

बैंक ऑफ़ इंडिया
Bank of India

BOI



**POLICY ON
RELATED PARTY TRANSACTIONS
2021**

FOREIGN BUSINESS DEPARTMENT, HEAD OFFICE

DOMESTIC SUBSIDIARY MANAGEMENT DIVISION

Classification: Internal



RELATED PARTY TRANSACTIONS POLICY

1. Preface

The Board of Directors (the "**Board**") of Bank of India (the "**Bank**"), has adopted the following policy and procedures with regard to Related Party Transactions as defined in this policy. All Related Party Transactions shall be subject to review/approval/ratification in accordance with the procedures set forth below in order to ensure the transparency and procedural fairness of such transactions. The Board has determined that the Audit Committee (the "**Committee**") shall review, approve and ratify all Related Party Transactions and will review and may amend this policy from time to time.

2. Legal Frame Work

In terms of Regulation 23 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended from time to time ('**Listing Regulations**'), it is mandatory for the listed entities to formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions including clear threshold limits duly approved by the Board of Directors and such policy shall be reviewed by the Board of directors at least once every three years and updated accordingly (w.e.f 1/04/2019).

This policy is accordingly formulated to regulate transactions between the Bank and its Related Parties based on the applicable laws and regulations applicable to the Bank and particularly to give effect to prescriptions made in following legislations:

- a) SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended from time to time ('Listing Regulations').
- b) Listing Agreement for Equity executed by the Bank with BSE Ltd and National Stock Exchange Limited ('Listing Agreement').
- c) All the applicable Regulations, Circulars, Notification, Guidelines etc. of Reserve Bank of India and Securities and Exchange Board of India.
- d) Companies Act, 2013 & Rules, Regulations made and Circulars, Guidelines issued thereunder (to the extent applicable to the Bank).
- e) The Companies (Meeting of Board and its Powers) Rules, 2014 (to the extent applicable to the Bank).
- f) Accounting Standards (AS- 18) including any amendment or modification thereof.

3. Scope of Application

This policy shall be applicable to transactions made with:

- (a) Board of Directors & their Relatives;

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- (b) Key Managerial Personnel (KMP) of the Bank & their Relatives; and
- (c) Related Parties, as defined under Para 5 (Definitions).

4. Objective

This policy is intended to ensure proper approval and reporting of transactions between the Bank and any of its related party/ies in the best interest of the Bank and its Stakeholders. The Policy aims at addressing issues of conflict of interest which might arise in dealing between the Bank, KMPs and its Related Parties.

5. Definitions

"Act"	Means Companies Act, 2013 including all the amendments, statutory modification or re-enactment thereof for the time being in force.
"Accounting Standards or AS 18"	Accounting standard 18 issued by Institute of Chartered Accountants of India (ICAI) or such applicable Accounting Standard as recommended by ICAI in consultation with and after examination of the recommendations made by the National Financial Reporting Authority and as prescribed by the Central Government.
"Arm's length transaction"	A transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
"Associate"	As per Regulation 2(1)(b) of SEBI Listing Regulations, "Associate" shall mean any entity which is an associate under section 2 (6) of the Companies Act, 2013 or under the applicable accounting standards i.e. a company in which the Bank has a significant influence, but which is not a subsidiary company of the Bank and includes a joint venture company. Explanation.—"significant influence" means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement.
"Audit Committee of Board" or "Committee"	A committee of Directors of the Bank constituted by the Board of Directors as per the guidelines of the Reserve Bank of India (RBI).
"Bank"	Bank of India constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.
"Board of Directors" or "Board"	Board of Directors of the Bank in terms of Section 9 (3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, as constituted from time to time.
"Control"	a) Ownership, directly or indirectly, of more than one half of the voting power of the Bank, or b) control of the composition of the board of directors of the Bank;



	c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the Bank.
"Directors"	The Directors for the time being of the Bank.
"General Meeting"	Includes Annual General Meeting and/or Extraordinary General Meeting.
"Gender"	The words importing "masculine gender" shall include the feminine gender vice-versa.
"In writing" and "written"	"In writing" and "written" shall include printing, lithography or part printing and part lithography and any other mode or modes of representing or reproducing words in visible form.
Joint Venture	A contractual arrangement whereby two or more parties undertake an economic activity, which is subject to joint control.
Key Managerial Personnel	Those persons who have the authority and responsibility for planning, directing and controlling the activities of the Bank and include the following : <ul style="list-style-type: none"> ➤ Managing Director & CEO ➤ Executive Directors ➤ CFO ➤ Company Secretary ➤ such other officer as may be prescribed under the act
"Listing Agreement "	Listing Agreement for Equity executed by the Bank with the BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"), where the Equity Shares of the Bank are Listed.
"Listing Regulation"	SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, including any amendment or modification thereof from time to time.
" Managing Director & CEO"	The Managing Director & CEO of the Bank or any person who acts as a Managing Director & CEO of the Bank till the time this policy is in place
"Material Related Party Transaction"	<p>A transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover equivalent of the Bank as per the last audited financial statements of the Bank</p> <p>Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a</p>

