

# SEBI (Prohibition of Insider Trading) Regulations, 2015

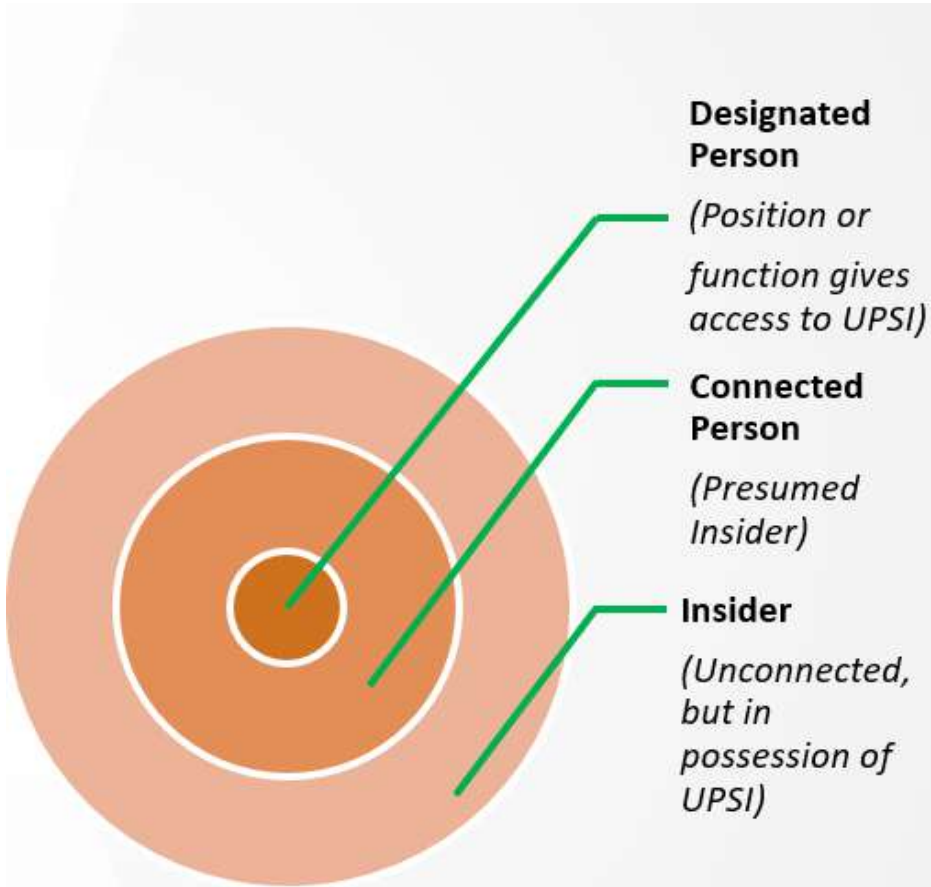
Key Challenges and Critical Issues

April 25, 2026

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## Designated Person vs Connected Person vs Insider



Who am I, and what provisions are applicable to me?



Designated Person

Connected Person

Insider

# Designated Person vs Connected Person vs Insider

Particulars	Designated Person	Connected Person	Insider
<b>Source/Legal Basis</b>	Regulation 9 (Code of Conduct)	Regulation 2 (1) (d)	Regulation 2 (1) (g)
<b>Legal Definition</b>	Persons <b>identified by company</b> based on role/function for compliance monitoring	Any person <b>associated with company in the last 6 months in any capacity</b> (contractual, fiduciary, or employment) <b>that allows access to UPSI</b>	Any person who is: <b>(i) connected person</b> OR <b>(ii) in possession of UPSI</b>
<b>Basis / Guiding Principle</b>	<b>Administrative Oversight:</b> Internal designation by company. <b>Based on role and function</b>	<b>Relationship Proximity:</b> <b>Relationship with company</b>	<b>Knowledge Supremacy:</b> <b>Access to UPSI</b> (actual or deemed)
<b>Coverage</b>	<b>Narrow/Specific.</b> Internal list of key employees, promoters, and their relatives	<b>Wide.</b> Includes anyone with a professional or fiduciary relationship with the company	<b>Widest.</b> Includes anyone (even a stranger) who happens to overhear UPSI.
<b>Who are they?</b>	Promoters, Directors, CEO, and support staff (IT/Finance), employees two level below the CEO	Employees, Bankers, Auditors	Anyone (even a third-party stranger) who holds UPSI (e.g., a taxi driver overhears merger).
<b>Presumption of Guilt &amp;</b>	<b>Strict Procedural Liability.</b> Breaches of window/contra-trade are penalized regardless of intent.	<b>Rebuttable Presumption.</b> Presumed to have UPSI. Burden is on CP to prove innocence.	<b>No Presumption.</b> SEBI must first prove the individual actually possessed or had access to UPSI.
<b>Burden of Proof</b>	<b>On the DP:</b> Must prove trade was not "motivated" by UPSI (e.g., via a Trading Plan).	<b>On the CP:</b> Must prove they did <i>not</i> have access (e.g., legal separation or estrangement).	<b>On SEBI:</b> Must prove "foundational facts" that the person received/accessed the UPSI.

## Designated Person vs Connected Person vs Insider

Provision / Requirement	Designated Person	Connected Person	Insider
<b>Trading Window</b>	✓ <b>Mandatory.</b> Closed from quarter-end until 48hr after results.	✗ <b>No.</b> Not bound by the window unless they are also a DP.	✗ <b>No.</b> Only bound by the possession of UPSI itself.
<b>Pre-clearance</b>	✓ <b>Mandatory.</b> Required for all trades above the company threshold.	✗ <b>No.</b> No requirement for pre-approval from the company.	✗ <b>No.</b> No requirement for pre-approval from the company
<b>Contra-trade</b>	✓ <b>Mandatory.</b> Strictly prohibited from opposite trades within 6 months.	✗ <b>No.</b> (Unless specifically listed as a DP in the Code of Conduct).	✗ <b>No.</b> Only possession of UPSI matters.
<b>Code of Conduct applicability</b>	✓ Direct	✗ Indirect	✗ Indirect
<b>Code of Fair Disclosure applicability</b>	✓ Applicable	✓ Applicable	✓ Applicable
<b>Trading Plan</b>	✓ Can avail	✓ Can avail	✓ Can avail.

## Designated Person vs Connected Person vs Insider

Question	Answer
1. In the case of DPs, should reporting be based on the reporting structure or on cadre/level?	Use a hybrid approach: Two level reporting structure wise. + Cadre Level + Function-based roles with UPSI access Include: Support roles with indirect access.
2. Does the Promoter Group form part of DPs?	Not automatically. If having access to UPSI then include.  Even if the company does not include them, trades by the promoter group are still required to be disclosed.  <i>[Ref FAQ No. 51]</i>
3. Is a spouse considered an immediate relative of a DP?	Yes. A spouse is presumed to be an 'immediate relative', unless rebutted so.
4. If immediate relatives are not financially dependent, will they still fall within the ambit of the Code?	No.
5. Is the company required to capture the PAN of only DPs and their immediate relatives, or also of connected persons or persons with whom UPSI is shared?	Designated Person and their immediate relatives.  <i>[Ref. SEBI/HO/ISD/ISD-PoD-2/P/CIR/2025/55 April 21, 2025]</i>
6. In a case where the holding company is unlisted but the subsidiary is listed, can the WTD/MD of the holding company be classified as DP?	Yes. Since WTD/MD of holding company may have access to UPSI of its subsidiary, the same shall be added as DPs of the subsidiary.  <i>[Ref FAQ. No. 50]</i>

