

**SECURITIES AND EXCHANGE BOARD OF INDIA
(PROHIBITION OF INSIDER TRADING) REGULATIONS, 1992**

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SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF INSIDER TRADING) REGULATIONS, 1992

In exercise of the powers conferred by section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board, with the previous approval of the Central Government hereby makes the following regulations, namely :-

CHAPTER 1 PRELIMINARY

1. Short title and commencement :-

(1) These regulations may be called the Securities and Exchange Board of India (¹ [Prohibition of] Insider Trading) Regulations, 1992.

(2) These regulations shall come into force on the date of their publication in the Official' Gazette.

1. In the title, the words "Prohibition of" shall be inserted, before the words, "Insider Trading" in the bracket. by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

2. Definitions :-

In these regulations, unless the context otherwise requires :-

(a) "Act" means the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(b) "body corporate" means a body corporate as defined in Section 2 of the Companies Act, 1956 ;

(c) "connected person" means any person who-

(i) is a director as defined in clause (13) of Section 2 of the Companies Act, 1956 , of a company, or is deemed to be a director of that company by virtue of sub-clause (10) of section 307 of that Act; or

(ii) occupies the position as an officer or an employee of the

company or holds a position involving a professional or business relationship between himself and the company and ¹["whether temporary or permanent"] who may reasonably be expected to have an access to unpublished price sensitive information in relation to that company; ²

"Explanation: For the purpose of clause (c), the words "connected person" shall ³"mean" any person who is a connected person six months prior to an act of insider trading."

(d) "dealing in securities" means an act of ⁴["subscribing"] buying, selling or agreeing to ⁵["subscribing"] buy, sell or deal in any securities by any person either as principal or agent;

(e) "insider" means any person who is or was connected with the company or is deemed to have been connected with the company and is reasonably expected to have access, ⁶["***"], to unpublished price sensitive information in respect of securities of ⁷[a] company, or who has received or has had access to such unpublished price sensitive information;

(f) "investigating authority" means any officer of the Board or any other person, not being a firm, body corporate or an association of persons, having experience in dealing with the problems relating to the securities market and who is authorised by the Board under Chapter III;

(g) "officer of a company" means any person as defined in clause (30) of Section 2 of the Companies Act, 1956 including an auditor of the company;

(h) "person is deemed to be a connected person", if such person-

(i) is a company under the same management or group, or any subsidiary- company thereof within the meaning of sub-section (1B) of section 370, or sub- section (11) of Section 372 of the Companies Act, 1956 , or sub-clause (g) of Section 2 of the Monopolies and Restrictive Trade Practices Act, 1969 , as the case may be; or

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"(ii) is an intermediary as specified in section 12 of the Act, Investment company, Trustee Company, Asset Management Company or an employee or director thereof or an official of a stock

exchange or of clearing house or corporation."

(iii) is a merchant banker, share transfer agent, registrar to an issue, debenture trustee, broker, portfolio manager. Investment Advisor, sub-broker, Investment Company or an employee thereof, or is a member of the Board of Trustees of a mutual fund or a member of the Board of Directors of the Asset Management Company of a mutual fund or is an employee thereof who has a fiduciary relationship with the company;

(iv) is a Member of the Board of Directors or an employee of a public financial institution as defined in Section 4A of the Companies Act, 1956 ; or

(v) is an official or an employee of a Self-regulatory Organisation recognised or authorised by the Board of a regulatory body; or

(vi) is a relative of any of the aforementioned persons:

(vii) is a banker of the company;

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(viii) relatives of the connected person;

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(ix) is a concern, firm, trust, Hindu Undivided Family, company or association of persons wherein any of the connected persons mentioned in sub-clause (i) of clause (c), of this regulation or any of the persons mentioned in sub-clauses (vi), (vii) or (viii) of this clause have more than 10% of the holding or interest.

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(ha) 'price sensitive information' means any information which relates directly or indirectly to a company and which if published is likely to materially affect the price of securities of company;

Explanation : The following shall be deemed to be price sensitive information:

(i) periodical financial results of the company;

(ii) intended declaration of dividends (both interim and final);

(iii) Issue of securities or buy-back of securities;

(iv) any major expansion plans or execution of new projects;

(v) amalgamation, mergers or takeovers;

(vi) disposal of the whole or substantial part of the undertaking;
and

(vii) significant changes in policies, plans or operations of the company.