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	financial year, exceed five percent of the annual consolidated turnover of the Bank as per the last audited financial statements of the Bank
"Month"	A calendar month.
"Modify" and "Modifications"	"Modify" and "Modifications" shall include the making of additions and omissions.
"Office or place of profit"	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.
"Person"	The word "person" shall include a Company or Corporation as well as individuals.
"Related Party Transaction Policy or Policy"	This policy duly approved by Board and includes any amendment or modification thereof.
' Reserve Bank of India '	Reserve Bank of India as constituted under the Reserve Bank of India Act, 1934.
"Related Party Transaction"	A transaction as defined under Regulation 2(1)(zc) of Listing Regulations and AS 18 and means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.
"Related Party"	"Related Parties" shall be as defined in Section 2(76) of the Act read with Rule 4 of Companies (specification of definitions details) Rules, 2014, Regulation 2(1)(zb) of Listing Regulations and as under AS-18- and with reference to bank means— (i) a director or his relative; (ii) a key managerial personnel or his relative; (iii) a firm, in which a director, manager or his relative is a partner; (iv) a private company in which a director or manager is a

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	<p>member or director;</p> <p>(v) a public company in which a director or manager is a director or holds along with his relatives, more than 2% of its paid-up share capital;</p> <p>(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 or manager;</p> <p>(vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:</p> <p>Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;</p> <p>(viii) any company which is—</p> <p>(A) a holding, subsidiary or an associate company of such company; or</p> <p>(B) a subsidiary of a holding company to which it is also a subsidiary;</p> <p>Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions.</p> <p>As per AS 18, Parties are considered to be related, if at any time during the reporting period, one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.</p> <p>Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party</p>
"Relative"	<p>A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:</p> <p>(1) Members of HUF,</p> <p>(2) Spouse,</p> <p>(3) Father (includes step-father),</p> <p>(4) Mother (includes the step-mother),</p> <p>(5) Son (includes the step-son),</p> <p>(6) Son's wife,</p> <p>(7) Daughter,</p> <p>(8) Daughter's husband,</p> <p>(9) Brother (includes the step-brother),</p> <p>(10) Sister (includes the step-sister).</p>



	And includes a person defined under section 2(77) of the Companies Act read with Rule 4 of Companies (specification of definitions details) Rules, 2014.
"Singular Number and Plural Number"	The words importing "singular number" shall include the plural numbers and vice-versa.
"Subsidiary"	A company: (a) 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 (b) of which the Bank controls either by itself and/or through one or more subsidiaries, the composition of its Board of Directors.
"Year"	A calendar year.
Expressions in these regulations to bear same meaning	Subject as aforesaid and except where the subject or context otherwise requires, words or expressions contained in this Policy shall bear the same meaning as in the Listing Regulations, Accounting Standards and Companies Act.

6. Disclosures

- a) Details of contract(s) or arrangement(s) with related parties shall be reported to the Audit Committee of the Board with the justification (if any). It shall also be disclosed in the Directors' Report/ Annual Report of the Bank.
- b) The Bank shall keep a register in the prescribed form giving the particulars of all contracts or arrangements in such manner and containing particulars duly authenticated by the authorized official of the Board Secretariat and thereafter the same shall be placed before the next meeting of the Audit Committee of Board.
- c) Necessary disclosures will be made in the Annual Financial Statements as required under AS 18 and RBI guidelines. Further, as required under Listing Regulations, necessary details of all materially significant related party transactions, which may have potential conflict with the interests of the Bank at large, be also given in 'Report on Corporate Governance' section in Annual Report.
- d) Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on Corporate Governance.
- e) The Bank shall disclose the policy on dealing with Related Party Transactions on its website and also in the annual Report as required by applicable laws, rules and regulations.

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- f) All Related Party Transactions that are required to be disclosed in the Bank's filings with the Stock Exchange, as required by the Listing Agreement and related rules and regulations, shall be so disclosed in accordance with such laws, rules and regulations.
- g) The Reserve Bank of India vide its Master Circular No. DBOD.BP.BC No.8/21. 04.018/2014-15 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 AS 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 format as prescribed by RBI as disclosure by banks for the purpose of AS 18 is annexed as Annexure.
- h) The Bank shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

7. Policy

A. Approval Process

- 7.1 In accordance with Regulation 23(1) of the Listing Regulation, the Bank shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the Bank.

- 7.2 All Related Party Transactions (RPTs) shall require prior approval of the Audit Committee of the Board (ACB) (provided that only those members of the audit committee, who are independent directors shall approve related party transactions-w.e.f 01.01.2022) and referred for approval to the Committee in accordance with this Policy. However, the ACB 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 of the Bank and such approval shall be applicable in respect of transactions which are repetitive in nature;



- b) the audit committee shall satisfy itself regarding 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 transactions 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 rupees one crore per transaction.

- d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals 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.

7.3 All material related party transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Provided that the rules mentioned in points 7.1 and 7.2 shall not be applicable in following cases:

- a) transactions entered into between two government companies or government controlled enterprise;
- b) 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" shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013."