# Contra Trade

## Contra Trade Restriction – Some Key Provisions

**Minimum period:** 6 months

**Applies between:** Buy → Sell OR Sell → Buy (same securities)

**Relaxation by Compliance Officer:** Compliance Officer may grant relaxation.

**Conditions for Relaxation:** Reasons must be recorded in writing & Must not violate SEBI PIT Regulations.

**Violation of Contra Trade Restriction:** Applies to inadvertent trades also.

**Disgorgement of Profits:** Profits arising from such contra trade must be disgorged.

**Amount to be Remitted:** To SEBI IEPF



## Contra Trade in case of exercise of ESOP, sale of ESOP shares

Scenario	Transaction Date – Jan 01, 2026 (A)	Transaction Date – Feb 01, 2026 (B)	Transaction Date – March 01, 2026 (C)	Transaction Date – August 01, 2026 (D)	Transaction Date – September 01, 2026 (E)	Contra Trade (F)
1	-	ESOPs - Acquire	ESOPs - Dispose	-	-	No
2	-	ESOPs - Acquire	ESOPs - Dispose	ESOPs - Dispose	-	No
3	-	ESOPs - Acquire	Market - Acquire	ESOPs - Dispose	-	Yes. D is contra to C.
4	-	ESOPs - Acquire	ESOPs - Dispose	Market - Acquire	-	Yes. D is contra to C.
5	Market - Dispose	ESOPs - Acquire	ESOPs - Dispose	-	-	No
6	Market - Acquire	ESOPs - Acquire	ESOPs - Dispose	-	-	Yes. C is contra to A.
7	Market - Acquire	ESOPs - Acquire	ESOPs - Dispose	Market - Acquire	ESOPs - Dispose	Yes. C is contra to A. D is contra to C. E is contra to D.
8	Non – open Market – Acquire	ESOPs - Acquire	ESOPs - Dispose			No

**ESOPs – Acquire:** Shares acquired through exercising ESOPs. **ESOPs – Dispose:** Shares disposed, which were acquired through exercising ESOPs.

**Market - Acquire/Dispose:** Shares acquired or disposed in open market. **Non-Open Market – Acquire** - Shares acquired through corporate actions like Rights Issue, FPO, OFS, Bonus, Split, etc.

# Contra Trade

Question	Answer
<b>1. Whether the contra trade restrictions are applicable on DPs only or DPs and their immediate relatives?</b>	Applicable to designated person and their immediate relatives <b>collectively</b> . Mr. S purchased shares on Feb 1, 2026 then Mrs. A cant sale her existing shares till August 1, 2026 though she acquired those on Feb 1, 2020. <i>[Ref. SEBI FAQ No. 42]</i>
<b>2. Whether the contra trade restrictions are applicable to Promoter Group individually or collectively?</b>	Restrictions applicable to promoter individually and not collectively.  <i>[Ref: Informal Guidance – Raghav Commercial Ltd. 2020]</i>
<b>3. Whether the contra trade restrictions are applicable to two subsidiaries collectively controlled by the same parent?</b>	When both subsidiary companies are ultimately controlled by the same parent entity, provision of contra trade restrictions shall apply.  <i>[Ref: Rama Mines (Mauritius) Ltd.]</i>
<b>4. Is pledge and Unpledge (Revocation/Release) of shares within 6 months contra trade?</b>  <b>5. Is pledge and invocation of shares within 6 months contra trade?</b>	No – Pledge / Unpledged of shares is not a contra trade.  Invocation changes the ownership and may consider as a contra trade.  <i>[Ref: Informal Guidance – KPIT Technologies Ltd. - 2015]</i>

# Contra Trade

Question	Answer
<p>6. Mr. A (a Designated Person) <b>purchased debentures</b> on March 1, 2026 and <b>wants to sell equity shares</b> on March 2, 2026. Is this a contra trade?</p>	<p>Clause 10 of Schedule B (Code of Conduct) only says: A DP shall not execute a contra trade within a specified period (minimum 6 months). It does not define “contra trade”. It does not mention “same security”. However, Contra” = opposite / reversal. A reversal logically applies only to same security.</p>
<p>7. Mr. A becomes a DP on April 1, 2026. He <b>purchased shares</b> on March 1, 2026 (i.e. <b>before becoming DP</b>) and sold those shares on April 10, 2026 (i.e. after becoming DP). Is this a contra trade.</p>	<p>No. The restriction on executing contra trades becomes applicable when any person becomes a Designated Person, as per the Code of Conduct of the company. It would be appropriate to exclude the execution of trades made by the Noticee before he became a designated person either as reference trade or contra trade.</p> <p><i>[Ref. Order – Marksans Pharma Ltd. – 2021]</i></p>
<p>8. Are contra trade restrictions applicable on <b>transmission of shares?</b></p>	<p>PIT Regulations are applicable on transmission of shares.</p> <p>However, they are exempted from provisions of trading window closure, pre-clearance and contra trade, but the norms relating to disclosure requirements shall be applicable on transmission of Shares.</p> <p><i>[Ref: SEBI FAQ No. 4]</i></p>

# Trading Plan



## Trading Plan – Some Key Provisions

**Cooling-Off Period:** 120 calendar days from formulation of plan

**No Overlapping Plans:** Cannot have **multiple plans for same period**

**Mandatory Trade Parameters to include:** Each trade must specify: Value OR number of securities, Nature of trade (buy/sell), Specific date OR time period (max 5 trading days)

**Optional Price Limit:** Within  $\pm 20\%$  of closing price (day prior to submission)

**Irrevocable:** Can't be changed & Must be **mandatorily implemented**

**No Deviation:** Except - Bankruptcy & Operation of law

**Restriction on Outside Trades:** Insider cannot trade outside the plan.

# Trading Plan

Question	Answer
<p>1. At the time of trading as per the trading plan, if the DP is in possession of an <b>UPSI which was not existing at the time of submission</b> of trading plan, would these trades be in violation?</p>	<p>No. Even if new UPSI emerges at the time of trading; DP must mandatorily executed trading plan. <i>[Ref. SEBI FAQ No. 16.]</i></p>
<p>2. At the time of trading as per the trading plan, the DP is in possession of an UPSI which has been <b>UPSI even at the time of submission of trading plan</b>, can DP execute a trade?</p>	<p>No. <i>[Ref. SEBI FAQ No. 16D.]</i></p>
<p>3. Can an insider submit <b>more than one trading plan</b> at the same time?</p> <p>Example: Plan A submitted on 1 Jan - Period from 1 May to May 5 Plan B submitted on 2 Jan - Period from 6 May to May 10 Plan C submitted on 3 Jan - Period from 9 May to May 13</p>	<p>Yes, an insider may submit multiple trading plans simultaneously, provided the periods covered under such multiple trading plans do not overlap. <i>[Ref. SEBI FAQ No. 16E.]</i></p> <p>Plan C overlaps to Plan B, therefore can't be approved.</p>
<p>4. Mr. A has approved Trading Plan submitted on Dec 1, 2025 to trade in shares on April 10, 2026 . <b>Can he trade even when trading window is closed?</b></p>	<p>Trading window norms shall not be applicable for trades carried out in accordance with an approved trading plan.</p>

# UNPUBLISHED PRICE SENSITIVE INFORMATION (UPSİ)

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, therefore, is considered **price sensitive**.

## EXAMPLES OF UPSİ

### FINANCIAL INFORMATION



- Quarterly / annual financial results
- Dividend / bonus / stock split

### CORPORATE DEVELOPMENTS



- Mergers, acquisitions, demergers
- Takeovers
- Joint ventures

### MANAGEMENT CHANGES



- Change in key managerial personnel

### LITIGATION / REGULATORY DEVELOPMENTS



- Outcome of major litigation
- Regulatory approvals / rejections
- Investigations or enforcement actions

### OTHER PRICE SENSITIVE EVENTS



- Fund raising / qualified institutional placement
- Rating upgrades / downgrades
- Any other event likely to materially affect the price

## KEY CHARACTERISTICS



### NOT GENERALLY AVAILABLE

Information should not be in the public domain or easily accessible.



