All you need to know about SEBI

When corporate insiders like officers, directors and employees, auditors, appointed counsels, trade stock in their own companies, while in ownership of the material, non-public information about the Company/or its shares, they indulge themselves in "Insider Trading".

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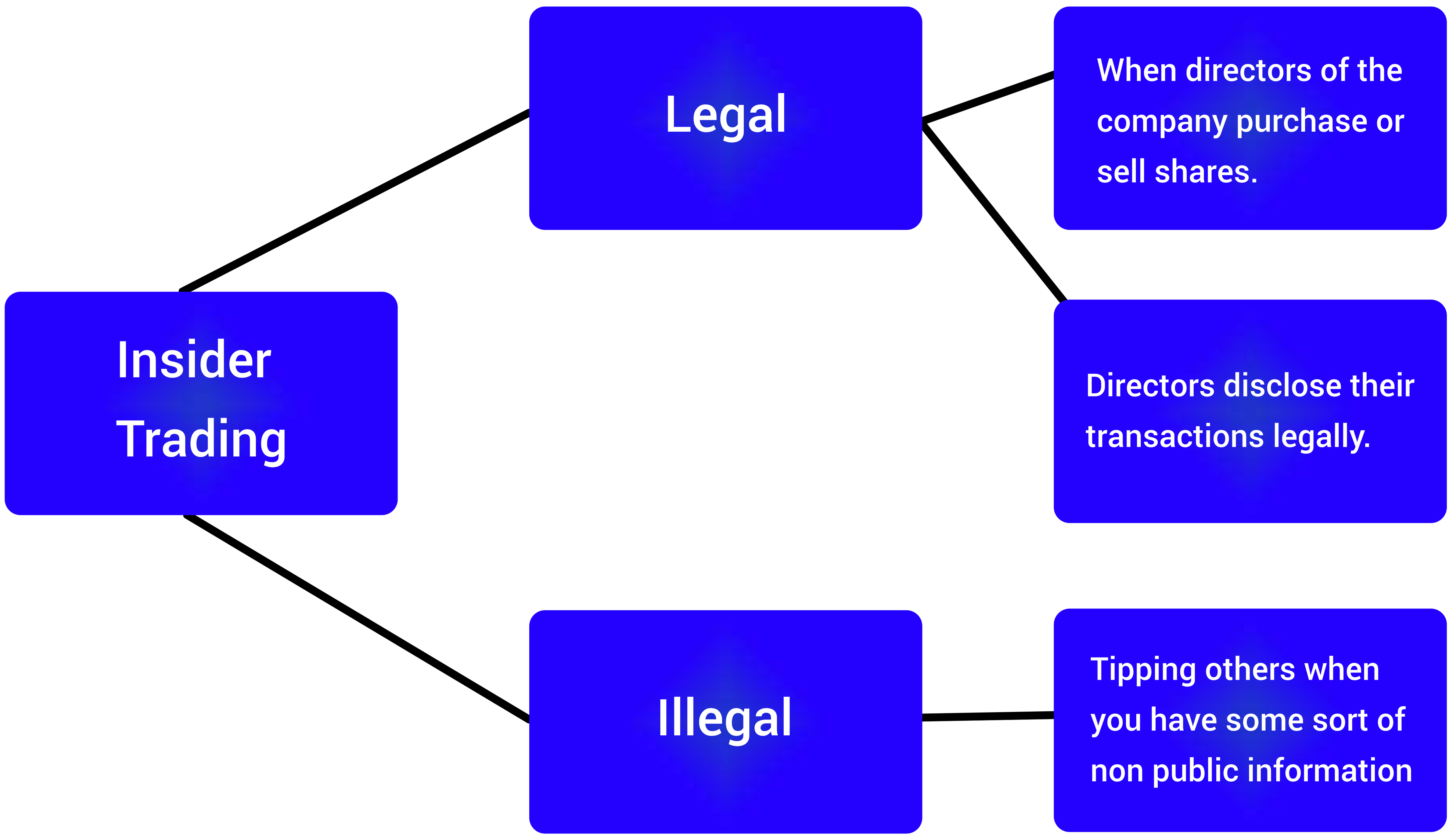
All you need to know about SEBI's Insider Trading Regulations

When corporate insiders like officers, directors and employees, auditors, appointed counsels, trade stock in their own companies, while in ownership of the material, non-public information about the Company/or its shares, they indulge themselves in "Insider Trading". Insider trading is primarily the act of dealing in securities with the advantage of having access to unpublished information which when published would impact the price of securities in the market. On the other hand, insider trading can be illegal or legal depending on when the insider makes the trade. It is unlawful when the material information is still not disclosed and is non-public.



