Annexure One
Concept of insiders, inside information and other related terms [As per Insider Trading (Prevention) Regulation 1992 Issued by SEBI]:

An 'insider' is any person who, is or was connected with the company or is deemed to have been connected with the company, and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of company, or who has received or has had access to such unpublished price sensitive information in respect of such company.

'Unpublished price sensitive information' means any information which relates to the following matters or is of concern, directly or indirectly, to a company, and is not generally known or published by such company for general information, but which if published or known, is likely to materially affect the price of securities of that company in the market. The following would be deemed to be price sensitive information – (i) financial results (both half-yearly and annual) of the company: (ii) intended declaration of dividends (both interim and final); (iii) issue of shares by way of public rights, bonus, etc.; (iv) any major expansion plans or execution of new projects; (v) amalgamation, mergers and takeovers; (vi) disposal of the whole or substantially the whole of the undertaking; (vii) such other information as may affect the earnings of the company, (viii) any changes in policies, plans or operations of the company.

'Connected person' means any person who— (i) is a director of a company, as defined in clause (13) of section 2 of the Companies Act, 1956 or is deemed to be a director of that company by virtue of sub-clause (10) of section 307 of that Act, (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himself and the company, whether temporary or permanent, and who may reasonably be expected to have an access to unpublished price sensitive information in relation to that company.

'Deemed to be connected person' means a person who — (i) is a company under the same management or group, or any subsidiary company (ii) is an intermediary, 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, (v) is an official or an employee of a Self-regulatory Organization recognized or authorized by the Board of a regulatory body; (vi) is a relative of any of the aforementioned persons; (vii) is a banker of the company, (viii) relatives of the connected person, (ix) is a concern, firm, trust, Hindu undivided family, company or association of persons wherein any of the connected persons (i.e. director/deemed director of a company) or any of the persons mentioned in sub-clause (vi), (vii) or (viii) of this clause have more than 10 per cent of the holding or interest.
Thus a person, so defined as insider, will be guilty of insider trading if he deals in securities in contraventions of the provisions of this regulation discussed below.

1. 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 when in possession of any unpublished price sensitive information, or (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 profession or employment or under any law.

2. 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 (Regulation 3A).

3. However the above regulation 3A will not apply in certain cases.
   (i) A company should not be guilty of insider trading if it proves that it has 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;
      (b) It 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.
   (ii) In a proceeding against a company in respect of regulation 3A which is in possession of unpublished price sensitive information, it shall be defense 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.

Insider Trading Prevention Mechanisms Suggested by SEBI; Policy on Disclosures and Internal Procedures for Prevention of Insider Trading:

- Code of internal procedures and conduct for listed companies and other entities (Regulation 12).

(1) All listed companies and organizations 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 organizations recognized or authorized by the Board; (c) the recognized 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 thereto 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.

- Disclosure of interest or holding by directors and officers and substantial shareholders
  in a listed company (Regulation 13):

  **Initial Disclosure**

  (1) Any person who holds more than 5% shares or voting rights in any listed company shall
disclose to the company [in Form A], 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 [in
Form B], 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 for voting rights in any listed company shall
disclose to the company [in Form C], 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 [in
Form D], 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 Rs. 5 lakh in value or 25,000
shares or 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.

- 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 about the initial or continual disclosures specified
above.
* Violation of provision relating to disclosure (Regulation 14).
(1) A person who violates provisions of regulation 12 shall be liable for action under section 11 or 11B 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.

* Appeal to the Central Government (Regulation 15).
Any person aggrieved by an order of the Board under these regulations may prefer an appeal to the Securities Appellate Tribunal.

The Monitoring Mechanism and Penalty Measures by SEBI.

* Power to make inquiries and inspection (Regulation 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).

* Board’s right to investigate (Regulation 5)
On the basis of the prima facie opinion, the SEBI may appoint an investigating authority (i.e. any officer of the SEBI or any other person, other than a firm/ body corporate/association of persons, having experience in dealing with the problems relating to the securities market and who is authorized by it to investigate (a) into the complaints received from investors/intermediaries/any other person or any matter having a bearing on the allegation of insider trading, and (b) suo moto upon its own knowledge/information in its possession to protect the interest of investors in securities against breach of these regulations. Alternatively it may appoint a qualified auditor to investigate into the books of accounts or the affairs of the insider/any other person with the same powers as the investigating authority.

* Procedure for investigation (Regulation 6)
(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 investigating authority shall undertake the investigation and inspection of books of account and the insider against whom an investigation is being carried out [an insider or any other person mentioned in clause (i) of sub-section (1) of section 11 of the Act shall be bound to discharge his obligations as provided in regulation 7.

* Obligations of insider on investigation by the Board (Regulation 7)
(1) It shall be the duty of every insider, who is being investigated [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 [or any other person mentioned 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 [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 [or any other person mentioned in clause (i) of subsection (2) Of section 11 of the Act may be reasonably expected to give.

- **Submission of Report to the Board (Regulation 8)**
  The investigating authority shall, within reasonable time of the conclusion of the investigation, submit an investigation report to the Board.

- **Communications of findings, etc (Regulation 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 have been communicated shall reply to the same within 21 days.

  (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 there under including the issue of directions under regulation 11.

- **Appointment of Auditor (Regulation 10)**
  Notwithstanding anything contained in 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 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.

- **Directions by the Board (Regulation 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 investor and in the interests of the securities market and for due compliance with the provisions of the Act, regulation made there under issue any of 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 recognized stock exchange.

Section B

No. of Insider Trading Cases Reported to SEBI and Action Taken by SEBI

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Source: SEBI Records