



**Corporate
Professionals**

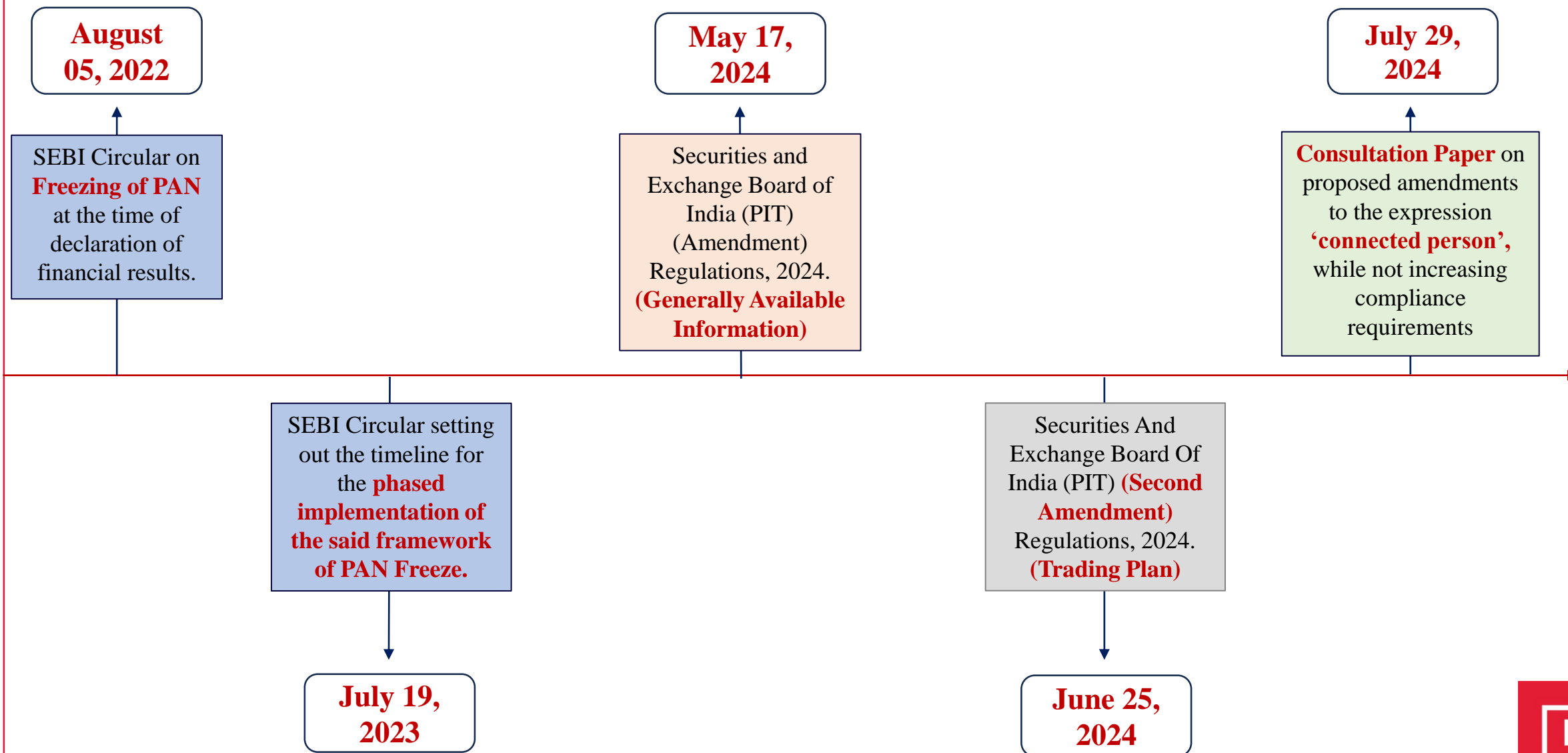


YEARS OF EXCELLENCE

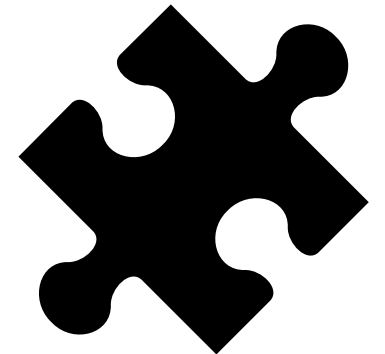


Recent Updates in SEBI(Prohibition of Insider Trading) Regulations, 2015

● An Overview: Recent Regulatory Developments



Freezing of PAN of Designated Persons



Freezing of PAN of Designated Persons

Freezing Of PAN at the Company's security level, during the Trading Window Closure Period (Declaration of Financial Results).

Securities Wise:

- **Equity shares, and**
- **Equity Derivatives Contracts (i.e. Futures and Options)**
- **NSE & BSE vide circular dated June 28, 2023, have mentioned the securities convertible into equity shares.**

Transaction Wise:

- **On-market transactions,**
- **Off-market transfers,**
- **Creation of pledge**

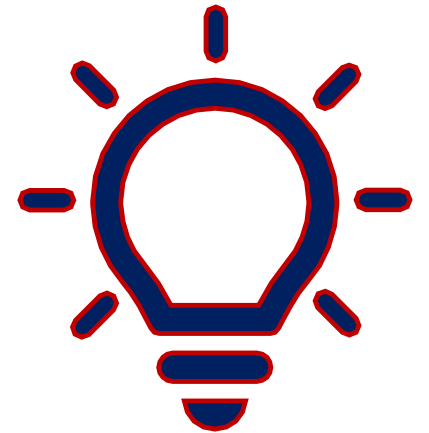
Timeline for Phase wise implementation of the framework for restricting trading by Designated Persons ("DPs") by freezing PAN at security level.

Sr.No.	Companies to be covered	PAN freeze start date
1	Listed companies that are part of benchmark Indices i.e. NIFTY 50 and SENSEX	Already applicable as on date
2	Top 1,000 companies in terms of BSE Market Capitalization as of June 30, 2023 (excluding companies part of benchmark indices)	October 1, 2023
3	Next 1,000 companies in terms of BSE Market Capitalization as of June 30, 2023	January 1, 2024
4	Remaining companies listed on BSE, NSE & MSEI	April 1, 2024
5	Companies getting listed on Stock Exchanges post issuance of this circular	1 st day of the second quarter from the quarter in which the company gets listed

Illustration: For a company getting listed during January 01 to March 31, 2023, PAN of DPs should be frozen at security level as per prescribed framework latest from July 01, 2023.



Amendment to the definition of “Generally Available Information”.



First Amendment 2024 – “Generally Available Information”

The Securities and Exchange Board of India (SEBI) amended its Regulations on May 17, 2024, through the **SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2024**.

Before moving to the amendment, let's understand what UPSI means -

“Unpublished price sensitive information” means any information, relating to a company or its securities, directly or indirectly, that is **not generally available** which upon **becoming generally available**, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following: –

- (i) Financial results;
- (ii) Dividends;
- (iii) Change in capital structure;
- (iv) Mergers, de-mergers, acquisitions, delistings, disposals and expansion of business and such other transactions;
- (v) Changes in key managerial personnel.



● **First Amendment 2024 – “Generally Available Information”**

Old Definition

“Generally available information” means information that is accessible to the public on a non-discriminatory basis.

NOTE: It is intended to define what constitutes generally available information so that it is easier to crystallize and appreciate what unpublished price sensitive information is. Information published on the website of a stock exchange, would ordinarily be considered generally available.

