

Structured Digital Database under PIT Regulations

Preparing for the Compliance Certificate



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About Us



- Vinod Kothari and Company, company secretaries, is a firm with over 30 years of vintage
 - Based out of Kolkata, New Delhi & Mumbai
- We are a team of qualified company secretaries, chartered accountants, lawyers and managers.

Our Organization's Credo:

Focus on capabilities; opportunities follow

Outline

- Introduction to SDD
 - What is SDD?
 - History and development
 - Regulatory basis
 - Requirements for maintenance
 - Contents of SDD and suggestive format
- SDD: a meaningful tool of compliance
 - Meaning of “sharing” and “UPSI”
 - Determination of materiality
 - Meaning of information, parties to information and SDD recording
 - Indicative list of UPSI
- Trajectory of information in an organisation
 - Stages of information and dealing with the same
- Various aspects of SDD maintenance and responsibility centers
- Manner of maintaining SDD
- Consequences of violation of maintenance of SDD
- SDD compliance certificate
 - What it is and what it is not?
 - Requirements of compliance certificate
 - Format of compliance certificate
 - Component-wise guidance on compliance certificate
 - Various checkpoints to be verified by the certifying party
 - Additional safeguards for a practising professional
- Applicability of SDD on fiduciaries

What is Structured Digital Database?



- **“Database”** containing flow of sharing of Unpublished Price Sensitive Information (UPSI)
- Maintained on a **“digital”** platform
- In a **“structured”** manner so as to track the complete flow of information

History and development

Report by
Committee
on Fair
Market
Conduct

SEBI PIT
(Amendment)
Regulations,
2018

SEBI PIT
(Amendment)
Regulations,
2020

SEBI FAQs
on PIT
Regulations

Intent of SDD

- Commentary of T K Vishwanathan Committee

-
“that once the information is shared with these outsiders, the company has no control over it. Therefore, the company must keep track of the first level of recipients, such that, if investigation so needs it, the company can establish a trail. Each of the fiduciaries, likewise, are supposed to be answerable for the integrity and protection of the confidentiality of the information received by them.”

- Helps in establishing trail of flow of information
- Helpful in investigation pertaining to insider trading matters

Regulatory basis

- The requirement comes from Reg 3 (5) and 3 (6) of the PIT Regs
- The requirement should be read with Reg 3 (1), Reg 3 (2) and Reg. 3 (4)
 - 3 (1) - *an insider is prohibited from sharing any UPSI, to any person including other insiders except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.*
 - 3 (2) - *no person shall procure from or cause the communication by any insider of UPSI, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations*
 - Further, reg 3 (4) provides non-disclosure and confidentiality agreements to be entered into and intimation to recipients about maintaining confidentiality of the information received and abstaining from trading in the securities during the said period.
- (5) *The board of directors or head(s) of the organisation of every person required to handle unpublished price sensitive information shall ensure that a structured digital database is maintained containing the nature of unpublished price sensitive information and the names of such persons who have shared the information and also the names of such persons with whom information is shared under this regulation along with the Permanent Account Number or any other identifier authorized by law where Permanent Account Number is not available. Such database shall not be outsourced and shall be maintained internally with adequate internal controls and checks such as time stamping and audit trails to ensure non-tampering of the database.*
- (6) *The board of directors or head(s) of the organisation of every person required to handle unpublished price sensitive information shall ensure that the structured digital database is preserved for a period of not less than eight years after completion of the relevant transactions and in the event of receipt of any information from the Board regarding any investigation or enforcement proceedings, the relevant information in the structured digital database shall be preserved till the completion of such proceedings.*

Global equivalents

- Difficult to find precise global equivalent
- However, the nearest comparable may be Article 18 of Market Abuse Regulation of the EU
- This requires preparation of an “insider list”
 - a list of all persons who have access to inside information and who are working for them under a contract of employment, or otherwise performing tasks through which they have access to inside information, such as advisers, accountants or credit rating agencies
- The list shall at least include:
 - the identity of any person having access to inside information
 - the reason for including that person in the insider list
 - the date and time at which that person obtained access to inside information
 - the date on which the insider list was drawn up
- Issuer shall update the Insider List promptly, with each update mentioning the date and time
- Retention of insider list for 5 years
- There is a concept of Permanent Insider List - persons who are regularly in receipt of such information. These names may not repetitively be entered
- There is Commission Implementing Regulation (EU) 2016/347 relating to Insider Lists in electronic form

Maintenance of Structured Digital Database

Board of Directors and heads of organisation **required to handle UPSI**

Who?

