Historical Background

The United State of America was the first country to formally enact a legislation to regulate insider trading. Over the years, most of the jurisdictions around the world have recognized the requirement to restrict insider trading in one form or other and accordingly put in place legal restrictions to this effect.

India was not late in recognizing the detrimental impact of insider trading. The history of Insider Trading in India relates back to the 1940’s with the formulation of government committees such as the Thomas Committee under the chairmanship of Mr. P.J. Thomas to evaluate restrictions that can be imposed on short swing profit of 1948, which evaluated inter alia, the regulations in the US on short swing profits under Section 16 of the Securities Exchange Act, 1934. Thereafter in India provisions relating to Insider Trading were incorporated in the Companies Act, 1956 under Sections 307 and 308, which required shareholding disclosures by the directors and managers of a company. Due to inadequate provisions of enforcement in the companies Act, 1956, the Sachar Committee in 1979, the Patel Committee in 1986 and the Abid Hussain Committee in 1989 proposed recommendations for a separate statute regulating Insider Trading.

The Patel committee in 1986 in India defined Insider Trading as:

Insider trading generally means trading in the shares of a company by the persons who are in the management of the company or are close to them on the basis of undisclosed price sensitive information regarding the working of the company, which they possess but which is not available to others.

The concept of Insider Trading in India started fermenting in the 80’s and 90’s and came to be known and observed extensively in the Indian Securities market. As mentioned earlier due to inadequate provisions in the Companies Act, 1956 and rapidly advancing Indian Securities market needed a more comprehensive legislation to regulate the practice of Insider Trading, thus resulting in the formulation of the SEBI (Insider Trading) Regulations in the year 1992, which were amended in the year 2002 after the discrepancies observed in the 1992 regulations in the cases like Hindustan Levers Ltd. vs. SEBI, Rakesh Agarwal vs. SEBI, etc. to remove the lacunae existing in the Regulations of 1992. The amendment in 2002 came to be known as the SEBI (Prohibition of Insider Trading) Regulations, 1992.

Further, the PIT Regulations, 1992 had their challenges in their drafting, interpretation and reach. Besides, the felt need to ensure a clear regulatory policy that is not only easily comprehensible but is also comprehensive led to this Committee being set up under the chairmanship of Justice N. K. Sodhi, Former Chief Justice of the High Courts of Kerala and Karnataka and a Former Presiding Officer of the Securities Appellate Tribunal. The High Level Committee reviewed the SEBI (Prohibition of Insider Trading) Regulations, 1992 submitted its report to SEBI on December 7, 2013.

The Committee made a range of recommendations to the legal framework for prohibition of insider trading in India and has focused on making this area of regulation more predictable, precise and clear by suggesting a combination of principles-based regulations and rules that are backed by principles. The Committee had also suggested that each regulatory provision might be backed by a note on legislative intent.

SEBI has issued and notified the SEBI (Prohibition of Insider Trading) Regulations, 2015 (Regulations) on 15th January, 2015 based on recommendations of Sodhi committee. These Regulations became effective from 120th day of the date of notification i.e. on and from 15th May, 2015, by repealing SEBI (Prohibition of Insider Trading) Regulations 1992.

Now a big step taken forward by introduction of the insider trading provisions in the Companies Act, 2013. As per the Companies Act, 2013 provisions it prohibits directors and key managerial personnel
The definition of price sensitive information has also been included. No person including any director or KMP of a company shall enter into insider trading except any communication required in the ordinary course of business or profession or employment or under any law. While the Companies Act, 1956 was silent on the provisions relating to insider trading, the Companies Act, 2013 on the other hand, lays down provisions relating to prohibition of insider trading with respect to all companies.

Provisions Relating To Insider Trading In Companies Act, 2013

Section 195 (1) lays down that no person including any director or key managerial personnel shall enter into insider trading except any communication required in the ordinary course of business or profession or employment or under any law.

However, nothing contained in this sub-section shall apply to any communication required in the ordinary course of business or profession or employment or under any law.

