

## SEBI (PROHIBITION OF INSIDER TRADING) AMENDMENT REGULATIONS, 2020- "NEW REGULATIONS"

The Securities and Exchange Board of India (Prohibition of Insider Trading) Amendment Regulations, 2020 notified by SEBI vide notification dated SEBI/LAD-NRO/GN/2020/23 shall be effective from 17<sup>th</sup> July, 2020.

Several amendments made in the insider trading regulations through above amended regulations, the scope of persons covered under the regulation has been enhances and terms of policies & codes made under such regulation has been significantly amended, interalia. The actions to be taken by the applicable Companies pursuant to the said amendments are briefed below:

Provision as per Existing Regulations	Provision as per New Regulations	Net Effect
<b>Communication or procurement of unpublished price sensitive information ("UPSI")-Amendment in Regulation 3(5)</b>		
The Board of Directors shall ensure that a structured digital database is maintained containing the names of such persons or entities as the case may be with whom information is shared under this regulation along with the Permanent Account Number or any other identifier authorized by law where Permanent Account Number is not available. Such databases shall be maintained with adequate internal controls and checks such as time stamping and audit trails to ensure non-tampering of the database."	The Board of Directors or head(s) of the organisation of every person required to handle unpublished price sensitive information shall ensure that a structured digital database is maintained containing the nature of unpublished price sensitive information and the names of such persons who have shared the information and also the names of such persons with whom information is shared under this regulation along with the Permanent Account Number or any other identifier authorized by law where Permanent Account Number is not available. Such database shall not be outsourced and shall be maintained internally with adequate	Structured Digital Database must contain the data of every person who deals with or handles unpublished price sensitive information. In addition to above following information like <ul style="list-style-type: none"> <li>• the nature of unpublished price sensitive information;</li> <li>• the names of such persons who have shared the information;</li> <li>• names of such persons with whom information is shared;</li> <li>• PAN or any other identifier authorized by law where PAN is not available</li> </ul> shall compulsory be maintained in such database.  (i) With effect from 17 <sup>th</sup> July 2020 Outsourcing

	internal controls and checks such as time stamping and audit trails to ensure non-tampering of the database.”	of maintenance of Database is strictly prohibited.
<b>Preservation of digital database- Insertion of Regulation 3(6)</b>		
Earlier no such provision existed w.r.t to Preservation of Structured Digital Database	The Board of Directors or head(s) of the organisation of every person required to handle unpublished price sensitive information shall ensure that the structured digital database is preserved for a period of not less than <b>eight years</b> after completion of the relevant transactions and in the event of receipt of any information from the SEBI regarding any investigation or enforcement proceedings, the relevant information in the structured digital database shall be preserved till the completion of such proceedings.”	Listed companies and every such person which is required to handle unpublished price sensitive information are required to preserve information in the digital database: <ul style="list-style-type: none"> <li>• for a period of not less than <b>eight years</b> after completion of the relevant transactions; and</li> <li>• in the event of receipt of any information from the SEBI regarding any investigation or enforcement proceedings, the relevant information in the structured digital database shall be preserved till the completion of such proceedings.</li> </ul>
<b>Form and Manner for Continual Disclosures By Certain Persons- Insertion of Regulation 7(2)(c)</b>		
Earlier no such provision existed w.r.t form and manner of in which the continual disclosures are to be made by: <p>(a) Every promoter, member of the promoter group, designated person and director of every company shall disclose to the company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded</p>	The disclosures under Regulation 7(2)(a) & 7(2)(b) shall be made in such form and such manner as may be specified by the SEBI from time to time.	The continual disclosures are required to be made by certain persons in the form and manner specified by SEBI from time to time.

<p>value in excess of ten lakh rupees or such other value as may be specified;</p> <p>(b) Every company shall notify the particulars of such trading to the stock exchange on which the securities are listed within two trading days of receipt of the disclosure or from becoming aware of such information.</p>		
<p><b>Amendment to Schedule B of SEBI (Prohibition of Insider Trading) Regulations, 2015 dealing with "Minimum Standards for Code of Conduct" for Listed Companies to Regulate, Monitor and Report Trading by Designated Persons:</b></p>		
<p><b>(i) Amendment in clause 4, sub-clause 3(b) - Trading Window Restrictions.</b></p>		
<p>Clause 4(3)(b) of Schedule B of existing regulations provides that the trading window restrictions as specified in clause 4(1) shall not apply to:</p> <p>"transactions which are undertaken in accordance with respective regulations made by the SEBI such as acquisition by conversion of warrants or debentures, subscribing to rights issue, further public issue, preferential allotment or tendering of shares in a buy-back offer, open offer, delisting offer."</p>	<p>After the words "delisting offer", the following words shall be inserted:</p> <p>"transactions which are undertaken through such other mechanism as may be specified by the SEBI from time to time."</p>	<p>Trading window restrictions as specified in Clause 1 of Schedule B shall not apply to the transactions which are undertaken through such other mechanism as may be specified by the SEBI.</p>
<p><b>(ii) Amendment in Clause 12 of Schedule B- Sanctions and disciplinary actions, for the contravention of the code of conduct.</b></p>		
<p>Without prejudice to the power of the Board under the Act, the code of conduct shall stipulate the sanctions and disciplinary actions, including wage freeze, suspension, recovery, clawback</p>	<p>Without prejudice to the power of the Board under the Act, the code of conduct shall stipulate the sanctions and disciplinary actions, including wage freeze, suspension, recovery, etc., that may be</p>	<p>The listed entities are required to remit the amount collected for the contravention of the code of conduct adopted by Company to SEBI for credit to the Investor Protection and Education Fund (IEPF).</p>