Shall ensure

What?

Sharing of UPSI for legitimate purpose

How?

Setting up and maintaining structured digital database containing:

- a) Name
- b) PAN or any other identifier

Of persons or entities with whom UPSI is shared and the person who shares such information

System should ensure adequate checks and controls:

- Time stamping
- Audit trails, etc

To ensure non-tampering of database

Other requirements?

- Information should be preserved for 8 years after completion of relevant transaction
- Should be maintained internally and not outsourced
- Entry will be required to be made for sharing internally or externally (*FAQ No. 3 & 6*)
- If any entry made needs to be altered, then a separate entry can be made citing reference to the earlier one with full corrected details and the reasons for correction. (*FAQ No. 7*)
- To be maintained independently by every company and not at group level (*FAQ No. 9*)

Suggested minimum contents of SDD (for listed entity, fiduciary and intermediaries)

Supplier of Information			Recipient of information		
Name	PAN	Any other information	Name	PAN	Any other information
Category of the person (Note 1)					
Nature of UPSI and reason of sharing UPSI					
Source of Information					
NDA or confidentiality agreement executed in this regard					
Date and Time of sharing					
Date of entry					
Date when UPSI became publicly available					
Details of person making the entry (Note 2)					
Remarks, if any:					

Note 1:

The categories of recipients shall include:

Designated Persons (DPs);

Employees of the Company who are not Designated Persons (DPs);

Persons who are neither employees nor DPs but may come into contact with the DPs of the Company;

Note 2:

The database shall be maintained under the supervision of the Compliance Officer of the Company;

The database shall be reviewed by the Compliance Officer on a periodic basis.

The identity of the person accessing the database is required to be established for the purpose of audit trail (*FAQ no. 8*)

Is SDD a perfunctory dump of internal communications, or a meaningful tool of compliance?

- Details of “**sharing**” of information in the nature of “**Unpublished Price Sensitive Information**” required to be maintained
 - “**Sharing**” of information
 - The word “sharing” implies that the recipient did not have, or was not usually expected to have, access to the information
 - There cannot be a sharing of information with someone who is already in possession of the information/ is the originator of such information
- Only for “**Unpublished Price Sensitive Information**”
 - Defined u/r 2(1)(n) of PIT Regulations
 - Means any such information
 - Not generally available
 - is likely to “**materially**” **affect the price** of the securities
 - Test for “materiality” of information
 - In terms of the “determination of materiality” policy of the company
 - Examples of UPSI - *refer slide 14*
 - More discussion on information and point of entry in SDD (*refer subsequent slides*)

“Information”, parties to the information, and entry in SDD

- When does something become “information”?
- For it to be UPSI, it has to be “information”
 - The meaning of the term “information” has to fit into overall meaning of UPSI:
 - Material nonpublic information, based on case law, has been defined by SEC in Final Rule on Code of Fair Disclosures as *“there is a substantial likelihood that a reasonable shareholder would consider it important” in making an investment decision*
 - Mere intent, desire, or dream cannot be regarded as information.
 - Information has to weight the probability of occurrence, over that of non-occurrence
- Since, the definition of UPSI refers to material impact on prices, the information should be “material”.
- A project/development or task becomes a probabilistic or potential information when the probability of its occurrence is higher.
- It becomes a concrete information when the uncertainty is largely removed.
 - At this stage, since it is material, the information requires disclosure in terms of reg 30 of LODR
- Until the concretisation and dissemination of the information, the probabilistic information is with some persons, not democratic.
 - It is this availability of potentially material information with some persons which needs to be recorded in SDD
 - In *Basic v. Levinson*, 485 U.S. 224, it was held that “materiality with respect to contingent or speculative events will depend on a balancing of both the indicated probability that the event will occur and the anticipated magnitude of the event in light of the totality of company activity”

More on meaning of “information”

- EU’s Market Abuse Regulation uses the term “information of precise nature”
- It then defines such information:
 - Information shall be deemed to be of a precise nature if it indicates a set of circumstances which exists or which may reasonably be expected to come into existence, or an event which has occurred or which may reasonably be expected to occur, where it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the prices of the financial instruments
- Unless information reaches concretisation, it is not an “information”
- When information reaches certainty, that is when it requires dissemination to the public
- Between the concretisation stage and dissemination stage, the information is unpublished
 - If material, it is an UPSI
- The idea is to preserve the confidentiality of information at this stage, not to result into selective disclosures
- Key features of UPSI:
 - Recognising something as UPSI is not a bet on the certainty of happening; an UPSI may die down and not become market information at all
 - There is surely an element of subjectivity in recognition of something as “material”
 - However, since the objective of SDD entry is maintaining a trail of information sharing, one should err on the side of caution

