

Securities and Exchange Board of India [Prohibition of Insider Trading) Regulations, 1992

No. LE/6308/92.—In exercise of the powers conferred by section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board with the previous approval of the Central Government, hereby makes the following regulations, namely:—

CHAPTER I

Preliminary

1. Short title and commencement.—(1) These regulations may be called the Securities and Exchange Board of India ([\[2\]](#)[Prohibition of] Insider Trading) Regulations, 1992.

(2) These regulations shall come into force on the date of the publication in the Official Gazette.[\[3\]](#)

2. Definitions.—In these regulations, unless the context otherwise requires:—

- (a) "Act" means the Securities and Exchange Board of India Act, 1992 (15 of 1992);
- (b) "body corporate" means a body corporate as defined in section 2 of the Companies Act, 1956 (1 of 1956);
- (c) "connected person" means any person who—
 - (i) is a director, as defined in clause (13) of section 2 of the Companies Act, 1956 (1 of 1956) of a company, or is deemed to be a director of that company by virtue of sub-clause (10) of section 307 of that Act; or
 - (ii) occupies the position as an officer or an employee of the company or holds a position involving a professional or business relationship between himself and the company [\[4\]](#)[whether temporary or permanent] and who may reasonably be expected to have an access to unpublished price sensitive information in relation to that company;
[\[5\]](#)[*Explanation.*—For the purpose of clause (c), the words "connected person" shall [\[6\]](#)[mean] any person who is a connected person six months prior to an act of insider trading;]
- (d) "dealing in securities" means an act of [\[7\]](#)[subscribing,] buying, selling or agreeing to [\[8\]](#)[subscribe,] buy, sell or deal in any securities by any person either as principal or agent;
- (e) "insider" means any person who, is or was connected with the company or is deemed to have been connected with the company, and who is reasonably expected to have access, [\[9\]](#)[* * *] to unpublished price sensitive information in respect of securities of [\[10\]](#)[a] company, or who has received or has had access to such unpublished price sensitive information;

- (f) "investigating authority" means any officer of the Board or any other person, not being a firm, body corporate or an association of persons, having experience in dealing with the problems relating to the securities market and who is authorised by the Board under Chapter III;
- (g) "officer of a company" means any person as defined in clause (30) of section 2 of the Companies Act, 1956 (1 of 1956) including an auditor of the company;
- (h) "person is deemed to be a connected person" if such person—
- (i) is a company under the same management or group or any subsidiary company thereof within the meaning of sub-section (1B) of section 370, or sub-section (11) of section 372, of the Companies Act, 1956 (1 of 1956) or sub-clause (g) of section 2 of the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969) as the case may be; or
 - [\[11\]](#)[(ii) is an intermediary as specified in section 12 of the Act, Investment company, Trustee Company, Asset Management Company or an employee or director thereof or an official of a stock exchange or of clearing house or corporation;]
 - (iii) is a merchant banker, share transfer agent, registrar to an issue, debenture trustee, broker, portfolio manager, Investment Advisor, sub-broker, Investment Company or an employee thereof, or, is a member of the Board of Trustees of a mutual fund or a member of the Board of Directors of the Asset Management Company of a mutual fund or is an employee thereof who have a fiduciary relationship with the company;
 - (iv) is a member of the Board of Directors, or an employee, of a public financial institution as defined in section 4A of the Companies Act, 1956; or
 - (v) is an official or an employee of a self regulatory organisation recognised or authorised by the Board of a regulatory body; or
 - (vi) is a relative of any of the aforementioned persons;
 - (vii) is a banker of the company;
 - [\[12\]](#)[(viii) relatives of the connected person; or
 - [\[13\]](#)[(ix) is a concern, firm, trust, Hindu Undivided Family, company or association of persons wherein any of the connected persons mentioned in sub-clause (i) of clause (c), of this regulation or any of the persons mentioned in sub-clause (vi), (vii) or (viii) of this clause have more than 10% of the holding or interest;]
- [\[14\]](#)[(ha) "price sensitive information" means any information which relates directly or indirectly to a company and which if published is likely to materially affect the price of securities of company;

*Explanation:—*The following shall be deemed to be price sensitive information:—

- (i) periodical financial results of the company;
- (ii) intended declaration of dividends (both interim and final);

- (iii) issue of securities or buy-back of securities;
- (iv) any major expansion plans or execution of new projects;
- (v) amalgamation, mergers or takeovers;
- (vi) disposal of the whole or substantial part of the undertaking;
- (vii) any significant changes in policies, plans or operations of the company;]
- (i) "relative" means a person, as defined in section 6 of the Companies Act, 1956 (1 of 1956);
- (j) "stock exchange" means a stock exchange which is recognised by the Central Government [\[15\]](#)[or Securities and Exchange Board of India] under section 4 of Securities Contracts (Regulation) Act, 1956 (42 of 1956);
- [\[16\]](#)[(k) "unpublished" means information which is not published by the company or its agents and is not specific in nature.

Explanation.—Speculative reports in print or electronic media shall not be considered as published information.]