(i) "relative" means a person, as defined in Section 6 of the Companies Act, 1956 ;

(j) "stock exchange" means a stock exchange which is recognised by the Central Government ¹²["or Securities and Exchange Board of India"] under S.4 of Securities Contracts (Regulation) Act, 1956;

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"(k)" Unpublished means information which is not published by the company or its agents and is not specific in nature.

Explanation : Speculative reports in print or electronic media shall not be considered as published information."

1. In Regulation 2 ,clause (c), in sub-clause (ii) after the words "and the company" and before the words " and who may reasonably" the words shall be inserted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

2. In Regulation 2 ,clause (c), after sub-clause (ii) Explanation shall be inserted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

3. In Regulation 2, in clause (c), in the sub-clause (ii), in Explanation the words "include" shall be substituted by Securities and Exchange Board of India (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002. , Gaz. of India, Exty., Ft. II-Sec. 3(11), No. 1012, dt. 29.11.2002, p. 4.

4. In Regulation 2 ,clause (d), after the word "subscribing", shall be inserted after the words "an act of" and before the words "buying" shall be inserted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

5. In Regulation 2 ,clause (d), after the word "subscribing", shall be inserted after the words "or agreeing to" and before the words "to

buy" shall be inserted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

6. In Regulation 2 ,clause (e), the word ["by virtue of such connection"], shall be omitted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

7. In Regulation 2 ,clause (e), the word ["the"], shall be substituted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002;Published in the Gazette of India Extraordinary Part II, Section 3,Sub-section (ii) dated 20/02/2002.

8. In Regulation 2 ,in clause (h), sub-clause (ii) shall be substituted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002;Published in the Gazette of India Extraordinary Part II, Section 3,Sub-section (ii) dated 20/02/2002.

9. In Regulation 2 ,in clause (h), after sub-clause (vii) sub clause (viii) and (ix) shall be inserted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

10. In Regulation 2, in clause (h), sub-clause (ix), shall be substituted by Securities and Exchange Board of India (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002. , Gaz. of India, Exty., Ft. II-Sec. 3(11), No. 1012, dt. 29.11.2002, p. 4.

11. In Regulation 2 ,after clause (h), clause (ha) shall be inserted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002;Published in the Gazette of India Extraordinary Part II, Section 3,Sub-section (ii) dated 20/02/2002.

12. In Regulation 2 ,in, clause (j) the words shall be inserted after the words "Central Government" and before the words , "under section 4" by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

13. In Regulation 2 , clause (k) and Explanation shall be substituted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002;Published

in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

CHAPTER 2

PROHIBITION ON DEALING, COMMUNICATING OR COUNSELLING

3. Prohibition on dealing, communicating or counselling on matters relating to insider trading. :-

No insider shall-

(i) either on his own behalf or on behalf of any other person, deal in securities of a company listed on any stock exchange ¹["when in possession of"] unpublished price sensitive information; or

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"(ii) communicate counsel or procure directly or indirectly any unpublished price ³["sensitive"] information to any person who while in possession of such unpublished price sensitive information shall not deal in securities.

Provided that nothing contained above shall be applicable to any communication required in the ordinary course of business ⁴"or profession or employment" or under any law"

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(iii)[***]

1. In Regulation 3 , in clause (i) the words ["on the basis of"] shall be substituted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

2. In Regulation 3 , clause (ii) shall be substituted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

3. In Regulation 3, in clause (ii), the words 'sensitive' shall be read as 'sensitive', by Securities and Exchange Board of India (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002. , Gaz. of India, Exty., Ft. II-Sec. 3(11), No. 1012, dt. 29.11.2002, p. 4.

4. In Regulation 3, in clause (ii), in the proviso the words "or profession or employment" shall be inserted , by Securities and Exchange Board of India (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002. , Gaz. of India, Exty., Ft. II-Sec.

3(11), No. 1012, dt. 29.11.2002, p. 4.