“Insider Trading”

means –

an act of subscribing, buying, selling, dealing or agreeing to subscribe, buy, sell or deal in any securities by any director or key managerial personnel or any other officer of a company either as principal or agent if such director or key managerial personnel or any other officer of the company is reasonably expected to have access to any non-public price sensitive information in respect of securities of company, or

an act of counselling about, procuring or communicating directly or indirectly any non-public price sensitive information to any person;

“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 the company.

If any person contravenes the provisions of this section, he shall be punishable with imprisonment for a term which may extend to five years or with fine which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of insider trading, whichever is higher, or with both.

Powers delegated to SEBI under Companies Act 2013 (Section 458)

The Central Government may, by notification, and subject to such conditions, limitations and restrictions as may be specified therein, delegate any of its powers or functions under this Act other than the power to make rules to such authority or officer as may be specified in the notification:

The powers to enforce the provisions contained in section 194 and section 195 relating to forward dealing and
insider trading shall be delegated to the Securities and Exchange Board of India for listed companies or the companies which intend to get their securities listed and in such case, any officer authorised by the SEBI shall have the power to file a complaint in the court of competent jurisdiction.

**Sebi (Prohibition of Insider Trading) Regulations, 2015**

The SEBI (Prohibition of Insider Trading) Regulation, 2015 comprises of five chapters and two schedules encompassing the various regulations related to insider trading.

- Chapter I deals mainly with the definition used in regulation.
- Chapter II provides for restriction on communication and trading in securities by insiders.
- Chapter III deals with disclosure of trading by insiders.
- Chapter IV deals with the code of fair disclosure and conduct to be followed by listed companies and other entities, disclosure requirements.
- Chapter V deals with miscellaneous matters like sanction for violation, power to remove difficulties, repeal and savings.

**Important Definitions**

**Connected person**

means –

Any person who is or has during the six months prior to the concerned Act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company or holds any position including a professional or business relationship between himself and the company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.

**Insider**

means any person who is:

- a connected person; or
- in possession of or having access to unpublished price sensitive information;

**Person deemed to be connected person**

if such person –

- an immediate relative of connected persons; or
- a holding company or associate company or subsidiary company; or
- an intermediary as specified in section 12 of the Act or an employee or director thereof; or
- an 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; or
- a member of 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; or
- a member of the board of directors or an employee, of a public financial institution as defined in section 2 (72) of the Companies Act, 2013; or
- an official or an employee of a self-regulatory organization recognised or authorized by SEBI; or
a banker of the company; or
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 per
cent of the holding or interest;

**Generally available information**

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

**Immediate relative**

“Immediate relative” means a spouse of a person, and includes parent, sibling, and child of such person or of
the spouse, any of whom is either dependent financially on such person, or consults such person in taking
decisions relating to trading in securities;

**Trading**

“trading” means and includes subscribing, buying, selling, dealing, or agreeing to subscribe, buy, sell, deal in
any securities, and “trade” shall be construed accordingly;

**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–

- Financial results;
- Dividends;
- Change in capital structure;
- Mergers, de-mergers, acquisitions, delisting, disposals and expansion of business and such other
  transactions;
- Changes in key managerial personnel; and
- Material events in accordance with the listing agreement

**Compliance officer**

Compliance Officer means

- any senior officer, designated so and reporting to the board of directors or head of the
  organization in case board is not there,
- who is financially literate and is capable of appreciating requirements for legal and regulatory
  compliance under these regulations and
- who shall be responsible for compliance of policies, procedures, maintenance of records,
  monitoring adherence to the rules for the preservation of unpublished price sensitive information,
  monitoring of trades and the implementation of the codes specified in these regulations under the
  overall supervision of the board of directors of the listed company or the head of an organization,
  as the case may be;
Communication or procurement of unpublished price sensitive information (Regulation 3)

Any person shall not:

- communicate, provide, or allow access to any unpublished price sensitive information or
- procure from or cause the communication by any insider of unpublished price sensitive information,
- relating to a company or securities listed or proposed to be listed or proposed to be listed
- Except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

However, above provisions shall not applicable to any an unpublished price sensitive information may be communicated, provided, allowed access to or procured, in connection with a transaction that would:—

- entail an obligation to make an open offer under the takeover regulations or
- not attract the obligation to make an open offer under the takeover regulations
- Where the board of directors of the company is of informed opinion that the proposed transaction is in the best interests of the company and
- the information that constitute unpublished price sensitive information is disseminated to be made generally available at least 2 trading days prior to the proposed transaction being effected in such form as the board of directors may determine.