CHAPTER II

Prohibition on dealing, communicating or counselling

3. Prohibition on dealing, communicating or counselling on matters relating to insider trading.—No insider shall—

- (i) either on his own behalf or on behalf of any other person, deal in securities of a company listed on any stock exchange [\[17\]](#)[when in possession of] any unpublished price sensitive information;
 - [\[18\]](#)[(ii) communicate, counsel or procure, directly or indirectly, any unpublished price sensitive information to any person who while in possession of such unpublished price sensitive information shall not deal in securities:
- Provided that nothing contained above shall be applicable to any communication required in the ordinary course of business [\[19\]](#)[or profession or employment] or under any law.]
- [\[20\]](#)[(iii) * * *]

[\[21\]](#)**[3A.** No company shall deal in the securities of another company or associate of that other company while in possession of any unpublished price sensitive information.]

[\[22\]](#)**[3B. Regulation 3A not to apply in certain cases.**—(1) In a proceeding against a company in respect of regulation 3A, it shall be a defence to prove that it entered into a transaction in the securities of a listed company when the unpublished price sensitive information was in the possession of an officer or employee of the company, if:

- (a) the decision to enter into the transaction or agreement was taken on its behalf by a person or persons other than that officer or employee; and
such company has put in place such systems and procedures which demarcate the activities of the company in such a way that the person who enters into transaction in securities on behalf of the company cannot have access to information which is in possession of other officer or employee of the company; and
- (b) it had in operation at that time, arrangements that could reasonably be expected to ensure that the information was not communicated to the person or persons who made the decision and that no advice with respect to the transactions or agreement was given to that person or any of those persons by that officer or employee; and
- (c) the information was not so communicated and no such advice was so given.
- (d)

(2) In a proceeding against a company in respect of regulation 3A which is in possession of unpublished price sensitive information, it shall be defence to prove that acquisition of shares of a listed company was as per the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.]

4. Violation of provisions relating to insider trading.—Any insider who deals in securities [\[23\]](#)[* * *] in contravention of the provisions of regulation 3 [\[24\]](#)[or 3A] shall be guilty of insider trading.

CHAPTER III

Investigation

[\[25\]](#)**4A. Power to make inquiries and inspection.**—(1) If the Board suspects that any person has violated any provision of these regulations, it may make inquiries with such persons or any other person as mentioned in clause (i) of sub-section (2) of Section 11 as deemed fit, to form a *prima facie* opinion as to whether there is any violation of these regulations.

(2) The Board may appoint one or more officers to inspect the books and records of insider(s) or any other persons as mentioned in clause (i) of sub-section (2) of Section 11 for the purpose of sub-regulation (1).]

5. Board's right to investigate.—(1) Where the Board [\[26\]](#)[is of *prima facie* opinion] that it is necessary to investigate and inspect the books of account, other records and documents of an insider [\[27\]](#)[or any other person mentioned in clause (i) of sub-section (1) of section 11 of the Act] for any of the purposes specified in sub-regulation (2), it may appoint an investigating authority for the said purpose.

(2) The purposes referred to in sub-regulation (1) may be as follows:

- (a) to investigate into the complaints received from investors, intermediaries or any other person on any matter having a bearing on the allegations of insider trading; and

- (b) to investigate *suo-motu* upon its own knowledge or information in its possession to protect the interest of investors in securities against breach of these regulations.

6. Procedure for investigation.—(1) Before undertaking any investigation under regulation 5 the Board shall give a reasonable notice to insider for that purpose.

(2) Notwithstanding anything contained in sub-regulation (1), where the Board is satisfied that in the interest of investors or in public interest no such notice should be given, it may by an order in writing direct that the investigation be taken up without such notice.

(3) On being empowered by the Board, the investigating authority shall undertake the investigation and inspection of books of accounts and the insider [\[28\]](#)[an insider or any other person mentioned in clause (i) of sub-section (1) of section 11 of the Act] against whom an investigation is being carried out shall be bound to discharge his obligations as provided in regulation 7.

7. Obligations of insider on investigation by the Board.—(1) It shall be the duty of every insider, who is being investigated [\[29\]](#)[or any other person mentioned in clause (i) of sub-section (1) of section 11 of the Act], to produce to the investigating authority such books, accounts and other documents in his custody or control and furnish the authority with the statements and information relating to the transactions in securities market within such time as the said authority may require.

(2) The insider [\[30\]](#)[or any other person mentioned in clause (i) of sub-section (2) of section 11 of the Act] shall allow the investigating authority to have reasonable access to the premises occupied by such insider and also extend reasonable facility for examining any books, records, documents and computer data in his possession of the stock-broker or any other person and also provide copies of documents or other materials which, in the opinion of the investigating authority are relevant.

(3) The investigating authority, in the course of investigation, shall be entitled to examine or record statements of any member, director, partner, proprietor and employee of the insider [\[31\]](#)[or any other person mentioned in clause (i) of sub-section (2) of section 11 of the Act].

(4) It shall be the duty of every director, proprietor, partner, officer and employee of the insider to give to the investigating authority all assistance in connection with the investigation, which the insider [\[32\]](#)[or any other person mentioned in clause (i) of sub-section (2) of section 11 of the Act] may be reasonably expected to give.