Examples of Insider Trading

- Company officers, directors and employees, auditors and appointed counsels who trade in the Company's shares while in ownership of knowledge/information of significant, confidential corporate developments (such as a takeover, merger etc.)

- Friends, business associates, immediate relatives and other officers, directors, and employees, who trade in the Company's shares after getting inside information;

- Employees of banking, brokerage, audit, law, printing firm and other professional/vendor firms who are given such information to give services to the Company, but who misuse the information to trade in shares of the Company;
- Other persons who abuse or take advantage of confidential information received from their employers.

Regulatory Authority to Prohibit Insider Trading in India

Following are the regulatory authorities:

- SEBI (Prohibition of Insider Trading) Regulations, 2015 by the Securities Exchange Board of India (SEBI), and
- The Ministry of Corporate Affairs (MCA) as per the Companies Act, 2013,

Has lay down specific provisions to stop Insider Trading.

"Insider trading is highly discouraged by SEBI"

Employees, including Directors and key managerial personnel, should be aware that if they have inside information about the Company they work for, they must altogether avoid doing trading or advising anyone to trade in the shares or securities of that Company during the time such information remains unpublished, as this is 'Insider Trading' and hence is a punishable offence.

Why must Insider trading be restricted?

- To protect general investors
- To protect the interest and name of the company
- To maintain assurance in the stock exchange operations
- To sustain Public confidence in the financial system

Unpublished Price Sensitive Information

Unpublished Price Sensitive Information is any information relating to the company or its securities, directly or indirectly, which is generally not available. If it gets open, then it is likely to affect the price of the securities. It may include:

- financial results;
- dividends;
- change in capital structure;
- acquisitions, delisting, mergers, de-mergers, disposals and expansion of business and such further transactions;
- changes in Key Managerial Personnel (KMP);
- Any other event as may be determined by the Company/ the Compliance Officer which is likely to affect the price of the Securities of the Company materially.

Communication or obtaining unpublished price sensitive information

Any person shall not:

- communicate, give, or allow access to any unpublished price sensitive information, or
- obtain from or cause the communication by any insider of unpublished price sensitive information,

Trading when in ownership of unpublished price sensitive information

An insider shall not trade in securities, which are listed or proposed to be listed on the stock exchange when in possession of unpublished price sensitive information.

Trading Plans

An insider would be required to submit a trading plan in advance to the compliance officer for his approval. The compliance officer is also empowered to take additional undertakings from the insiders for approval of the trading plan. Such trading plan on approval will also be disclosed to the stock Exchanges, where the securities of the company are listed.

Disclosures of trading by the insiders

- by a person which shall also consist of those relating to trading by such person's immediate relations, and
- by any other person for whom such person takes trading decisions.

The disclosures of trading in securities shall also comprise trading in derivatives of securities if allowed under law. Such disclosure shall be preserved for five years.

Disclosures of interest by certain persons

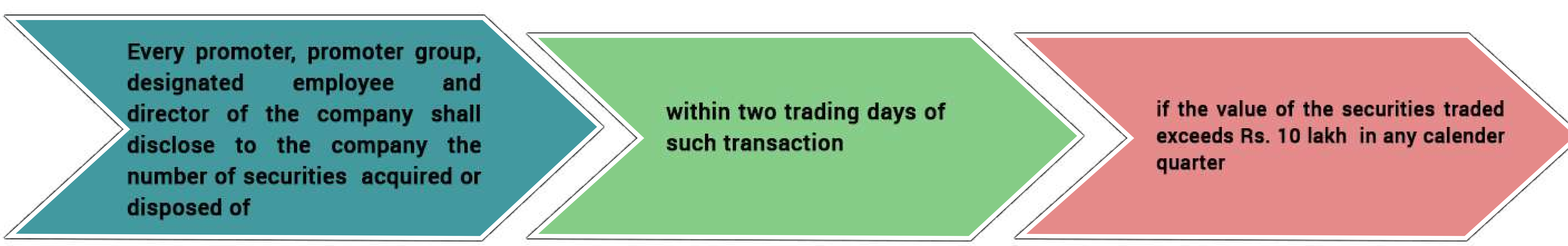
Disclosure requirement can be divided into two stages:

- Initial Disclosure
- Continual Disclosure

Initial Disclosure

- Every person, on appointment as a KMP or a director of the Company or upon becoming a Promoter or member of the promoter group, shall disclose his/her and Immediate Relatives holding of securities of the Company as on the date of appointment or becoming a promoter, to the Company within seven days of such appointment or becoming a promoter,
- Every Designated person shall disclose details like Permanent Account Number, names of educational institutions from which they have graduated and names of their past employers.

