THE GAZETTE OF INDIA

EXTRA-ORDINARY

PART II – SECTION 3 – SUB-SECTION (ii)

PUBLISHED BY AUTHORITY

SECURITIES AND EXCHANGE BOARD OF INDIA

NOTIFICATION

Mumbai, the 20th day of February 2002

SECURITIES AND EXCHANGE BOARD OF INDIA (INSIDER TRADING) (AMENDMENT) REGULATIONS, 2002

S.O. 221E).- In exercise of the powers conferred by section 30 of the Securities and Exchange Board of India Act,1992 (15 of 1992), the Board hereby makes the following regulations to amend the Securities and Exchange Board of India (Insider Trading) Regulations,1992.

I. **These Regulations may be called the Securities and Exchange Board of India (Insider Trading) (Amendment) Regulations, 2002.**
II. **They shall come into force on the date of their publication in the Official Gazette.**
III. **In the Securities and Exchange Board of India (Insider Trading) Regulations,1992 (hereinafter referred to as "the Regulations") :-**

1. **In the title, the words "Prohibition of" shall be inserted, before the words, "Insider Trading", in the bracket.**
2. **In Regulation 1, in sub-regulation (1), the words "Prohibition of" shall be inserted before the words " Insider Trading" in the bracket.**
3. **In Regulation 2;-**

a. **In clause (c), in sub- clause (ii),-**

i. **the words "whether temporary or permanent" shall be inserted after the words "and the company" and before the words "and who may reasonably ";**
ii. **"after sub-clause (ii), the following Explanation shall be inserted:-**

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

b. **In clause (d),**

i. **the word "subscribing", shall be inserted after the words "an act of" and before the words "buying";**
j. **the word "subscribe" shall be inserted after the words "or agreeing to" and before the words, "to buy".**

(c) In clause (e);-

(i) the words " by virtue of such connection" appearing before the words " to unpublished price sensitive " shall be omitted.

(ii) for the word `the' appearing after the words ` securities of' and before the word `company', the word `a', shall be substituted.

(d) in clause (h),

i. **for sub-clause (ii), the following sub-clause, shall be substituted, namely :-**

"(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.

(ii) after sub-clause (vii), the following sub-clauses shall be inserted, namely;-

"(viii) relatives of the connected person;

(ix) a concern, firm, trust, Hindu Undivided Family, Company, Association of Persons wherein the relatives of persons mentioned in sub-clauses (vi), (vii) and (viii) has more than 10% of the holding or interest."

iii. **After clause (h), the following clause and explanation shall be inserted, namely ;-**

"(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;**
vii. **any significant changes in policies, plans or operations of the company."**

(e) In clause (j), the words "or Securities and Exchange Board of India" shall be inserted after the words "Central Government" and before the words, "under section 4".

(f) For clause (k) the following clause and explanation shall be substituted; namely;-

"(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."

4. **In regulation 3, -**

(i) in clause (i), the words "on the basis of" appearing after the words "any stock exchange" and before the word "unpublished" shall be substituted by the words "when in possession of ";

(ii) for clause(ii), the following clause shall be substituted, namely;-

"(ii) communicate, counsel or procure, directly or indirectly, any unpublished price 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 or under any law."

(iii) clause (iii) shall be omitted.

5. **After the regulation 3, the following regulation shall be inserted, namely;-**

"3A. 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."

6. **In regulation 4;-**

(i) The words, "or communicate any information or counsels any person dealing in securities", shall be omitted.

(ii) The words and figure "or 3A" shall be inserted after the word and figure, "regulation 3,"

7. **In Chapter III, before regulation 5, the following regulation shall be inserted, namely;-**

" Power to make inquiries and inspection"

4A(1) If the Board suspects that any person has violated any provision of these regulations, it may make inquiries with such persons or any other person as mentioned in clause (i) of sub-section (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)."

