



SEBI (Prohibition on Insider Trading) Regulations, 2015

January 15, 2015

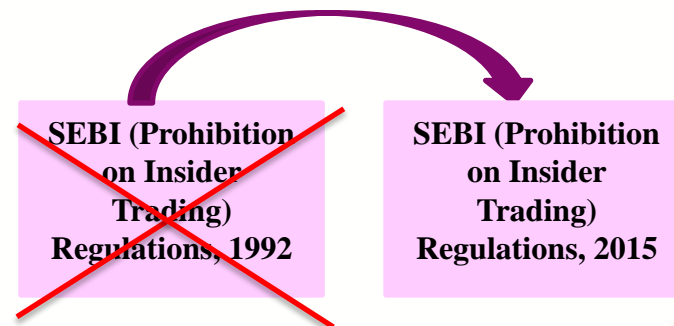
SEBI (Prohibition on Insider Trading) Regulations, 2015

The new norms, which has revamped nearly two-decade old regulations on insider trading and which will **come into effect after four months**, provides greater clarity on concepts and definitions and has been put in place along with a stronger legal and enforcement framework for prevention of insider trading under the new set of norms, to be called the SEBI (Prohibition of Insider Trading) Regulations, 2015


Key Objectives :

- To protect the interest of the investors.
- To rationalize and strengthen the existing regulatory code

This Precursor provides analyzed insights on the major changes and implications of the new Regulations on insider trading.



Key Aspects: SEBI (PIT) Regulations, 2014 (1 of 3)

Particulars	2014 Regulations	Pantomath Remarks
Who is an Insider?	Insider has been made wider by including persons connected on the basis of being in any contractual, fiduciary or employment relationship that allows such person access to unpublished price sensitive information (UPSI) besides Directors, employees and all other persons in the deeming category and earlier covered under 1992 regulations	The definition of Insider has been widened with a right to rebut the presumption.
Connected Person	Under the Regulations, the definition of a “Connected Person” has been rationalized & broadened with the onus of establishing not in possession of UPSI, shall be on such connected persons.	The definition of connected person was largely position based in earlier regulation and now it has been rationalised and broadened
Unpublished Price Sensitive Information (UPSI) and Generally Available Information	<ul style="list-style-type: none"> • UPSI has been defined as information not generally available and which may impact the price. The definition of UPSI has been strengthened by providing a test to identify price sensitive information, aligning it with listing agreement and providing platform of disclosure. Price sensitive information has now been included with respect to securities as well, which was earlier with respect to company only • Generally Available Information will be the information that is accessible to the public on a non-discriminatory platform which would ordinarily be stock exchange platform. 	Information which is not disseminated on the Stock Exchange is said to be unpublished information 

Key Aspects: SEBI (PIT) Regulations, 2014 (2 of 3)

Particulars	2014 Regulations	Pantomath Remarks
Communication of information	<ul style="list-style-type: none"> • Clear prohibition on communication of unpublished price sensitive information (UPSI) of Listed as well as to be listed has been provided except legitimate purposes, performance of duties or discharge of legal obligations and Prohibition of unlawfully procuring possession of unpublished price sensitive information • Takeover Transaction is said to be permitted transaction • Considering every investor's interest in securities market, advance disclosure of UPSI at least 2 days prior to trading has been made mandatory in case of permitted communication of UPSI. 	<ul style="list-style-type: none"> • The mere disclosure or communication of UPSI in itself constitutes an offence under the new Regulations whether or not the recipient has utilised the UPSI to gain an undue advantage. • Companies Proposed to be Listed are also brought under the purview. • Communication can be done in permitted transaction provided NDA is entered by the parties. • Trading can be done after two days of Disclosure of Price Sensitive information
Valid Defense	<p>In given cases, certain circumstances which can be demonstrated by an insider to prove his innocence are</p> <ul style="list-style-type: none"> ✓ Inter-se, off market transactions between promoters who have made a conscious and informed trade ✓ Chinese walls ✓ Trading plans 	<p>The introduction of the provisions regarding valid defences is a step forward in developing sound insider trading norms in India. The text of the valid defences set out that the charge of insider trading not only has to be clear, precise and reasonable but it also involves the element of mens rea. It must be noted that SAT has, previously, held that in light of the objective of the Insider Trading Regulations, the intention/motive of the insider has to be taken cognizance of.</p>

Key Aspects: SEBI (PIT) Regulations, 2014 (3 of 3)

Particulars	2014 Regulation	Pantomath Remarks
Compliance Officer	Compliance officer shall be responsible to oversee the compliance of these regulations	Roles and responsibilities of Compliance officer has been enhanced
Trading Plan	<ul style="list-style-type: none">• Insiders who are liable to possess UPSI all round the year would have the option to formulate prescheduled trading plans. Trading plans would, however, to be disclosed on the stock exchanges and have to be strictly adhered to.• Trading plans shall be available for bona fide transactions.• Trading is not permitted between twentieth trading days of any financial period for which result has to be published and two trading days post publishing of results• 6 months advance public disclosure of the trading plan which shall contain either details of values of trades or nos of securities, nature of trade, time interval or specific date is required and trading plan shall be for 12 months	This facilitate compliant trading towards acquisitions by insiders and to provide them a safe harbour under the new Regulations.

Disclosures: 3W's

Who	What	When
Promoter, director & KMP of listed company and any other person as may be determined by the Company	Disclose its holdings of securities including transaction in derivatives to the company as on the date of regulation coming into force or date of appointment or becoming promoter	Within 30 days from these regulations taking effect & Within 7 days of appointment or becoming a promoter
Promoter, director or employee of company and any other person as may be determined by the Company	Securities including transaction in derivatives acquired or disposed by promoter, director or employee of company and by immediate relative of their and on behalf of person for whom such person takes decision shall disclose to the company.	In any calendar quarter, value of traded securities exceeds Rs 10 lakh with single or series of transaction.
Listed Company	Intimate the continual disclosure transaction to stock exchange	Within two trading days of receipt of the Information

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