8. Submission of Report to the Board.—The investigating authority shall, within [\[33\]](#)[reasonable time] of the conclusion of the investigation submit an investigation report to the Board.

9. Communication of findings, etc.—[\[34\]](#)[(1) The Board shall, after consideration of the investigation report communicate the findings to the person suspected to be involved in insider trading or violation of these regulations.

(2) The person to whom such findings has been communicated shall reply to the same within 21 days; and

(3) On receipt of such a reply or explanation, if any, from such person, the Board may take such measures as it deems fit to protect the interests of the investors and in the interests of the securities market and for the due compliance of the provisions of the Act, the Regulations made thereunder including the issue of directions under regulation 11.]

10. Appointment of Auditor.—Notwithstanding anything contained in [35][regulation 4A and] regulation 5, the Board may appoint a qualified auditor to investigate into the books of account or the affairs of the insider [36][or any other person mentioned in clause (i) of sub-section (1) of section 11 of the Act]:

Provided that, the auditor so appointed shall have the same powers of the inspecting authority as stated in regulation 5 and the insider shall have the obligations specified in regulation 7.

[37][**11. Orders by the Board.**—The Board may without prejudice to its right to initiate criminal prosecution under section 24 or any action under Chapter VIA of the Act, to protect the interests of investors and in the interests of the securities market and for due compliance with the provisions of the Act, Regulations made thereunder issue any or all of the following order, namely:—

- (a) directing the insider or such person as mentioned in clause (i) of sub-section (2) of section 11 of the Act not to deal in securities in any particular manner;
prohibiting the insider or such person as mentioned in clause (i) of sub-section (2) of section
- (b) 11 of the Act from disposing of any of the securities acquired in violation of these Regulations;
- (c) restraining the insider to communicate or counsel any person to deal in securities;
- (d) declaring the transaction(s) in securities as null and void;
- (e) directing the person who acquired the securities in violation of these regulations to deliver the securities back to the seller:

Provided that in case the buyer is not in a position to deliver such securities, the market price prevailing at the time of issuing of such directions or at the time of transactions whichever is higher, shall be paid to the seller;

- directing the person who has dealt in securities in violation of these regulations to transfer an
- (f) amount or proceeds equivalent to the cost price or market price of securities, whichever is higher to the investor protection fund of a Recognised Stock Exchange.]

[38][CHAPTER IV

Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

12. Code of internal procedures and conduct for listed companies and other entities.—(1)

All listed companies and organisations associated with securities markets including:

- (a) the intermediaries as mentioned in section 12 of the Act, asset management company and trustees of mutual funds;
- (b) the self regulatory organisations recognised or authorised by the Board;
- (c) the recognised stock exchanges and clearing house or corporations;
- (d) the public financial institutions as defined in section 4A of the Companies Act, 1956; and
- (e) the professional firms such as auditors, accountancy firms, law firms, analysts, consultants, etc., assisting or advising listed companies,

shall frame a code of internal procedures and conduct as near there to the Model Code specified in Schedule I of these Regulations.

(2) The entities mentioned in sub-regulation (1), shall abide by the Code of Corporate Disclosure Practices as specified in Schedule II of these Regulations.

(3) All entities mentioned in sub-regulation (1), shall adopt appropriate mechanisms and procedures to enforce the codes specified under sub-regulations (1) and (2).

(4) Action taken by the entities mentioned in sub-regulation (1) against any person for violation of the code under sub-regulation (3) shall not preclude the Board from initiating proceedings for violation of these Regulations.

13. Disclosure of interest or holding by directors and officers and substantial shareholders in listed companies

Initial Disclosure

(1) Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company [\[39\]](#)[in Form A], the number of shares or voting rights held by such person, on becoming such holder, within 4 working days of:—

- (a) the receipt of intimation of allotment of shares; or
- (b) the acquisition of shares or voting rights, as the case may be.

(2) Any person who is a director or officer of a listed company, shall disclose to the company [1](#)[in Form B], the number of shares or voting rights held by such person, within 4 working days of becoming a director or officer of the company.

Continual Disclosure

(3) Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company [1](#)[in Form C] the number of shares or voting rights held and change in

shareholding or voting rights, even if such change results in shareholding falling below 5%, if there has been change in such holdings from the last disclosure made under sub-regulation (1) or under this sub-regulation; and such change exceeds 2% of total shareholding or voting rights in the company.

(4) Any person who is a director or officer of a listed company, shall disclose to the company 1[in Form D], the total number of shares or voting rights held and change in shareholding or voting rights, if there has been a change in such holdings from the last disclosure made under sub-regulation (2) or under this sub-regulation, and the change exceeds Rupees 5 lac in value or [40][25,000] shares or [41][1%] of total shareholding or voting rights, whichever is lower.

(5) The disclosure mentioned in sub-regulations (3) and (4) shall be made within 4 working days of:

- (a) the receipts of intimation of allotment of shares, or
- (b) the acquisition or sale of shares or voting rights, as the case may be.

