

# SEBI proposals to ease trading plans by company insiders | SEBI Consultation Paper (CP) dated November 24, 2023

## Background of Trading Plans (TPs) [Reg 5 of PIT Regulations]

- TPs are plans framed by insiders for trades to be executed in future
- Suitable for those persons in the company who have possession of UPSI at all times
- PIT Regulations prohibit trading when in possession of UPSI – TPs are an exemption

## Challenges in the present framework

- BSE, NSE data shows only 30 TPs submitted annually during last 5 years
- Not very popular owing to restrictive conditions viz. irrevocability.

## Features of TP & exemptions (as per the present framework)

- ❑ **Cooling off period:** TP to be executed only after 6 months from its public disclosure;
  - allowing time for any UPSI at the time of formulation of TP to become generally available by the time it is executed;
- ❑ **Black - out period:** No trades as per TP between 20<sup>th</sup> trading day prior to the last day of any financial period for which financial results are to be announced and the 2<sup>nd</sup> trading day after the disclosure of such results;
- ❑ **Disclosure of TP:** Once approved, Compliance Officer (CO) to notify the Stock Exchanges (SEs) – no timeline as of now;

- ❑ **Minimum coverage period:** TP shall entail trading for at least 12 months;
  - to avoid frequent announcements of TPs
- ❑ **Price limit:** Insiders to set out – either the value, no. of securities, nature (buy/ sell) of trade along with intervals/ dates of execution of trades;
- ❑ **Irrevocability** : Insider to mandatorily implement the TP, once approved it becomes irrevocable;
- ❑ **Trading window restrictions, pre-clearance of trades and contra trade restrictions:** exempted for trades carried as per TP.

## Proposed amendments in the CP along with Working Group (WG) recommendations

- **Cooling off period:** to be reduced from 6 to 4 months –sufficient time for UPSI to become generally available;
- **Minimum coverage period:** to be reduced to 12 months to 2 months;
- **Black - out period:** To be omitted – considering the period forms a significant part of the year;

- **Price limit:** Insiders to set price limit of 20%, up/ down of the closing price;
- **Irrevocability:** If price of security is outside the limits set, trades may be revoked;
- **Exemption from contra trade restrictions:** to be done away with;

- **Disclosure of TP:** to be done within 2 trading days of approval by CO along with price limit;
- **3 alternatives:**
  - ✓ Mask personal details (name, PAN) of insiders;
  - ✓ Disclose along with personal details [existing manner];
  - ✓ 2 separate disclosures: (a) full (confidential) disclosure to SE (b) disclosure without personal details to public through SE.

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