Continual Disclosure



Every company shall notify the particulars of such trading to the stock exchange on which the securities are listed

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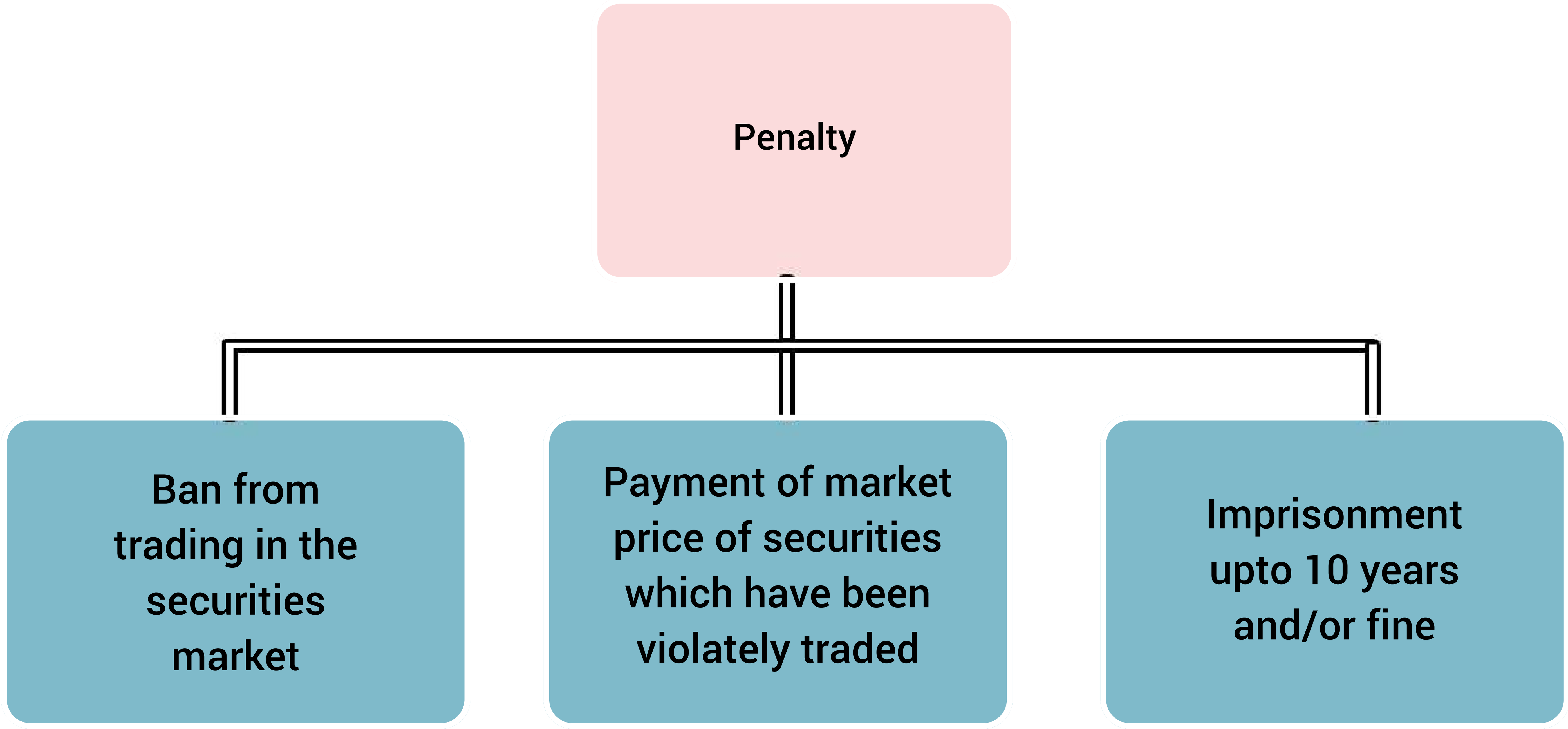
within two trading days of receipt of the disclosure or from becoming aware of such information

Penalty for violating the rules

Disclosure requirement can be divided into two stages:

- Ban from trading in the stock market,
- Payment of the market price of Securities which have been traded in violation of these requirements, and
- Imprisonment up to 10 years and/or penalty up to Rs.25 crores.



To Sum Up

India has put great hard work in the enactment of SEBI Insider Trading regulations to be at parity with international values of Insider Trading Laws. With the increase in trading of share market, bond market, derivative market, there has been a development in one particular form of trading called Insider Trading. Hence, it is of utmost importance to regulate such improper and fraudulent acts for the growth of the economy and the financial market as a whole.

For more information related to Insider Trading, contact the team of experts at Enterslice.

Thank You!