



Consultative paper on amendments to SEBI (Prohibition of Insider Trading) Regulations, 1992

1. On 04-03-2008 SEBI had put up a consultative paper on amendments to SEBI (Prohibition of Insider Trading) Regulations, 1992 for public comments. In order to harmonize requirements of acquisition/sale of shares reported under the SEBI (Prohibition of Insider Trading) Regulations, 1992 and the requirements of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 it was proposed that transaction disclosures made under either regulation (with the same or higher level of disclosure) should be deemed to be good disclosure under the other. It was also proposed to increase the harmonization between the two in terms of threshold limits set.
2. In order to have an efficient market, it is essential that all relevant information which has an impact on the price of the shares of a company is promptly disseminated to the market. The listing agreement of the company with the stock exchanges and SEBI (Prohibition of Insider Trading) Regulations, 1992 requires the company to make continuous and prompt dissemination of the price sensitive information to the market through stock exchanges and other print and electronic media. The Directors/Officers of the company, being insiders have access to the unpublished price sensitive information. The dealing in shares by major shareholders itself is price sensitive information and therefore, Regulation 13 of SEBI (Prohibition of Insider Trading) Regulations, 1992 requires that these entities shall disseminate information about their dealing in the shares of the company on crossing certain threshold limit prescribed in the regulation to the company. The stock exchange in turn disseminates the same to the market through electronic notices to its members and also displays the same on its website.
3. Under the present SEBI (Prohibition of Insider Trading) Regulations, 1992 the shareholder/director/officer of a listed company is required to disclose to the company information regarding the shareholding or voting rights within 4 working days of receipt of intimation of allotment of shares or the acquisition or sale of shares or voting rights or of becoming the director or officer of the said company, as the case may be. The company in turn is required to disclose this to the Stock Exchanges, on which the company is listed, within five days. Thus, on occasion, a total of 9 days may pass before price sensitive information is

disseminated to the public. The rationale for the said disclosure is diluted over the 9 days period provided for it.

4. As per SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 the acquirer is given 2 days time to inform the company and the stock exchange about the acquisition of shares after a certain limit is breached as specified in the said regulation. Stock Exchanges in turn are required to “immediately” display the said information on the trading screen, the notice board and on its website.
5. In line with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, it is proposed that the time gap between the date of transaction and the date of dissemination of the information by the stock exchange may be reduced from nine days to two working days by making necessary amendments to the relevant provisions of Insider Trading Regulations. This would make it mandatory for a person to report the transactions within one working day of trading to the company and company in turn shall inform the stock exchanges, where the shares are listed, within one working day of receipt of information. The Stock exchanges shall ensure immediate dissemination of information to the market.

The details of the proposed amendment to SEBI (Prohibition of Insider Trading) Regulations, 1992 vis-à-vis existing regulation is provided in the table below.

Comments are invited from the public on the above proposals. The comments may be sent by e-mail upto 26th June, 2008 to jyotis@sebi.gov.in and sunilk@sebi.gov.in .

6. Comments may also be sent physically to the following address, so as to reach latest by 30th June, 2008-

Mr. Sunil Kadam
Deputy General Manager
Integrated Surveillance Department
Securities and Exchange Board of India,
SEBI Bhavan,
C-4A, G-Block, Bandra Kurla Complex,
Mumbai- 400 051

Table

Existing Regulation			Proposed changes		
Reg.	Details	Number of days (For disclosure)	Reg.	Details	Number of days (For disclosure)
13 (1)	Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company, 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.	4 working days. (Initial)	13 (1)	Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company the number of shares or voting rights held by such person, on becoming such holder, within 1 working day of:- a) the receipt of intimation of allotment of shares; or b) the acquisition of shares or voting rights, as the case may be.	1 working days. (Initial)
13 (2)	Any person, who is a director or officer of a listed company, shall disclose to the company, the number of shares or voting rights held by such person, within 4 working days of becoming a director or officer of the company.	4 working days. (Initial)	13 (2)	Any person, who is a director or officer of a listed company, shall disclose to the company the number of shares or voting rights held by such person, within 1 working day of becoming a director or officer of the company.	1 working days. (Initial)
13 (3)	Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company 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 working days. (Continuous)	13 (3)	Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company 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.	1 working days. (Continuous)
13 (4)	Any person who is a director or officer of a listed company, shall disclose to the company, 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 lakh in value or 25000 shares or 1% of total shareholding or voting rights, whichever is lower.	4 working days. (Continuous)	13 (4)	Any person who is a director or officer of a listed company, shall disclose to the company 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 lakh in value or 25000 shares or 1% of total shareholding or voting rights, whichever is lower.	1 working day. (Continuous)
13 (5)	The disclosure mentioned in sub-regulation (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.	4 working days.	13 (5)	The disclosure mentioned in sub-regulation (3) and (4) shall be made within 1 working day 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.	1 working day.
13 (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).	5 days.	13 (6)	Every listed company, shall within one working day disclose to all stock exchanges on which the company is listed, the information received under sub-regulations (1), (2), (3) and (4).	1 working day

Existing Regulation			Proposed changes		
Reg.	Details	Number of days (For disclosure)	Reg.	Details	Number of days (For disclosure)
			13 (6A)	The stock exchange shall immediately display the information received under sub-regulations (1), (2), (3) and (4) on the trading screen, the website and also on its notice board]	Immediately