The board of directors shall require the parties to execute agreements to contract confidentiality and non-disclosure obligations and such parties shall keep information so received confidential, except for the purpose specified above and shall not otherwise trade in securities of the company when in possession of unpublished price sensitive information.

Trading when in possession of unpublished price sensitive information (UPSI) (Regulation 4)

An insider shall not trade in securities, which are listed or proposed to be listed on stock exchange when in possession of unpublished price sensitive information.

Exemptions:

- When there is an off-market transfer between promoters
  - who are aware of price sensitive information without being in breach of regulation 3 and
  - both parties had made a conscious and informed trade decision; or
- In the case of non-individual insiders:
  - the individuals who were in possession of such unpublished price sensitive information were different from the individuals taking trading decisions and
  - such decision-making individuals were not in possession of such unpublished price sensitive information when they took the decision to trade; and
  - appropriate and adequate arrangements were in place to ensure that these regulations are not violated and no unpublished price sensitive information was communicated by the individuals possessing the information to the individuals taking trading decisions and
  - there is no evidence of such arrangements having been breached;
  - the trades were pursuant to a trading plan set up in accordance these regulations.
In the case of connected persons, the onus of establishing, that they were not in possession of unpublished price sensitive information, shall be on such connected persons and in other cases, the onus would be on SEBI. SEBI may specify such standards and requirements, from time to time, as it may deem necessary for the purpose of these regulations.

Trading plans (Regulation 5)

An insider would be required to submit trading plan in advance to the compliance officer for his approval. The compliance officer is also empowered to take additional undertakings from the insiders for approval of the trading plan. Such trading plan on approval will also be disclosed to the stock Exchanges, where the securities of the company are listed.

The trading plan shall comply with requirements as follows:

- It shall be submitted for a minimum period of 12 months.
- No overlapping of plan with the existing plan submitted by Insider
- It shall set out 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 at, or dates on which such trades shall be effected.
- Trading can only commence only after 6 months from public disclosure of plan.
- No trading between 20th day prior to closure of financial period and 2nd trading day after disclosure of financial results.
- Compliance officer to approve the plan.
- The trading plan once approved shall be irrevocable and the insider shall mandatorily have to implement the plan, without being entitled to either deviate from it or to execute any trade in the securities outside the scope of the trading plan.
  (Except in few case like where insider is in possession of price sensitive information at the time of formulation of the plan and such information has not become generally available at the time of the commencement of implementation)
- Upon approval of the trading plan, the compliance officer shall notify the plan to the stock exchanges on which the securities are listed.

Disclosures of trading by insiders (Regulation 6)

- by person shall also include those relating to trading by such person’s immediate relatives, and
- by any other person for whom such person takes trading decisions.
- The disclosures of trading in securities shall also include trading in derivatives of securities if permitted under law.
- Such disclosure shall be preserved for 5 years.

Disclosures of interest by certain persons

Initial Disclosures
Continual Disclosures

Any company whose securities are listed on stock exchange may, at its discretion require any other connected person or class of connected persons to make disclosures of holdings and the company may determine trading in securities of the company in such form and at such frequency as.

Code of fair disclosure

Where the board of directors of the company, whose securities are listed on a stock exchange, shall formulate and publish on its official website, a code of practices and procedures for fair disclosure of unpublished price sensitive information which shall follow in order to adhere to each of the principles set out in Schedule A to these regulations, without diluting the provisions of these regulations in any manner.