Disclosure by company to stock exchanges

(6) Every listed company, within five days of receipt, shall disclose to all stock exchanges on which the company is listed, the information received under sub-regulations (1), (2), (3) and (4) 1[in the respective formats specified in Schedule III].

14. Violation of provision relating to disclosure.—(1) A person who violates provisions of regulation 12 shall be liable for action under section 11 or 11B and/or section 24 of the Act.

(2) A person who violates provisions of regulation 13 shall be liable for action as specified in regulation 11 or sections 11, 11B or action under Chapter VIA or section 24 of the Act.]

[42][**15 Appeal to the Securities Appellate Tribunal.**—Any person aggrieved by an order of the Board under these regulations may prefer an appeal to the Securities Appellate Tribunal.]

[43][SCHEDULE I

[Under regulation 12(1)]

Part A

Model Code of Conduct for Prevention of Insider Trading for Listed Companies

1.0 Compliance Officer

1. The listed company has appointed a compliance officer (senior level employee) who shall report to the Managing Director/ Chief Executive Officer.

- The compliance officer shall be responsible for setting forth policies, procedures, monitoring adherence to the rules for the preservation of "Price Sensitive Information", pre-clearing of
2. designated employees' and their dependents' trades (directly or through respective department heads as decided by the company), monitoring of trades and the implementation of the code of conduct under the overall supervision of the Board of the listed company.

Explanation.—For the purpose of this schedule, the term 'designated employee' shall include:—

- (i) officers comprising the top three tiers of the company management [44][* * *].
 - (ii) the employees designated by the company to whom these trading restrictions shall be applicable, keeping in mind the objectives of this code of conduct.
3. The compliance officer shall maintain a record of the designated employees and any changes made in the list of designated employees.
- The compliance officer shall assist all the employees in addressing any clarifications
4. regarding the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and the company's code of conduct.

2.0 Preservation of "Price Sensitive Information"

Employees/directors shall maintain the confidentiality of all Price Sensitive Information.

1. Employees/directors shall [45][not] pass on such information to any person directly or indirectly by way of making a recommendation for the purchase or sale of securities.

2.2 Need to know

Price Sensitive Information is to be handled on a "need to know" basis, *i.e.*, Price

- 2.2.1. Sensitive Information should be disclosed only to those within the company who need the information to discharge their duty.

2.3 Limited access to confidential information

1. Files containing confidential information shall be kept secure. Computer files must have adequate security of login and pass word etc.

3.0 Prevention of misuse of "Price Sensitive Information"

1. All directors/officers and designated employees of the company shall be subject to trading restrictions as enumerated below:—
2. Trading window

- 3.2.1. The company shall specify a trading period, to be called "Trading Window", for trading in the company's securities. The trading window shall be closed during the time the information referred to in para 3.2.3 is unpublished.

3.2.2. When the trading window is closed, the employees/directors shall not trade in the company's securities in such period.

3.2.3. The trading window shall be, *inter alia*, closed at the time of:—

- (a) Declaration of Financial results (quarterly, half-yearly and annual)
- (b) Declaration of dividends (interim and final)
- (c) Issue of securities by way of public/rights/bonus etc.
- (d) Any major expansion plans or execution of new projects
- (e) Amalgamation, mergers, takeovers and buy-back
- (f) Disposal of whole or substantially whole of the undertaking
- (g) Any changes in policies, plans or operations of the company

[46][3.2.3A. The time for commencement of closing of trading window shall be decided by the company.]

3.2.4 The trading window shall be opened 24 hours after the information referred to in para 3.2.3 is made public.

All directors/officers/designated employees of the company shall conduct all their dealings in the securities of the Company only in a valid trading window and shall not deal in any

5. transaction involving the purchase or sale of the company's securities during the periods when trading window is closed, as referred to in para 3.2.3 or during any other period as may be specified by the Company from time to time.

In case of ESOPs, exercise of option may be allowed in the period when the trading window

6. is closed. However, sale of shares allotted on exercise of ESOPs shall [47][not] be allowed when trading window is closed.

3.3 Pre clearance of trades

All directors/officers/designated employees of the company who intend to deal in the

1. securities of the company (above a minimum threshold limit to be decided by the company) should pre-clear the transactions as per the pre-dealing procedure as described hereunder.

An application may be made in such form as the company may notify in this regard, to the Compliance officer indicating the estimated number of securities that the designated

2. employee/ officer/ director intends to deal in, the details as to the depository with which he has a security account, the details as to the securities in such depository mode and such other details as may be required by any rule made by the company in this behalf.

An undertaking shall be executed in favour of the company by such designated

3. employee/director/officer incorporating, *inter alia*, the following clauses, as may be applicable:

- (a) That the employee/director/officer does not have any access or has not received "Price Sensitive Information" upto the time of signing the undertaking.
- (b) That in case the employee/director/officer has access to or receives "Price Sensitive Information" after the signing of the undertaking but before the execution of the

transaction he/she shall inform the Compliance officer of the change in his position and that he/she would completely refrain from dealing in the securities of the company till the time such information becomes public.