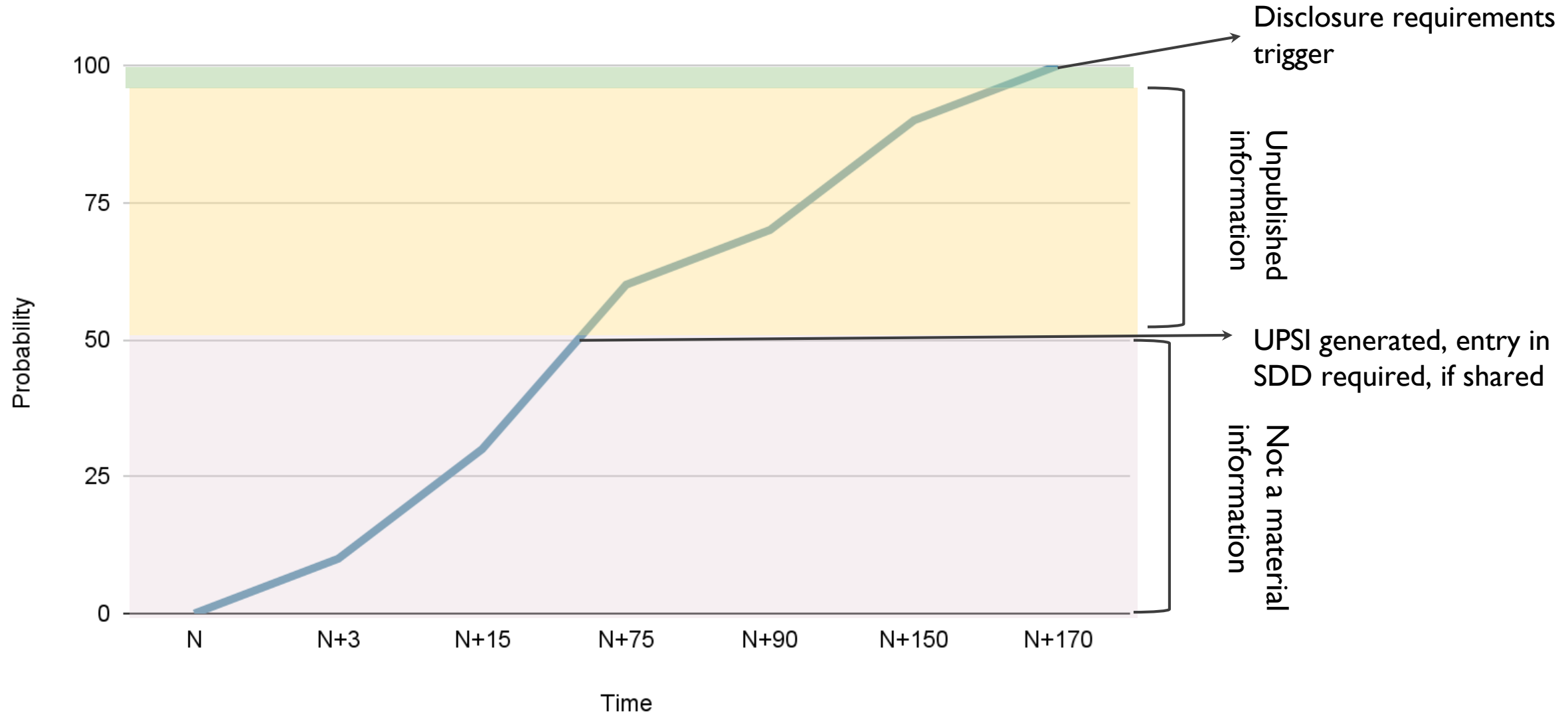
Indicative list of UPSI

- Acquisitions/ takeovers
 - Proposal for merger/ amalgamation
 - Setting up a significant subsidiary or joint venture by way of significant expansion of business/assets
 - Proposal for setting up new units
 - Dissolution of a significant subsidiary or a joint venture
- Revenue side UPSI
 - Financial results of a company
 - Expansion of production capacity
 - Major orders of a non-recurring nature or unusual concession agreement, or similar item
- Expense side UPSI
 - Significant breakdown in production
 - Disruption of operations due to natural calamity, strikes, lockouts etc
- Shareholder related UPSI
 - Proposal for declaration of dividend
 - Management change/shareholders' agreement indicating change of control
 - Proposal for raising funds through increase in capital
- Debt-related UPSI