5. In Regulation 3 , clause (iii) shall be omitted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

3A. Regulation 3A :-

1 No company shall deal in the securities of another company or associate of that other company while in possession of any unpublished price sensitive information"

1. After Regulation 3, Regulation 3A, shall be inserted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

3B. Regulation 3A not to apply in certain cases. :-

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(1) In a proceeding against a company in respect of regulation 3A, it shall be a defence to prove that it entered into a transaction in the securities of a listed company when the unpublished price sensitive information was in the possession of an officer or employee of the company, if:

(a) the decision to enter into the transaction or agreement was taken on its behalf by a person or persons other than that officer or employee; and

(b) such company has put in place such systems and procedures which demarcate the activities of the company in such a way that the person who enters into transaction in securities on behalf of the company cannot have access to information which is in possession of other officer or employee of the company; and

(c) it had in operation at that time, arrangements that could reasonably be expected to ensure that the information was not communicated to the person or persons who made the decision and that no advice with respect to the transactions or agreement was given to that person or any of those persons by that officer or employee; and

(d) the information was not so communicated and no such advice was so given.

(2) In a proceeding against a company in respect of regulations 3-A which is in possession of unpublished price sensitive information, it shall be defence to prove that acquisition of shares of a listed company was as per the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;"

1. Regulation 3B, shall be inserted , by Securities and Exchange Board of India (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002. , Gaz. of India, Exty., Ft. II-Sec. 3(11), No. 1012, dt. 29.11.2002, p. 4.

4. Violation of provisions relating to insider trading :-

Any insider who deals in securities ¹[***] in contravention of the provisions of regulation 3² ["or 3A"] shall be guilty of insider trading.

1. In Regulation 4, the words ["or communicate any information or counsels any person dealing in securities"], shall be omitted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

2. In Regulation 4, after the words and figure ["regulation 3"], the words and figure ["3A"] shall be inserted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

CHAPTER 3

INVESTIGATION

4A. "Power to make inquiries and inspection" :-

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(1) If the Board suspects that any person has violated any provision of ² "these" regulations, it may make inquiries with such persons or any ther person as mentioned in clause (i) of subsection (2) of Section 11 as deemed fit, to form a prima facie opinion as to whether there is any violation of these regulations.

(2) The Board may appoint one or more officers to inspect the books and records of insider(s) or any other persons as mentioned in clause (i) of sub-section (2) of section 11 for the purpose of sub-

regulation (1)."

1. In Chapter III before Regulation 5, Regulation 4A shall be inserted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

2. In Regulation 4A, the word "thede" shall be read as "these", by Securities and Exchange Board of India (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002. , Gaz. of India, Exty., Ft. II-Sec. 3(11), No. 1012, dt. 29.11.2002, p. 4.

5. Boards right to investigate :-

(1) Where the Board, ¹["is of prima facie opinion"] that it is necessary to investigate and inspect the books of account, either records and documents of an insider ² ["or any other person mentioned in clause (i) of sub-section (1) of section 11 of the Act"]for any of the purposes specified in sub-regulation (2), it may appoint an investigating authority for the said purpose.

(2) The purpose referred to in sub-regulation (1) may be as follows :

(a) to investigate into the complaints received from investors, intermediaries or any other person on any matter having a bearing on the allegations of insider trading; and

(b) to investigate suo motu upon its own knowledge or information in its possession to protect the interest of investors in securities against breach of these regulations.

1. In Regulation 5, in Sub-Regulation (i) the words ["on the basis of written information in its possession is of the opinion"] shall be substituted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

2. In Regulation 5, in Sub-Regulation (i) after the words ["and documents of an insider] and before the word ["for any of the purposes specified in sub-regulation (2)"] the words, shall be inserted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

6. Procedure for investigation :-

(1) Before undertaking any investigation under regulation 5, the Board shall give a reasonable notice to insider for that purpose.

(2) Notwithstanding anything contained in sub-regulation (1), where the Board is satisfied that in the interest of investors or in public interest no such notice should be given, it may by an order in writing direct that the investigation be taken up without such notice.

(3) On being empowered by the Board, the investigation authority shall undertake the investigation and inspection of books of account and the insider ¹ ["an insider or any other person mentioned in clause (i) of Sub-section (1) of section 11 of the Act"] against whom an investigation is being carried out shall be bound to discharge his obligations as provided in regulation 7.