<p>etc., that may be imposed, by the listed company required to formulate a code of conduct under sub-regulation (1) of regulation 9, for the contravention of the code of conduct.”</p>	<p>imposed, by the listed company required to formulate a code of conduct under sub-regulation (1) of regulation 9, for the contravention of the code of conduct. Any amount collected under this clause shall be remitted to the Board for credit to the Investor Protection and Education Fund administered by the Board under the Act.”</p>	
<p align="center"><b>(iii) Amendment in Clause 13 of Schedule B- Reporting to Stock Exchange, in case of violation of Code of Conduct (Obligation on Companies)</b></p>		
<p>The code of conduct shall specify that in case it is observed by the listed company required to formulate a code of conduct under sub-regulation (1) of regulation 9, that there has been a violation of these regulations, it shall inform the SEBI promptly.</p>	<p>The code of conduct shall specify that in case it is observed by the listed company required to formulate a code of conduct under sub-regulation (1) of regulation 9, that there has been a violation of these regulations, it shall promptly inform the stock exchange(s) where the concerned securities are traded, in such form and such manner as may be specified by the Board from time to time”</p>	<p>The Companies are required to promptly inform the stock exchange(s) where the concerned securities are traded, in such form as specified by SEBI.</p> <p>Presently the SEBI has vide circular No. SEBI/HO/ISD/ISD/CIR/P/2019/82 dated July 19, 2019 has prescribed a standardised format to report violation of code of conduct.</p> <p>Please refer the below link to read the detailed circular</p> <p><a href="https://www.sebi.gov.in/legal/circulars/jul-2019/standardizing-reporting-of-violations-related-to-code-of-conduct-under-sebi-prohibition-of-insider-trading-regulations-2015_43618.html">https://www.sebi.gov.in/legal/circulars/jul-2019/standardizing-reporting-of-violations-related-to-code-of-conduct-under-sebi-prohibition-of-insider-trading-regulations-2015_43618.html</a></p>

**Amendment to Schedule C of Clause 10 of SEBI (Prohibition of Insider Trading) Regulations, 2015 dealing with Minimum Standards for Code of Conduct for Intermediaries and Fiduciaries to Regulate, Monitor and Report Trading by Designated Persons**

**(i) Amendment in Clause 10- Sanctions and disciplinary actions, for the contravention of the code of conduct.**

<p>Without prejudice to the power of the Board under the Act, the code of conduct shall stipulate the sanctions and disciplinary actions, including wage freeze, suspension, recovery, clawback etc., that may be imposed, by the intermediary or fiduciary required to formulate a code of conduct under sub-regulation (1) and sub-regulation (2) of regulation 9, for the contravention of the code of conduct.</p>	<p>Without prejudice to the power of the Board under the Act, the code of conduct shall stipulate the sanctions and disciplinary actions, including wage freeze, suspension, recovery, etc., that may be imposed, by the intermediary or fiduciary required to formulate a code of conduct under sub-regulation (1) and sub-regulation (2) of regulation 9, for the contravention of the code of conduct. Any amount collected under this clause shall be remitted to the Board for credit to the Investor Protection and Education Fund administered by the Board under the Act."</p>	<p>Every intermediary or fiduciary required to formulate a code of conduct under sub-regulation (1) and sub-regulation (2) of regulation 9, are required to remit any amount collected pursuant to such Sanctions and Disciplinary actions for violation of Code of Conduct, to the SEBI for credit to the Investor Protection and Education Fund (IEPF).</p>
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**(i) Amendment in Clause 11 of Schedule C-- Reporting to Stock Exchange, in case of violation of Code of Conduct (Obligation of Intermediaries & Fiduciaries)**

<p>The code of conduct shall specify that in case it is observed by the intermediary or fiduciary required to formulate a code of conduct under sub-regulation (1) or sub-regulation (2) of regulation 9, respectively, that there has been a violation of these regulations, such intermediary or fiduciary shall inform the Board promptly.</p>	<p>The code of conduct shall specify that in case it is observed by the intermediary or fiduciary required to formulate a code of conduct under sub-regulation (1) or sub-regulation (2) of regulation 9, respectively, that there has been a violation of these regulations, such intermediary or fiduciary shall promptly inform the stock exchange(s) where the concerned securities are traded, in such form and such manner as may be specified by the Board from time to time".</p>	<p>The Companies are required to promptly inform the stock exchange(s) where the concerned securities are traded, in such form as specified by SEBI.</p> <p>Presently the SEBI has vide circular No. SEBI/HO/ISD/ISD/CIR/P/2019/82 dated July 19, 2019 has prescribed a standardised format to report violation of code of conduct. Please refer the below link to read the detailed circular</p> <p><a href="https://www.sebi.gov.in/legal/circulars/jul-">https://www.sebi.gov.in/legal/circulars/jul-</a></p>
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		<a href="http://egazette.nic.in/WriteReadData/2020/220574.pdf">2019/standardizing-reporting-of-violations-related-to-code-of-conduct-under-sebi-prohibition-of-insider-trading-regulations-2015_43618.html</a>
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**Note: For giving effect to aforementioned amendments, the following compliances needs to be ensured:**

- 1. Revise the Code of Conduct on Insider Regulations by passing Board Resolution and Resolution by Circulation.**
- 2. Upload the revised code of conduct on the website of the Company.**

**Link of the Complete Notification:** <http://egazette.nic.in/WriteReadData/2020/220574.pdf>

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

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