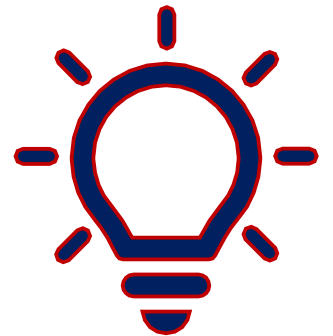
New Definition

“Generally available information” means information that is accessible to the public on a non-discriminatory basis **and shall not include unverified event or information reported in print or electronic media;**

NOTE: It is intended to define what constitutes generally available information so that it is easier to crystallize and appreciate what **constitutes** unpublished price sensitive information **[**]**. Information published on the website of a stock exchange, would ordinarily be considered generally available.



Impact of the Amendment. “Generally Available Information”.



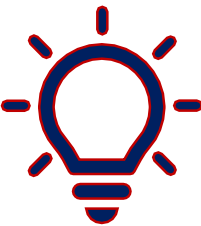
First Amendment 2024 – “Impact of the Amendment”

Let understand the impact with the help of an example:

If a nationwide newspaper publishes news regarding an expected merger and such information is circulating in the market without any verification or confirmation from the Company, it shall continue to be considered as Unpublished Price Sensitive Information (UPSI) for Insiders who are aware of such UPSI until it is officially disclosed by the Company through valid channels.

Any Insider who trades based on such news, prior to the Company's verification or confirmation, would be in violation of the SEBI (Prohibition of Insider Trading) Regulations, 2015, as the information is still classified as UPSI.

This means all price-sensitive information in the market before disclosure, confirmation, or verification by the Company is considered Unpublished Price - Sensitive Information. Therefore, any Insider who trades based on such information will be in violation of the Regulations.



Amendment to the various provisions of “Trading Plan”.

20 September 2024



Second Amendment 2024 – “Trading Plan”

Insider Trading i.e. trading when in possession of Unpublished Price Sensitive Information (“UPSI”) is prohibited in India under SEBI (Prohibition of Insider Trading) (PIT) Regulations, 2015. However, there **are certain Insiders like senior management personnel, KMP etc. who are perpetually in possession of UPSI due to their role and functionalities in their Company.**

Therefore, by virtue of being in possession of UPSI perpetually, coupled with mandatory trading window closures for financial results and notional trading window closure whenever necessitated. Such Insiders possessing UPSI perpetually are left with very small window for carrying out trades in the securities of their Company.

So, to address the above issue, the concept of a "Trading Plan" was introduced under the SEBI (PIT) Regulations, 2015, allowing these perpetual Insiders to trade in a compliant manner in securities of their Company.



● Second Amendment 2024 – “Trading Plan”

However, the provisions relating to Trading Plans appeared to be complex and burdensome in nature, particularly regarding timelines, mandatory execution, and other constraints.

These difficulties are evident in the number of trading plans adopted by Insiders over the past five financial years (presented below), which are in stark contrast to the number of designated persons and listed companies. Given the onerous nature of Trading Plan, the current numbers are abysmally low.

Stock Exchange	2018-19	2019-20	2020 - 21	2021 - 22	2022 - 23
NSE	20	38	23	31	12
BSE	17	31	20	24	64

Source: BSE and NSE



● Second Amendment 2024 – “Trading Plan”

SEBI with an intention to encourage the use of Trading Plans **issued a consultation paper dated November 24, 2023.** The said consultation paper proposed to provide flexibility in the provisions related to Trading Plans, including adjustments to the cool-off period, minimum coverage period, elimination of blackout periods, applicability of contra trading provisions, and timelines for disclosure of trading plans.

In line with the same, **SEBI through a notification dated June 25, 2024, has amended its Insider Trading Regulations via the SEBI (Prohibition of Insider Trading) (Second Amendment) Regulations, 2024.** The changes are designed to ease and promote the practice of using Trading Plans by Insiders who are perpetually in possession of UPSI to trade in a compliant manner.



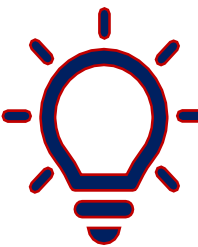
Impact of the Amendment. “Trading Plan”.

