

Preface

1. In order to keep pace with the evolving market dynamics, SEBI (Prohibition of Insider Trading) Regulations, 2015 have been amended from time to time. With an objective to provide greater clarity on several concepts related to the SEBI (PIT) Regulations, 2015, as also to shed more light on the nuances of various requirements of the regulations, SEBI has been issuing guidance note and frequently asked questions (FAQs). Therefore, these comprehensive FAQs are being issued, to further the above objective.
2. These comprehensive FAQs have been prepared based on the feedback received from various stakeholders. These FAQs include all previous guidance note and FAQs issued till date and also provides clarification on several evolving issues. References to all the previous FAQs and guidance note have been indicated appropriately.
3. With a view to provide more clarity and ease of reference, these FAQs have been classified under various headings, namely, trading, structured digital database, disclosures, pledge, trading plan, pre-clearance, trading window closure, contra-trade, etc.
4. These FAQs are in the nature of providing guidance on the SEBI (PIT) Regulations, 2015 and any explanation/clarification provided herein should neither be regarded as an interpretation of law nor be treated as a binding opinion/decision of the Securities and Exchange Board of India. Different facts or conditions may entail different interpretations. For full particulars of laws governing insider trading, please refer to actual text of the Acts/Regulations/Circulars appearing under the legal framework section on the SEBI website.

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Contents

Sl. No.	Subject	Page No.
1.	Trading	03-04
2.	Structured Digital Database	04-06
3.	Pledge	07
4.	Trading Plan	08
5.	Disclosures including System Driven Disclosures	08-10
6.	Pre-clearance	10-11
7.	Trading Window Closure	11-13
8.	Contra-trade	13-17
9.	Designated Person and Immediate Relatives	17-18
10.	General	18-20

COMPREHENSIVE FAQs ON SEBI (PIT) REGULATIONS 2015

Trading Related

1. Question

Whether creation of pledge, invocation of pledge and revocation of pledge can be deemed as trading?

Answer

Trading as defined under Regulation 2 (1) (I) means and includes subscribing, buying, selling, dealing, or agreeing to subscribe, buy, sell, deal in any securities, and "trade" shall be construed accordingly. The term trading is widely defined to include dealing in securities and intended to curb the activities based on unpublished price sensitive information (UPSI) which are strictly not buying, selling or subscribing, such as pledging etc. Hence, trading would include creation/invocation/revocation of pledge.

2. Question

Whether trading only in equity shares is in violation of PIT Regulation while in possession of UPSI or it also includes trading in other form of securities?

Answer

Trading in securities while in possession of UPSI is prohibited as per the regulations. 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. Question

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.

4. Question

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.

Structured Digital Database

5. ¹Question:

Whether the requirement to maintain structured digital database under Regulation 3(5) is applicable on intermediaries and fiduciaries?

Answer

The requirement to maintain structured digital database under Regulation 3(5), containing the names of such persons or entities with whom UPSI is shared, is applicable to listed companies, and intermediaries and fiduciaries who handle UPSI of a listed company in the course of business operations.

6. ²Question:

What information should a listed company maintain in its structured digital database under Regulation 3(5), in case the designated person is a fiduciary or intermediary?

Answer:

³[The listed company should maintain structured digital database internally, which shall contain information including the following:

- (i). Details of the Unpublished Price Sensitive Information (UPSI);

¹ FAQ issued on November 04, 2019

² Guidance Note on SEBI (Prohibition of Insider Trading) Regulations, 2015 dated 24 August, 2015 Inserted on 5th July, 2019

³ Substituted pursuant to amendment in SEBI PIT Regulations, 2015 dated July 17, 2020. (Erstwhile FAQ dated November 04, 2019 read as follows- *The listed company should maintain the names of the fiduciary or intermediary with whom they have shared information along with the Permanent Account Number (PAN) or other unique identifier authorized by law, in case PAN is not available. The fiduciary / intermediary, shall at their end, be required to maintain details as required under the Schedule C in respect of persons having access to UPSI. For example: If the listed company has appointed a law firm or Merchant Banker in respect of fund raising activity, it should obtain the name of the entity, so appointed, along with the PAN or other identifier, in case PAN is not available. The law firm or the Merchant Banker would in turn maintain its list of persons along with PAN or other unique identifier (in case PAN is not available), in accordance with Regulation 9A(2)(d) and as required under Schedule C, with whom they have shared the unpublished price sensitive information.*)

- (ii). Details of persons with whom such UPSI is shared (along with their PANs/other unique identifier) and details of persons who have shared the information.