### LIKELY TO MATERIALLY AFFECT PRICE

If the information becomes public, it is likely to impact the price of securities.



### SPECIFIC AND MATERIAL

Information must be specific to the company and material to investors.

## WHY IS UPSİ IMPORTANT?



Ensures **FAIRNESS** and **EQUALITY** in the securities market



Prevents **UNFAIR ADVANTAGE** to connected persons



Protects **INVESTORS** and market integrity



Insider trading in UPSİ is **ILLEGAL** and **PUNISHABLE**

## EXCLUSIONS – NOT CONSIDERED UPSİ



Information already in the **PUBLIC DOMAIN**



Rumours or market speculation



Past information that is no longer price sensitive



## TRADING IN SECURITIES WHILE IN POSSESSION OF UPSİ IS PROHIBITED.

This ensures a level playing field and upholds the integrity of the securities market.



Regulated under the SEBI (Prohibition of Insider Trading) Regulations, 2015

## UPSI (In case of Fund Raising)

In the matter of insider trading activity by certain entities in the scrip of **Shalimar Paints Limited (SPL)**.

**Alleged Violation:** Failure to identify the event of raising funds by SPL through issuance of equity shares and optionally convertible debentures as the UPSI from the date of its existence.

Date	Key Event / Milestone	UPSI Status
May 18, 2021	SPL initiated <b>preliminary discussions with Ernst &amp; Young (E&amp;Y)</b> to explore fund-raising options via equity.	Exploratory (Not yet UPSI)
May 21, 2021	<b>A Confidentiality Agreement</b> was signed between SPL and E&Y.	Pre-UPSI Stage
Sept 01, 2021	<b>SIGNING OF ENGAGEMENT LETTER:</b> SPL formally engaged E&Y to identify potential investors for loan, equity, or debt.	<b>UPSI GENERATED</b>
Sept 02, 2021	<b>E&amp;Y began identifying investors; SPL signed an NDA</b> with Perigon Consilario LLP for strategic investor induction and some other potential investor at later dates.	UPSI Period Active
Oct 25, 2021	<b>Shalimar began discussions with Deloitte</b> for conducting financial and tax Vendor Due Diligence	UPSI Period Active
Jan 13, 2022	<b>SPL notified the Stock Exchanges that a Board Meeting</b> would be held on January 18 to evaluate fund-raising.	Nearing Public Disclosure
Jan 18, 2022	<b>BOARD APPROVAL:</b> The Board approved the fund-raise; information was <b>disclosed to the public</b> via Stock Exchanges.	<b>UPSI TERMINATED</b>

**Probability over Certainty:** UPSI begins at the stage where the **probability** of the transaction going ahead is higher than it not going ahead. SEBI rejected SPL's argument that UPSI only started on January 13, 2022. The regulator held that the September 1, 2021 engagement letter was "material information" because it signaled a serious and structured intent to change the capital structure.

## UPSI (In case of Buyback)

In the matter of **ADF Foods Limited**, SEBI adjudicated a critical dispute regarding the exactly when a buyback proposal transforms from a general idea into **UPSI**.

Date	Key Event / Milestone	UPSI Status
May 21, 2016	<b>INITIATION: The first discussion</b> regarding a proposal to undertake a buyback or pay a dividend took place between the MD and representatives from Motilal Oswal.	<b>UPSI GENERATED</b>
May 23, 2016	The <b>Company Secretary was instructed to initiate preparations.</b>	UPSI Period Active
July 14, 2016	The company <b>re-approached Motilal Oswal to refine the financial details</b> and pricing of the proposed buyback.	UPSI Period Active
July 19, 2016	<b>Formal board agenda papers</b> , including the specific buyback range, were circulated to the directors.	UPSI Period Active
July 27, 2016	<b>BOARD APPROVAL:</b> The Board approved a buyback of 14.40 lakh shares at ₹125/share. The outcome was disclosed to the exchanges at 03:24 PM.	<b>UPSI TERMINATED</b>

The order (dated **June 23, 2022**) rejected the company's argument that UPSI only started when the formal board agenda was circulated. Instead, SEBI established that the **first structured discussion** marked the beginning of the UPSI period.

# UPSI (In case of Acquisition)

Case	Facts	UPSI Start	SEBI Principle / Key Takeaway
<b>Satyam Computer Services Limited</b>	Chairman proposed acquisition of Maytas entities. Discussed with senior management before board approval	Date of internal proposal (Dec 6, 2008)	UPSI can arise <b>at very early stage</b> If: Proposal comes from decision-maker, Serious intent exists. <b>Authority + seriousness = UPSI (even before documentation)</b>
<b>Edelweiss Financial Services Limited</b>	Acquisition via subsidiary Term sheet signed with binding clauses	Date of signing Term Sheet	Term sheet = UPSI when: Contains commercial terms, Is binding in nature <b>Binding document = Crystallisation of UPSI</b>
<b>Jubilant Life Sciences Limited</b>	Sale of subsidiary business MoU signed before final agreement	Date of MoU (Dec 24, 2013)	Even MoU = UPSI if: Transaction is substantive Events show continuity toward completion <b>Substance over form — MoU can trigger UPSI</b>
<b>Gammon Infrastructure Projects Limited</b>	Termination of shareholder agreements Negotiations + draft termination agreements exchanged	When structured discussions began (July 2013)	UPSI starts when: Discussions are <b>focused</b> There is <b>clear objective</b> <b>Serious negotiations = UPSI (even before documents)</b>
<b>Biocon Limited</b>	Collaboration with Sandoz PR teams involved; press release drafts circulated	When PR drafts exchanged (Dec 20, 2017)	Involvement of: PR teams, External communication planning Indicates <b>near-final stage</b> . <b>Near-finalisation = definite UPSI stage</b>

# UPSI (In case of Acquisition)

Stage	Event	UPSI Status	Why / Legal Position
1. Idea / Strategy Stage	Internal brainstorming, growth discussions	✗ Not UPSI	Mere contemplation; no certainty
2. Preliminary Exploration	Identifying targets, initial outreach	⚠ Depends	If vague → not UPSI; if structured → may trigger UPSI
3. Focused Discussions Begin	Serious negotiations with identified target	⚠ Likely UPSI → ✓ UPSI	Clear intent + direction towards acquisition
4. Term Sheet / MoU	Commercial terms broadly agreed	✓ UPSI	Information becomes <b>specific &amp; actionable</b>
5. Due Diligence & Documentation	DD, draft SPA/SSA, valuation finalisation	✓ UPSI	High probability of deal completion
6. Internal Approvals Initiated	Investment committee / board note circulation	✓ UPSI	Formalisation stage
7. Board Approval	Deal formally approved	✓ UPSI	Final internal decision
8. Stock Exchange Disclosure	Public announcement of acquisition	🚫 UPSI ends	Information becomes public

## SEBI's Core Test:

UPSI begins when:

- Information becomes **specific + actionable**
- There is **reasonable probability of completion. Probability of the transaction going ahead is higher than it not going ahead.**
- Actions are **directed toward execution**

# SEBI Orders & Informal Guidance



## SEBI Orders:

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### 1. Settlement Order in matter of insider trading in the scrip of **Kaynes Technology India Limited** – March 27, 2026 - **[SDD]**

**Background:** SEBI initiated an investigation into the handling of UPSI by Kaynes Technology India Limited. The investigation period covered March 2023 to June 2023, around the announcement of financial results. The company reported a significant increase in profits (~108% YoY), followed by a notable price movement in the scrip. Proceedings were initiated against the Managing Director (Mr. Ramesh Kunhikannan) for alleged non-compliance with insider trading regulations, specifically relating to Structured Digital Database (SDD) requirements.

**Findings:** SEBI observed that:

The company maintained **only two entries** in the SDD for a period from January 1, 2023 to October 18, 2023.

