

SEBI → 1992

SEBI (Merchant Banker)
SEBI (Stock brokers & sub brokers)
SEBI (Prohibition of Insider Trading)

} Regulations of 1992

SEBI → (Prohibition of Insider Trading), 2015.

Based on Sodhi Committee Recommendation.

→ Insider trading generally means trading in the shares of a company by the persons who are in the management of the company or are close to them on the basis of undisclosed price sensitive information regarding the working of the company, which they possess but which is not available to others.

Date of Notification → 15/01/15

Effective date of new regulation → 15/05/15

] 120 days

Insider

- ① Connected Person (including person deemed to be connected person)
- ② Any other person having UPSI (Unpublished Price Sensitive Information)

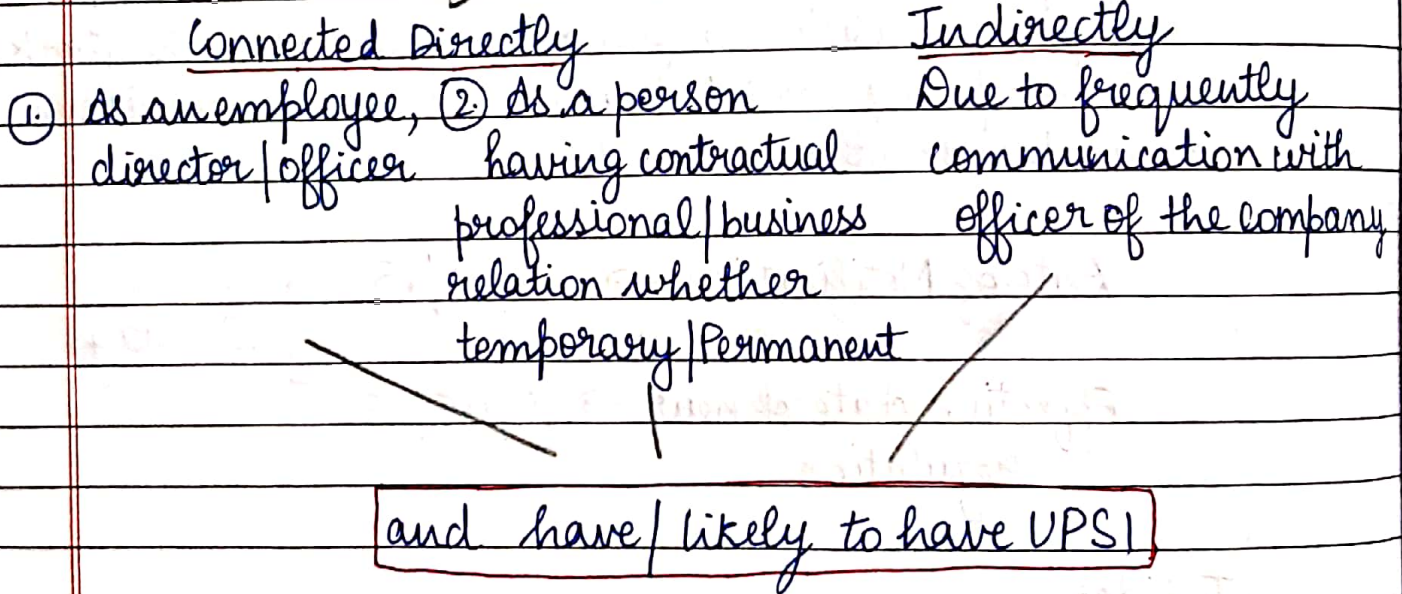
UPSI → It is a information relating to company, or securities of a company which is not in a public domain if it's disclosed then there will be material impact upon the securities of the company.

- ① Financial Information
- ② Change in Director | KMP
- ③ Declaration of corporate benefits (Bonus, Rights, Dividend)
- ④ Corporate Restructuring (Takeover, Amalgamation, Merger, etc)
- ⑤ Change in capital structure.

Trading

Buy Sell, dispose, subscribe, deal or agree to buy sell, dispose, subscribe, deal.

Connected Person who is connected with the company



NOTE: A person shall continue to be considered as a connected person during 6 months from the date ceased to be associated with the company.

Person deemed to be connected person

Following person shall be considered by SEBI as connected person until the contrary being established.

- ① Immediate relative of the connected person.
- ② Holding Company
- ③ Subsidiary Company (50% or more)
- ④ Associated Company (more than 20% upto 49.99%)
- ⑤ Market Intermediaries
- ⑥ Employee / Director of market intermediaries
- ⑦ Investment Company
- ⑧ AMC
- ⑨ Trustee of AMC
- ⑩ Employee / Director of investment company, AMC, trustee of AMC
- ⑪ Employees / Directors of Public Financial Institutions
- ⑫ Officers of Stock Exchange
- ⑬ Officers of clearing corporation
- ⑭ Board of directors of AMC of Mutual Fund
- ⑮ Banker of the company
- ⑯ Any entity / Trust / firm / HOF / Company / AOP / Body of individuals where director of the company or immediate relative of director of the company or banker of company holds more than 10% of Interest in any company or entity.

Immediate Relative

1. Parents
2. Siblings
3. Child \leftarrow of spouse
of such person
4. Spouse
5. Any person who is financially depended upon such person.
6. Any person who consult such person in taking decision relating to trading of securities.