Every such code of practices and procedures for fair disclosure of unpublished price sensitive information and every amendment thereto shall be promptly intimated to the stock exchanges where the securities are listed.
Principles and procedures of fair disclosure

Schedule A of these regulations lays down the following principles of fair disclosure for purposes of Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information:-

- Prompt public disclosure of unpublished price sensitive information that would impact price discovery no sooner than credible and concrete information comes into being in order to make such information generally available.
- Uniform and universal dissemination of unpublished price sensitive unpublished price sensitive information to avoid selective disclosure.
- Designation of a senior officer as a chief investor relations officer to deal with dissemination of information and disclosure of unpublished price sensitive information.
- Prompt dissemination of unpublished price sensitive information that gets disclosed selectively, inadvertently or otherwise to make such information generally available.
- Appropriate and fair response to queries on news reports and requests for verification of market rumours by regulatory authorities.
- Ensuring that information shared with analysts and research personnel is not unpublished price sensitive information.
- Developing best practices to make transcripts or records of proceedings of meetings with analysts and other investor relations conferences on the official website to ensure official confirmation and documentation of disclosures made.
- Handling of all unpublished price sensitive information on a need-to-know basis.

Code of Conduct

The board of directors of every listed company and market intermediary shall formulate a code of conduct to regulate, monitor and report trading by its employees and other connected persons towards achieving compliance with these regulations, adopting the minimum standards as prescribed in this regulations.

Every other person who is required to handle unpublished price sensitive information in the course of business operations shall formulate a code of conduct to regulate, monitor and report trading by employees and other connected persons towards achieving compliance with these regulations, adopting the minimum standards as prescribed in these regulations, without diluting the provisions of these regulations in any manner.

Every listed company, market intermediary and other persons formulating a code of conduct shall identify and designate a compliance officer to administer the code of conduct and other requirements under these regulations.
CODE OF CONDUCT

The board of directors of listed company and market intermediary or every other person who is required to handle unpublished price sensitive information in the course of business operations shall formulate a code of conduct to regulate, monitor and report trading by its employees and other connected persons towards achieving compliance.

Every listed company, market intermediary and other persons formulating a code of conduct shall identify and designate a compliance officer to administer the code of conduct and other requirements under these regulations.

Minimum standards for code of conduct

Schedule B of these regulations lays down the following minimum standards for Code of Conduct to regulate, monitor and report trading by insiders:

- The compliance officer shall report to the board of directors and in particular, shall provide reports to the Chairman of the Audit Committee, if any, or to the Chairman of the board of directors at such frequency as may be stipulated by the board of directors.
- All information shall be handled within the organisation on a need-to-know basis and no unpublished price sensitive information shall be communicated to any person except in furtherance of the insider’s legitimate purposes, performance of duties or discharge of his legal obligations.
- The code of conduct shall contain norms for appropriate Chinese Walls procedures, and processes for permitting any designated person to “cross the wall”.
- Employees and connected persons designated on the basis of their functional role ("designated persons") in the organisation shall be governed by an internal code of conduct governing dealing in securities.
- The board of directors shall in consultation with the compliance officer specify the designated persons to be covered by such code on the basis of their role and function in the organisation. Due regard shall be had to the access that such role and function would provide to unpublished price sensitive information in addition to seniority and professional designation.
- Designated persons 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.

The trading window shall be closed when the compliance officer determines that a designated person or class of designated persons can reasonably be expected to have possession of unpublished price sensitive information. Such closure shall be imposed in relation to such securities to which such unpublished price sensitive information relates.
Designated persons and their immediate relatives shall not trade in securities when the trading window is closed.

The timing for re-opening of the trading window shall be determined by the compliance officer taking into account various factors including the unpublished price sensitive information in question becoming generally available and being capable of assimilation by the market, which in any event shall not be earlier than forty-eight hours after the information becomes generally available.

The trading window shall also be applicable to any person having contractual or fiduciary relation with the company, such as auditors, accountancy firms, law firms, analysts, consultants etc., assisting, or advising the company.

When the trading window is open, trading by designated persons shall be subject to pre-clearance by the compliance officer, if the value of the proposed trades is above such thresholds as the board of directors may stipulate. No designated person shall apply for pre-clearance of any proposed trade if such designated person is in possession of unpublished price sensitive information even if the trading window is not closed.