UPSI relating to: Financial results dated **May 16, 2023** Financial results dated **July 31, 2023** was not recorded in the SDD.

Further **multiple versions of SDD logs** were submitted to SEBI.

**Penalties and Orders:** The noticee filed a settlement application. Settlement Amount: ₹23,42,600. Proceedings **disposed of** upon payment of settlement amount.

#### **Key Legal Questions Settled:**

- ✓ **The "SDD" is Non-Negotiable:** This order reinforces that the maintenance of a Structured Digital Database is a "strict liability" requirement.
- ✓ **Companies cannot claim that the absence of actual insider trading justifies a lapse in maintaining the database.**
- ✓ **Responsibility of the MD/CEO:** Even if the database is technically managed by the IT or Secretarial team, SEBI holds the Managing Director or CEO accountable for ensuring that the systems for preventing insider trading are robust and compliant. **Audit Trail Integrity:** The order settles that the SDD must be tamper-proof and must record the "time-stamped" entry of information sharing. Manual logs or excel sheets do not satisfy the requirements of Regulation 3(5).

## SEBI Orders:

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### 2. Order in the matter of alleged insider trading in the scrip of Adani Green Energy Limited by Pranav Adani and Others - December 12, 2025 [Generally Available Information is not UPSI]

**Background:** The investigation focused on the \$3.5 billion acquisition of SB Energy Holdings Limited by Adani Green Energy Limited (AGEL), announced on May 19, 2021. SEBI initially alleged that Pranav Adani, who was privy to the deal negotiations, communicated UPSI to his relatives, Kunal Shah and Nrupal Shah. It was alleged that the Shah brothers purchased over 1 lakh shares of AGEL on **May 17 and 18, 2021**—just days before the formal announcement—generating notional gains of approximately ₹91 lakh.

**Findings:** SEBI dismissed the allegations based on the following findings:

- **Information was Public:** SEBI found that detailed media reports regarding the acquisition had already been published on **May 16 and 17, 2021**. Since the information was already "generally available" in the public domain, it no longer qualified as UPSI.
- **Market Reaction:** The stock hit the **upper circuit (5%)** on May 17, reacting to the news reports *before* the formal disclosure on May 19. This proved that the market had already absorbed the information publicly.
- **Phone Call Context:** A specific phone call on May 16, 2021, between Pranav Adani and Kunal Shah (which SEBI initially flagged as the "tip") was found to be unrelated to any UPSI communication.
- **Genuine Trades:** The trading patterns of Kunal and Nrupal Shah were deemed "genuine" and consistent with their prior investment behavior.

**Penalties:** Nil.

#### **Key Legal Questions Settled:**

- ✓ **Generally Available" Information:** The order reinforces that information widely circulated in the media or public domain—even if not formally disclosed by the company—loses its status as UPSI. Trading on such information is not prohibited under PIT Regulations.
- ✓ **Impact of Media Reports:** If a stock's price reacts more significantly to media leaks than to the official announcement, the regulator accepts that the information was already "priced in" by the public.

## SEBI Orders:

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### 3. In the matter of Insider Trading activities of Certain Entities in the scrip of Refex Industries Limited - Noticee Name:- Anil Jain, Kamlesh Jain and Jain Family Trust - December 12, 2025 [Circumstantial Evidence of Connection]

**Background:** SEBI initiated investigation after stock exchange alerts flagged suspicious trading in the scrip of Refex Industries around the announcement of its financial results for March 2023, where it was alleged that Anil Jain (CMD), having access to UPSI, communicated it to a connected person –Kamlesh Jain who traded through a family trust (Jain Family Trust) during the UPSI period.

#### Findings:

- **Communication of UPSI:** SEBI found that Anil Jain, being the CMD, was in possession of the financial performance data before it was made public. Based on call data records and their close familial/business relationship, SEBI concluded that Anil Jain communicated this UPSI to his brother, Kamlesh Jain.
- **Unusual Trading Pattern:** The Jain Family Trust (managed by Kamlesh) executed "buy" trades in the scrip of Refex Industries during the UPSI period. SEBI noted that the Trust had not traded in the scrip for a significant duration prior to this period, making the sudden influx of purchases suspicious.
- **Unlawful Gains:** The trades resulted in a combined realized and notional profit of ₹12.33 lakh.
- **Defense Rejected:** The noticees argued that the trades were part of a "routine investment strategy" and were small relative to the Trust's total portfolio. SEBI dismissed this, stating that the timing of the trades (coinciding with the UPSI period) was the primary factor in establishing a violation.

**Penalties and Orders:** Anil Jain was fined ₹10 lakh, whereas Kamlesh Jain and Jain Family Trust were fined ₹25lakh, payable within 45 days.

#### Key Legal Questions Settled:

- ✓ **Circumstantial Evidence of Connection:** The order reiterated the "Balram Garg" standard—while a mere relationship isn't enough, a relationship coupled with frequent communication (calls) and atypical trading creates a "preponderance of probability" that UPSI was shared.
- ✓ **The "Small Profit" Defense:** SEBI clarified that the quantum of profit does not determine whether a violation occurred. Insider trading is a "conduct-based" offense; whether the profit is ₹12 lakh or ₹12 crore, the breach of market integrity remains the same.
- ✓ **Liability extends to trades executed through intermediaries (e.g., family trusts),** with joint and several responsibility.

## SEBI Orders:

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### 4. Ex-Parte Interim Order in the matter of Insider Trading by certain entities in the scrip of Indian Energy Exchange Ltd (IEX) - October 15, 2025 [Officials of regulatory bodies as Insiders]

#### **Background:**

**The "Market Coupling" Policy:** The case centers on a highly sensitive policy announcement by the Central Electricity Regulatory Commission (CERC) regarding "Market Coupling"—a move intended to centralize price discovery across power exchanges.

**Market Impact:** On July 23, 2025, CERC issued directions for market coupling. Because this policy threatened IEX's near-monopoly on price discovery, IEX's share price crashed by 29.58% the following day (July 24).

**The Leak:** SEBI's surveillance flagged that confidential information regarding this policy was leaked from within CERC to a group of private traders before the public announcement.

#### **Findings:**

**The UPSI Source:** The investigation traced the leak to Yogeita S. Mehra, a senior official at CERC within the economics division responsible for drafting the directive.

**Communication Channel:** Confidential details were allegedly shared via personal chat groups (referred to as "OTC" groups) and WhatsApp.

**The Trading Entities:** Eight individuals and entities—including Bhoovan Singh, Amar Jit Singh Soran, and others—were found to have taken aggressive "short" positions.

**Trading Pattern:** These entities, many of whom had no previous history of trading in IEX, bought massive quantities of IEX Put Options between July 21 and July 23, 2025. This allowed them to profit exponentially as the stock price plummeted after the announcement.

**Illegal Gains:** SEBI calculated the total "unlawful gains" (or loss avoidance) at a staggering ₹173.14 crore

## SEBI Orders:

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### 5. Ex-Parte Interim Order in the matter of Insider Trading by certain entities in the scrip of Indian Energy Exchange Ltd - October 15, 2025 [Officials of regulatory bodies as Insiders]

#### Penalties and Orders:

As this was an ex-parte (issued without a prior hearing to prevent the flight of funds) interim order, SEBI issued the following directions:

**Impounding of Funds:** SEBI ordered the immediate impounding of ₹173.14 crore from the eight noticees. The funds were required to be placed in fixed deposits with a lien in favor of SEBI.

**Market Ban:** All noticees, including the CERC official and the traders, were barred from accessing the securities market until further orders.

**Asset Freeze:** Their bank and demat accounts were frozen to the extent of the alleged illegal gains.

**Judicial Stay:** In a recent update (April 2026), the Punjab and Haryana High Court stayed these proceedings temporarily following a petition by the accused, though the funds remain subject to the court's final decision.