 - Debt-restructuring arrangements or intercreditor arrangements
 - Application for CIRP by the company itself or by any operational/ financial creditor against the company
 - Potential but almost certain Default in loans or debt servicing obligations
- Corporate governance UPSI
 - Changes in management structure
 - Resignation of independent directors signalling corporate governance issue
- Litigation/ negatively impacting UPSI
 - Tax demand notice received by the company
 - Notice for initiation of any major regulatory proceedings against a company
 - Initiation of arbitration proceedings for a major demand/claim
 - Commencement of investigation by regulators such as RBI, SEBI etc
 - Fraud/defaults by promoter or KMP or by the listed company
 - Arrest of KMP or promoter
 - Initiation of forensic audit

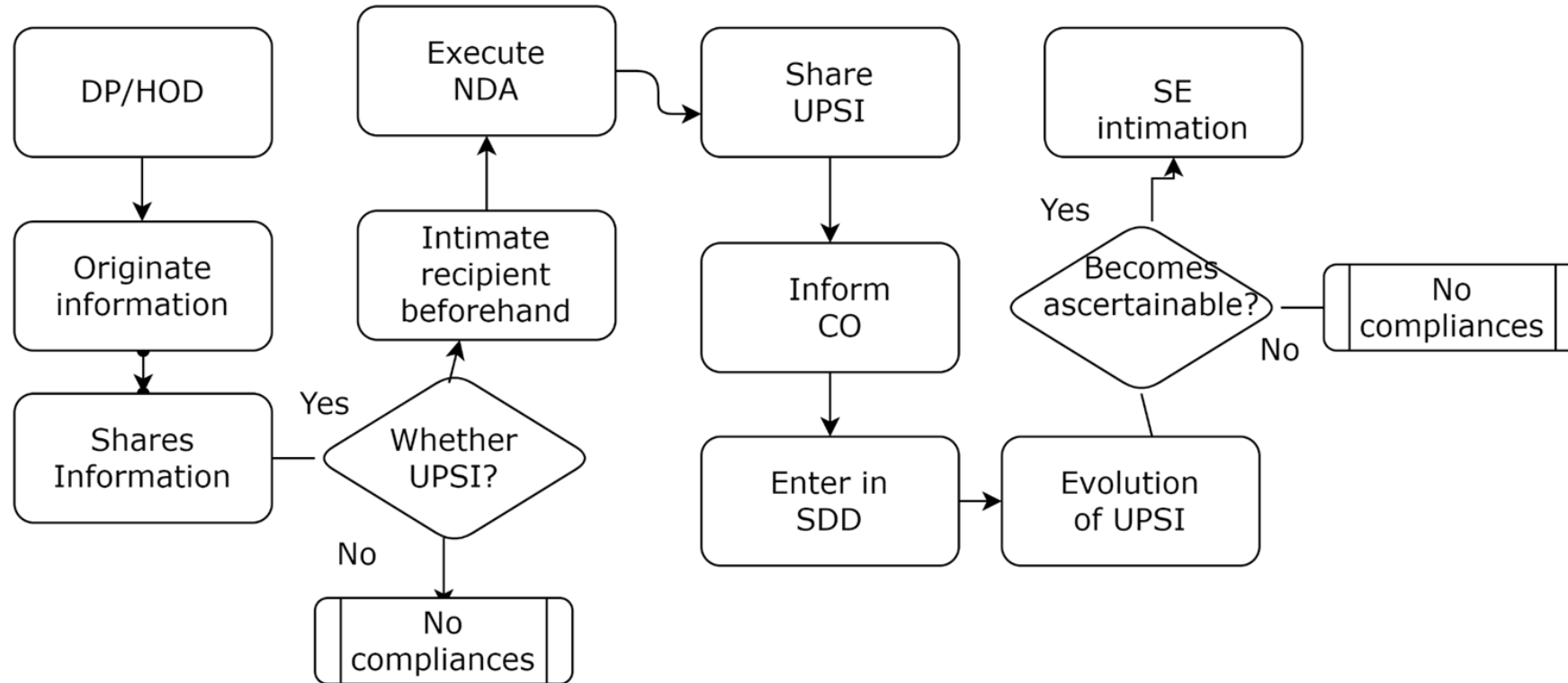
The trajectory of information in an organisation