- (c) That he/she has not contravened the code of conduct for prevention of insider trading as notified by the company from time to time.
- (d) That he/she has made a full and true disclosure in the matter—

4.0 Other restrictions

- All directors/officers /designated employees shall execute their order in respect of securities of the company *within one week* after the approval of pre-clearance is given. If the order is not
1. executed within one week after the approval is given, the employee/director must pre clear the transaction again.

- All directors/officers/designated employees shall *hold their investments in securities* for a minimum period of 30 days in order to be considered as being held for investment purposes.
2. The holding period shall also apply to subscription in the primary market (IPOs). In the case of IPOs, the holding period would commence when the securities are actually allotted.
 3. In case the sale of securities is necessitated by personal emergency, the holding period may be waived by the compliance officer after recording in writing his/her reasons in this regard.

5.0 Reporting Requirements for transactions in securities

5.1 All directors/officers/designated employees of the listed company shall be required to forward following details of their Securities transactions including the statement of dependent family members (as defined by the company) to the Compliance officer:

- (a) all holdings in securities of that company by directors/ officers/designated employees at the time of joining the company;
periodic statement of any transactions in securities (the periodicity of reporting may be
- (b) defined by the company. The company may also be free to decide whether reporting is required for trades where pre-clearance is also required); and
- (c) annual statement of all holdings in securities

5.2. The Compliance officer shall maintain records of all the declarations in the appropriate form given by the directors/officers/designated employees for a minimum period of three years.

5.3. The Compliance officer shall place before the Managing Director/Chief Executive Officer or a committee specified by the company, on a monthly basis all the details of the dealing in the securities by employees/director/officer of the company and the accompanying documents that such persons had executed under the pre-dealing procedure as envisaged in this code.

6.0. Penalty for contravention of code of conduct

- Any employee/officer/director who trades in securities or communicates any information for
1. trading in securities, in contravention of the code of conduct may be penalised and appropriate action may be taken by the company.

- Employees/officers/directors of the company who violate the code of conduct shall also be
2. subject to disciplinary action by the company, which may include wage freeze, suspension, ineligibility for future participation in employee stock option plans, etc.
 3. The action by the company shall not preclude SEBI from taking any action in case of violation of SEBI (Prohibition of Insider Trading), Regulations, 1992.

7.0 Information to SEBI in case of violation of SEBI (Prohibition of Insider Trading) Regulations, 1992

7.1 In case it is observed by the company/compliance officer that there has been a violation of SEBI (Prohibition of Insider Trading) Regulations, 1992, SEBI shall be informed by the company.

Part B

Model Code of Conduct for Prevention of Insider Trading for other entities

1. Compliance Officer

1. The organisation/firm has a compliance officer (senior level employee) reporting to the Managing Partner/Chief Executive Officer.

- The compliance officer shall be responsible for setting forth policies and procedures and monitoring adherence to the rules for the preservation of "Price Sensitive Information", pre-clearing of all designated employees and their dependents trades (directly or through respective department heads as decided by the organisation/firm), monitoring of trades and the implementation of the code of conduct under the overall supervision of the partners/proprietors.
- 2.

- The compliance officer shall also assist all the employees/directors/partners in addressing any
3. clarifications regarding SEBI (Prohibition of Insider Trading) Regulations, 1992 and the organisation/firm's code of conduct.
 4. The compliance officer shall maintain a record of the designated employees and any changes made in the list of designated employees.

2.0 Preservation of "Price Sensitive Information"

2.1 Employees/directors/partners shall maintain the confidentiality of all Price Sensitive Information. Employees/directors/partners must not pass on such information directly or indirectly by way of making a recommendation for the purchase or sale of securities.

2.2 Need to know

- Price Sensitive Information is to be handled on a "need to know" basis, *i.e.* Price Sensitive Information should be disclosed only to those within the organisation/firm who need the information to discharge their duty and whose possession of such information will not give rise to a conflict of interest or appearance of misuse of the information.
- 1.

2.3 Limited access to confidential information

1. Files containing confidential information shall be kept secure. Computer files must have adequate security of login and pass word, etc.

2.4 Chinese Wall

- To prevent the misuse of confidential information the organisation/firm shall adopt a "Chinese Wall" policy which separates those areas of the organisation/ firm which routinely have
1. access to confidential information, considered "inside areas" from those areas which deal with sale/marketing/ investment advise or other departments providing support services, considered "public areas".
 2. The employees in the inside area shall not communicate any Price Sensitive Information to anyone in public area.
 3. The employees in inside area may be physically segregated from employees in public area.
 4. Demarcation of the various departments as inside area may be implemented by the organisation/firm.
- In exceptional circumstances employees from the public areas may be brought "over the wall"
5. and given confidential information on the basis of "need to know" criteria, under intimation to the compliance officer.

3.0 Prevention of misuse of Price Sensitive Information

- Employees/directors/partners shall not use Price Sensitive Information to buy or sell securities
1. of any sort, whether for their own account, their relative's account, organisation/firm's account or a client's account. The following trading restrictions shall apply for trading in securities:

3.2 Pre-clearance of trades

3.2.1 All directors/officers/designated employees of the organisation/ firm who intend to deal in the securities of the client company (above a minimum threshold limit to be determined by the organisation/firm) shall pre-clear the transactions as per the pre-dealing procedure as described hereunder.