1. In Regulation 6, in sub-regulation (3) the words shall be inserted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

7. Obligations of insider on investigation by the Board :-

(1) It shall be the duty of every insider, who is being investigated, ¹["or any other person mentioned in clause (i) of Sub-section (1) of section 11 of the Act"] to produce to the investigating authority such books, accounts and other documents in his custody or control and furnish the authority with the statements and information relating to the transactions in securities market within such time as the said authority may require.

(2) The insider ¹["or any other person mentioned ³"in" clause (i) of sub-section (2) of section 11 of the Act"] shall allow the investigating authority to have reasonable access to the premises occupied by such insider and also extend reasonable facility for examining any books, records, documents and computer data in the possession of the stock-broker or any other person and also provide copies of documents or other materials which in the opinion of the investigating authority are relevant.

(3) The investigating authority, in the course of investigation, shall be entitled to examine or record statements of any member,

director, partner, proprietor and employee of the insider. ⁴["or any other person mentioned in Clause (i) of sub-section (2) of section 11 of the Act"]

(4) It shall be the duty of every director, proprietor, partner, officer and employee of the insider to give to the investigating authority all assistance in connection with the investigation which the insider ⁵ ["or any other person mentioned in Clause (i) of sub-section (2) of section 11 of the Act"] may be reasonably expected to give.

1. In Regulation 7, in sub-regulation (i) and (ii) the words shall be inserted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

3. In Regulation 7, in the sub-regulation (2), the word "in" shall be inserted by Securities and Exchange Board of India (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002. , Gaz. of India, Exty., Ft. II-Sec. 3(11), No. 1012, dt. 29.11.2002, p. 4.

4. In Regulation 7, in sub-regulation (iii) the words shall be inserted at the end of the sentence by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

5. In Regulation 7, in sub-regulation (iv) the words shall be inserted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

8. Submission of Report to the Board :-

The investigating authority shall, within ¹ ["reasonable time"] of the conclusion of the investigation, submit an investigation report to the Board,

1. In Regulation 8, the words "one months" shall be substituted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

9. Communication of findings, etc :-

(1)The Board shall, after consideration of the investigation report communicate the findings to the person suspected to be involved in insider trading or violation of these regulations.

(2) The person to whom such findings has been communicated shall reply to the same within 21 days; and

(3) On receipt of such a reply or explanation, if any, from such person, the Board may take such measures as it deems fit to protect the interests of the investors and in the interests of the securities market and for the due compliance of the ² "provisions" of the Act, the Regulations made thereunder including the issue of directions under regulation 11"

1. In Regulation 9, sub-regulation (1),(2)and (3) shall be inserted by Securities and Exchange Board of India (InsiderTrading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

2. In Regulation 9, in the sub-regulation (3), the word "province" shall be read as "provisions" by Securities and Exchange Board of India (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002. , Gaz. of India, Exty., Ft. II-Sec. 3(11), No. 1012, dt. 29.11.2002, p. 4.

10. Appointment of Auditor :-

Notwithstanding anything contained in ¹["regulation 4A and"]regulation 5, the Board may appoint a qualified auditor to investigate into the books of account or the affairs of the insider ² ["or any other person mentioned in clause (i) of sub-section (1) of section 11 of the Act"]: provided that, the auditor so appointed shall have the same powers of the inspecting authority as stated in regulation 5 and the insider shall have the obligations specified in regulation 7.

1. In Regulation 10,the words shall be inserted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

2. In Regulation 10, the words shall be inserted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated

20/02/2002.

11. Directions by the Board :-

¹ The Board may without prejudice to its right to initiate criminal prosecution under section 24 or any action under Chapter VIA of the Act, to protect the interests of investor and in the interests of the securities market and for due compliance with the provisions of the Act, regulation made thereunder issue any or all of the following order, namely".