20 September 2024



● **Second Amendment 2024 – “Impact of the Amendment”**

- 1. Reduction in Cool-off Period:** The cool-off period has been reduced from 6 months to 120 calendar days.
- 2. Removal of Minimum Trading Plan Period:** The previous requirement of a 12-month minimum period for a trading plan has been removed, allowing Insiders the flexibility to frame their trading plan as per their preferred timeframes.
- 3. Removal of Black-out Period:** Previously, trades during the blackout period were prohibited under the Trading Plan. However, this restriction has been lifted, allowing Insiders more flexibility in executing trades.
- 4. Mention Specific Trading Dates or Periods:** Previously, the trading plan was required to specify either the value of trades to be effected or the number of securities to be traded, along with the nature of the trade and the intervals or dates on which such trades would occur. This requirement has now been amended to disclose either a specific date or a time period not exceeding five consecutive trading days, while other disclosures remain the same.



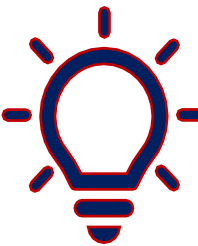
● **Second Amendment 2024 – “Impact of the Amendment”**

5. Option to set Price Limits: Insiders now have the option to establish a price range limited to +/- 20% of the buy/sell trades based on the closing price on the day before the submission of the trading plan. This provision offers Insiders a **safety net** by allowing them to avoid mandatory execution in case of unexpected price movements.

6. Adjustments Pursuant to the Corporate Actions: This limit can be **adjusted** in the case of corporate actions related to bonus issue and stock split occurring after the approval of trading plan, subject to consultation with the Compliance Officer, which shall be further notified to the Stock Exchange.

7. Trading cannot be commenced if UPSI does not become generally available before commencement of the Trading Plan: The implementation of execution of Trading Plan shall not be commenced if any Unpublished Price Sensitive Information (UPSI) in possession of an Insider at the time of formulating the trading plan has not become generally available.

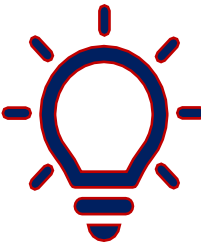
8. Applicability of Contra Trade Restrictions: Previously, contra trade provisions did not apply to trades executed pursuant to Trading Plans. **However, these contra trade restrictions are now applicable,** preventing Insiders from engaging in conflicting trades during the execution of a Trading Plan.



● **Second Amendment 2024 – “Impact of the Amendment”**

9. Exemptions from Mandatory Execution of Trading Plan: Earlier there were no such provisions given under the Regulations, however, these amendments allows for non-execution of the trading plan in cases such as adverse price movements, permanent incapacity, bankruptcy, operation of law, or inadequate liquidity in the scrip. The Insider must inform the Compliance Officer of such non-execution. The Compliance Officer shall then present the matter, along with recommendations, to the Audit Committee for their consideration. The Audit Committee will make the final decision on whether such non-implementation is bona fide or not. Subsequently, this decision must be communicated to the stock exchanges.

10. Approval and Notification: The Compliance Officer must approve or reject the trading plan within two trading days of receipt and notify the approved plan to the stock exchanges on which the securities are listed on the day of approval.





Analysis on Shareholding Pattern Adequacy and Accuracy

● Analysis on Shareholding Pattern Adequacy and Accuracy

Checks on Quarterly Shareholding Pattern submitted by Listed Companies

As we all are aware that submissions made by the companies are subject to review by the Stock Exchange and submissions are marked as satisfactory only after performing adequacy and accuracy checks.

For carrying out the adequacy check, NSE has adopted two-pronged approach :-

- a) comparison with the previously filed shareholding pattern; and
- b) comparison with the data filed by listed companies with depositories as part of System Driven Disclosure (SDD).

Adequacy Check

In the quarter (Jan - March 2024), NSE completed the adequacy check of about 2000 companies and in about 700 companies clarifications had to be sought.

