

An insight into SEBI's Insider Trading Regulations

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The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 1992 requires that a person who is connected with a listed company and is in possession of any unpublished *price sensitive information* likely to materially affect the price of securities of company, shall not

- (i) on his behalf or on behalf of any other person deal in securities or
- (ii) Communicate such information to any other person, who while in possession of such information shall not deal in securities.

The broad requirements under the SEBI Insider Trading Regulations are as follows:

For Listed Companies and Organizations associated with securities markets:

- To frame a code of internal procedures and conduct as near thereto the *Model Code* specified in Schedule I of the Regulations.
- To abide by the *Code of Corporate Disclosure Practices* specified in Schedule II of the Regulations.
- To adopt appropriate mechanisms and procedures to enforce the codes.

For others:

➤ Initial disclosure:

Disclosure by whom	Any person acquiring 5% or more shares or voting rights	Director or Officer
Disclose what	Number of shares or voting rights held	Number of shares or voting rights held
Disclose to whom	To the company	To the company
Disclose when	Within 4 working days of the acquisition/receipt of intimation of allotment	Within 4 working days of the acquisition/receipt of intimation of allotment
Disclose how	Form A	Form B
Disclosure by the company	Within 5 days of receipt to all the SE s in prescribed format	Within 5 days of receipt to all the SE s in prescribed format

➤ **Continual disclosure**

Disclosure by whom	Any person holding more than 5% shares or voting rights	Director or Officer
Disclose what	<ul style="list-style-type: none"> - Number of shares or voting rights held - Any change in shareholding or voting right even if such change results in shareholding/voting rights falling below 5% - Any change since last disclosure in excess of 2% of total shareholding 	<ul style="list-style-type: none"> - Number of shares or voting rights held - Any change since last disclosure in excess of Rupees 5 lac in value or 25000 shares or 1% of total shareholding, whichever is lower.
Disclose to whom	By the person to the company	By the director or officer to the company
Disclose when	Within 4 working days of the acquisition/sale	Within 4 working days of the acquisition/sale
Disclose how	Form C	Form D
Disclosure by the company	Within 5 days of receipt to all the SE s in prescribed format	Within 5 days of receipt to all the SE s in prescribed format

Key terms

Price sensitive information

Any information which relates directly or indirectly to a company and which if published is likely to materially affect the price of securities of company.

The following shall be deemed to be price sensitive information:

- (i) periodical financial results of the company;
- (ii) intended declaration of dividends (both interim and final);
- (iii) issue of securities or buy-back of securities;
- (iv) any major expansion plans or execution of new projects;
- (v) amalgamation, mergers or takeovers;
- (vi) disposal of the whole or substantial part of the undertaking;
and
- (vii) significant changes in policies, plans or operations of the company

Trading window

The companies are required to specify a trading period, to be called “trading window”, for trading in the company’s securities. The trading window shall be closed during the time the price sensitive information is unpublished. When the trading window is closed, the employees/directors shall not trade in the company’s securities in such period.

All directors/officers/designated employees of the company shall conduct all their dealings in the securities of the Company only in a valid trading window and shall not deal in any transaction involving the purchase or sale of the company’s securities during the periods when trading window is closed or during any other period as may be specified by the Company from time to time

The window shall be opened, 24 hours after the price sensitive information is made public.

Pre-clearance of trades

All directors/officers/designated employees of the company who intend to deal in the securities of the company (above a minimum threshold limit to be decided by the company) should pre-clear the transaction by making an application to the Compliance Officer of the Company providing the details as prescribed in the *Model Code* framed by the Company

Reporting Requirements for transactions in securities

All directors/officers/designated employees of the listed company shall be required to forward the following details of their securities transactions including the statement of dependent family members (as defined by the company in the *Model Code*) to the Compliance Officer:

- a) all holdings in securities of that company by directors/officers/designated employees at the time of joining the company;
- b) periodic statement of any transactions in securities (the periodicity of reporting may be defined by the company. The company may also be free to decide whether reporting is required for trades where pre-clearance is also required); and
- c) annual statement of all holdings in securities.