Similarly, another structured digital database should be maintained internally by fiduciary or intermediary, capturing information as mentioned above at point (i) and (ii), in accordance with Regulation 9A (2)(d) and as required under Schedule C.

For example: The listed company (X) has appointed a Law firm or Merchant Banker (Y) in respect of fund raising activity and (A) from listed company has shared the said UPSI with (B) of Law firm or Merchant Banker. The structured digital database of (X) should capture the nature of UPSI shared, details of (A), (Y) and (B), along with their PAN or other unique identifier (in case PAN is not available).

The Law firm or the Merchant Banker (Y) shall in turn maintain another structured digital database internally capturing the nature of UPSI received/shared, details of (X), (A) and (B) along with their PAN or other unique identifier (in case PAN is not available), in accordance with Regulation 9A(2)(d) and as required under Schedule C.]

7. Question

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

Databases/servers provided by third party vendors whether within India or outside India will be considered as outsourced.

8. Question

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.

9. Question

Does list of UPSI as prepared by the company in-house needs to be disseminated to public at large?

Answer

No, there is no requirement to disseminate the list of UPSI on the website of the company.

10. Question

Are companies required to maintain this structured digital database even when the information is shared only within the company?

Answer

Yes, irrespective of the fact that information is shared within or outside the Company, requisite records shall be updated in structured digital database as and when the information gets transmitted.

11. Question

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

Answer

If the directors fall under the list of designated persons or as an insider, then sharing of UPSI by them for legitimate purpose with the Bank/FIs, would be considered as communication of UPSI. Accordingly, the same would be recorded in the SDD of the company.

12. Question

For how long the Company needs to maintain the data in its structured digital database?

Answer

As per Regulation 3(6) of SEBI (PIT) Regulations, the structured digital database shall be 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 SEBI regarding any investigation or enforcement proceedings, the relevant information in the structured digital database shall be preserved till the completion of such proceeding.

Pledge

13. ⁴Question

(a) Whether SEBI's intent is to prohibit creation of pledge, revocation of pledge⁵ or invocation of pledge for enforcement of security while in possession of UPSI?

(b) Whether creation of pledge, revocation of pledge⁵ or invocation of pledge is allowed when trading window is closed?

Answer

Yes. However, the pledgor or pledgee may demonstrate that the creation/revocation⁵ 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.

14. ⁶Question

What should be the value of the pledge / revoke transaction for the purpose of disclosure? Is it the market value on date of the pledge / revoke transaction or is it the value at which the transaction has been carried out between the pledgor and pledgee? For instance, if the pledgor has availed a loan of Rs 10 Lacs against which he has pledged shares worth Rs 15 Lacs, would the transaction value be Rs 10 Lacs or Rs 15 Lacs.

Answer

For the purpose of calculation of threshold for disclosures relating to pledge under Chapter III of the Regulations, the market value on the date of pledge/revoke transaction should be considered. In the above illustration, the value of transaction would be considered as fifteen lakh rupees.

15. Question

If the lender sells the shares pledged by the designated person (shares acquired under ESOP by availing loan) to recover the loan then how to represent this transaction in Form C (i.e. invoke/revoke)?

Answer

When the lender sells the shares pledged by designated person, the transaction can be represented as invocation in Form C.

⁴ Guidance Note on SEBI (Prohibition of Insider Trading) Regulations, 2015 dated 24 August, 2015

⁵ Revocation of pledge has been added.

⁶ Guidance Note on SEBI (Prohibition of Insider Trading) Regulations, 2015 dated 24 August, 2015

Trading Plan

16. Question

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

If an insider/designated person trades on the basis of earlier UPSI, which is still not generally available, then it will be in violation of SEBI (PIT) Regulations. However, if at the time of formulation of trading plan, there was no UPSI or later on a new UPSI was generated, then the trading can be carried out as per the trading plan, even if the new UPSI has not been made generally available.