- N: The MD spots a tender/scheme of the Orissa Govt whereby there will be allotment of land, provided the entrepreneur makes an minimum capex of Rs 500 crores in a new plant. Other conditions are there.
- N+1 Captivated by the idea, the MD would want to examine the feasibility of setting up a new unit in Orissa.
- N+3 The MD discusses the matter with the CFO and the two agree to engage one of the consulting firms to do a feasibility study for setting up the Orissa plant
- N+15 At this stage, an in-principle board approval is taken by circulation for carrying the feasibility study, to be reported back to the Board.
- N+ 75 The feasibility study comes a couple of months later. The study inter alia recommends an investment of Rs 650 crores. This will nearly doubling the current capacity of the company
- N+ 90 After doing further work on the matter, the MD and the CFO set up an internal team to identify the technology/machinery vendor, make financial projections, identify land parcel, etc.
- N+ 115 A board meeting is to be called by the CS, setting up the details as currently available.
- N + 123 Board resolution passed for making application to the Govt of Orissa for the plant; if the application succeeds, the matter to come back to the board.
- N+ 125 Application made
- N+ 155 Govt of Orissa sanctions the application
- N+ 170 Further board resolution for setting up a WOS
- **N+ 170 At this stage, the information is disclosed to SE**

Metamorphosis of “information” to publication



Stages of information and dealing with the same



- ❑ Information tends towards concretization as UPSI when the probability of it being materialised is higher than that of not going ahead with the same (*FAQ no. 5*).
- ❑ Example – A company is evaluating various proposals for growth by way of making investments in small companies with similar objectives. The company proceeds to shortlist 3-4 companies and further initiates due diligence for one of them. Here the information has concretised and therefore, seems to be the point for recognition as an UPSI.

Various aspects of SDD maintenance and responsibility centers (1/2)

Item	Responsibility center	Comments
Overall internal controls in the matter of insider trading	CEO/MD or such other analogous person	Reg 9A(1) requires the CEO/MD/ such other head to put in place adequate and effective system of internal controls
Instituting structured digital database, in accordance with Reg 3 (5), ensuring access and preservation as per reg 3 (6)	Board of directors	Without absolving of its overall responsibility, the board may delegate the matter to a competent person, say, Compliance Officer. Ref definition in Reg 2(1)(c) of PIT Regs
Ensuring that UPSI is shared with an outsider only on need to know basis, after NDA, etc	Board of Directors, all DPs and persons covered by the Code of Conduct under PIT Regs	The Code of Conduct for the DPs require all information to be handled on a “need-to-know” basis. Further, the board of directors is mandated to require parties, receiving UPSI, to execute NDAs for maintaining confidentiality and ensuring non-dealing in securities.

Various aspects of SDD maintenance and responsibility centers (2/2)

Item	Responsibility center	Comments
Recipient of UPSI, having been intimated that the information is confidential, needs to ensure that the information is not shared	Recipient of the information - head of the Fiduciary or intermediary, or other entity receiving information	Reg 9(2) puts a responsibility on the recipient of UPSI to formulate a code of conduct to regulate, monitor and report trading by their DPs and immediate relatives.
When UPSI is shared, person sharing the UPSI needs to ensure it is entered in SDD	Depending on controls put up by the board, either the person sharing the UPSI, or, on intimation, the Compliance Officer	Primary responsibility lies on the board of directors or head of the organisation. Access control centers should be established as per written internal mandates.
Certificate for SDD as per SE format	Compliance officer or PCS	SE circular dated 28th Oct, 2022 requires quarterly certification of compliance with maintenance of SDD and entries in SDD.
Matters pertaining to SDD - tamper proof, access controlled, 8 year preservation, ec	Board of directors or head of organisation	Primary responsibility is on the board of directors or head of organisation. Being an IT based function, these matters are required to be ensured at the time of design/ purchase of software for maintenance of SDD.

