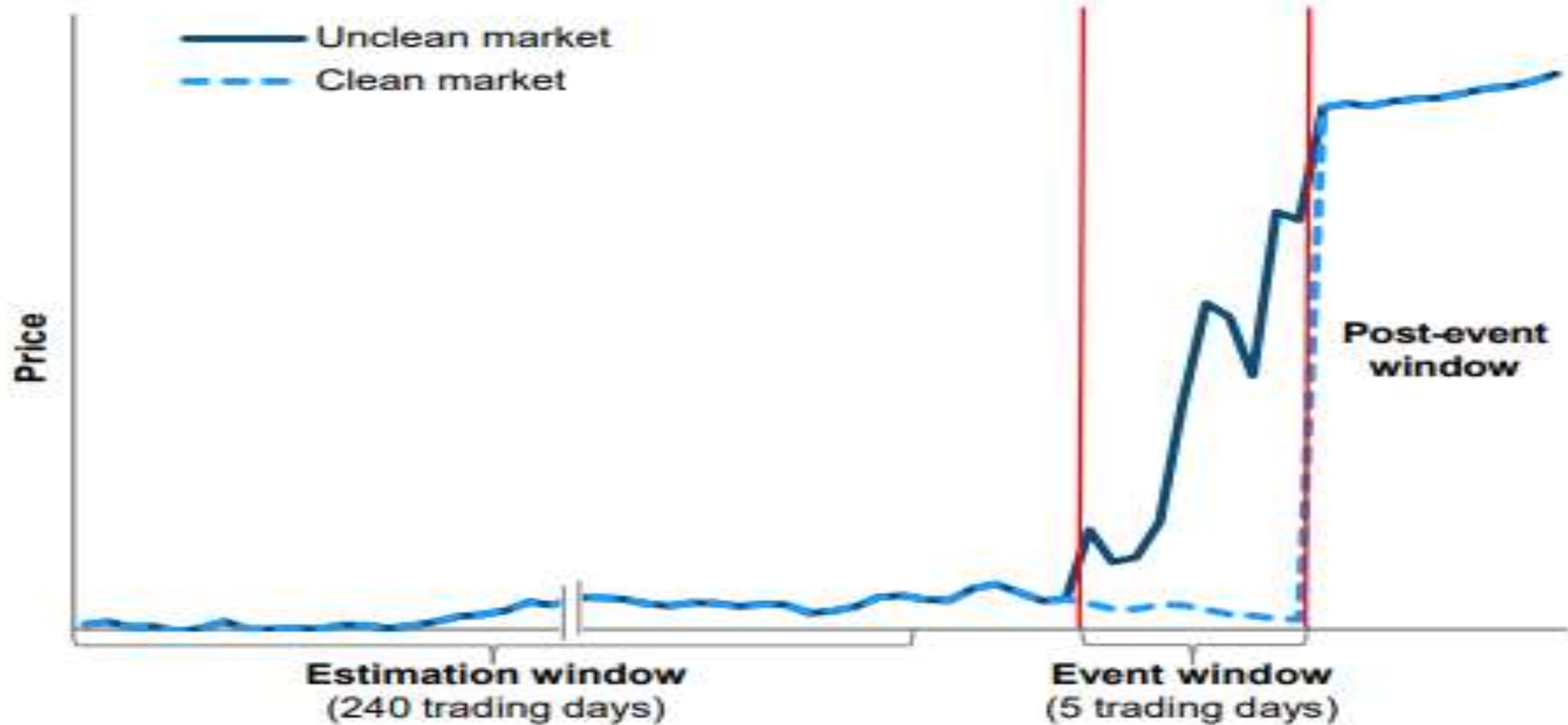


Session on  
**Structured Digital Database**

# ASIC report

**Figure 1: Intuition of the traditional market cleanliness methodology**



The top two locations for leaked deals were Hong Kong (18.6%) and India (15.2%). Australia had the lowest average percentage of leaked deals over the period, at 3.5%, while the United States, at 6.6%, had the median percentage of leaked deals.