Disclosures including System Driven Disclosures

17. Question

Whether companies are required to provide the details of immediate relatives also along with the details of designated persons in terms of SEBI Circular SEBI/HO/ISD/ISD/CIR/P/2020/168 dated September 09, 2020 (“System Driven Disclosures”).

Answer

As per SEBI Circular dated September 09, 2020, SEBI has mandated system driven disclosure for members of promoter group and designated persons only in addition to promoters and directors of the company under Regulation 7(2) of SEBI (PIT) Regulations, 2015. Only details of designated persons are required to be given this time.

18. Question

In case a designated person is a foreign national/individual who do not possess PAN or a demat account number, whether system driven disclosures are required to be submitted?

Answer

If a designated person does not have PAN or a demat account number, then such a person cannot trade in the Indian securities market. Hence, system driven disclosures will not trigger for such a person.

19. Question

In case of trades exceeding Rs. 10 Lacs in a quarter, any subsequent trades need to be disclosed in Form C or should the next disclosure be only when the next Rs. 10 Lacs limit is breached?

Answer

The explanation to Regulation 7(2)(b) states that the disclosure of the incremental transactions after any disclosure under this sub-regulation shall be made when the transactions effected after the prior disclosure cross the threshold specified in clause (a) of sub-regulation (2). Hence, the next disclosure will be due when the next Rs. 10 lacs limit is breached.

20. Question

What must be the value that the designated person should mention while reporting trades to the Company? Should it be the market rate or should it be by subtracting Brokerage, Commission etc. i.e.net of taxes and all transaction charges?

Answer

For the purpose of reporting trades, market rate should be considered.

21. Question

Regulation 7 (2) (a) requires disclosure with respect to number of such securities acquired or disposed of within two trading days of such transaction if the traded value exceeds Rs. 10 Lakhs. Whether such disclosures are required in case of allotment of shares by way of bonus/rights/mergers?

Answer

Yes, the number of securities acquired or disposed beyond the prescribed threshold, irrespective of the mode of acquisition or disposal, shall be disclosed except bonus issuance and shares received pursuant to a scheme⁷.

22. Question

Whether disclosure requirement under regulation 7(2) (a) of SEBI (PIT) Regulations would be applicable to designated person alone or it would include such person's immediate relatives?

⁷ Please refer Informal Guidance https://www.sebi.gov.in/sebi_data/commndocs/may-2017/SEBI-Reply05_p.pdf

Answer

Regulation 6(2) of SEBI (PIT) Regulations specifies that disclosures to be made by any person under this Chapter (Disclosures of Trading by Insiders) shall include those relating to trading by such person's immediate relatives, and by any other person for whom such person takes trading decisions. Hence, disclosure requirement is applicable to designated person along with its immediate relatives.

23. Question

In case a designated person is taking financial assistance for acquiring the ESOP Shares, do Form C is required to be filed?

Answer

The disclosures are required on receipt of shares pursuant to exercise of ESOPs.

24. Question

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.

Pre-clearance

25. ⁸Question:

Whether requirement of pre-clearance is applicable for exercise of employee stock options?

Answer:

Employee stock options being issued under SEBI (Share Based Employee Benefits) Regulations, 2014, the exercise of such stock options is covered under clause 4(3)(b) of Schedule B of the SEBI (PIT) Regulations, 2015. Thus, no pre-clearance is required for exercise of stock options. However, sale of shares by employees obtained after exercise of options shall not be covered under the aforesaid Clause.

⁸ FAQ issued on November 04, 2019

26. Question

Can a managing director trade in its own company's shares with pre – clearance alone or a trading plan is necessary?

Answer

Yes, managing director can trade with pre-clearance alone, if not in possession of UPSI. However, if the code of conduct of the company mandates trading plan for persons who may be perpetually in possession of unpublished price sensitive information, such persons shall abide by such code of conduct.

27. Question

Is pre-clearance required for cashless option of ESOP wherein employees avail Sell-all/sell to cover option involving market sale of shares acquired under ESOP?

Answer

Yes, pre-clearance is required for cashless options because exercise of options and sale of shares acquired under ESOP are taking place simultaneously. Further, only exercising of ESOP is exempted from taking pre-clearance.

28. Question

Does pre-clearance required in case of off-market transfer of securities?