#### **Key Legal Questions Settled:**

- ✓ **Regulatory Body as "Insider":** This case significantly expands the scope of who is an "insider." It settles that officials of regulatory bodies (like CERC, RBI, or IRDAI) who handle policy-shifting information are "Connected Persons" under PIT Regulations.
- ✓ **Policy Leakage as UPSI:** It clarifies that a "policy proposal" or "regulatory directive" is Unpublished Price Sensitive Information (UPSI) from the moment the draft is formulated, not just when it is officially signed.
- ✓ **Put Options as Evidence:** The order highlights that taking concentrated, high-leverage positions in Put Options (which bet on a stock's fall) immediately before negative news is strong circumstantial evidence of insider trading, especially for "first-time" traders of that scrip.
- ✓ **Zero Tolerance for Information Asymmetry:** SEBI reinforced that the integrity of the market depends on everyone having equal access to information. Profiting from a "regulatory leak" is treated as a high-tier violation of the SEBI Act.

## SEBI Orders:

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### 6. Adjudication Order in the matter of insider trading activity of certain entities in the scrip of **Swan Energy Limited** - Sep 30, 2025 [**CEO Material Subsidiary executed Contra-Trade**]

#### **Background:**

Mr. Rahul Sharma, who served as the CEO of Swan LNG Private Limited (a subsidiary of Swan Energy Limited (formerly known as Swan Mills Ltd). and was classified as a "Designated Person" (DP) of SEL. SEBI conducted an investigation into the trading activities of the scrip between September 2023 and November 2023. The investigation revealed that Mr. Sharma had engaged in buying and selling shares of Swan Energy within a short span, violating the mandatory cooling-off period and disclosure requirements.

#### **Findings:**

**Contra-Trading:** SEBI found that Mr. Sharma executed opposite trades (buying and then selling) within a six-month period. He generated unlawful gains totaling ₹30.25 lakh. **Failure to Pre-Clear:** The company's internal Code of Conduct required all DPs to obtain "pre-clearance" for trades exceeding ₹10 lakh in a single quarter. Mr. Sharma failed to seek this approval for his transactions. **Non-Disclosure:** The noticee failed to make the mandatory disclosures required under Regulation 7(2)(a) of the PIT Regulations, which mandates that trades exceeding a specific threshold must be reported to the company within two trading days

**Penalties and Orders:** SEBI imposed a combined monetary penalty on Rahul Sharma under two sections of the SEBI Act: Section 15HB (Violation of Code of Conduct): ₹1,00,000 Section 15A(b) (Failure to Disclose): ₹1,00,000 Total Penalty: ₹2,00,000 (Two Lakh Rupees). Note on Disgorgement: The order noted that Mr. Sharma had already voluntarily remitted the total unlawful gains of ₹30.25 lakh to the SEBI Investor Protection and Education Fund (IPEF) in early 2025, prior to the final adjudication, which was considered a mitigating factor in the final penalty amount.

#### **Key Legal Questions Settled:**

- ✔ **Liability of Subsidiary CEOs:** The order clarifies that CEOs of material subsidiaries are "Designated Persons" for the parent listed entity. Their trading activities are subject to the parent company's Code of Conduct and SEBI's PIT Regulations.
- ✔ **Strict Liability for Contra-Trades:** The principle of "strict liability" applies to contra-trades. SEBI reiterated that it does not need to prove the possession of UPSI to penalize a contra-trade; the mere act of executing an opposite trade within six months is a violation.

## SEBI Orders:

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### 7. Adjudication Order in the matter of suspected insider trading activity of certain entities in the scrip of **Nucleus Software Exports Limited**.

- Sep 23, 2025 ["**Directional Information**" is UPSI]

**Background:** SEBI initiated proceedings based on suspicious trading patterns observed in the shares of Nucleus Software Exports Limited. The company announced a 78% jump in consolidated net profit on May 19, 2023. Nitin Kumar Garg - **A Project Manager at Nucleus Software and Anupam Gupta: Nitin Garg's cousin.**

#### **Findings:**

**Access to Information:** As a Project Manager, Nitin Garg was deemed to have access to the company's internal financial health and performance data during the UPSI period. **The "Coordinated" Arrangement:** SEBI found a suspicious flow of funds. On May 25, 2023, Garg transferred **₹5,00,000** to Gupta—the highest single installment ever sent between them. **Strategic Trading:** Anupam Gupta purchased **3,020 shares** of Nucleus at an average price of ₹629.73 during the sensitive period. Shortly after the robust results were announced and the stock surged, he sold the shares, realizing a profit of **₹8.98 lakh**. **Suspicious Timing:** Gupta returned the money to Garg proportionately after the sale of the shares. SEBI concluded this was not "serendipity" but an elaborate, coordinated plan to maximize profit.

**Penalties and Orders:** SEBI imposed a combined penalty of ₹25,00,000 on the two individuals: Nitin Kumar Garg (Tipper): ₹15,00,000 for communicating UPSI. Anupam Gupta (Tippee/Trader): ₹10,00,000 for trading while in possession of UPSI.

#### **Key Legal Questions Settled:**

✔ **"Directional Information" is UPSI:** This order clarifies that UPSI does not have to be an exact balance sheet figure. If an employee communicates "directional" hints (e.g., that the company had a "great quarter" or "hit record targets"), it constitutes a violation of Regulation 3(1) of the PIT Regulations.

✔ **Broad Definition of "Connected Person":** The order reinforces that the "Connected Person" net is wide enough to include extended family members (like cousins) if there is a demonstrated financial or communicative link.

## SEBI Orders:

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**8. In the matter of Insider Trading activities of Certain Entities in the scrip of Infosys Limited - Noticee Name:- Ramit Chaudhri and Keyur Maniar - Jan 31, 2025**

**Background:** SEBI's surveillance system detected unusual trading patterns in Infosys's stock around July 14, 2020, coinciding with the company's announcement of a strategic partnership with Vanguard. This observation prompted an investigation into potential insider trading activities.

### **Findings:**

- **Access to Unpublished Price-Sensitive Information (UPSI):** Ramit Chaudhri, employee of Infosys, was part of the team working on the Vanguard deal and had access to UPSI prior to its public disclosure. **Communication of UPSI:** Evidence indicated that Chaudhri communicated the UPSI to Keyur Maniar, with whom he had a prior professional relationship from their time at Wipro BPS between March 2012 and December 2014. **Trading Activities:** Following the communication, Maniar executed trades in Infosys's stock, resulting in illegal gains totaling ₹2.6 crore.

### **Penalties and Orders:**

- **Market Ban:** Both Maniar and Chaudhri were prohibited from accessing the securities markets for a period of one year. **Monetary Penalties:** Each individual was fined ₹30 lakh, payable within 45 days. **Disgorgement:** Maniar was ordered to disgorge the illegal gains of ₹2.6 crore, along with 12% annual interest from July 2020 until the date of deposit.

### **Key Legal Questions Settled:**

- ✓ **Furnishing false and misleading information to SEBI during investigation violates Section 11C(3) of the SEBI Act.**
- ✓ **Submission of fabricated records attracts penalty under section 15A(a) of the SEBI Act.**

## SEBI Orders:

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### 9. Settlement Order in the matter of insider trading activities of certain entities in the scrip of **HDFC Ltd. and HDFC Bank Ltd.** - December 20, 2024

**Background:** SEBI undertook an investigation into trading activities surrounding the merger announcement of HDFC Ltd. and HDFC Bank Ltd., which was publicly disclosed on April 4, 2022.

**Findings:** The investigation revealed that certain individuals and entities had access to unpublished price-sensitive information (UPSI) regarding the impending merger. These parties were found to have traded in the shares of HDFC Ltd. and HDFC Bank Ltd. while in possession of this UPSI, thereby violating SEBI's Prohibition of Insider Trading Regulations

**Settlement Terms:** To resolve the proceedings without admitting or denying the findings, the involved parties proposed settlement terms, which were reviewed and accepted by SEBI's High Powered Advisory Committee. The terms included the payment of settlement amounts by the respective parties.