The compliance officer shall confidentially maintain a list of such securities as a “restricted list” which shall be used as the basis for approving or rejecting applications for pre-clearance of trades.

Prior to approving any trades, the compliance officer shall be entitled to seek declarations to the effect that the applicant for pre-clearance is not in possession of any unpublished price sensitive information.

He shall also have regard to whether any such declaration is reasonably capable of being rendered inaccurate.

The code of conduct shall specify any reasonable timeframe, which in any event shall not be more than seven trading days, within which trades that have been pre-cleared have to be executed by the designated person, failing which fresh pre-clearance would be needed for the trades to be executed.

The code of conduct shall specify the period, which in any event shall not be less than six months, within which a designated person who is permitted to trade shall not execute a contra trade. The compliance officer may be empowered to grant relaxation from strict application of such restriction for reasons to be recorded in writing provided that such relaxation does not violate these regulations. Should a contra trade be executed, inadvertently or otherwise, in violation of such a restriction, the profits from such trade shall be liable to be disgorged for remittance to SEBI for credit to the Investor Protection and Education Fund administered by SEBI under the Act.

The code of conduct shall stipulate such formats as the board of directors deems necessary for making applications for pre-clearance, reporting of trades executed, reporting of decisions not to trade after securing pre-clearance, recording of reasons for such decisions and for reporting level of holdings in securities at such intervals as may be determined as being necessary to monitor compliance with these regulations.

The code of conduct shall stipulate the sanctions and disciplinary actions, including wage freeze, suspension etc., that may be imposed, by the persons required to formulate a code of conduct for the contravention of the code of conduct.

The code of conduct shall specify that in case it is observed by the persons required to formulate a code of conduct, that there has been a violation of these regulations, they shall inform SEBI promptly.
Penalty provisions for violations of the regulations

If any person violates provisions of these regulations, he shall be liable for appropriate action and the SEBI issue following directions to the violators, to protect the interests of investor and in the interests of the securities market and for due compliance with the provisions of the Act:

- directing the insider or such person not to deal in securities in any particular manner;
- prohibiting the insider or such person from disposing of any of the securities acquired in violation of these regulations;
- restraining the insider to communicate or counsel any person to deal in securities;
- declaring the transaction(s) in securities as null and void;
- directing the person who acquired the securities in violation of these regulations to deliver the securities back to the seller:
  However, 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 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.

**Penalty**

**Section 24 of SEBI Act, 1992**

If any person contravenes or attempts to contravene or abets the contravention of the provisions of this Act or of any rules or regulations made there under

- Imprisonment for a term which shall not less than 1 month but which may be extend to 10 years

OR

If any person fails to pay the penalty imposed by the adjudicating officer or fails to comply with any of his directions or orders

- Fine which may be extended to Rs. 25 crore

OR

- Both
Penalty for insider trading under Section 15G of SEBI Act

If any Insider who,-

- either on his own behalf or on behalf of any other person, deals in securities of a body corporate listed on any stock exchange on the basis of any unpublished price sensitive information; or
- communicates any unpublished price sensitive information to any person, with or without his request for such information except as required in the ordinary course of business or under any law; or
- counsels, or procures for any other person to deal in any securities of any body corporate on the basis of unpublished price sensitive information,

three times the amount of profits made out of insider trading, whichever is higher

Thus violation of the provisions of the regulations attract huge monetary penalty and may lead to criminal prosecution. However those aggrieved by an order of SEBI, may prefer an appeal to the Securities Appellate Tribunal within a period of forty-five days of the order.

Appeal to Securities Appellate Tribunal

Any person aggrieved by an order of SEBI under these regulations can prefer an appeal to the Securities Appellate Tribunal.