Answer

For the purpose of PIT regulations, trade includes both on – market and off – market. Hence, off-market transfer of securities would require pre-clearance as per the code of conduct of the company.

Trading Window Closure

29. Question

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.

30. Question

Can grant of ESOP be made in trading window closure period?

Answer

Grant of ESOP refers to a right but not an obligation to acquire the shares of the company as and when the options are vested and correspondingly exercised by the Employees. Hence, grant of ESOP per se is not trading and accordingly can be made during trading window of closure.

31. Question

If the trading window is closed, whether the compliance officer is required to inform the designated person or rejecting their trades during pre-clearance would be sufficient?

Answer

The compliance officer shall communicate the closure of trading window to the designated persons. Mere rejection of their trades during pre-clearance would not be sufficient.

32. Question

When should the trading window be closed by the company?

Answer

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.

33. Question

Shall the trading window be closed for every UPSI?

Answer

Yes.

34. Question

During trading window closure, whether trades pursuant to trading plan can be executed?

Answer

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

35. Question

Can insiders trade through block deal window mechanism during trading window closure?

Answer

Clause 4(3) 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.

Contra-trade

36. ⁹Question

Does the contra trade restriction (for a period not less than six months) under clause 10 of Schedule B of the Regulations also apply to the exercise of ESOPs and the sale of shares so acquired?

Answer

Exercise of ESOPs shall not be considered to be “trading” except for the purposes of Chapter III of the Regulations. However, other provisions of the Regulations shall apply to the sale of shares so acquired.

For Example:

- (i). If a designated person has sold/ purchased shares, he can subscribe and exercise ESOPs at any time after such sale/purchase, without attracting contra trade restrictions.
- (ii). Where a designated person acquires shares under an ESOP and subsequently sells/pledges those shares, such sale shall not be considered as contra trade, with respect to exercise of ESOPs.
- (iii). Where a designated person purchases some shares (say on August 01, 2015), acquires shares later under an ESOP (say on September 01, 2015) and subsequently sells/pledges (say on October 01, 2015) shares so acquired under ESOP, the sale will not be a contra trade but will be subject to other provisions of the Regulations, however, he will not be able to sell the shares purchased on August 01, 2015 during the period of six months from August 01, 2015.

⁹ Guidance Note on SEBI (Prohibition of Insider Trading) Regulations, 2015 dated 24 August, 2015

(iv). Where a designated person sells shares (say on August 01, 2015), acquires shares later under an ESOP (say on September 01, 2015) the acquisition under ESOP shall not be a contra trade. Further, he can sell/pledge shares so acquired at any time thereafter without attracting contra trade restrictions. He, however, will not be able to purchase further shares during the period of six months from August 01, 2015 when he had sold shares.

37. ¹⁰Question

In case an employee or a director enters into Future & Option contract of Near/Mid/Far month contract, on expiry will it tantamount to contra trade? If the scrip of the company is part of any Index, does the exposure to that index of the employee or director also needs to be reported?

Answer

Any derivative contract that is physically settled on expiry shall not be considered to be a contra trade. However, closing the contract before expiry (i.e. cash settled contract) would mean taking contra position. Trading in index futures or such other derivatives where the scrip is part of such derivatives, need not be reported.

38. ¹¹Question

Whether contra trade is allowed within the duration of the trading plan?

Answer

Any trading opted by a person under Trading Plan can be done only to the extent and in the manner disclosed in the plan, save and except for pledging of securities.

39. ¹²Question

Whether the restriction on execution of contra trade in securities is applicable in case of buy back offers, open offers, rights issues FPOs etc by listed companies?

Answer

Buy back offers, open offers, rights issues, FPOs, bonus, ¹³[exit offers] etc. of a listed company are available to designated persons also, and restriction of 'contra-trade' shall not apply in

¹⁰ Guidance Note on SEBI (Prohibition of Insider Trading) Regulations, 2015 dated 24 August, 2015
Erstwhile guidance read as follows- Any derivative contract that is cash settled on expiry shall be considered to be a contra trade. Trading in index futures or such other derivatives where the scrip is part of such derivatives, need not be reported.