# Netflix case

US SEC announced insider trading charges against three former Netflix Inc. software engineers and two close associates who generated over \$3 million in total profits by trading on confidential information about Netflix's subscriber growth.

According to the SEC people traded on the basis of non-public information concerning the growth in Netflix's subscriber base, a key metric Netflix reported in its quarterly earnings announcements.

The employee, repeatedly tipped this information to his brother, and his close friend, who both used it to trade in advance of multiple Netflix earnings announcements.

Netflix's had an internal policy <https://jobs.netflix.com/culture> which read as follows:

“We share documents internally broadly and systematically. Nearly every document is fully open for anyone to read and comment on, and everything is cross-linked. Memos on each title’s performance, on every strategy decision, on every competitor, and on every product feature test are open for all employees to read. There are some leaks, but the value of highly-informed employees is well worth it.”

# Journey so far

- PIT regulations
- Circulars, Guidance note
- Informant scheme
- System driven disclosure (SDD)
- **Structured Digital database (SDD) - Introduced in order to build a mechanism to help investigate Insider trading**

**introduced w.e.f. April 01, 2019**

**Amendments were introduced w.e.f. July 17, 2020**

- Trading block during trading window closure

# Regulatory provisions

## Regulation 3(5) of PIT Regulations

The board of directors or head(s) of the organization of every person required to handle unpublished price sensitive information shall ensure that a structured digital database is maintained containing the nature of unpublished price sensitive information and the names of such persons who have shared the information and also the names of such persons with whom information is shared under this regulation along with the Permanent Account Number or any other identifier authorized by law where Permanent Account Number is not available. Such database shall not be outsourced and shall be maintained **internally** with adequate internal controls and checks such as **time stamping** and **audit trails** to ensure **non-tampering** of the database

## Regulation 3(6) of PIT Regulations

The board of directors or head(s) of the organization of every person required to handle unpublished price sensitive information shall ensure that the structured digital database is **preserved** for a period of not less than eight years after completion of the relevant transactions and in the event of receipt of any information from the Board regarding any investigation or enforcement proceedings, the relevant information in the structured digital database shall be preserved till the completion of such proceedings

# Compliance check points

- »» Having a digital database in place w.e.f. April 01, 2019 or from the date of listing.
- »» Capturing information transmission for all UPSI.
- »» Recording the transmission of UPSI within or outside the organization
- »» Capturing nature of UPSI.
- »» Capturing name of persons who have shared the information along with PAN or any other identifier.
- »» Capturing name of persons with whom information is shared along with PAN or any other identifier.
- »» Maintain details for 8 years from completion of relevant transaction (in case of any investigation preserve till completion of investigation)
- »» Maintenance of database should not be outsourced. Companies may set up internal software's/modules with the help of company's IT team/support.
- »» Date and time of making entries in SDD to be captured along with the actual date and time when the UPSI was shared. Audit trails shall be maintained
- »» Ensure non-tampering /deletion of records in the database. Incase the facility of deleting records is available, the system/database must reflect the records that have been deleted or any changes made to the original entries in the database.

## Clarity provided on

- 1 Capture details of all UPSI, details of persons who have shared the UPSI and details of persons with whom such UPSI is shared
- 2 Databases/servers provided by third party vendors whether within India or outside India will be considered as outsourced – This will be treated as non-compliance with the requirements
- 3 Database should be maintained on internal servers
- 4 Irrespective of the fact that information is shared within or outside the Company, records have to be updated in SDD
- 5 In case if Nominee director is classified as a designated person/insider, information shared by him/her with Banks/FIs will also be required to be recorded in the Digital database
- 6 No requirement to disseminate the list of UPSI on the website of the company



# SDD action plan

## Steps already taken

- Dipstick survey
- Training Session
- Certification by compliance officers
- More training sessions

## In Future

- FAQs
- Certification by PCS
- Monitoring by Exchanges
- Standard Operating Process

# THANK YOU