#### **Key Legal Questions Settled:**

- ✓ **Under Regulation 4(1) of the PIT Regulations, 2015, any person who trades in securities while in possession of UPSI is presumed to have used that information.**
- ✓ **SEBI reiterated that direct proof of communication of UPSI is not always required; circumstantial evidence such as: Access to UPSI, Unusual trading patterns, and Timing of trades around key announcements can be sufficient to establish insider trading violations.**

## SEBI Orders:

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### 10. Order in respect of Mr. S.V. Subha Rao and Mr. Maneesh Kumar Jain in the matter of Insider Trading in the scrip of JagSonpal Pharmaceuticals Limited –(JPL) Nov 22, 2024 [Penalty for tipping]

**Background:** On February 22, 2022, JPL announced a significant acquisition, leading to a substantial increase in its stock price. SEBI initiated an investigation to determine if unpublished price-sensitive information (UPSI) had been misused prior to this announcement

#### Findings:

**Access to UPSI:** Mr. S.V. Subha Rao, serving as JPL's Chief Financial Officer, had access to UPSI regarding the acquisition.

**Communication of UPSI:** Evidence indicated that Mr. Subha Rao communicated this UPSI to Mr. Maneesh Kumar Jain.

**Activities:** On February 21, 2022, Mr. Jain purchased 90,000 shares of JPL and sold them after the public announcement, realizing an unlawful gain of ₹31.39 lakh

**Order: Market Ban:** Both individuals are prohibited from accessing and trading in the securities market, directly or indirectly, for one year

**Monetary Penalties:** Mr. Jain: A fine of ₹15 lakh and an order to disgorge the unlawful gain of ₹31.39 lakh with 12% annual interest from February 22, 2022, until payment. Mr. Subha Rao: A fine of ₹10 lakh.

#### Key Legal Questions Settled:

✅ Under Regulation 3(1) of the PIT Regulations, 2015, even if an insider does not trade personally, they can still be held liable if they pass UPSI to another person who trades. In this case, Mr. Subha Rao (CFO of Jagsonpal Pharmaceuticals Ltd.) was penalized solely for communicating UPSI to Mr. Maneesh Kumar Jain, proving that tipping off others is as serious as trading on UPSI directly.

## SEBI Orders:

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### 11. Order in the matter of Insider Trading by certain entities in the scrip of Sharon Bio-Medicine Limited - June 22, 2023

**Background:** SEBI initiated an investigation after observing significant trading activity in Sharon Bio-Medicine's shares prior to the announcement of its financial results for the quarter ending December 2014. The company reported a substantial loss of ₹103.37 crores for this quarter, a sharp decline from a profit of ₹18.105 crores in the previous quarter. **This negative performance was considered unpublished price-sensitive information (UPSI)** before its public disclosure on February 16, 2015.

**Findings:** The investigation revealed that certain entities, closely connected to the company's insiders, engaged in significant trading during the UPSI period: These entities sold substantial shares during the UPSI period, thereby avoiding potential losses when the negative financial results became public. The directors of these firms were found to be employees of Sharon Bio-Medicine, establishing a direct link to the company.

**Order: Market Ban:** All involved entities and individuals are prohibited from accessing the securities market for a period of three years. **Disgorgement:** The entities are required to disgorge the losses avoided, along with applicable interest, due to the insider trading activities.

#### **Key Legal Questions Settled:**

- ✓ **SEBI reaffirmed that negative financial results, such as a sharp decline in profits or unexpected losses, constitute UPSI under Regulation 2(1)(n). Any trading activity based on such information before public disclosure violates insider trading laws.**
- ✓ **Are connected persons liable for insider trading even if they are not employees or directors?** SEBI clarified that entities controlled by insiders, including private firms and family members, are considered “connected persons” under insider trading laws if they have access to UPSI. Trading by such entities based on non-public information makes them equally liable for insider trading violations.

## SEBI Orders:

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### 12. Order in the matter of insider trading activities of certain entities in the scrip of NIIT Technologies Limited - Jun 09, 2022

**Background:** SEBI's investigation revealed that Mr. Mehrotra possessed; the then President of Infrastructure Management Services (IMS) at NIIT Technologies Unpublished Price Sensitive Information (UPSI) concerning a dispute between NIIT Technologies' subsidiary and a client in the Asia-Pacific (APAC) region. This dispute had significant implications for the company's financial standing.

#### **Findings:**

**Trading During UPSI Period:** While in possession of the UPSI, Mr. Mehrotra sold a total of 2,500 shares of NIIT Technologies—1,000 shares on January 5, 2015, and 1,500 shares on February 24, 2015.

**False Declarations:** He sought pre-clearance for these trades, falsely declaring that he was not in possession of any UPSI, despite being privy to sensitive information

#### **Key Legal Questions Settled:**

✓ False declarations in pre-clearance applications violate insider trading laws. Employees seeking pre-clearance must disclose whether they possess UPSI at the time of trading

## SEBI Orders:

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### 13. Order in the matter of Insider Trading in the scrip of Infibeam Avenues Ltd (IAL) - Apr 27, 2021

**Background:** SEBI conducted an investigation into the trading activities of certain entities in the scrip of IAL during the period from November 22, 2016, to June 26, 2017.

**Findings: UPSI Identification:** The UPSI pertained to a proposal for the **sub-division of IAL's** equity shares. The idea was first introduced by the company's Chief Financial Officer on **October 22, 2016**, and the Board of Directors approved the stock split on **July 13, 2017**. The period during which this information remained unpublished and sensitive was identified as the UPSI period.

**Entities Involved:** The investigation identified three entities—Shah Dhiren Mahendrakumar (HUF), Ameer Dhiren Shah, and Affluence Fincon Service Pvt. Ltd.—collectively referred to as the "Dhiren Group." These entities were found to have traded in IAL's shares during the UPSI period.

**Order :Market Ban:** The three entities were prohibited from accessing the securities market and from buying, selling, or dealing in securities, directly or indirectly, for a period of one year. **Monetary Penalty:** Each entity was fined ₹15 lakh for their involvement in insider trading activities.

#### Key Legal Questions Settled:

✓ **Determination of UPSI Start Date:** The order clarified that the commencement of UPSI is marked by the initial internal discussions or proposals within the company regarding a significant corporate action, even before formal approval by the Board of Directors.

✓ **Trading Patterns as Evidence:** The order highlighted that unusual trading patterns, such as significant purchases during the UPSI period without prior trading history, can serve as evidence of insider trading activities.

## SEBI Order:

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### 14. Order in the matter of insider trading in the scrip of Deep Industries Limited (DIL) – April 16, 2018 - [SEBI's reliance on social media interactions]

**Background:** SEBI's investigation focused on trading activities between July 17, 2015, and October 14, 2015. During this period, DIL was awarded three significant contracts by ONGC. The information about these contracts was considered UPSI until publicly disclosed.

**Identification of Insiders:** SEBI identified three entities involved in trading DIL shares during the UPSI period: **Rupeshbhai Kantilal Savla: Managing Director of DIL. Sujay Ajitkumar Hamlai: Director of V-Techweb India Private Limited (VTIPL). V-Techweb India Private Limited (VTIPL): A company where Sujay Hamlai held a directorial position.**

**Trading Activities:** The investigation revealed that Rupeshbhai Kantilal Savla purchased 179,510 shares of DIL during the UPSI period. Sujay Hamlai bought 17,000 shares during the UPSI period and sold them after the information became public, realizing significant profits. VTIPL acquired 69,000 shares during the UPSI period and similarly sold them post-disclosure for substantial gains.

