



Securities Client Alert



NYSE Approves Amendments to Related Party Transaction Requirements

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Earlier this year, the U.S. Securities and Exchange Commission [approved amendments](#) to the New York Stock Exchange's Listed Company Manual, revising the requirements for related party transactions in Section 314.00. The amendment requires companies listed on the NYSE to more closely scrutinize transactions with related parties.

Section 314.00 previously required related party transactions to be reviewed (not necessarily in advance) by an appropriate group in the company. The NYSE defined related party transactions as those that “normally include” transactions between a company and its officers, directors, and principal shareholders. Companies have historically interpreted the term “related party transaction” to refer to Item 404 of Regulation S-K. Item 404 requires disclosure of transactions more than \$120,000 in which a related party has a direct or indirect material interest. The amendment clarifies that a “related party transaction” is a transaction required to be disclosed under Item 404 *without applying the \$120,000 threshold*. As a result, the obligation to disclose transactions with related parties is now broader under the NYSE rules than under Item 404.

The amendment also confirmed that the “appropriate group” to review related party transactions is the audit committee or another independent body of the board of directors. The amendment requires the applicable body to “conduct a reasonable prior review and oversight of all related party transactions for potential conflicts of interest” and prohibit such transactions if inconsistent with the interests of the company and its shareholders.

Lastly, the revised Section 314.00 notes that the NYSE will continue to review proxy statements and other SEC filings disclosing related party transactions. Where such transactions continue year over year, the NYSE will remind companies of their continuing obligation to evaluate related party transactions and determine whether they should be permitted to continue.

Action Items

Companies listed on the NYSE should consider updating their related party transaction policies and audit committee charters to reflect these changes, including that the \$120,000 threshold does not apply and that an independent board committee must review related party transactions in advance and prohibit any transactions inconsistent with company and shareholder interests.

For questions regarding this amendment, please contact your GableGotwals attorney or a member of our [Corporate & Securities team](#).

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