

Extending Framework for restricting 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 DPs.

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

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 (“**framework**”), making it applicable for the listed companies that are a part of Nifty 50 or Sensex 30 indices commencing from declaration of financial results for quarter ending September 30, 2022.

In continuation to the original SEBI circular, SEBI vide Circular No. SEBI/HO/ISD/ISD-PoD-2/P/CIR/2023/124 dated July 19, 2023 (both collectively referred to as “**SEBI Circulars**”) had laid down the glide path for applicability to ensure the smooth implementation of the framework in the following manner:

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	1st 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, 2024, PAN of DPs should be frozen at security level as per prescribed framework latest from July 01, 2024.

Further to the SEBI circulars, NSE vide Circular Ref. No. NSE/CML/2024/03 dated January 30, 2024, and BSE vide Notice No. 20240130-6 dated January 30, 2024 (collectively referred to as “circulars”), has stated the following w.e.f. April 1, 2024:

- The applicability of the related SEBI Circulars to all the remaining equity listed companies on BSE, NSE and MSEI.
- Inclusion of all equity ISIN and ISINs convertible into equity by the applicable companies (all listed companies on BSE, NSE and MSEI).
- Designating one of the depositories as its designated depository and to provide the information including PAN of Promoter(s), promoter group, director(s) and designated person(s) in the manner as specified by the depositories.

EFFECTIVE DATE:

The circulars shall come into force for trading window closure with effect from April 1, 2024.

The above circulars/ notices can be accessed with following links:

SEBI Circular dated August 05, 2022	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
SEBI Circular dated July 19, 2023	https://www.sebi.gov.in/legal/circulars/jul-2023/trading-window-closure-period-under-clause-4-of-schedule-b-read-with-regulation-9-of-sebi-prohibition-of-insider-trading-regulations-2015-pit-regulations-extending-framework-for-restricting-t-74120.html
NSE Circular dated January 30, 2024	https://nsearchives.nseindia.com/web/sites/default/files/inline-files/NSE_Circular_30012024.zip
BSE Notice dated January 30, 2024	https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20240130-6

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