Related Party Transactions: policy options and real-world challenges

Work by Luca Enriques, Allen and Overy Professor of Corporate Law at the University of Oxford, has been influential in shaping European Commission proposals relating to shareholder rights and Related Party Transactions.

Professor Enriques considers issues raised by the use of RPTs and also offers a critique of the European Commission draft proposals. Under the Italian EU Presidency, from July to December 2014, the European Council Working Group on Company Law analysed the European Commission proposal.

The Chairman of the working group, Marcello Bianchi, said that the analytical framework used by Professor Enriques in his article, as well as the critiques he offered, helped to shape the proposals of the working group and their analysis of the European Commission’s proposal. This proposal is now to be discussed with the Commission and the EU Parliament.

Professor Enriques’ paper has also informed the revision of the OECD Principles on Corporate Governance by the OECD Corporate Governance Committee. This revision also concerns RPTs and their regulation.

Related Party Transactions (RPTs) can be defined as any transaction between a company and a related party, that is a party who has a connection to that company, for instance controlling shareholders and directors. RPTs are common in many jurisdictions and there is a variety of legislation in different countries to regulate their use. In the UK, for example, the UKLA listing rules have requirements concerning the use of RPTs.

The European Commission have put forward a proposal for changes to the Directive on Shareholder Rights which also included possible measures to better regulate the use of Related Party Transactions by harmonizing legislation across member states. In his article ‘Related Party Transactions: Policy Options and Real-World Challenges’.