**Connections and Access to UPSI:** SEBI found that Rupeshbhai Savla, as the Managing Director, had direct access to the UPSI. **Sujay Hamlai and VTIPL were connected to DIL's management through social and professional relationships. Notably, SEBI examined social media interactions, including Facebook connections and mutual 'likes' on posts, to establish these relationships.**

**Order: Impounding of Gains:** SEBI directed the impounding of unlawful gains totaling over ₹2.4 crore. **Market Prohibition:** The entities were restrained from accessing the securities market and prohibited from buying, selling, or dealing in securities, directly or indirectly, until further order

#### **Key Legal Questions Settled:**

✓ **Definition of Connected Persons: The order clarified that individuals or entities with social or professional relationships with company insiders can be considered 'connected persons' under SEBI regulations, especially if such relationships provide access to UPSI.**

✓ **Use of Social Media as Evidence: SEBI's reliance on social media interactions to establish connections between individuals set a precedent for using digital footprints as evidence in regulatory investigations.**

### 1. In the matter of **Glenmark Life Sciences Limited** under **SEBI (Prohibition of Insider Trading) Regulations, 2015** - Nov 08, 2024

**Background:** In August 2024, the Securities and Exchange Board of India (SEBI) addressed a request from Glenmark Life Sciences Limited (GLS) concerning compliance with the SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations). GLS sought a "no-action" letter from SEBI to facilitate the sale of shares by its new promoter, Nirma Limited, aiming to meet the Minimum Public Shareholding (MPS) requirements. Specifically, GLS inquired **whether the six-month "contra trade" restriction period should commence from the date of the share purchase agreement (SPA) in September 2023 or from the actual acquisition date in March 2024.** Additionally, GLS questioned if the proposed share sale to comply with MPS norms would be exempt from contra trade restrictions.

**? Query 1: Does the six-month contra trade restriction period under SEBI (PIT) Regulations begin from the date of the Share Purchase Agreement (SPA) (September 2023) or the actual acquisition date (March 2024)?**

**✓ SEBI's Response:** The six-month contra trade restriction period starts from the actual acquisition date (March 2024) and not from the SPA execution date.

**? Query 2: Would the proposed share sale by Nirma Limited (the new promoter) to meet the Minimum Public Shareholding (MPS) requirement be exempt from the contra trade restrictions under Regulation 4(1) of the PIT Regulations?**

**✓ SEBI's Response:** No, the proposed share sale does not qualify for exemption. The obligation to maintain MPS existed before the transaction, and it does not constitute a fresh statutory or regulatory requirement that would allow exemption from the contra trade restrictions.

**✓ Final SEBI Decision:** SEBI denied GLS's request for a no-action letter and clarified that contra trade restrictions remain applicable even when a share sale is intended to meet regulatory MPS norms.

### 2. In the matter of **Rama Mines (Mauritius) Ltd. (RMML)** under **SEBI (Prohibition of Insider Trading) Regulations, 2015** - Oct 25, 2023

**Background:** RMML and Australian Indian Resources Ltd. (AIRL) are promoters of **Deccan Gold Mines Ltd. (DGML)**. Both RMML and AIRL share common major shareholders: Yandal Investments Pty Ltd. (YIPL) & Halcyon Investments Ltd. (HIL). On March 2, 2023, AIRL was allotted shares of DGML, which are subject to an 18-month lock-in period. RMML proposed to sell its equity shares in DGML on the open market.

? **Query 1:RMML sought clarification on whether the contra-trade restrictions under the PIT Regulations apply to trades made by individual promoters separately or to the entire promoter group collectively?**

✔ **SEBI's Response:** SEBI clarified that while contra-trade restrictions typically apply to individual promoters, in this specific case, due to the common major shareholding by YIPL and HIL in both RMML and AIRL, the two entities are effectively under common control. Therefore, the contra-trade restrictions would apply jointly to RMML and AIRL. Consequently, if AIRL has purchased shares of DGML, both AIRL and RMML are restricted from executing contra trades within the stipulated period.

✔ **Conclusion:** SEBI's guidance emphasizes that when promoters are under common control due to shared major shareholders, contra-trade restrictions under the PIT Regulations apply collectively to the entities involved. This interpretation prevents any indirect circumvention of insider trading regulations within promoter groups.

### 3. In the matter of **Share India Securities Limited (SISL)** under **SEBI (Prohibition of Insider Trading) Regulations, 2015** - Jan 15, 2024

**Background:** On March 24, 2023, SISL conducted a rights issue, offering eligible shareholders equity shares and 17 detachable warrants. These warrants could be exercised into equity shares within 18 months from the allotment date.

? **Query 1: Would converting warrants into equity shares before six months from the rights allotment date violate contra-trade restrictions?**

✓ **SEBI Response:** SEBI clarified that converting warrants into equity shares is a voluntary action by the warrant holder and is considered an acquisition (buy trade). Therefore, this action does not conflict with contra-trade restrictions related to the initial rights allotment, as both are buy trades.

? **Query 2: If equity shares obtained through warrant conversion are sold in the open market before six months from the conversion date, would this breach contra-trade restrictions?**

✓ **SEBI Response: Yes.** Selling equity shares obtained from warrant conversion before six months from the conversion date would violate contra-trade restrictions, as the conversion is a buy trade and the subsequent sale is a sell trade within the six-month window.

? **Query 3: If, after six months from the rights allotment, a shareholder sells equity shares in the open market and uses the proceeds to convert warrants, would this be considered a contra trade?**

✓ **SEBI Response:** SEBI noted that converting warrants at a predetermined price is at the discretion of the warrant holder. Thus, converting warrants before six months from a prior sale in the open market **does not breach contra-trade restrictions.** However, any sale of shares acquired through warrant conversion within six months of conversion would attract contra-trade restrictions.

### 4. In the matter of **Welspun Corp Limited** under **SEBI (Prohibition of Insider Trading) Regulations, 2015** – August 04, 2025

**Background:** Welspun Corp Limited requested for guidance regarding certain pledge-related transactions executed by the company's MD and CEO. This was to understand whether these transactions trigger "contra trade" restrictions under the PIT Regulations

? **Query 1: Whether the revocation/release of the pledge on equity shares allotted/acquired through exercise of Stock Options under the company's ESOS in would be treated as a "trade" under the PIT Regulations?**

✓ **SEBI Response:** Yes. SEBI referred to Regulation 2(1)(l) and its Comprehensive FAQs, stating that "trading" is widely defined to include "dealing in securities." Since pledge, invocation, and revocation are forms of dealing, the release/revocation of a pledge is treated as a "trade".

? **Query 2: Whether such revocation would be construed as a "contra trade" against the creation of a pledge, considering that the creation of a pledge is deemed to be a trade?:**

✓ **SEBI Response:** No. While pledge and revocation are "opposite trades," the beneficial ownership does not change until a pledge is invoked.

? **Query 3: If the revocation is not a contra trade, would the subsequent sale of shares in the open market, immediately after the revocation, be considered a contra trade against the revocation itself?**

✓ **SEBI Response:** No. The sale of shares allotted through ESOPs immediately after the revocation of a pledge on them would not attract contra trade restrictions, subject to the MD proving the transaction is bona fide and obtaining pre-clearance from the Compliance Officer.

? **Query 4: Can the Compliance Officer grant pre-clearance for the revocation and subsequent sale by treating it as a bona fide transaction intended to repay the loan taken for exercising options?**

✓ **SEBI Response:** Yes. SEBI noted that since the MD was not in possession of UPSI and the trading window was open, the Compliance Officer could take a suitable view to grant pre-clearance.

## Informal Guidance Letter by SEBI:

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### 5. In the matter of **Century Plyboards (India) Limited** under SEBI (Prohibition of Insider Trading) Regulations, 2015 - February 7, 2025.