Manner of maintaining SDD

- Pre-requisites
 - Maintained internally and not outsourced
 - Audit trail to be maintained
 - Facility of date and time stamping
 - Shall be tamper-proof
- Can it be maintained on Excel sheets?
 - Spreadsheets are easy; however, no audit trail, unless created by security features.
 - Some tech experts contend that even enabling tracking creates an audit trail; there are others who recommend VBA codes (which may not be very hard to create).
 - There are some write-ups from the UK which have expressed doubts on whether Excel is a good tool for insider lists as required by UK regulations.
- Can it be maintained on Google sheets?
 - Time stamping is possible
 - Audit trail possible since the edit history is maintained
 - Maintained on google cloud, so may amount to outsourcing
- Softwares provided by third party
 - May be used if all features are there
 - Need to ensure that the same does not result in “outsourcing”
 - FAQs have clarified that use of external software maintained internally by company does not amount to outsourcing
- Suggested mode for maintenance
 - Emails may be tagged as “containing price-sensitive information” at the time of sharing information
 - Systems to be linked such that all such emails are captured automatically
 - Once events are identified, other relevant information may be populated by those having access controls
 - In case of multiple people having access controls, there still need to have a centralised point of control

Consequences of violation of maintenance of SDD

- Instances of violation
 - No audit trail
 - Not maintained internally
 - No timestamping
 - Capable of being tampered/ instance of actual tampering
 - Details not filled entirely
 - Entry for certain instance of sharing UPSI not captured
 - Rectification entry not made in the manner provided in FAQ no. 7
 - Entry made by person not authorized
 - Entries not maintained for 8 years or till completion of proceedings, as the case may be.
 - Non-submission of compliance certificate
 - Incorrect reporting made in compliance certificate
- As per NSE circular dated 4th Nov, 2022
 - Company will be displayed as “*non-compliant with SDD*” under the ‘Get Quote’ page of Exchange Website of the listed entity
 - from the next trading day till the
 - Exchanges have satisfactorily verified that the company has completely complied
- In terms of SEBI Act, 1992 penalty may be levied on the responsibility centers under -
 - Sec 15A (b)-failure to furnish or file return, information, records within time, or furnishing false, incomplete or incorrect information
 - Minimum penalty - Rs. 1 lac
 - Continuing default – Rs. 1 lakh per day
 - Maximum penalty - Rs. 1 crores
 - Sec 15HB - failure to comply with any provisions of law for which no specific penalty has been provided
 - Minimum penalty - Rs. 1 lac
 - Maximum penalty - Rs. 1 crores



SDD COMPLIANCE CERTIFICATE



Compliance certificate - what it is, and what it is not

What the Compliance Certificate is

- That the Company is maintaining SDD, in the manner required by reg 3 (5)
- The SDD answers the basic attributes - access control, non tamperability, audit trail, etc
- If an item has been internally recognised as UPSI, and the same has been shared internally or externally, procedures exist to ensure that the sharing of such information is entered into the SDD
 - Such procedures are working satisfactorily

What the Compliance Certificate is not

- Whether information has properly been characterised, or omitted from being characterised, as UPSI
- Whether UPSI has been shared by someone inside the entity, other than on need to know basis
- Whether UPSI has been shared by someone without entering the same in the SDD
- Whether an outsider has obtained access to UPSI, or shared the same with someone
- Whether trades have been made while in possession of UPSI

Requirement of SDD compliance certificate

- **From where does the requirement trigger?**
 - Q1 of FY 22-23 – notices sent to listed entities by SEs
 - Q2 and Q3 of FY 22-23 – circulars issued by SEs dated 28th October, 2022
 - Q4 of FY 22-23 - separate circular to be issued by the SEs.
- **What does the certificate pertain to?**
 - compliance with respect to maintenance of SDD and capturing of all events of sharing of UPSI
- **Periodicity and timelines of compliance certificate?**
 - On a quarterly basis
 - For Q2 FY 22-23 – by 18th November, 2022
 - For Q3 FY 22-23 – by 21st January, 2023
- **Who is required to certify?**
 - Compliance Officer of the reporting company or a practicing Company Secretary
- **Format of certificate**
 - Refer next slide
- **Manner of submission**
 - BSE: BSE Listing Centre > Listing Compliance > Compliance Module > Structured Digital Database (SDD) Compliance Certificate
 - NSE: This certificate has to be emailed on the following email id of the Exchange: sdd_pit@nse.co.in
- **Power to SE to inspect the SDD system**
 - After giving notice of 1 working day
 - If company is non-compliant with respect to SDD, appropriate action shall be initiated by the Exchanges
- **Placing of certificate before the Board**
 - Recommended as responsibility w.r.t. SDD maintenance is on the Board.