(a) directing the insider or such person as mentioned in clause (i) of sub-section (2) of section 11 of the Act not to deal in securities in any particular manner;

(b) prohibiting the insider or such persons mentioned in clause (i) of sub-section (2) of section 11 of the Act from disposing of any of the securities acquired in violation of these Regulations;

(c) restraining the insider to communicate or counsel any person to deal in securities;

(d) declaring the transaction(s) in securities as null and void;

(e) directing the person who acquired the securities in violation of these regulations to deliver the securities back to the seller:

Provided that in case the buyer is not in a position to deliver such securities, the market price prevailing at the time of issuing of such directions or at the time of transactions whichever is higher shall be paid to the seller;

(f) directing the person who has dealt in securities in violation of these regulation to transfer an amount or proceeds equivalent to the cost price or market price of securities, whichever is higher to the investor protection fund of a Recognised Stock Exchange.

1. In Regulation 11, shall be substituted by Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002. Issued by the Securities and Exchange Board of India vide F.No. SEBI/LE/2841/2002; Published in the Gazette of India Extraordinary Part II, Section 3, Sub-section (ii) dated 20/02/2002.

CHAPTER 4

POLICY ON DISCLOSURES AND INTERNAL PROCEDURE FOR PREVENTION OF INSIDER TRADING

12. Code of internal procedures and conduct for listed

companies and other entities :-

(1) All listed companies and organisations associated with securities markets including :

(a) the intermediaries as mentioned in section 12 of the Act, asset management company and trustees of mutual funds;

(b) the self regulatory organisations recognised or authorised by the Board;

(c) the recognised stock exchanges and clearing house or corporations;

(d) the public financial institutions as defined in Section 4A of the Companies Act, 1956; and

(e) the professional firms such as auditors, accountancy firms, law firms, analysts, consultants, etc., assisting or advising listed companies; shall frame a code of internal procedures and conduct as near there to the Model Code specified in Schedule 1 of these Regulations.

(2) The entities mentioned in sub-regulation (1), shall abide by the code of Corporate Disclosure Practices as specified in Schedule II of these Regulations.

(3) All entities mentioned in sub-regulation (1), shall adopt appropriate mechanisms and procedures to enforce the codes specified under sub-regulations (1) and (2).

(4) Action taken by the entities mentioned in sub-regulation (1) against any person for violation of the code under sub-regulation (3) shall not preclude the Board from initiating proceedings for violation of these Regulations."

13. Disclosure of Interest or holding by directors and officers and substantial shareholders in listed companies Initial Disclosure :-

(1) Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company, the number of shares or voting rights held by such person, on becoming such holder, within 4 working days of:

(a) the receipt of intimation of allotment of shares; or

(b) the acquisition of shares or voting rights, as the case may be.

(2) Any person who is a director or officer of a listed company, shall disclose to the company, the number of shares or voting rights held by such person, within 4 working days of becoming a director or officer of the company.

(3)Continual disclosure- Any person who holds more than 5% shares for voting rights in any listed company shall disclose to the company the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below 5%, if there has been change in such holdings from the last disclosure made under sub-regulation (1) or under this sub-regulation; and such change exceeds 2% of total shareholding or voting rights in the company.

(4) Any person who is a director or officer of a listed company, shall disclose to the company, the total number of shares or voting rights held and change in shareholding or voting rights, if there has been a change in such holdings from the last disclosure made under sub-regulation (2) or under this sub-regulation, and the change exceeds Rupees 5 lacs in value or ¹"25,000" shares or ² "1%" of total shareholding or voting rights, whichever is lower.

(5) The disclosure mentioned in sub-regulations (3) and (4) shall be made within 4 working days of:

(a) the receipts of intimation of allotment of shares, or

(b) the acquisition or sale of shares or voting rights, as the case may be."

(6)Disclosure by company to stock exchanges- Every listed company, within five days of receipt, shall disclose to all stock exchanges on which the company is listed, the information received under sub-regulations (1), (2), (3) and (4).

1. In Regulation 13, in the sub-regulation (4), the figure "5000" shall be substituted by Securities and Exchange Board of India (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002. , Gaz. of India, Exty., Ft. II-Sec. 3(11), No. 1012,dt. 29.11.2002, p. 4.

2. In Regulation 13, in the sub-regulation (4), the figure "2%" shall be substituted by Securities and Exchange Board of India (Prohibition of Insider Trading) (Second Amendment) Regulations, 2002. , Gaz. of India, Exty., Ft. II-Sec. 3(11), No. 1012,dt. 29.11.2002, p. 4.