3.2.2 An application may be made in such form as the organisation/firm may specify in this regard, to the Compliance officer indicating the name and estimated number of securities that the

designated employee/director/partner intends to deal in, the details as to the depository with which he has a security account, the details as to the securities in such depository mode and such other details as may be required by any rule made by the organisation/firm in this behalf.

3.2.3 An undertaking shall be executed in favour of the organisation/ firm by such designated employee/partners/directors incorporating, inter alia, the following clauses, as may be applicable:

- (i) That the designated employee/director/partner does not have any access or has not received any "Price Sensitive Information" upto the time of signing the undertaking.
That in case the designated employee/director/partner has access to or receives "Price Sensitive Information" after the signing of the undertaking but before the execution of the
- (ii) transaction he/she shall inform the Compliance officer of the change in his position and that he/she would completely refrain from dealing in the securities of the client company till the time such information becomes public.
- (iii) That he/she has not contravened the code of conduct for prevention of insider trading as specified by the organisation/ firm from time to time.
- (iv) That he/she has made a full and true disclosure in the matter.

4.0 Restricted/Grey list

In order to monitor chinese wall procedures and trading in client securities based on inside information, the organisation/firm shall restrict trading in certain securities and designate such list as restricted/grey list.

Security of a listed company shall be put on the *restricted/grey list* if the organisation/firm is handling any assignment for the listed company or is preparing appraisal report or is handling credit rating assignments and is privy to Price Sensitive Information.

Any security which is being purchased or sold or is being considered for purchase or sale by the organisation/firm on behalf of its clients/ schemes of mutual funds, etc. shall be put on the *restricted/grey list*.

As the restricted list itself is a highly confidential information it shall not be communicated directly, or indirectly to anyone outside the organisation/firm. The Restricted List shall be maintained by Compliance Officer.

When any securities are on the Restricted List, trading in these securities by designated employees/directors/partners may [\[48\]](#)[be] blocked or may be disallowed at the time of pre-clearance.

5.0 Other restrictions

All directors/designated employees/partners shall execute their order *within one week* after the approval of pre-clearance is given. If the order is not executed within one week after approval is given, the employee/director/partners must pre clear the transaction again.

2. All directors/officers/designated employees /partners shall *hold their investments* for a

minimum period of 30 days in order to be considered as being held for investment purposes.

3. The holding period shall also apply to purchases in the primary market (IPOs). In the case of IPOs, the holding period would commence when the securities are actually allotted.
4. In case the sale of securities is necessitated by personal emergency, the holding period may be waived by the compliance officer after recording in writing his/her reasons in this regard.
Analysts, if any, employed with the organisation/firm while preparing research reports of a
5. client company(s) shall disclose their share holdings/interest in such company(s) to the compliance officer.
6. Analysts who prepare research report of a listed company shall not trade in securities of that company for thirty days from preparation of such report.

6.0 Reporting Requirements for transactions in securities

All directors/designated employees/partners of the organisation/firm shall be required to

1. forward following details of their Securities transactions including the statement of dependent family members (as defined by the organisation/firm) to the Compliance officer:—
 - (a) all holdings in securities by directors/officers/designated employees/partners at the time of joining the organisation.
periodic statement of any transactions in securities (the periodicity of reporting may be
 - (b) defined by the firm or organisation. The organisation/firm may also be free to decide whether reporting is required for trades where pre-clearance is also required.
 - (c) annual statement of all holdings in securities

1. The Compliance officer shall maintain records of all the declarations given by the directors/designated employees/partners in the appropriate form for a minimum period of three years.

2. The Compliance officer shall place before the Chief Executive Officer/ Partner or a committee notified by the organisation/firm, on a monthly basis all the details of the dealing in the securities by designated employees/directors/partners of the organisation/firm and the accompanying documents that such persons had executed under the pre-dealing procedure as envisaged in this code.

7.0 Penalty for contravention of code of conduct

7.1 Any employee/partner/director who trades in securities or communicates any information or counsels any person trading in securities, in contravention of the code of conduct may be penalised and appropriate action may be taken by the organisation/firm.

7.2. Employees/partners/directors of the organisation/firm who violate the code of conduct may also be subject to disciplinary action by the company, which may include wage freeze, suspension, etc.

7.3. The action by the organisation/firm shall not preclude SEBI from taking any action in case of violation of SEBI (Prohibition of Insider Trading) Regulations, 1992.

8.0 Information to SEBI in case of violation of SEBI (Prohibition of Insider Trading) Regulations

8.1 In case it is observed by the organisation/firm/compliance officer that there has been a violation of these Regulations, SEBI shall be informed by the organisation/firm.

9.0 Listed intermediaries to comply with both part A and B of Schedule I.

1. The intermediaries such as credit rating agencies, Asset Management Companies, or broking companies etc. whose securities are listed in recognised stock exchange shall comply with both Part A and Part B of this Schedule in respect of its own securities and client's securities.