8. **In regulation 5, in sub-regulation (1);-**
a. **for the words "on the basis of written information in its possession is of the opinion", the words, "is of prima facie opinion", shall be substituted.**
b. **the words "or any other person mentioned in clause (i) of sub-section (1) of section 11 of the Act" shall be inserted after the words "and documents of an insider" and before the words "for any of the purposes specified in sub-regulation (2)".**
9. **In regulation 6;-**

    i. **in sub-regulation (3), the words "an insider or any other person mentioned in clause (i) of sub-section (1) of section 11 of the Act" shall be inserted after the words "books of account and the insider" and before the words "shall be bound".**

10. **In regulation 7;-**

    a. **in sub-regulation (1), the words "or any other person mentioned in clause (i) of sub-section (1) of section 11 of the Act" shall be inserted after the words "who is being investigated" and before the words "to produce to the investigating authority".**
    b. **In sub-regulation (2), the words "or any other person mentioned clause (i) of sub-section (2) of section 11 of the Act" shall be inserted after the words "The insider" and before the words "shall allow the investigating authority to have reasonable access to the premises".**
    c. **In sub-regulation (3), the words "or any other person mentioned in clause (i) of sub-section (2) of section 11 of the Act" shall be inserted at the end of the sentence, after the words "insider".**
    d. **In sub-regulation (4), the words "or any other person mentioned in clause (i) of sub-section (2) of section 11 of the Act" shall be inserted after the words "the insider" and before the words "may be reasonably expected to give".**

11. **In regulation 8, for the words "one month", the words "reasonable time", shall be substituted.**
12. **In regulation 9, for sub-regulations (1) and (2) the following sub-regulation shall be inserted, namely;-**

"9(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 provisions of the Act, the Regulations made thereunder including the issue of directions under regulation 11."

13. **In regulation 10,**

    i. **the words "regulation 4A and" shall be inserted after the words "contained in" and before the figure''5".**
    ii. **the words "or any other person mentioned in clause (I) of sub-section (1) of section 11 of the Act" shall be inserted after the words "insider".**

14. **For Regulation 11 the following regulation shall be substituted, namely;-**

"11 - 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 investors and in the interests of the securities market and for due compliance with the provisions of the Act, Regulations 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 person as 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 regulations 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.**

15. **Regulation 12 shall be renumbered as regulation 15; and substituted by the following :**
"15 - Any person aggrieved by an order of the Board under these regulations may prefer an appeal to the Securities Appellate Tribunal."
16. **After regulation 11, the following Chapter and Regulations shall be inserted, namely;-**

" CHAPTER IV

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 I 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 a 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.**

Continual Disclosure

(3) 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 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 lac in value or 5000 shares or 2% 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 receipt of intimation of allotment of shares, or**
b. **the acquisition or sale of shares or voting rights, as the case may be."**

Disclosure by company to stock exchanges

(6) 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).

Violation of provision relating to disclosure

14. (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, 11B or action under Chapter VIA or section 24 of the Act.

15. After regulation 15, following schedules shall be inserted, namely :-

" SCHEDULE I

[Under regulation – 12(1)]

PART – A

Model Code of Conduct for Prevention of Insider Trading for Listed Companies

1.0 Compliance Officer

1.1 The listed company has appointed a compliance officer (senior level employee) who shall report to the Managing Director/Chief Executive Officer.

1.2 The compliance officer shall be responsible for setting forth policies, procedures, monitoring adherence to the rules for the preservation of "Price Sensitive Information", pre-clearing of designated employees' and their dependents' trades (directly or through respective department heads as decided by the company), monitoring of trades and the implementation of the code of conduct under the overall supervision of the Board of the listed company.

Explanation: For the purpose of this schedule, the term 'designated employee' shall include:-

(i) officers comprising the top three tiers of the company management and all employees in the finance department.

(ii) the employees designated by the company to whom these trading restrictions shall be applicable, keeping in mind the objectives of this code of conduct.

1.3 The compliance officer shall maintain a record of the designated employees and any changes made in the list of designated employees

1.4 The compliance officer shall assist all the employees in addressing any clarifications regarding the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and the company's code of conduct.

2.0 Preservation of "Price Sensitive Information"

2.1 Employees/ directors shall maintain the confidentiality of all Price Sensitive Information. Employees/ directors shall not pass on such information to any person directly or indirectly by way of making a recommendation for the purchase or sale of securities.

2.2 Need to know

2.2.1 Price Sensitive Information is to be handled on a "need to know" basis, i.e., Price Sensitive Information should be disclosed only to those within the company who need the information to discharge their duty.

2.3 Limited access to confidential information

2.3.1 Files containing confidential information shall be kept secure. Computer files must have adequate security of login and pass word etc.

3.0 Prevention of misuse of "Price Sensitive Information

3.1 All directors/ officers and designated employees of the company shall be subject to trading restrictions as enumerated below :-

3.2 Trading window

3.2.1 The company shall specify a trading period, to be called "Trading Window", for trading in the company's securities. The trading window shall be closed during the time the information referred to in para 3.2.3 is un-published.