14. Violation of provision relating to disclosure :-

(1) A person who violates provisions of regulation 12 shall be liable for action under Section 11 or 11 B and/or Section 24 of the Act.

(2) A person who violates provisions of regulation 13 shall be liable for action as specified in regulation 11 or Sections 11, 11 B or action under Chapter VIA or section 24 of the Act.

15. Appeal to the Central Government :-

Any person aggrieved by an order of the Board under these regulations may prefer an appeal to the Securities Appellate Tribunal."

SCHEDULE 1

SCHEDULE I

PART

MODEL CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING FOR LISTED COMPANIES

PART

MODEL CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING FOR OTHER ENTITIES

SCHEDULE 2

CODE OF CORPORATE DISCLOSURE PRACTICES FOR PREVENTION OF INSIDER TRADING

1.0 Corporate Disclosure Policy 1.1 To ensure timely and adequate disclosure of price sensitive information, the following norms shall be followed by listed companies. 2.0 Prompt disclosure of price sensitive information 2.1 Price sensitive information shall be given by listed companies to stock exchanges disseminated on a continuous and immediate basis. 2.2 Listed companies may also consider ways of supplementing information released to stock exchanges by improving Investor access to their public announcements. 3.0 Overseeing and co-ordinating disclosure 3.1 Listed companies shall designate a senior official (such as Compliance officer) to oversee corporate disclosure. 3.2 This official shall be responsible for ensuring that the company complies with continuous disclosure requirements. Overseeing and co-ordinating disclosure of price sensitive information to stock exchanges, analysts, shareholders and media and educating staff on disclosure policies and procedure. 3.3 Information disclosure/dissemination may normally be approved in advance by the official designated for the purpose. 3.4 If information is accidentally disclosed without prior approval, the person responsible may inform the designated officer immediately, even if the information is not considered price sensitive. 4.0 Responding to market rumours 4.1 Listed companies shall have clearly laid down procedures for responding to any queries or requests for verification of market rumours by exchanges. 4.2 The official designated for corporate disclosure shall be responsible for deciding whether a public announcement is necessary for verifying or denying rumours and then making the disclosure. 5.0 Timely Reporting of shareholdings/ownership and changes in ownership 5.1 Disclosure of shareholdings/ownership by major shareholders and disclosure of changes in ownership as provided under any Regulations made under the Act and the

listing agreement shall be made in a timely and adequate manner. 6.0 Disclosure/dissemination of Price Sensitive Information with special reference to Analysts, Institutional Investors Listed companies should follow the guidelines given hereunder while dealing with analysts and institutional investors : (i) Only Public information to be provided Listed companies shall provide only public information to the analyst/research persons/large investors like institutions. Alternatively, the information given to the analyst should be simultaneously made public at the earliest. (ii) Recording of discussion In order to avoid misquoting or misrepresentation, it is desirable that at least two company representative be present at meetings with Analysts, brokers or Institutional Investors and discussion should preferably be recorded. (iii) Handling of unanticipated questions A listed company should be careful when dealing with analysts' questions that raise issues outside the intended scope of discussion. Unanticipated questions may be taken on notice and a considered response given later. If the answer includes price sensitive information, a public announcement should be made before responding. (iv) Simultaneous release of Information When a company organises meetings with analysts, the company shall make a press release or post relevant information on its website after every such meet. The company may also consider live webcasting of analyst meets. 7.0 Medium of disclosure/dissemination (i) Disclosure/dissemination of information may be done through various media so as to achieve maximum reach and quick dissemination. (ii) Corporates shall ensure that disclosure to stock exchanges is made promptly. (iii) Corporates may also facilitate disclosure through the use of their dedicated Internet website. (iv) Company websites may provide a means of giving investors a direct access to analyst briefing material, significant background information and questions and answers. (v) The information filed by Corporates with exchanges under continuous disclosure requirement may be made available on the company website." 8.0 Dissemination by stock exchanges (i) The disclosures made to stock exchanges may be disseminated by the exchanges to investors in a quick and efficient manner through the stock exchange network as well as through stock exchange websites. (ii) Information furnished by the companies under continuous disclosure requirements, should be published on the website of the exchange instantly. (iii) Stock exchanges should make immediate arrangement for display of the information furnished by the companies instantly on the stock exchange website.