



Consultation paper on providing flexibility in Provisions relating to 'Trading Plans' under the SEBI (Prohibition of Insider Trading) Regulations, 2015

1. Background

1.1. Insider trading i.e. trading when in possession of Unpublished Price Sensitive Information (UPSI) (i.e. information which, if published, could have impacted the price of the securities being traded in the market) is prohibited in India under the SEBI (Prohibition of Insider Trading) Regulations, 2015 ("PIT Regulations, 2015"). The prohibition on insider trading is based on the premise that trading in a security by a person would be influenced by the UPSI in their possession, which is not accessible to others in the market. However, insiders are allowed to trade, provided they are not in possession of UPSI and subject to compliance with other provisions of PIT Regulations, 2015.

1.2. Amongst the insiders there are certain class of insiders like senior management or key managerial personnel ("KMP"), who have a very small window for carrying out their trades, if required, due to being in possession of UPSI most of the time, coupled with mandatory trading window closures for financial results. However, these insiders may need to trade for purposes such as creeping acquisitions, compliance with minimum public shareholding norms, etc. Also, grant of stock options is often a significant component of KMP compensation and KMPs may wish to dispose of the shares acquired through exercising stock options, but by virtue of perpetually holding UPSI, may find it difficult to do so. Hence, PIT Regulations, 2015 have the concept of 'Trading Plans' (hereinafter also referred as 'TP') to enable persons, perpetually in possession of UPSI, to trade in securities in a compliant manner.

2. Need for review of Trading Plan framework: Since the introduction of trading plans in 2015, data and market feedback suggest that the current regulatory requirements



in respect of trading plans are onerous and consequently, trading plans are not very popular.

3. **Constitution of Working Group:** SEBI constituted a Working Group to review provisions relating to 'Trading Plans' under the SEBI (Prohibition of Insider Trading) Regulations, 2015 ("PIT Regulations, 2015"). The Working Group was mandated to review provisions of the trading plan under PIT Regulations, 2015 so as to provide flexibility to facilitate adoption of trading plans by persons who may be perpetually in possession of Unpublished Price Sensitive Information. The Working Group comprised of officials of SEBI, stock exchanges and market participants.
4. **Recommendations of the Working Group:** The Working Group has submitted its report to SEBI on September 15, 2023 recommending certain amendments to PIT Regulations, 2015 ([Annexure A](#)). The summary of the recommendations is as follows:
 - 4.1. **Cool-off period:** The minimum cool-off period between disclosure of TP and implementation of TP may be reduced to four months from six months.
 - 4.2. **Minimum Coverage period:** The minimum coverage period requirement may be reduced to two months from twelve months.
 - 4.3. **Black-out period:** The requirement of black-out period for trading in TP may be done away with.
 - 4.4. **Price Limit to Protect Insider from Significant Adverse Price Fluctuation:**
The insider shall have flexibility, during formulation of TP, to provide price limits i.e. upper price limits for buy trades and lower price limits for sell trades. Such price limit shall be within +/-20% of the closing price on date of submission of TP. If price of the security, during execution, is outside the price limit set by the insider, the trade shall not be executed. If no price limit is opted for, the trade has to be undertaken irrespective of the prevailing price.



4.5. **Contra-trade restrictions:** The provision exempting trades executed under TP from applicability of contra-trade restrictions to be omitted i.e. contra-trade provisions shall be applicable on trades executed under TP as well.

4.6. **Timeline for Disclosure of TP:** Disclosure of TP to stock exchanges proposed to be done in two days from the date of approval of TP.

4.7. **Format for reporting details of TP:** A suitable format may be specified in consultation with market participants.

5. Disclosure of Personal Details of Insider in TP:

5.1. As per Reg 5(5) of PIT Regulations, upon approval of the trading plan, the compliance officer shall notify the TP to the stock exchanges on which the securities of the Company are listed. Such disclosure of TP enables investors in the market at large to take informed decision. While there is no prescribed format for disclosure of the TP, it typically contains the personal details (Name and Designation) of the insider along with the trades planned to be undertaken.

5.2. The Working Group discussed the feasibility of protecting the privacy of insiders by masking their personal details (Name, Designation, PAN) while disclosing the TP to stock exchanges. The alternatives explored by the Working Group were as follows:

5.2.1. **Alternative 1: Mask personal details (Name, Designation, PAN) of Insider in the TP**

5.2.2. **Alternative 2: Continue existing manner of TP disclosure with personal details (Name, Designation, PAN) of Insider**

5.3. The Working Group was of the view that existing disclosures with personal details (Name, Designation, PAN) of insider should continue for investors to take



informed decision as well as to monitor the execution of TP by the stock exchanges (**Para 3.9 of [Annexure A](#)**).

5.4. The rationale of the Working Group to continue with the practice of disclosing personal details (Name, Designation, PAN) of insider in TP appears to be reasonable. Also, masking the names of insiders in TP by the Company while disclosing the details of TP to stock exchanges may potentially lead to misuse / abuse of TPs by other insiders. For e.g. a TP submitted by insider X may instead be used by insider Y. However, market feedback indicates that full disclosure of personal details in TP may raise privacy and safety concerns for senior management and insiders.

5.5. Accordingly, with a view to balance the problem of potential misuse and privacy and safety concerns, stated at para 5.4 above, a third alternative as detailed below is suggested.

5.5.1. Alternative 3: Make two separate disclosures of TP - (a) full (confidential) disclosure to stock exchange and (b) disclosure without personal details to public through the stock exchange

In this alternative, it is proposed that the insider will make separate filings for the stock exchange (with personal details) and for the public (without personal details). The disclosure of the TP to the stock exchange (with personal details) will remain confidential with stock exchanges and the disclosure without personal details will be made public. To counter any concerns of possible misuse arising from masking of names from the public, a unique identifier viz., a common reference number with time stamp may be put on these filings for reconciliation purposes.



6. Comments from public are invited on the recommendations contained in the aforesaid report ([Annexure A](#)) and **para 5** of this consultation paper in the prescribed format ([link to download format](#)).
7. Comments may be sent by email to pit_isd@sebi.gov.in latest by **December 15, 2023** only in the prescribed format. While responding, kindly mention the subject as “**Comments on consultation paper on providing flexibility in Provisions relating to ‘Trading Plans’ under the SEBI (Prohibition of Insider Trading) Regulations, 2015**”.

Division of Policy-2
Integrated Surveillance Department
Securities and Exchange Board of India
SEBI Bhavan II, Plot No. C-7, “G” Block,
Bandra Kurla Complex Bandra (East), Mumbai -400 051

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