3.2.2 When the trading window is closed, the employees / directors shall not trade in the company's securities in such period.

3.2.3 The trading window shall be, inter alia, closed at the time of:-

a. **Declaration of Financial results (quarterly, half-yearly and annual)**
b. **Declaration of dividends (interim and final)**
c. **Issue of securities by way of public/ rights/bonus etc.**
d. **Any major expansion plans or execution of new projects**
e. **Amalgamation, mergers, takeovers and buy-back**
f. **Disposal of whole or substantially whole of the undertaking**
g. **Any changes in policies, plans or operations of the company**

3.2.4 The trading window shall be opened 24 hours after the information referred to in para 3.2.3 is made public.

3.2.5 All directors/ officers/designated employees of the company shall conduct all their dealings in the securities of the Company only in a valid trading window and shall not deal in any transaction involving the purchase or sale of the company's securities during the periods when trading window is closed, as referred to in para 3.2.3 or during any other period as may be specified by the Company from time to time.

3.2.6 In case of ESOPs, exercise of option may be allowed in the period when the trading window is closed. However, sale of shares allotted on exercise of ESOPs shall not be allowed when trading window is closed.

3.3 Pre clearance of trades

3.3.1 All directors/officers /designated employees of the company who intend to deal in the securities of the company (above a minimum threshold limit to be decided by the company) should pre-clear the transactions as per the pre-dealing procedure as described hereunder.

3.3.2 An application may be made in such form as the company may notify in this regard, to the Compliance

officer indicating the estimated number of securities that the designated employee/ officer/ director intends to deal in, the details as to the depository with which he has a security account, the details as to the securities in such depository mode and such other details as may be required by any rule made by the company in this behalf.

3.3.3 An undertaking shall be executed in favour of the company by such designated employee / director / officer incorporating, inter alia, the following clauses, as may be applicable:

a. **That the employee/ director/officer does not have any access or has not received "Price Sensitive Information" upto the time of signing the undertaking.**
b. **That in case the employee/ director/officer has access to or receives "Price Sensitive Information" after the signing of the undertaking but before the execution of the transaction he/she shall inform the Compliance officer of the change in his position and that he/she would completely refrain from dealing in the securities of the company till the time such information becomes public.**
c. **That he/she has not contravened the code of conduct for prevention of insider trading as notified by the company from time to time.**
d. **That he/she has made a full and true disclosure in the matter**

4.0 Other restrictions

4.1 All directors/officers /designated employees shall execute their order in respect of securities of the company *within one week* after the approval of pre-clearance is given. If the order is not executed within one week after the approval is given, the employee/ director must pre clear the transaction again.

4.2 All directors/officers /designated employees shall *hold their investments in securities* for a minimum period of 30 days in order to be considered as being held for investment purposes. The holding period shall also apply to subscription in the primary market (IPOs). In the case of IPOs, the holding period would commence when the securities are actually allotted.

4.3 In case the sale of securities is necessitated by personal emergency, the holding period may be waived by the compliance officer after recording in writing his/her reasons in this regard.

5.0 Reporting Requirements for transactions in securities

5.1 All directors/officers /designated employees of the listed company shall be required to forward following details of their Securities transactions including the statement of dependent family members (as defined by the company) to the Compliance officer:

a. all holdings in securities of that company by directors/officers /designated employees at the time of joining the company;
b. periodic statement of any transactions in securities (the periodicity of reporting may be defined by the company. The company may also be free to decide whether reporting is required for trades where pre-clearance is also required); and
c. annual statement of all holdings in securities

5.2 The Compliance officer shall maintain records of all the declarations in the appropriate form given by the directors/officers /designated employees for a minimum period of three years.

5.3 The Compliance officer shall place before the Managing Director/Chief Executive Officer or a committee specified by the company, on a monthly basis all the details of the dealing in the securities by employees / director / officer of the company and the accompanying documents that such persons had executed under the pre-dealing procedure as envisaged in this code.

6.0 Penalty for contravention of code of conduct

6.1 Any employee/ officer / director who trades in securities or communicates any information for trading in securities, in contravention of the code of conduct may be penalised and appropriate action may be taken by the company.

6.2 Employees / officers / directors of the company who violate the code of conduct shall also be subject to disciplinary action by the company, which may include wage freeze, suspension, ineligibility for future participation in employee stock option plans, etc.