Format of compliance certificate

COMPLIANCE CERTIFICATE FOR THE QUARTER ENDED _____
(Pursuant to Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015)

I, _____, Compliance Officer of _____ (name of listed entity), or I, _____, Practising Company Secretary appointed by _____ (name of listed entity) am aware of the compliance requirement of Structured Digital Database (SDD) pursuant to provisions of Regulation 3(5) and 3(6) of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations) and I certify that

1. the Company has a Structured Digital Database in place
 2. control exists as to who can access the SDD
 3. all the UPSI disseminated in the previous quarter have been captured in the Database
 4. the system has captured nature of UPSI along with date and time
 5. the database has been maintained internally and an audit trail is maintained
 6. the database is non-tamperable and has the capability to maintain the records for 8 years.
- (relevant points from 1 to 6 can be striked off in the case of non compliance)

I also confirm that the Company was required to capture _____ number of events during the quarter ended and has captured _____ number of the said required events.

I would like to report that the following noncompliance(s) was observed in the previous quarter and the remedial action(s) taken along with timelines in this regard:

Component wise guidance on compliance certificate (1/2)

■ The Company has a Structured Digital Database in place

- Seems to be a mere confirmation of existence of SDD on plain reading
- May be read to be in the wider context of adherence to regulations pertaining to SDD

■ Control exists as to who can access SDD

- There has to be a formal existence of control
- Should be documented by way of an internal mandate/ SOP
- Implementation of the SOP should be observed properly

■ All the UPSI disseminated in the previous quarter have been captured in the Database

- Identification of all UPSI germinated during previous quarter
- Whether such UPSI has been shared internally or externally?
- Whether such sharing has been captured in SDD?
- Whether such entry has been done within time

Note – Dissemination does not seem to mean “public dissemination”. An UPSI may or not result into public disclosure and may take substantial time to fruitify.

■ The system has captured nature of UPSI along with date and time

- Only “nature” is required to be noted and not the UPSI itself
 - For e.g. – tax issues, financials etc. instead of feeding the complete UPSI in the database itself
- Date and time of “sharing” of UPSI required to be captured.

Component wise guidance on compliance certificate (2/2)

■ **The database has been maintained internally and an audit trail is maintained**

- Internal maintenance would mean
 - no outsourcing of maintenance of SDD
 - nor accessible to anyone other than authorized persons as per internal controls
- Audit trail to recognize any subsequent edits to an existing entry made in the SDD

■ **The database is non-tamperable and has the capability to maintain the records for 8 years.**

- Any tampering to the existing entries should be get recorded in the audit trail
- Adequate storage space coupled with backup and recovery mechanism to ensure maintenance of records for minimum statutory period

Other points on which reporting is required under the Certificate –

■ **Number of events required to be captured vs actually captured in SDD**

- Confirmation as to whether internal or external sharing of information of all events that qualify as UPSI during the previous quarter has been captured in the SDD

■ **Non-compliances and remedial action**

- SDD is a process of evolution
- Breaches, exceptions, deviations may be observed
- Subsequent entries capturing the details should be made.
- Corrective action to be taken along with timelines for the same to be mentioned in the certificate

Various checkpoints that require verification for SDD compliance certificate

Documents/ Information to be sought/ checked

- Access to the Structured Digital Database
 - Capturing the nature of UPSI shared, not the UPSI itself
- Disclosures made to the stock exchange under Reg 30 of LODR Regulations
 - Especially items reported under Para B basis the materiality thresholds
- Internal SOP with respect to access controls to SDD
- Protocol for sharing of UPSI and marking communication as price-sensitive
- NDAs entered into for the purpose of sharing of UPSI
- Board approved financials for the relevant quarter
- Access to minutes of audit committee, board and other significant sub-committees whose ToR may be relevant
 - Acquisition committee, Fund-raising committee etc.
- Any major order, tax demands, notices, communications sent to the company by regulatory and/ or statutory authorities
- News pieces in circulation with respect to the reporting entity
 - To identify any significant development.

Checking system sufficiency

- Whether unauthorised access to SDD is reported through security controls?
- Whether attempts to tamper are automatically reported to persons having access controls?
- Whether impersonification attempts are immediately reported to the access controls?
- Whether the authorisation is on an IP based approach or based on access to login credentials?

Obtaining confirmations from the Company

- Whether any event identified as “material” in terms of Schedule III of LODR Regs or as per materiality policy of the Company has occurred during the previous quarter?
- Whether decision to not regard some information as UPSI has been documented?