Role of Company Secretary in Compliance Requirements

The obligations cast upon the Company Secretary in relation to insider trading regulations can be summarized as under. The Company Secretary shall:

- Ensure compliance with SEBI (Prohibition of insider Trading) Regulations, 2015 including maintenance of various documents.
- Frame a code of fair disclosure and conduct in line with the model code specified in the Schedule A of the regulations and get the same approved by the board of directors of the company.
- Place before SEBI the “minimum standards for Code of Conduct” to regulate, monitor and report trading by insiders as enumerated in the Schedule B of the regulations.
- Receive initial disclosure from every Promoter, KMP and director or every person on appointment as KMP or director or becoming a Promoter shall disclose its shareholding in the prescribed form within:
  - 30 days from these regulations taking effect or
  - 7 days of such appointment or becoming a promoter
- Receive from every Promoter, employee and director, continual disclosures of the number of securities acquired or disposed of and changes therein, even if the value of the securities traded, exceeds Rs. 10
lakh with single or series of transaction in any calendar quarter in prescribed form within two trading
days of:
- receipt of the disclosure or
- from becoming aware of such information
Ensure that no trading shall between 20th day prior to closure of financial period and 2nd trading day
after disclosure of financial results.
Approve the trading plan and after the approval of the trading plan, as compliance officer shall notify
the plan to the stock exchanges on which the securities are listed.
Maintain records, as a Compliance Officer, of all the declarations given by the directors/designated
employees/partners in the appropriate form for a minimum period of three years.
Take additional undertakings, as a compliance officer, from the insiders for approval of the trading
securities of the company are listed
Maintain confidentially list of such securities as a “restricted list” which shall be used as the basis for
approving or rejecting applications for pre-clearance of trades.
Monitor of trades and the implementation of the code of conduct under the overall supervision of the
Board of Directors of the listed company.
Frame and then to monitor adherence to the rules for the preservation of “Price sensitive information”.
Suggest any improvements required in the policies, procedures, etc to ensure effective
implementation of the code.
Assist in addressing any clarifications regarding the Securities and Exchange Board of India
(Prohibition of Insider Trading) Regulations, 2015 and the company’s code of conduct.
Maintain a list of all information termed as ‘price sensitive information’.
Maintain a record of names of files containing confidential information deemed to be price sensitive
information and persons in charge of the same.
Ensure that files containing confidential information are kept secured.
Keep records of periods specified as ‘close period’ and the ‘Trading window’.
Ensure that the trading restrictions are strictly observed and all directors/officers/designated employees
conduct all their dealings in the securities of the company only in a valid trading window and do not
deal in the company’s securities during the period when the trading window is closed.
Receive and maintain records of periodic and annual statement of holdings from directors/officers/
designed employees and their dependent family members.
Ensure that the “Trading Window” is closed at the time of:
- Declaration of financial results(quarterly, half-yearly and annual)
- Declaration of dividends("interim and final"
- Issue of securities by way of public/right/bonus etc.,
- Any Major expansion plans or execution of new projects.
Amalgamation, mergers, takeovers and buy-back
- Disposal of whole or substantially whole of the undertaking
- Any change in policies, plans or operations of the company
Place before the Chief Executive Officer/Partner or a committee notified by the organization/firm, as a Compliance Officer, on a monthly basis all the details of the dealing in the securities by designated employees/directors/partners of the organization/firm.
Practice Questions Answer

Question 1.
Define “Insider Trading”.
Answer.

“Insider Trading” means –

☐ an act of subscribing, buying, selling, dealing or agreeing to subscribe, buy, sell or deal in any securities by any director or key managerial personnel or any other officer of a company either as principal or agent if such director or key managerial personnel or any other officer of the company is reasonably expected to have access to any non-public price sensitive information in respect of securities of company, or

☐ an act of counselling about, procuring or communicating directly or indirectly any non-public price sensitive information to any person;

Question 2.
Define “Price-Sensitive Information”.
Answer.

“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 the company.

☐ If any person contravenes the provisions of this section, he shall be punishable with imprisonment for a term which may extend to five years or with fine which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of insider trading, whichever is higher, or with both.

Question 3.
What is unpublished price sensitive information?
Answer.

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–

☐ Financial results;

☐ Dividends;

☐ Change in capital structure;

☐ Mergers, de-mergers, acquisitions, delisting, disposals and expansion of business and such other transactions;

☐ Changes in key managerial personnel; and

☐ Material events in accordance with the listing agreement