**Background:** In November 2024, Mr. Sajjan Bhajanka (SB), a promoter and designated person, acquired 50,000 shares of the company and subsequently proposed to gift 1,00,000 shares to his daughter 'A', an immediate relative and promoter group member, through an off-market inter se transfer on December 10, 2024, while his other daughter 'B', also an immediate relative, intended to sell 20,000 shares in the open market on December 20, 2024, thereby raising questions regarding the applicability of the SEBI (Prohibition of Insider Trading) Regulations, 2015, particularly in relation to contra trade restrictions and inter se transfers among immediate relatives.

**? Query 1: Would the gift of shares by SB to his daughter 'A' on December 10, 2024, through an off-market inter-se transfer constitute a contra trade under the PIT Regulations ?**

**✓ SEBI Response:** SEBI has clarified that gift of shares is treated as "trading" under the PIT Regulations. Accordingly, the proposed inter se off-market transfer of shares by SB to his daughter 'A' would constitute the of a trade and may attract contra-trade restrictions if executed within a period of six months. However, Clause 10 of Schedule B under Regulation 9 permits the Compliance Officer to grant relaxation from such restrictions, subject to recording reasons in writing and ensuring compliance with the PIT Regulations and the Company's Code of Conduct.

**? Query 2: Would second leg of transaction (acquisition of shares by way of gift transaction by daughter 'A' on December 10, 2024) and the third leg (sale of shares by daughter 'B' on December 20, 2024) be considered as contra trades and thus subject to the same restrictions?**

**✓ SEBI Response:** SEBI has clarified that contra-trade restrictions under the PIT Regulations apply collectively to designated persons and their immediate relatives, as per Clause 3 read with Clause 10 of Schedule B. Accordingly, the acquisition of shares by daughter 'A' by way of gift would be treated as trading and may trigger contra-trade restrictions. Further, the subsequent sale of shares by daughter 'B' would also attract such restrictions if undertaken within six months of the acquisition by the designated person and their immediate relatives collectively.

**? Query 3: Are members of the promoter group who are not privy to UPSI, considered to be within the ambit of Designated Persons for the purposes of the PIT Regulations?**

**✓ SEBI Response:** Under Regulation 9(4)(iii) of the PIT Regulations, all promoters of a listed company are mandatorily classified as designated persons. Further, members of the promoter group other than promoters are required to be classified as designated persons only if they have access to UPSI. Accordingly, promoter group members who are not privy to UPSI may not fall within the ambit of designated persons.

# FAQs



## FAQs.

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### **1. Whether creation of pledge, invocation of pledge and revocation of pledge can be deemed as trading?**

**Answer** Yes. Trading as defined under Regulation 2 (1) (l) means and includes subscribing, buying, selling, dealing, or agreeing to subscribe, buy, sell, deal in any securities, and "trade" shall be construed accordingly.

### **2. Whether trading only in equity shares is in violation of PIT Regulations while in possession of UPSI or it also includes trading in other form of securities?**

**Answer:** For the applicability of SEBI (PIT) Regulations, securities shall have the same meaning assigned to it under the Securities Contracts (Regulation) Act, 1956, which inter-alia covers shares, scrips, stocks, bonds, debentures, derivative, etc. except units of mutual funds.

### **3. Whether trading on the basis of UPSI is prohibited even for persons not falling under the definition of ‘Designated Persons’ under the PIT Regulations?**

**Answer:** Regulation 2(1) (g) of SEBI (PIT) Regulations, 2015 defines ‘insider’ as any person who is:

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

Therefore, even if a person is not classified as a designated person, having access to UPSI would make such a person an ‘insider’. As per Regulation 4(1) of SEBI (PIT) Regulations, 2015, an insider is prohibited to trade while in possession of UPSI.

## FAQs.

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### **4. Are PIT Regulations applicable on transmission of shares?**

**Answer :** Yes, PIT Regulations are applicable on transmission of shares. However, they are exempted from provisions of trading window closure, pre-clearance and contra trade, **but the norms relating to disclosure requirements shall be applicable on transmission of Shares.**

### **5. If the structured digital database is maintained on Amazon, Google or cloud server hosted outside India, will it be considered as outsourced or internal?**

**Answer:** No. The Board and the compliance officer has to ensure the confidentiality, integrity and security of its data and logs, and ensure compliance with the laws, regulations, circulars, FAQ's etc. issued by SEBI/ Exchanges from time to time.

### **6. Regulation 3(5) requires structured digital database shall not be outsourced and shall be maintained internally with adequate internal controls and checks. Whether a listed company can use software provided by third party vendors, wherein the server is of the vendor but requisite entries are made by the employees of the company only.**

**Answer:** The third party vendors are providing the services/software on login basis, where the server is maintained by the vendor. Therefore, the vendor may have access to such records which would be contrary to the regulations with respect to maintenance of structured digital database.

### **7. Nominee directors of a bank or financial institution sharing information to their bank or financial institution for legitimate purpose, will it be covered as communication of UPSI?**

**Answer :** The nominee directors on an entity, falling under the list of designated persons or as an insider, sharing UPSI with the Bank/FIs, for the legitimate purpose of the entity, would be considered as communication of UPSI. Accordingly, the same would need to be recorded in the SDD of the company

## FAQs.

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**8. (a.) Whether SEBI's intent is to prohibit creation of pledge, revocation of pledge or invocation of pledge for enforcement of security while in possession of UPSI? (b.) Whether creation of pledge, revocation of pledge or invocation of pledge is allowed when trading window is closed?**

**Answer (a)** Yes. **(b)** However, the pledgor or pledgee may demonstrate that the creation/revocation of pledge or invocation of pledge was bona fide and prove their innocence under proviso to sub- regulation (1) of regulation 4 of the Regulations.

**9. At the time of trading as per the trading plan, if the designated person is in possession of an UPSI which was not existing at the time of formulation/submission of trading plan, would these trades be in violation of SEBI (PIT) Regulations?**

**Answer:** No. If at the time of formulation of trading plan, there was no UPSI and later on a new UPSI was generated, then trading can be carried out as per the trading plan, even if the new UPSI has not been made generally available.

**10. Can an insider submit more than one trading plan at the same time?**

**Answer:** Yes, an insider may submit multiple trading plans simultaneously, provided the periods covered under such multiple trading plans do not overlap.

**11. Are contra trade restrictions applicable to trades executed under two separate trading plans?**

**Answer:** Yes, contra trade restrictions would be applicable to trades executed under two separate trading plans.

**12. Whether transfer of shares from one Demat account to another Demat account of the same person will trigger the disclosure requirements?**

**Answer:** Since beneficiary ownership remains the same, the transfer of shares will not qualify as trading. Hence, disclosure requirements for the same will not be required. However, the disclosure requirements shall be applicable in cases where one of the demat accounts has more than single ownership.

## FAQs.

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### **13. Whether designated person can trade during the trading window closure for which pre- clearance was earlier provided by the compliance officer when the trading window was opened?**

**Answer:** The designated person cannot trade when the trading window is closed by the compliance officer. Any earlier pre-clearance obtained when the trading window was open, would be invalid once the trading window is closed.

### **14. During trading window closure, whether trades pursuant to trading plan can be executed?**


**Answer:** Clause 4(3) of Schedule B read with Regulation 4(1)(vi) provides that trading window restrictions shall not apply in respect of trades pursuant to a trading plan.

### **15. Can insiders trade through block deal window mechanism during trading window closure?**

**Answer:** Clause 4(3) of Schedule B read with Regulation 4(1)(ii) provides that trading window restrictions shall not apply in respect of trades carried out through the block deal window mechanism between insiders without being in breach of regulation 3 and both parties had made a conscious and informed trade decision.

### **16. Can the compliance officer grant relaxation from contra-trade restrictions?**

**Answer:** As per code of conduct, 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.



Q & A