Compliance Officer

- Any senior officer designated and appointed by board or head of the organisation
- Who is financially literate and capable of understanding the requirement for legal and regulatory compliance under insider trading regulation
- Shall be responsible ensuring the compliance of the policies and procedure maintenance of recording, implementing of insider trading code

Penalty for insider trading under sec 15G of SEBI Act, 1992 shall be liable to a penalty of 25 cr. or 3 times of profit made out of insider trading } whichever ever is higher

Appeal to Securities Appellate Tribunal.

Aggrieved party may prefer an appeal to the SAT within a period of 45 days of the order.

Chinese Wall

Chinese Wall is a business term describing an information barrier within an organization that was erected to prevent exchanges or communication that could lead to conflicts of interest.

Chinese Wall Policy in areas of price sensitive information.

Chinese wall policy in areas of price sensitive information. Price sensitive information is required to be disseminated to the stock exchange on continuous basis. To prevent the misuse of confidential information the organisation adopt the 'Chinese Wall policy' which separates

those area of organisation which routinely have access to confidential information, considered inside areas from the those areas which with.

- a) Sales
- b) Marketing
- c) Investment advice
- d) Other department providing support services, which are considered as public areas.

The code of conduct to prevent insider trading regulations must contain norms for appropriate Chinese wall procedures, and processes for permitting any designated person to cross the wall (Schedule 1)

Regulation-3 (Communication / Procurement of trading Plan

Insider shall not provide or disclose any other person shall not procure / obtain or communicate.

Any UPSI relating to the company's security which is a listed company or proposed to be listed on the stock exchange through any other person.

→ However, such disclosure of UPSI shall be allowed or such procurement shall be allowed if the same being done for discharging the legal obligation or for performing legal duty.

* However, disclosure of UPSI shall not amount to Insider trading on the following.

- a) If the company enter into a transaction which attract takeover regulation & Board of director of the company is of the informed opinion that proposed transaction is in the interest of company

b) If the company enters into a transaction which do not attract takeover regulation and such transaction should be disclose to the public atleast 2 trading days before such transaction being effected & board is of opinion that such transaction shall be in the interest of the company.

NOTE: Whenever the company enters into transaction which are having UPSI with any person then the company shall require to execute a non disclosure agreement (NDA) (confidentiality agreement) restricting such person not to disclose such information to any other person neither trade in the securities of the company or on being with such UPSI.

Regulation - 4

① Insider shall not trade in the securities of the company on the basis of UPSI.

Exception to Regulation 4.

- a) If the transaction being done between promoter having UPSI & such transaction being effected in the form of the transfer (off market transfer) both the promoter have a informed trading decision.
- b) When the insider being non-individual then following need to establish.
 - Existence of Chinese Wall
 - Person having UPSI & Person taking trading decision are different & there is no flow of UPSI between such persons at the time of taking such trading decision
- c) Such trading has being done as per trading plan

d) Burden of Proving

ONLINE

If the transaction is being done by connected person



Burden of proving shall be upon the connected person.

If the transaction is by other person



SEBI

Regulation-5 (Trading Plan)

- ① Regulation-5 states that insider would be required to submit trading plan in advance to the compliance officer for his approval.
- ② Compliance officer is also empowered to take additional undertakings.
- ③ Such trading plan on approval will be disclosed to the stock exchanges where the securities of the company are listed.
- ④ Trading Plan shall be submitted for a minimum period of 12 months
- ⑤ No overlapping of plan with the existing plan
- ⑥ Trading Plan shall set out the value of trades to be affected / no. of securities to be traded

Nature of Trade

Interval of trade

Dates of trade

- ⑦ Trading can only commence only after 6 months from public disclosure of plan.
- ⑧ No trading between 20th Day prior to the closure of book / financial period.
- ⑨ No trading between ^(2nd) second trading day ^{after} till the disclosure of financial results.

Prior 20th Day

No trading

Book Closure

no trading till 2nd trading day

Financial Results

- (10.) The trading plan once approved shall be irrevocable
- (11.) Such insider have to implement the trading plan compulsorily.
- (12.) Such insider can not execute transaction which is outside the scope of trading plan
- (13.) Implementation shall be deferred if such insider is having UPSI and such trading plan shall be suspended till such UPSI becomes available to public
- (14.) Trading plan once approved by compliance officer shall be notified to stock exchange where the securities of the company are listed

Regulation 6 (Disclosures)

- (1.) The Disclosure shall be in prescribed format.
- (2.) Disclosure to include trading by immediate relatives and other persons for whom such person take trading decision.
- (3.) Disclosure shall be made of securities including derivatives permitted under any law.
- (4.) Record keeping for five years

Types of Disclosures

1) Initial Disclosure Holding
 Every promoter, → Hold of securities → 30 days from
 KMP, Director of on the date the regulation
Listed Companies 15/5/2015 taking effect

Read^{Rule} of CS
Functions of Compliance Officer.

Date / /
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Every person on → shall disclose → within 7 days of
appointed as KMP his holding of such appointment
or director, promoter securities as on
the appointment

2.) Continual Disclosure

Every promoter, employee
and director of every
company shall disclose → Within 2 trading
to the company the number day of such
of securities of the company transaction.
acquired / disposed
(Buy) (Sell)

If the value of the securities traded exceeds ₹ 10 lakhs with
single or series of transaction in an calendar quarter

Then every company shall
notify of such trading to
the stock exchange

within 2 trading days of
receipt of the disclosure or
from becoming aware of such
information.