breach of this Policy and is not capable of post facto remedy shall be reported to Board of Directors describing the transaction and specifying its terms and conditions.

### 6. RELATED PARTY TRANSACTION NOT APPROVED 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 prior to its consummation, the Bank would obtain post facto approval from the Board of Directors. In case the Bank is not able to take prior approval from the Board of Directors, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Board of Directors as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this Policy.

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

### 7. REVIEW OF THIS POLICY

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The adequacy of this Policy shall be reviewed and reassessed periodically, and appropriate recommendations shall be made to the Board to update the Policy based on the changes that may be brought about due to any regulatory amendments or otherwise.

### **8. COMPLIANCE RESPONSIBILITY**

Compliance of this Policy shall be the Joint responsibility of the Director-Finance, Director – Credit Management, Director-Risk & Compliance and the Company Secretary of the Company who shall have the power to ask for any information or clarifications from the management in this regard.