



Deputy General Manager
Integrated Surveillance Department

भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

SEBI/HO/ISD/ISD/OW/P/2020/276/1

January 03, 2020

Ms. Reena Desai
Company Secretary,
Gujarat State Petronet Ltd.
GSPC Bhavan, E-18, GIDC, Electronic Estate,
Sector-26, Gandhinagar – 382028

Madam,

Subject: Request for Informal Guidance by way of an interpretative letter under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003

Ref: Your letters dated May 13, 2019 and November 02, 2019

This has reference to the captioned letters requesting guidance by way of an 'interpretative letter' under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 (The Scheme).

2. In the said letter, it is *inter alia* stated that, as per the amended SEBI (Prohibition of Insider Trading) Regulations, 2015, *Material Financial Relationship* has been explained as "a relationship in which one person is a recipient of any kind of payment such as loan or gift during immediately preceding twelve months, equivalent to at least 25% of such payer's annual income but shall exclude relationships in which the payment is based on arm's length transactions."

3. In light of the above amendment, on behalf of the company, following clarifications have been sought in the form of an 'Interpretive letter':

- a. **Query 1:** Whether only monetary transactions would construe to establish the Material Financial Relationship or even the non-monetary transactions would create a Material Financial Relationship.
- b. **Query 2:** Pursuant to the said amendment Regulations, a Designated Person is required to provide details of their Immediate Relatives. If a Designated Person has Material Financial Relationship with one of his Immediate Relatives, then in that case whether the same is required to be disclosed separately in the category of person with whom the Designated Person has a Material Financial Relationship as well?

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सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर. एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



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- c. **Query 3:** Recently, the Company has received requests from the various Designated Person(s) of the Company seeking clarification if they should disclose the name of the person with whom they have entered in to certain nature of transactions during previous year (the list of transaction which the company feels requires a SEBI interpretation / guidance to ensure the compliance requirement of disclosure of name of the person with whom the designated person shares a material financial relationship) as "a person with whom such designated person shares the material financial relationship":

Query 3 (i): A Designated Person of a Company is making the payment of fees of his granddaughter by directly depositing such amount of fees to the account of the University and such amount of fees is exceeding 25% of the Designated Person's Annual Income.

[The Designated Person is claiming that the fees are paid directly to the account of the University and such transaction is to ensure the granddaughter gets the good education and hence should not be termed as transaction which can attract the relationship with the granddaughter as a material financial relationship. Further, the Designated Person has enquired that if he is required to provide disclosure in relation to the said transaction, the details of which person should be disclosed, i.e., with whom the Designated Person is sharing Material Financial Relationship, the granddaughter (who is a minor) or parents of such granddaughter.]

Query 3 (ii): A Designated Person of a Company has gifted a small piece of land to her daughter on her birthday, the cost of which constitutes to be more than 25% of Designated Person's Annual Income.

[The Designated Person is claiming that as a parent the designated person gifts such things to their children on their birthday which will build a wealth for their children and hence should not be termed as transaction which will create a material financial relationship as such transactions were made even prior to he became the designated person.]

Query 3 (iii): A Designated Person has credited his daughter's account with a sum of Rs. 2 lakhs as a gift on her birthday which exceeds 25% of Designated Person's Annual Income.

Query 3 (iv): A Designated person has deposited an amount to the account of her niece for payment by her of the fees of the University for Higher Management Studies and such amount of fees is exceeding 25% of the Designated Person's Annual Income. The niece will return such amount (without interest) gradually once she starts earning the money after completing her education.

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Query 3 (v): A Designated Person's maternal uncle has sponsored foreign country trip of Designated Person which constitutes to be more than 25% of such Person's Annual Income.

[The Designated Person has informed that the maternal uncle sponsors such trip frequently and this was done in past also when the person was not the Designated Person of the Company and hence should not be termed as transaction creating the material financial relationship with the maternal uncle.]

Query 3 (vi): A Designated Person undertakes to repay financial obligations of a person exceeding 25% of his Annual Income in a year, wherein, the actual payment takes place in piecemeal over a period of more than two years.

4. Without necessarily agreeing with the analysis given in the letters under reference, the interpretation on the above queries is as under:

- a. **Query 1:** The explanation to Clause 14 of Schedule B of the PIT Regulations explicitly states that material financial relationship shall mean a relationship in which "...one person is a recipient of any kind of payment such as by way of a loan or gift...", therefore, even non-monetary transactions would be construed to establish a material financial relationship.
- b. **Query 2:** As an immediate relative may rebut connectedness with the designated person, a designated person is also required to disclose the names of immediate relatives with whom he has a material financial relationship in the category of persons with whom the Designated Person has a Material Financial Relationship.
- c. **Query 3:** The term material financial relationship under Clause 14 of Schedule B to the PIT Regulations is explained as: "*a relationship in which one person is a recipient of any kind of payment such as by way of a loan or gift from a designated person during the immediately preceding twelve months, equivalent to at least 25% of the annual income of such designated person.*"

Accordingly, reply to each sub-query is as follows:

- i. **Query 3 (i):** The designated person shall be required to disclose the name of the granddaughter and in case the grand daughter is a minor, the name of both the parents and guardian, if any, in addition to the minor granddaughter.

Qref



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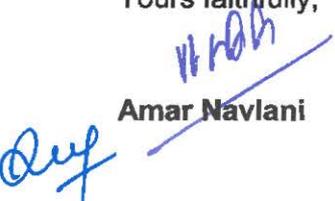
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- ii. *Query 3 (ii) and 3 (iii):* The designated person is required to disclose the name of his daughter when disclosing the name of persons with whom he has a material financial *relationship*.
- iii. *Query 3 (iv):* The designated person is required to disclose the name of his niece when disclosing the name of persons with whom he has a material financial *relationship*.
- iv. *Query 3 (v):* The designated person is not required to disclose the name of his maternal uncle who sponsors his trip when disclosing the name of persons with whom he has a material financial *relationship*.
- v. *Query 3 (vi):* The designated person is required to disclose the name of the person to whom the *designated* person makes payment for repaying his financial obligations.

5. This position is specific to the information furnished in the letters under reference. Different facts or conditions may entail different interpretation. Further, this letter does not contain any decision of the Board on the question referred.

6. It may also be noted that the above views are expressed only with respect to the clarification sought in the letters under reference with respect to the PIT Regulations and do not affect the requirements / applicability of any other law framed under SEBI Act, 1992, including the Regulations, Guidelines, Circulars etc., that are administered by SEBI or of the laws administered by any other authority.

Yours faithfully,


Amar Navlani