SCHEDULE II

[See under regulation 12(2)]

Code of Corporate Disclosure Practices for Prevention of Insider Trading

1.0 Corporate Disclosure Policy

1.1 To ensure timely and adequate disclosure of price sensitive information, the following norms shall be followed by listed companies.

2.0 Prompt disclosure of price sensitive information

2.1 Price sensitive information shall be given by listed companies to stock exchanges and disseminated on a continuous and immediate basis.

2.2 Listed companies may also consider ways of supplementing information released to stock exchanges by improving investor access to their public announcements.

3.0 Overseeing and co-ordinating disclosure

3.1 Listed companies shall designate a senior official (such as compliance officer) to oversee corporate disclosure.

- This official shall be responsible for ensuring that the company complies with continuous disclosure requirements, overseeing and co-ordinating disclosure of price sensitive
1. information to stock exchanges, analysts, shareholders and media, and educating staff on disclosure policies and procedure.
 2. Information disclosure/dissemination may normally be approved in advance by the official designated for the purpose.

- If information is accidentally disclosed without prior approval, the person responsible may
3. inform the designated officer immediately, even if the information is not considered price sensitive.

4.0 Responding to market rumours

1. Listed companies shall have clearly laid down procedures for responding to *any queries or requests for verification of market rumours by exchanges*.

- The official designated for corporate disclosure shall be responsible for deciding whether a
2. public announcement is necessary for verifying or denying rumours and then making the disclosure.

5.0 Timely Reporting of shareholdings/ownership and changes in ownership:

5.1 Disclosure of shareholdings/ownership by major shareholders and disclosure of changes in ownership as provided under any Regulations made under the Act and the listing agreement shall be made in a timely and adequate manner.

6.0 Disclosure/dissemination of Price Sensitive Information with special reference to Analysts, Institutional Investors

Listed companies should follow the guidelines given hereunder while dealing with analysts and institutional investors:—

(i) Only Public information to be provided.—Listed companies shall provide only public information to the analyst/research persons/large investors like institutions. Alternatively, the information given to the analyst should be simultaneously made public at the earliest.

(ii) Recording of discussion.—In order to avoid misquoting or misrepresentation, it is desirable that at least two company representative be present at meetings with Analysts, brokers or Institutional Investors and discussion should preferably be recorded.

(iii) Handling of unanticipated questions.—A listed company should be careful when dealing with analysts' questions that raise issues outside the intended scope of discussion. Unanticipated questions may be taken on notice and a considered response given later. If the answer includes price sensitive information, a public announcement should be made before responding.

(iv) Simultaneous release of Information.—When a company organises meetings with analysts, the company shall make a press release or post relevant information on its website after every such meet. The company may also consider live webcasting of analyst meets.

7.0 Medium of disclosure/dissemination

- (i) Disclosure/dissemination of information may be done through various media so as to achieve maximum reach and quick dissemination.

- ## 8.0 Dissemination by stock exchanges

(iii) Stock exchanges should make immediate arrangement for display of the information furnished by the companies instantly on the stock exchange web site.

Regulation 13(1) — Details of acquisition of 5% or more shares in a listed company

Name & address of shareholder with telephone number	Share-holding prior to acquisition	No. and percentage of shares / voting rights acquired	Date of receipt of allotment/advice. Date of acquisition (specify)	Date of intimation to Company	Mode of acquisition (market purchase/public/rights/preferential offer, etc.)	Share - holding subsequence to acquisition	Trading member through whom the trade was executed with	Exchange on which the trade was executed	Buy quantity	Buy value
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							SEBI Regist ra-tion No. of the TM			
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Form B

Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992

[Regulations 13(2) and (6)]

Regulation 13(2) — Details of shares held by Director or Officer of a Listed company

Name & Address of Director / Officer	Date of assuming office of Director/ Officer	No. & % of shares/voting rights held at the time of becoming Director/ Officer	Date of intimation to company	Mode of acquisition (market purchase/ public/rights / preferential offer, etc.)	Trading member through whom the trade was executed with SEBI Registration No. of the TM	Exchange on which the trade was executed	Buy quantity	Buy value
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Form C

Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992

[Regulations 13(3) and (6)]

Regulation 13(3) — Details of change in shareholding in respect of persons holding more than 5% shares in a listed company

Name & address of shareholder	Shareholding prior to acquisition/sale	No. & % of shares/voting rights acquired/ sold	Receipt of allotment advice/ acquisition of	Date of intimation to company	Mode of acquisition (market purchase/ public/rights/	No. & % of shares / voting rights post-acquisition	Trading member through whom the trade was	Exchange on which the trade was executed	Buy quantity	Buy value	Sell quantity	Sell value
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			shares / sale of shares specify		preferential offer, etc.)	tion/sale	executed with SEBI Registration No. of the TM					

Form D

Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992

[Regulations 13(4) and (6)]

Regulation 13(4) — Details of change in shareholding of Director or Officer of a Listed Company

Name & Address of Director/ Officer	No. & % of shares/ voting rights held by the Director/ Officer	Date of receipt of allotment advice/ acquisition/sale of shares/ voting rights	Date of intimation to company	Mode of acquisition (market purchase/public/ rights/ preferential offer, etc.)	No. & % of shares/ post acquisition/ voting rights sale	Trading member through whom the trade was executed with SEBI Registration No. of the TM	Exchange on which the trade was executed	Buy quantity	Buy value	Sell quantity	Sell value

[1] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[2] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[3] Published in the Gazette of India, Extraordinary, Part III, section 4, dated 19-11-1992.

