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## Framework for restricting insider trading by Designated Persons (“DPs”) by freezing PAN at security level.

### Legal Framework:

Clause 4 (1) of Schedule B read with Regulation 9 of SEBI (Prohibition of Insider Trading) Regulations, 2015 (**‘PIT Regulations’**), states that Designated Persons (**‘DPs’**) may execute trades subject to compliance with these regulations. Towards this end, a notional trading window shall be used as an instrument of monitoring trading by the designated persons. DPs and their immediate relatives shall not trade in securities when the trading window is closed.

Clause 4 (2) of Schedule B read with Regulation 9 of PIT Regulations prohibits trading by a DPs during the Trading Window Closure (**“TWC”**) applicable from the end of every quarter till 48 hours after the declaration of financial results.

### Background:

In order to rationalize the said compliance requirement and prevent inadvertent non-compliance of the provisions of PIT Regulations by DPs, Securities and Exchange Board of India (**“SEBI”**) vide Circular No. SEBI/HO/ISD/ISD-SEC-4/P/CIR/2022/107 dated August 05, 2022 (**‘Original SEBI circular’**), had proposed a framework for restricting trading by DPs by freezing PAN at security level during the TWC period making it applicable on listed companies that are a part of Nifty 50 or Sensex 30 commencing from declaration of financial results for quarter ending September 30, 2022. Therefore, as per our understanding the said circular was only applicable for TWC on account of declaration of quarterly financial results.

### Legal Update:

Considering the original SEBI circular, BSE vide Notice No. 20230628-23 and NSE vide circular no. NSE/CML/2023/49 (**“Current BSE & NSE Circular”**) issued on June 28, 2023, extends the applicability of the original SEBI circular to the declaration of financial results by the listed company in the below phased manner for restricting the insider trading by DPs by freezing PAN and prevent the non-compliance of PIT Regulations.:

Sr. No.	Quarter-end	Trading window closure start date from	Listed Companies to be considered for PIT Regulations
1.	September 30, 2023	October 1, 2023	List of Companies to be shortlisted via NSE/BSE circular to be issued by July 21, 2023.
2.	December 31, 2023	January 1, 2024	List of additional companies to be shortlisted via NSE/BSE circular to be issued by October 20, 2023.
3.	March 31, 2024	April 1, 2024	All listed companies

**Enforceability of BSE & NSE Circular:**

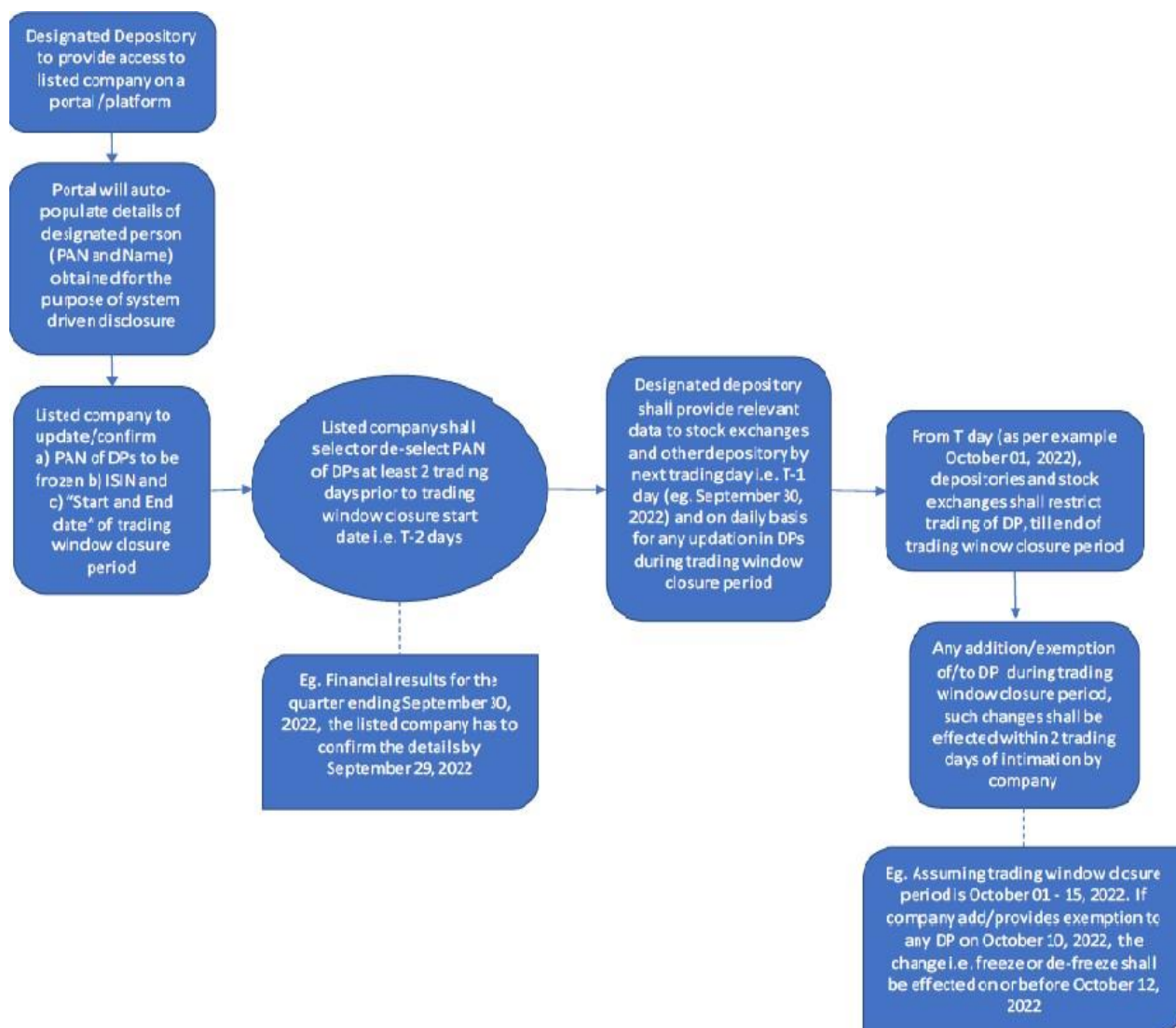
- The current BSE & NSE Circular shall come into force with effect from the quarter ending September 30, 2023.
- The Companies that qualify must include all equity ISIN and ISINs that are convertible into equity. Therefore, in our opinion, it is only applicable on all equity ISIN of a listed Company and ISINs that are convertible into equity.