'State-controlled enterprise' – as per Rule 10 (13) of the AS 18 a State-controlled enterprise means "an enterprise which is under the control of the Central Government and/or any State Government(s)."



- 7.4. All entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

B. Type of Related Party Transactions to be covered.

- a) The following transactions will be covered under this policy;
- i. Sale, purchase or supply of any goods or materials;
 - ii. Selling or otherwise disposing of, or buying, property of any kind;
 - iii. Leasing of property of any kind;
 - iv. Availing or rendering of any services;
 - v. Appointment of any agent for purchase or sale of goods, materials, services or property etc.
 - vi. Such related party's appointment to any office or place of profit in the Bank, its subsidiary company or associate company;
 - vii. Underwriting the subscription of any securities or derivatives thereof, of the Bank.
- b) Under Listing Regulations, Regulation 2(zc), following shall also be covered – Transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged.
- c) In line with RBI Master Circular DBOD.BP.BC.No.8/21.04.018/2014-15 dated July 1, 2015 - Disclosure in Financial Statements - Notes to Accounts (Accounting Standard 18), all transactions involving transfer of resources or obligations between related parties, regardless of whether or not a price is charged shall be covered. 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

In case of material related party transaction, the prior approval of the shareholders by a special resolution shall be required.

In case of wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.



- d) As per Listing Regulations and SEBI Circular No. CIR/CFD/CMD/44/2019 dated March 29, 2019, the Audit Committee to Review utilization of loans/advances from/investment by the holding Company in the subsidiary exceeding Rs.100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans/advances/investments existing as on the date of coming into force of this provision.

7.5 Identification of potential Related Party Transactions

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 Board/ 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.

The Audit Committee or the Board of Directors may recommend the creation of a special committee to review any such Related Party Transaction.

7.6 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, the details of 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.

Wherever, due to the exigencies (where time is the essence) such related party transactions are undertaken in normal course of business these transactions shall be reported to the Audit Committee of the Board, as applicable for ratification / noting.

The departments concerned shall maintain records indicating particulars of all contracts or arrangements and thereafter the same shall be placed before the next meeting of the Audit Committee of the Board and shall be reported to the Stock Exchanges, as required.

7.7 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. 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.



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.

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 or Shareholders:

- a. 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.
- b. 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.
- c. Any transactions undertaken between the two Government owned companies / government controlled enterprises/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.
- d. Any charitable contribution, grant or endowment by the Bank to a charitable organization, foundation or university at which a Related Person's only relationship is as an employee (other than an executive officer) or a director, if the aggregate amount involved, since the beginning of the Bank's last completed fiscal year, does not exceed Rs.10,00,000/-, or if donations are made pursuant to the Bank's matching program as a result of contributions by employees, pursuant to a program that is available on the same terms to all employees of the Bank. Any contribution beyond Rs.10,00,000/- shall necessarily require approvals with respect to the compliance of Related Party provisions.
- e. Any transactions, arrangements or relationships with a Related Party involving the rendering of services at rates or charges fixed in conformity with law or governmental authority.
- f. Any transactions, arrangements or relationships with a Related Party involving services as a bank depository of funds, fixed deposits, savings account services, current account services or other banking services which are ordinarily undertaken by the Related Party at arm's length.



Notwithstanding the foregoing, if the related party transactions entered by KMP or their relatives individually or together with other transactions during a quarter exceeds 1 crore, the same shall be placed before the Board of Directors of the Bank.

8. Secrecy Provisions

In terms of paragraph 5 of AS 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 AS 18, in case a statute or the RBI or a similar competent authority governing the Bank prohibit the Bank 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 AS 18. It is clear from the above that bank is obliged by the law to maintain confidentiality in respect of the customers' transactions and the AS 18 would not override the obligation of the Bank to preserve the confidentiality of customers' dealings.

9. Related Party Transactions without the prior approval under this Policy

- a. 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 matter shall be reviewed by the Committee. The 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.
- b. In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction.
- c. The Committee may also disapprove of a previously entered into Related Party Transaction and may require that management of the Bank take all reasonable efforts to terminate, unwind, cancel or annul the Related Party Transaction.
- d. If a Related Party Transaction will be ongoing, the Committee may establish guidelines for the Bank's management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee shall periodically review and assess ongoing relationships with the Related Party. Any material amendment, renewal or extension of a transaction, arrangement or relationship previously reviewed under this Policy shall also be subject to subsequent review under this Policy.

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- e. This Policy is intended to augment and work in conjunction with other Bank's policies having any code of conduct, code of ethics and/or conflict of interest provisions.
- f. 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.

10. 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 and shall be kept in the custody of the Board Secretariat or any other person authorized by the Board for the purpose.

11. Interpretation

In any circumstance where the terms of these Policies and Procedures differ from any existing or newly enacted law, rule, regulation or standard governing the Bank, the law, rule, regulation or standard will take precedence over these policies and procedures until such time as these Policies and Procedures are changed to confirm to the law, rule, regulation or standard. As per the listing Regulations policy shall be reviewed by the Board at least once every three years, however as per Banks guidelines the policy is to be reviewed annually.





ANNEXURE

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.

(Rs. 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.

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

@ 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.



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