In view of the large number of instances requiring clarification and updates, following note was released for the benefit of the compliance teams of the listed companies. **The note provided the common observations and the checks to be carried out by companies before filing the Shareholding Pattern with the Exchange.**



Analysis on Shareholding Pattern Adequacy and Accuracy

- a. Cross-Check:** It is essential to cross-check the information related to Promoters/Promoter Groups filed in the System Driven Disclosure. Discrepancies such as name mismatches or PAN mismatches need to be promptly rectified.
- b. Dual Categorization:** Ensure dual categorization for individuals who hold positions as both Directors and Promoters within the System Driven Disclosure. Make sure to use the appropriate Exchange codes.
- c. Corporate Action/Trade Settlement:** In the case of pending corporate actions or trade settlements, note this with remarks in the Company Remarks section to avoid discrepancies.
- d. Pledge Details:** Promptly update any changes in Promoter Pledge Holding in the SDD database.
- e. NIL Disclosure:** Even if the Promoter/Promoter Group shareholding is nil, it must be disclosed in the SDD database unless a reclassification of promoters has been carried out.
- f. Use of Prefix:** In the event of the demise of an individual belonging to the Promoter/Promoter Group, ensure the use of the "Late" prefix while legal procedures for transmission are pending.



Consultation Paper on proposed amendments to expression ‘Connected Person’.



● Consultation paper – “Connected Person”

On July 29, 2024, SEBI issued a **consultation paper** proposing to expand the scope of “**Connected Persons**” under the SEBI (Prohibition of Insider Trading) Regulations, 2015. This initiative **aims to include more individuals/ entities under the purview of Insider Trading**.

Who is a Connected Person?

A Connected Person refers to an individual who has a relationship with the company or its officers that provides access to Unpublished Price Sensitive Information (UPSI), or who is likely to come into possession of such UPSI.

This definition includes individuals who may not hold an official position within the Company but are in regular contact with the company and its officers and are involved in the company's operations and **could potentially engage in Insider Trading**.



● Proposed Amendment – “Connected Person”

As per Regulation 2(1)(d) of SEBI (PIT) Regulations, 2015, “Connected person” means,-

(ii) Without prejudice to the generality of the foregoing, the persons falling within the following categories shall be deemed to be connected persons unless the contrary is established,-

(a) a **immediate relative** of connected persons specified in clause (i);

(b)

(c)

(j) a concern, firm, Trust, **Hindu undivided family**, company or association of persons wherein a director of a company or his **immediate relative** or banker of the company, has more than ten percent of the holding or interest;



● Proposed Amendment – “Connected Person”

Addition of a **new definition of 'relative'** in line with the definition of 'relative' under the Income Tax Act, 1961, which shall mean the following:

- (i) spouse; or**
- (ii) sibling(s); or**
- (iii) sibling(s) of spouse; or**
- (iv) siblings of parents; or**
- (v) any lineal ascendant or descendant of the individual or spouse; or**
- (vi) spouse of the person referred to in sub –regulation (ii) to (v) above**

NOTE: It is intended that the relatives of a “connected person” too become connected persons for the purpose of these regulations. It is a rebuttable presumption that a connected person had UPSI.



● **Proposed Amendment – “Connected Person”**

Expanding the definition of 'connected person' by aligning it with the 'related party' definition in the Companies Act, 2013, which will broaden the category of connected persons, **by adding the following six new categories of connected persons:**

- k) Firms, their partners, or employees, where a connected person is a partner.
- l) Individuals acting on advice, directions, or instructions from a connected person.
- m) Corporate bodies whose directors, managing directors, or managers act on advice, directions, or instructions from a connected person.
- n) Persons sharing a household or residence with a connected person.
- o) Individuals with material financial relationships with a connected person, including employment, financial dependency, or frequent financial transactions.
- p) Hindu Undivided Families (HUF) where the Karta or any member/coparcener is a connected person or a relative of a connected person.



THANK YOU