The above circulars can be accessed with following links:

SEBI Circular dated August 05, 2022	<a href="https://www.sebi.gov.in/legal/circulars/aug-2022/trading-window-closure-period-under-clause-4-of-schedule-b-read-with-regulation-9-of-sebi-prohibition-of-insider-trading-regulations-2015-framework-for-restricting-trading-by-designated-persons-b_61781.html">https://www.sebi.gov.in/legal/circulars/aug-2022/trading-window-closure-period-under-clause-4-of-schedule-b-read-with-regulation-9-of-sebi-prohibition-of-insider-trading-regulations-2015-framework-for-restricting-trading-by-designated-persons-b_61781.html</a>
BSE Notice No.20230628-23 dated June 28, 2023	<a href="https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20230628-23">https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20230628-23</a>

NSE Circular no. NSE/CML/2023/49 dated June 28, 2023	<a href="https://static.nseindia.com//s3fs-public/inline-files/NSE_CIRCULAR%20_28062023.zip">https://static.nseindia.com//s3fs-public/inline-files/NSE_CIRCULAR%20_28062023.zip</a>
NSDL Operational Guidelines dated September 21, 2022.	<a href="https://nsdl.co.in/downloadables/pdf/31_Circular_for_Operational_Guidelines_pertaining_to_SEBI_Circular_on_Framework_for_restricting_trading_by_Designated_Persons(DPs)_003.pdf">https://nsdl.co.in/downloadables/pdf/31_Circular_for_Operational_Guidelines_pertaining_to_SEBI_Circular_on_Framework_for_restricting_trading_by_Designated_Persons(DPs)_003.pdf</a>
CDSL Operational Guidelines dated August 08, 2022.	<a href="file:///C:/Users/G1/Downloads/_communique_dp_DP-449-SEBI-Cir-Framework-for-restricting-trading-by-DPs-by-freezing-PAN%20(1).pdf">file:///C:/Users/G1/Downloads/_communique_dp_DP-449-SEBI-Cir-Framework-for-restricting-trading-by-DPs-by-freezing-PAN%20(1).pdf</a>

**Process flow chart for implementation of Framework for restricting trading by DPs**



Source: Original SEBI Circular dated August 05, 2022.

**Compliances to be ensured by Listed Companies covered under the ambit of above said circulars:**

1. Appointment of Designated Depository (“DD”) who shall enable access to the respective listed company on their portal/ platform.
2. Upon Login on the said portal/platform, the listed company is required to update the details of DPs in terms of SEBI Circular No. SEBI/HO/ISD/ISD/CIR/P/2020/168 dated September 09, 2020. Please note that as per said circular, the details are required to be updated on daily basis.
3. ‘Trading Window Closure Period’ i.e. ‘Commencement Date’ and ‘End Date’ are required to be specified on the DD portal/platform.

**Points to be noted:**

- a. Timeline: Atleast 2 trading days prior to the commencement of trading window closure date (T-2 days).
- b. Specify 1<sup>st</sup> day (T- day) immediately after the end of every quarter for which results are to be announced as ‘Trading Window Closure commencement date’ and the date on which 48 hours ends post disclosure of financial results as ‘Trading Window Closure End date’ in the portal/platform.

**Exception:** The trading window restrictions shall not apply in respect of a pledge of shares for a bonafide purpose such as raising of funds, subject to pre-clearance by the compliance officer and compliance with the respective regulations made by the Board.

In view thereof, the Listed Company need to specify the details of exempted DPs in terms of Clause 4(3) of Schedule B read with regulation 9 of PIT regulations on the portal/platform of DD. In such cases the restriction shall be removed within 2 trading days from the date of receipt of request from the listed company.

Suggestions may be sent to [rupesh@cacsindia.com](mailto:rupesh@cacsindia.com)

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