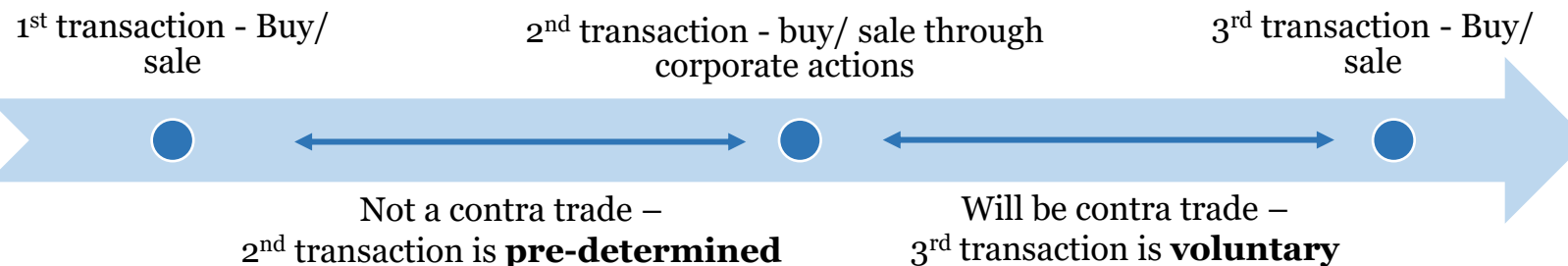


SEBI's PIT FAQs : Contra trade restrictions explained | SDD on cloud server - Board responsible for integrity | transfer from one demat to another | bidding under CIRP

ESOPs and contra trade

- Exercise of ESOPs and subsequent sale of such ESOP shares will not be contra trade.
 - Sale of ESOP shares within 6 months of buy trade in open market* will be contra trade.
- *Open market – transactions other than acquisition/ disposal of shares undertaken through corporate action. (Refer next side for contra trade examples by SEBI).

Corporate actions and contra trade



Computation of 6 months in case of corporate actions

- Actions where DP **voluntarily participates** e.g. rights issue, FPO, OFS, buy-back - Within 6 months of such acquisition/ disposal.
- Actions where DP **does not voluntarily participate** e.g. bonus issue, share split, merger, demerger
 - Merger/ demerger – 6 months to be computed from the date of acquiring securities of entities which were merged/ demerged
 - If unlisted co. gets merged with listed co. - 6 months to be computed from the first transaction in the entity post merger
 - Bonus and split - 6 months to be computed from the date of acquiring original securities on which bonus/ split shares were received.

Other clarifications on contra trade

- Trading in rights entitlements is an open market trade. If DP acquires shares and sells the rights entitlements within 6 months, it will be contra trade.
- DP holding securities in different capacities e.g, personal capacity, capacity of trustees and executor of will - contra trade restrictions will apply to all the shares under the PAN, irrespective of capacities.

Maintaining SDD on cloud server

- Earlier, SEBI considered database/ servers provided by third party vendors as outsourced.
- SEs in their FAQs on SDD dated [28th Oct, 2022](#), clarified that external software can be used but should be maintained internally.
- SEBI has clarified that the Board of Directors and Compliance Officer will be responsible for the confidentiality, integrity and security of data in SDD maintained on cloud or other method.

Other clarifications

- Disclosures in case of transfer of shares from one demat to another -
 - Not required since beneficial ownership remains same.
 - If one of the demat A/c has more than single ownership, disclosures will be required.
- If an entity participated as prospective bidder for listed co. under CIRP, and had access to UPSI during bidding process, it cannot trade in the securities of such company.

[Our Resource Centre on PIT Regulations](#)

[FAQs on Structured Digital Database](#)

[FAQs on PIT Regulations](#)

We will release FAQs on contra trade restrictions soon.

Vinod Kothari & Company
Mumbai | Kolkata | Delhi | Bengaluru
corplaw@vinodkothari.com

Reach us on social media:    

Examples on contra trade restrictions in case of ESOPS

Transaction Date – Jan 1, 2021 (A)	Transaction Date – Feb 1, 2021 (B)	Transaction Date – March 1, 2021 (C)	Transaction Date – August 1, 2021 (D)	Transaction Date – September 1, 2021 (E)	Contra Trade (F)
-	ESOPs - Acquire #	ESOPs –Dispose \$	-	-	No
-	ESOPs - Acquire #	ESOPs –Dispose \$	ESOPs –Dispose \$	-	No
-	ESOPs - Acquire #	Market – Acquire @	ESOPs –Dispose \$	-	Yes, Transaction D is contra to C
-	ESOPs - Acquire #	ESOPs –Dispose \$	Market – Acquire @	-	Yes, Transaction D is contra to C
Market – Dispose @	ESOPs - Acquire #	ESOPs –Dispose \$	-	-	No
Market – Acquire @	ESOPs - Acquire #	ESOPs –Dispose \$	-	-	Yes, Transaction C is contra to A
Market – Acquire @	ESOPs - Acquire #	ESOPs –Dispose \$	Market – Acquire @	ESOPs –Dispose \$	Yes, Transaction C is contra to A, D is contra to C and E is contra to D.
Non –open Market – Acquire %	ESOPs - Acquire #	ESOPs –Dispose \$	-	-	No

- **ESOPs – Acquire:** Shares acquired through exercising ESOPs

\$ - **ESOPs – Dispose:** Shares disposed, which were acquired through exercising ESOPs.

@ - **Open Market - Acquire/Dispose:** Shares acquired or disposed in open market

% - **Non-Open Market – Acquire:** Shares acquired through corporate actions like Rights Issue, FPO, OFS, Bonus, Split, etc.

Source: [SEBI PIT FAQs dated March 31, 2023](#)