[4] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[5] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[6] Substituted for "include" by SEBI (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002, w.e.f. 29-11-2002.

[7] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[8] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[9] The words "by virtue of such connection," omitted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[10] Substituted for "the" by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[11] Substituted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002 for the following:

is an official or a member of a stock exchange or of a clearing house of that stock exchange, or a dealer in securities within the meaning of clause (c) of section 2, and
"(ii) section 17 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) respectively or any employee of such member or dealer of a stock exchange;"

[12] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[13] Substituted by the SEBI (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002, w.e.f. 29-11-2002 for the following:

"(ix) a concern, firm, trust, Hindu Undivided Family, Company, Association of Persons wherein the relatives of persons mentioned in sub-clauses (vi), (vii) and (viii) has more than 10% of the holding or interest;]"

[14] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[15] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[16] Substituted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002 for the following:

(k) "unpublished price sensitive information" means any information which relates to the following matters or is of concern, directly or indirectly, to a company, and is not generally known or published by such company for general information, but which if published or known, is likely to materially affect the price of securities of that company in the market—

(i) financial results (both half-yearly and annual) of the company;

(ii) intended declaration of dividends (both interim and final);

(iii) issue of shares by way of public rights, bonus, etc.;

(iv) any major expansion plans or execution of new projects;

(v) amalgamation, mergers and takeovers;

(vi) disposal of the whole or substantially the whole of the undertaking;

- (vii) such other information as may affect the earnings of the company;
- (viii) any changes in policies, plans or operations of the company."

[17] Substituted for "on the basis of" by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[18] Substituted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002 for the following:

- communicate any unpublished price sensitive information to any person, with or
- "(ii) without his request for such information, except as required in the ordinary course of business or under any law; or"

[19] Inserted by SEBI (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002, w.e.f. 29-11-2002.

[20] Clause (iii) omitted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002. Prior to omission, it read as under:

- "(iii) counsel or procure any other person to deal in securities of any company on the basis of unpublished price sensitive information."

[21] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[22] Inserted by SEBI (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002, w.e.f. 29-11-2002.

[23] The words "or communicates any information or counsels any person dealing in securities" omitted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[24] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[25] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[26] Substituted for "on the basis of written information in its possession, is of the opinion" by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[27] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[28] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[29] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[30] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[31] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[32] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[33] Substituted for "one month" by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[34] Substituted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002 for the following:

- "(1) The Board shall after consideration of the investigation report communicate its findings to the insider and he shall be given an opportunity of being heard before any action is taken by the Board on the findings of the investigating authority.

(2) On receipt of the explanation, if any, from the insider, the Board may call upon the insider to take such measures as the Board may deem fit to protect the interest of investors and in the interest of the securities market and for due compliance with the provisions of the Act, rules made thereunder and these regulations."

[35] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[36] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[37] Regulation 11 substituted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002. Prior to substitution it read as under:

"11. *Directions by the Board.*—On receipt of the explanation, if any, from the insider under sub-regulation (2) of regulation 9, the Board may without prejudice to its right to initiate criminal prosecution under section 24 of the Act, give such directions to protect the interest of investors and in the interest of the securities market and for due compliance with the provisions of the Act, rules made thereunder and these regulations, as it deems fit for all or any of the following purposes, namely:—

- (a) directing the insider not to deal in securities in any particular manner;
- (b) prohibiting the insider from disposing of any of the securities acquired in violation of these regulations;
- (c) restraining the insider to communicate or counsel any person to deal in securities."

[38] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[39] Inserted by SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2003, w.e.f. 11-7-2003.

[40] Substituted for "5,000" by SEBI (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002, w.e.f. 29-11-2002.

[41] Substituted for "2%", *ibid.*

[42] Regulation 12 renumbered and substituted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002 for the following:

"Any person aggrieved by an order of the Board made, on and after the commencement of the Securities Laws (Second Amendment) Act, 1999, (*i.e.*, after 16th December, 1999), under these regulations may prefer an appeal to a Securities Appellate Tribunal having jurisdiction in the matter."

[43] Inserted by the SEBI (Insider Trading) (Amendment) Regulations, 2002, w.e.f. 20-2-2002.

[44] The words "and all employees in the finance department" omitted by SEBI (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002, w.e.f. 29-11-2002.

[45] Substituted for "no" by the SEBI (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002, w.e.f. 29-11-2002.

[46] Inserted by SEBI (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002, w.e.f. 29-11-2002.

[47] Substituted for "no" by the SEBI (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002, w.e.f. 29-11-2002.

[\[48\]](#) Inserted by SEBI (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002, w.e.f. 29-11-2002.

[\[49\]](#) Schedule III inserted by SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2003, w.e.f. 11-7-2003.