Additional safeguards to be ensured by practicing professional

- Certificate is a pre-specified format, so possibility of making changes are limited
- Certifying professional may provide relevant information by way of note attached with the certificate (annexure).
- The annexure may contain the following –
 - Basis of certification
 - Reservations, if any
 - Documents on the basis of which the certificate has been given
 - Documents which would have been relevant for the purpose of certification but not been provided to the professional
 - Confirmation that the professional did not seek any UPSI, nor any UPSI was shared with him during the course of certification
 - Confirmation that the certificate is limited to the extent of certifying the SDD compliances and does not extend to the checking and verification of all compliances required under PIT Regulations.
 - The certification is limited to the maintenance of SDD and does not extend to the identification of whether an information should have been considered as UPSI or not

Suggestive format of annexure with PCS certificate (1/2)

We have have been engaged by [_____] ('Company') to issue Compliance Certificate for the Quarter ended **, in terms of BSE/NSE Circular No. *** dated ** ('Circular') read with regulation 3(5) and 3(6) of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 ('PIT Regulations') ('Engagement').

Accordingly, we have issued the Compliance Certificate for the Quarter ended **, of the even date which should be read along with this Annexure. Our certification, as above, is subject to the following:

- Maintenance of Structured Digital Database ('SDD') is the responsibility of the board/management of the Company. The Engagement only seeks to certify the extent of compliance as required in terms of the Circular. Also, the certification does not cover other compliances under PIT Regulations.
- We have relied on the details, documents, information and explanations provided by the management and information freely available in the public domain for the purpose of issuance of the Compliance Certificate.
- Wherever required, we have obtained the management representation about the happening/not happening of events, an information being in the nature of unpublished price sensitive information ('UPSI') or otherwise, [can be further added], etc.

Suggestive format of annexure with PCS certificate (2/2)

- We understand that the purpose of the Engagement is limited to checking compliance with the requirements pertaining to maintenance of SDD and capturing the nature of UPSI disseminated during the previous quarter. Accordingly, we have not gone into the question of determining whether an information is/was UPSI or otherwise. We have relied on the Company's decision as to classifying (or not classifying) the information as UPSI. Wherever necessary, we have submitted our views to the management.
- Further, none of the information shared with us by the Company during the Engagement has been tagged as UPSI by the Company. Hence, we understand that none of such information is an UPSI and thus, has not been treated as UPSI by us. [Exceptions may be written]
- There may be several aspects involved in the certification which may be largely driven and determined by information technology systems, softwares and computer applications used for the purpose, e.g. controls on accessibility to SDD, maintenance of audit trail, non-tamperability of SDD, etc. As a part of review, we have made all efforts to check for the features in the SDD and take management representation, wherever required; however, we offer no comments and provide no assurance as to the functioning, efficacy and suitability of such technology systems, softwares and computer applications, and our certification is limited to that extent.
- We have followed the practices and the processes as were appropriate to obtain reasonable assurance about the sanctity of the processes and correctness of the contents of the records. Wherever deemed appropriate, the verification was done on a test basis. We believe that the processes and practices we followed provide a reasonable basis for our certification.
- The Engagement has been conducted online, as facilitated by the Company, for the purpose of issuing this Compliance Certificate. In doing so, we have followed the guidance as issued by the Institute.

Applicability of SDD requirements on Intermediaries/ Fiduciaries

- **Applicability**
 - Reg 3(5) &(6) applicable to all organizations required to handle UPSI, therefore applicable
 - In the same manner as applicable to the listed entity
- **When to be entered? On Sharing or Receiving?**
 - Receiving of UPSI from listed entity also required to be recorded
 - Refer SE FAQs no. 2
 - Also provided in SEBI FAQs on PIT Regulations (FAQ no. 6)
 - Relevance of maintaining a counter entry not clear
 - May be a compliance nightmare for Banks/ Merchant Bankers etc.
 - How to ascertain an entry is needed?
 - Upon signing of NDA
 - Receipt of intimation from the listed entity that UPSI has been shared
 - Details required for entering in SDD to be obtained from listed entity.
 - Onward sharing of UPSI as received from the listed entity on a “need-to-know” basis
 - Sharing of UPSI, relating to the listed entity, with the listed entity
 - Originating at their end
- **Requirement of submission of SDD compliance certificate**
 - Not applicable as the circular is applicable only on listed entities (both equity and debt).
- **Other requirement under PIT Regulations**
 - Framing of Code of Conduct
 - Identification of Designated Persons
 - Maintenance of restricted list