6.3 The action by the company shall not preclude SEBI from taking any action in case of violation of SEBI (Prohibition of Insider Trading), Regulations, 1992.

7.0 Information to SEBI in case of violation of SEBI (Prohibition of Insider Trading) Regulations, 1992

7.1 In case it is observed by the company/compliance officer that there has been a violation of SEBI (Prohibition of Insider Trading) Regulations, 1992, SEBI shall be informed by the company.

PART B

Model Code of Conduct for Prevention of Insider Trading for Other Entities

1.0 Compliance Officer

1.1 The organisation/firm has a compliance officer (senior level employee) reporting to the Managing Partner / Chief Executive Officer.

1.2 The compliance officer shall be responsible for setting forth policies and procedures and monitoring adherence to the rules for the preservation of "Price Sensitive Information", pre-clearing of all designated employees and their dependents trades (directly or through respective department heads as decided by the organisation/firm), monitoring of trades and the implementation of the code of conduct under the overall supervision of the partners/proprietors.

1.3 The compliance officer shall also assist all the employees /directors/partners in addressing any clarifications regarding SEBI (Prohibition of Insider Trading) Regulations, 1992 and the organisation/firm's code of conduct.

1.4 The compliance officer shall maintain a record of the designated employees and any changes made in the list of designated employees.

2.0 Preservation of "Price Sensitive Information"

2.1 Employees /directors/partners shall maintain the confidentiality of all Price Sensitive Information. Employees /directors/partners must not pass on such information directly or indirectly by way of making a recommendation for the purchase or sale of securities.

2.2 **Need to know**

2.2.1 Price Sensitive Information is to be handled on a "need to know" basis, i.e. Price Sensitive Information should be disclosed only to those within the organisation/firm who need the information to discharge their duty and whose possession of such information will not give rise to a conflict of interest or appearance of misuse of the information.

2.3 **Limited access to confidential information**

2.3.1 Files containing confidential information shall be kept secure. Computer files must have adequate security of login and pass word, etc.

2.4 **Chinese Wall**

2.4.1 To prevent the misuse of confidential information the organisation / firm shall adopt a "Chinese Wall" policy which separates those areas of the organisation/firm which routinely have access to confidential information, considered "inside areas" from those areas which deal with sale/marketing/investment advise or other departments providing support services, considered "public areas".

2.4.2 The employees in the inside area shall not communicate any Price Sensitive Information to anyone in public area.

2.4.3 The employees in inside area may be physically segregated from employees in public area.

2.4.4 Demarcation of the various departments as inside area may be implemented by the organisation / firm.

2.4.5 In exceptional circumstances employees from the public areas may be brought "over the wall" and given confidential information on the basis of "need to know" criteria, under intimation to the compliance officer.

3.0 Prevention of misuse of Price Sensitive Information

3.1 Employees /directors/partners shall not use Price Sensitive Information to buy or sell securities of any sort, whether for their own account, their relative's account, organisation/firm's account or a client's account. The following trading restrictions shall apply for trading in securities:

3.2 **Pre clearance of trades**

3.2.1 All directors/officers /designated employees of the organisation/ firm who intend to deal in the securities of the client company (above a minimum threshold limit to be determined by the organisation/firm) shall pre-clear

the transactions as per the pre-dealing procedure as described hereunder.

3.3.2 An application may be made in such form as the organisation/firm may specify in this regard, to the Compliance officer indicating the name and estimated number of securities that the designated employee / director / partner intends to deal in, the details as to the depository with which he has a security account, the details as to the securities in such depository mode and such other details as may be required by any rule made by the organisation/firm in this behalf.

3.3.3 An undertaking shall be executed in favour of the organisation / firm by such designated employee / partners / directors incorporating, inter alia, the following clauses, as may be applicable :

i. That the designated employee / director/partner does not have any access or has not received any " Price Sensitive Information" upto the time of signing the undertaking.
ii. That in case the designated employee / director/partner has access to or receives "Price Sensitive Information" after the signing of the undertaking but before the execution of the transaction he/she shall inform the Compliance officer of the change in his position and that he/she would completely refrain from dealing in the securities of the client company till the time such information becomes public.
iii. That he/she has not contravened the code of conduct for prevention of insider trading as specified by the organisation/firm from time to time.
iv. That he/she has made a full and true disclosure in the matter

4.0 Restricted /Grey list

4.1 In order to monitor chinese wall procedures and trading in client securities based on inside information, the organisation/firm shall restrict trading in certain securities and designate such list as restricted / grey list.