¹¹ Guidance Note on SEBI (Prohibition of Insider Trading) Regulations, 2015 dated 24 August, 2015

¹² Guidance Note on SEBI (Prohibition of Insider Trading) Regulations, 2015 dated 24 August, 2015

¹³ Inserted by Press note No. 77/2016 dated 12.04.2016 w.e.f. 17.02.2016.

respect of such matters. Provided the initial transaction of buy/sell have been completed in accordance with PIT Regulations.

40. Question

In case shares are acquired pursuant to any corporate action by the company such as rights issue/FPO, whether the contra trade restrictions would apply if such shares are sold before completion of 6 months from the date of acquisition?

Answer

If the first trade is an acquisition by way of rights issue/FPO, then subsequent sale of shares before 6 months from the date of acquisition would be considered as a contra trade.

41. ¹⁴Question

Whether restriction on execution of contra trade is applicable only to designated persons of a listed company or whether it would also apply to the designated employees of market intermediaries and other persons who are required to handle UPSI in the course of business operations?

Answer

The code prescribed by the Regulations is same for listed companies, market intermediaries and other persons who are required to handle UPSI in the course of business operations. Therefore, restrictions with regard to contra trade forming part of clause 10 of code of conduct shall apply to all according to the Regulations.

42. Question

Whether the contra trade restrictions as prescribed in Schedule B and Schedule C of SEBI (PIT) Regulations, 2015 are applicable on designated person only or designated person and their immediate relatives?

Answer

Clause 3 of Schedule B and Schedule C specifies designated persons and immediate relatives of designated persons in the organisation shall be governed by an internal code of conduct governing dealing in securities. Hence, contra-trade restrictions (as mentioned in code of conduct) would be applicable to designated person and their immediate relatives collectively.

¹⁴ Guidance Note on SEBI (Prohibition of Insider Trading) Regulations, 2015 dated 24 August, 2015

43. Question

Does contra trade restrictions apply on Share wise or Date wise.

Example: A Designated Person purchased 100 Shares on November 1, 2020 and then again 100 Shares on December 1, 2020. Whether the person can sell the 100 Shares acquired in November 2020 in May 2021? Or it will be treated as contra trade?

Answer

Contra trade restrictions are applicable on date wise. Since shares are last bought on December 01, 2020, the person cannot trade for a period of 6 months from December 01, 2020.

44. Question

Does contra-trade restrictions apply to debt securities of the company?

Answer

For the applicability of SEBI (PIT) Regulations, securities shall have the same meaning assigned to it under the Securities Contracts (Regulation) Act, 1956, inter-alia covers debt securities. Hence, contra trade restrictions would apply to debt securities.

45. Question

In case promoter gifts shares of the company to his niece who is not part of promoter group & not financially dependent on promoter:

- i. Is gift of shares to be considered as trading under SEBI (PIT) Regulations? Whether it require compliance with disclosure, pre-clearance and contra-trade restrictions?**

Answer

"Trading" means and includes subscribing, buying, selling, dealing, or agreeing to subscribe, buy, sell, deal in any securities, and accordingly gifting shall be construed as dealing in shares. Thus, gift is a trade and the promoter shall be required to comply with requirement of disclosure, pre-clearance and contra trade restrictions.

46. Question

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.

47. Question

Is Contra Trade restriction only applicable to trades under Pre – Clearance or on any transaction even if the trading does not exceed the threshold limit?

Answer

Contra Trade restrictions are applicable on each and every trade irrespective of whether the trades are below or above the threshold limit of Pre Clearance.

Designated Person and Immediate Relatives

48. ¹⁵Question

In case a designated person resigns, what information should be collected by the company/ intermediary/ fiduciary under PIT Regulations?

Answer

All information which is required to be collected from designated persons, should be collected till date of service of such employees with the company. Upon resignation from service of designated person, a company/ intermediary/ fiduciary should maintain the updated address and contact details of such designated person. The company/intermediary/ fiduciary should make efforts to maintain updated address and contact details of such persons for one year after resignation from service. Such data should be preserved by the company/ intermediary/ fiduciary for a period of 5 years.

49. Question

Is it mandatory to include all team members of support staff i.e. IT, secretarial, finance etc. in the list of designated person or only manager & above to be included in the list.

