

Info Capsule

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Discussion Paper on amendment to the SEBI (Prohibition of Insider Trading) Regulations, 2015 to make a provision for an informant mechanism

The mandate of the SEBI Act, 1992 is to 'protect the interests of investors in securities and to promote the development of, and to regulate the securities market.' It thus becomes imperative for SEBI to employ all legitimate means to detect and initiate action against insider trading at the earliest to instil confidence amongst investors and ensure integrity of the securities markets in line with the mandate conferred upon it.

In insider trading cases information provided by persons who may have inside knowledge of such violations is often helpful in timely successful action against violators. Recently, the Committee on Fair Market Conduct has made several recommendations to strengthen the legal framework for prevention of insider trading. The recommendations have been appropriately implemented by amending the PIT Regulations. As a further step towards strengthening the mechanism for early detection of insider trading and better enforceability, it is desirable and prudent to institute a process that enables timely reporting of instances of insider trading violations and also provide for grant of reward with adequate checks and balances that could incentivize timely reporting of information relating to insider trading to SEBI at the first available opportunity. Hence a mechanism which also provides 'near absolute confidentiality' along with appropriate safeguards is also proposed to enable reporting of such information.

Considering the implications of this policy on various stakeholders; public comments on the proposal to have such a mechanism are solicited.

Such comments/suggestions, if any, may be e-mailed to sebilad-dop@sebi.gov.in or sent by post latest by 01.07.2019.

The detailed features of mechanism proposed under SEBI (PIT) Regulations, 2015 is available at: https://www.sebi.gov.in/reports/reports/jun-2019/discussion-paper-on-amendment-to-the-sebi-prohibition-of-insider-trading-regulations-2015-to-provision-for-an-informant-mechanism_43237.html