4.2 Security of a listed company shall be put on the r*estricted/grey list* if the organisation/firm is handling any assignment for the listed company or is preparing appraisal report or is handling credit rating assignments and is privy to Price Sensitive Information.

4.3 Any security which is being purchased or sold or is being considered for purchase or sale by the organisation/firm on behalf of its clients/ schemes of mutual funds, etc. shall be put on the *restricted/grey list.*

4.4 As the restricted list itself is a highly confidential information it shall not be communicated directly, or indirectly to anyone outside the organisation/firm. The Restricted List shall be maintained by Compliance Officer.

4.5 When any securities are on the Restricted List, trading in these securities by designated employees/directors/partners may blocked or may be dis-allowed at the time of pre-clearance.

5.0 Other restrictions

5.1 All directors/designated employees /partners shall execute their order *within one week* after the approval of pre-clearance is given. If the order is not executed within one week after approval is given, the employee/ director/partners must pre clear the transaction again.

5.2 All directors/officers /designated employees /partners shall *hold their investments* for a minimum period of 30 days in order to be considered as being held for investment purposes.

5.3 The holding period shall also apply to purchases in the primary market (IPOs). In the case of IPOs, the holding period would commence when the securities are actually allotted.

5.4 In case the sale of securities is necessitated by personal emergency, the holding period may be waived by the compliance officer after recording in writing his/her reasons in this regard.

5.5 Analysts, if any, employed with the organisation / firm while preparing research reports of a client company (s) shall disclose their share holdings/ interest in such company(s) to the compliance officer.

5.6 Analysts who prepare research report of a listed company shall not trade in securities of that company for thirty days from preparation of such report.

6.0 Reporting Requirements for transactions in securities

6.1 All directors / designated employees / partners of the organisation/firm shall be required to forward following details of their Securities transactions including the statement of dependent family members (as defined by the organisation/firm) to the Compliance officer:-

a. all holdings in securities by directors/officers /designated employees /partners at the time of joining the organisation.
b. periodic statement of any transactions in securities (the periodicity of reporting may be defined by the firm or organisation. The organisation / firm may also be free to decide whether reporting is required for

trades where pre-clearance is also required.

c. annual statement of all holdings in securities

6.2 The Compliance officer shall maintain records of all the declarations given by the directors/ designated employees /partners in the appropriate form for a minimum period of three years.

6.3 The Compliance officer shall place before the Chief Executive Officer/ Partner or a committee notified by the organisation/firm, on a monthly basis all the details of the dealing in the securities by designated employees /directors/partners of the organisation/firm and the accompanying documents that such persons had executed under the pre-dealing procedure as envisaged in this code.

7.0 Penalty for contravention of code of conduct

7.1 Any employee / partner / director who trades in securities or communicates any information or counsels any person trading in securities, in contravention of the code of conduct may be penalised and appropriate action may be taken by the organisation / firm.

7.2 Employees / partners / directors of the organisation / firm who violate the code of conduct may also be subject to disciplinary action by the company, which may include wage freeze, suspension, etc.

7.3 The action by the organisation / firm shall not preclude SEBI from taking any action in case of violation of SEBI (Prohibition of Insider Trading) Regulations, 1992.

8.0 Information to SEBI in case of violation of SEBI (Prohibition of Insider Trading) Regulations

8.1 In case it is observed by the organisation/ firm / compliance officer that there has been a violation of these Regulations, SEBI shall be informed by the organisation / firm.

9.0 Listed intermediaries to comply with both part A and B of Schedule I.

9.1 The intermediaries such as credit rating agencies, Asset Management Companies, or broking companies etc. whose securities are listed in recognised stock exchange shall comply with both Part A and Part B of this Schedule in respect of its own securities and client's securities.

SCHEDULE II

[see under regulation 12(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 and 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 web site 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 web site.

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D.R.MEHTA
CHAIRMAN
SECURITIES AND EXCHANGE BOARD OF INDIA

FOOT NOTE :

1. **Securities and Exchange Board of India (Insider Trading) Regulations, 1992, the Principal Regulation, was published in the Gazette of India on 19th November 1992, vide S.O.LE/6308/92(E).**

2. **The principal regulation was subsequently amended by**

    i. **SEBI (Appeal to Securities Appellate Tribunal) (Amendment) Regulations, 2000 vide S.O. No. 278 (E) published in the Gazette of India on 28th March 2000.**