Answer

As per Regulation 9(4), designated persons to be covered by the code of conduct on the basis of their role and function in the organisation and the access that such role and function would provide to UPSI in addition to seniority and professional designation. Further, Regulation 9(4)(v) specify any support staff of listed company, intermediary or fiduciary such as IT staff or secretarial staff who have access to unpublished price sensitive information shall be included in the list of designated person.

50. Question

Should whole-time director/managing director of a holding company be added as designated person of the subsidiary company?

Answer

The guiding principle for identifying designated person is role and function in the organisation and the access that such role and function would provide to UPSI. Since whole-time director/managing director of holding company may have access to UPSI of its subsidiary company, the same shall be added as designated person of the subsidiary company.

51. Question

As per regulation 9(4), whether the term “all promoters” cover promoter group under the ambit of designated person?

Answer

Regulation 9(4) (iii) specifies that all promoters of listed companies and promoters who are individuals or investment companies for intermediaries or fiduciaries shall be included as designated person. Further, if promoter group is having access to UPSI then the same shall also be included under the ambit of designated person.

52. Question

Whether the immediate relative of the designated person can trade in the derivatives of the company?

Answer

Yes. Designated person and its immediate relative can trade in derivatives when not in possession of UPSI and such trades are accordingly governed by the code of conduct.

General

53. ¹⁶Question:

Whether trading in ADRs and GDRs by employees of Indian companies who are foreign nationals is covered under provisions of PIT Regulations on code of conduct?

Answer:

Yes, trading in ADRs and GDRs of listed companies is covered under relevant provisions of PIT Regulations. Employees of such companies, including foreign nationals, who are designated persons, shall be required to follow the code of conduct for trading in ADRs and

GDRs. For such disclosures by such designated persons, a unique identifier analogous to PAN may be used.

54. ¹⁷Question

Who will be approving authority for trades done by the compliance officer or his immediate relatives, as Insiders?

Answer

The board of directors of the company shall be the approving authority in such cases and may stipulate such procedures as are deemed necessary to ensure compliance with these regulations.

55. ¹⁸ Question

Whether separate code of conduct can be adopted for listed company and each of intermediaries in a group?

Answer

In case of a group, separate code may be adopted for listed company and each of intermediaries, as applicable to the concerned entity.

56. ¹⁹Question

Whether chief investor relations officer will also be responsible along with compliance officer for not disseminating information or non-disclosure of UPSI?

Answer

Regulation 2 (c) clearly provides the functions and responsibilities of the compliance officer. Specific responsibilities to deal with dissemination of information and disclosure of unpublished price sensitive information are given to Chief Investor Relations Officer (CIRO) under clause 3 of Schedule A.

It is company's discretion to designate two separate persons as CIRO and compliance officer, respectively for fulfilling specified responsibilities. In cases where both CIRO and compliance officer have been designated for overlapping functions, they shall be jointly and severally responsible.

¹⁷ Guidance Note on SEBI (Prohibition of Insider Trading) Regulations, 2015 dated 24 August, 2015

¹⁸ Guidance Note on SEBI (Prohibition of Insider Trading) Regulations, 2015 dated 24 August, 2015

¹⁹ Guidance Note on SEBI (Prohibition of Insider Trading) Regulations, 2015 dated 24 August, 2015

57. ²⁰Question

If a spouse is financially independent and does not consult an insider while taking trading decisions, is that spouse exempted from the definition of ‘immediate relative’?

Answer

A spouse is presumed to be an ‘immediate relative’, unless rebutted so.

58. ²¹Question

What is the scope of the term ‘investment company’ as mentioned in Regulation 9(4) (iii)?

Answer

The regulation 9 (4) (iii) intends to include only those non-individual corporate promoters of intermediaries or fiduciaries as designated person, whose main object or principal activity, is investing in securities of other companies. For e.g. if the promoter of a broking entity is a Bank, then such promoter shall not be specified as designated person to be covered by the code of conduct of the intermediary. However, if the promoter of a broking entity is an investment company which holds investments in various companies, then such an entity shall be specified as designated person to be covered by the code of conduct of the intermediary.

²⁰ Guidance Note on SEBI (Prohibition of Insider Trading) Regulations, 2015 dated 24 August, 2015

²¹ Guidance Note on SEBI (Prohibition of Insider Trading) Regulations, 2015 dated 24 August, 2015. Inserted on 5th July, 2019