

Editorial

Insider trading regulations are fundamental to financial markets globally and India is no exception to it. The Securities and Exchange Board of India (SEBI) ensures fairness, transparency and integrity within India's financial market by enforcing stringent insider trading laws. These regulations prevent individuals with privileged, non-public information from making unfair gains or avoiding losses. SEBI's mandate includes defining insider trading, outlining responsibilities, and penalizing violations under the SEBI (Prohibition of Insider Trading) Regulations, 2015. In this article, we delve into the recent changes in these regulations, particularly concerning trading plans, aiming to further level the playing field and prevent exploitation by insiders, ensuring all investors can participate fairly.

We have also included exciting sections in the newsletter such as a quiz and engaging brain teasers.

Our other regular features comprising of Gist of Changes in the Companies Act, 2013, SEBI's LODR, 2015 and IB Code, 2016, and Statutory Compliance Calendar for the month of July 2024.

Please share your feedback on this newsletter with us at contact@cimplyfive.com, we eagerly look forward to it.

Happy reading,
Team CimplyFive
July 05, 2024

What's more in this month's issue.

- ***What is Hot in Company Law?***
- ***Article for the Month***
- ***BLISS Tips for the Month***
- ***Test your Gray Matter!***
- ***Compliance Calendar***
- ***Regulatory Changes in the Month***

OPINION:

What is Hot in Company Law?

Our free to use website www.ca2013.com has the unique distinction of providing an integrated view of the Companies Act, SEBI (LODR) and IB code. Our site has crossed **40 million page-views** as on date and attracts over 6,000 users accessing around 25,000 pages a day. List of the most viewed sections in the Companies Act, LODR and IB Code in the month of June 2024 here is based on visitors to our site.

For the Month of June 2024
Companies Act, 2013 Top 5 Chartbusters

Rank in May	Change in Rank	Rank in June	Section reference	Section title
1	↔	1	179	Powers of Board
2	↔	2	62	Further issue of share capital
3	↔	3	188	Related party transactions
4	↔	4	149	Company to have Board of Directors
5	↔	5	186	Loan and investment by company

There has been no change in ranking since the previous month.

LODR Top 5 Chartbuster Regulations

Rank in May	Change in Rank	Rank in June	Regulation reference	Regulation title
1	↔	1	30	Disclosure of Events or information
2	↔	2	17	Board of Directors
N	↑	3	34	Annual report
4	↔	4	2	Definitions (Chapter 1)
N	↑	5	6	Compliance Officer and Obligations

Regulations 23 and 52 have been replaced with Regulations 34 and 6 in the top 5 rankings.

IB Code Top 5 Chartbusters

Rank in May	Change in Rank	Rank in June	Section reference	Section title
1	↔	1	59	Voluntary Liquidation of Corporate Persons (Chapter 5)
2	↔	2	5	Definitions (Part 2, Chapter 1)
N	↑	3	3	Definitions (Part 1)
N	↑	4	7	Initiation of corporate insolvency resolution process by financial creditor. (Part 2, Chapter 2)
N	↑	5	6	Persons who may initiate corporate insolvency resolution process. (Part 2, Chapter 2)

Sections 21,29 and 12 have been replaced with Sections 3,7 and 6 in the top 5 Ranking.

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Article of the Month:

Introduction

Insider Trading – Regulation and the importance of being regulated.

Insider trading regulations are a cornerstone of financial markets worldwide, and India is no exception. These regulations are vital for ensuring fairness, transparency, and integrity within the financial market. In India, the Securities and Exchange Board of India (SEBI) plays a crucial role in enforcing insider trading laws with the Securities And Exchange Board Of India (Prohibition Of Insider Trading) Regulations, 2015 ("the Regulations"). To prevent individuals with privileged, non-public information about a company from making unfair gains or avoiding losses through trading stocks or other securities, without such Regulations, the playing field would be uneven, as insiders could exploit their knowledge to the detriment of ordinary investors, eroding trust in the financial markets.

The Indian financial market, characterized by its rapid growth and increasing participation from both new domestic and various international investors, relies heavily on the principle of market efficiency. Insider trading distorts market prices and leads to a misallocation of resources, harming the broader economy. SEBI's stringent regulations and proactive enforcement are essential to maintaining investor confidence and ensuring that the markets operate under fair conditions where everyone has equal access to information. This is where the need for a strong Regulations step in to address ambiguity and to preserve the overall well-being of the Markets.

Impact on Corporate Governance

Insider trading regulations contribute significantly to corporate governance practices. They hold the company executives and employees accountable for their actions, encouraging ethical behaviour and promoting transparency within corporations, mentored and monitored by the Compliance Officer. While being ethically sound, this enhances the reputation and stability of Indian companies, making them more attractive to investors.

Here, SEBI's Regulations involving high penalties and punishments, serve as a deterrent, reducing the likelihood of unethical practices and fostering a culture of compliance and integrity. Aptly, its more about cultivating the habit of making informed choices in terms of having a trading plan rather than to fall prey to high penalties, thereby saving the corporate image and the investors at large.

In summary, insider trading regulations are crucial for ensuring a level playing field, protecting investors, maintaining market integrity, and fostering a stable and transparent financial environment. These regulations are indispensable for the healthy functioning of India's capital markets and the overall economy, highlighting the need for robust legal frameworks and vigilant enforcements by SEBI.

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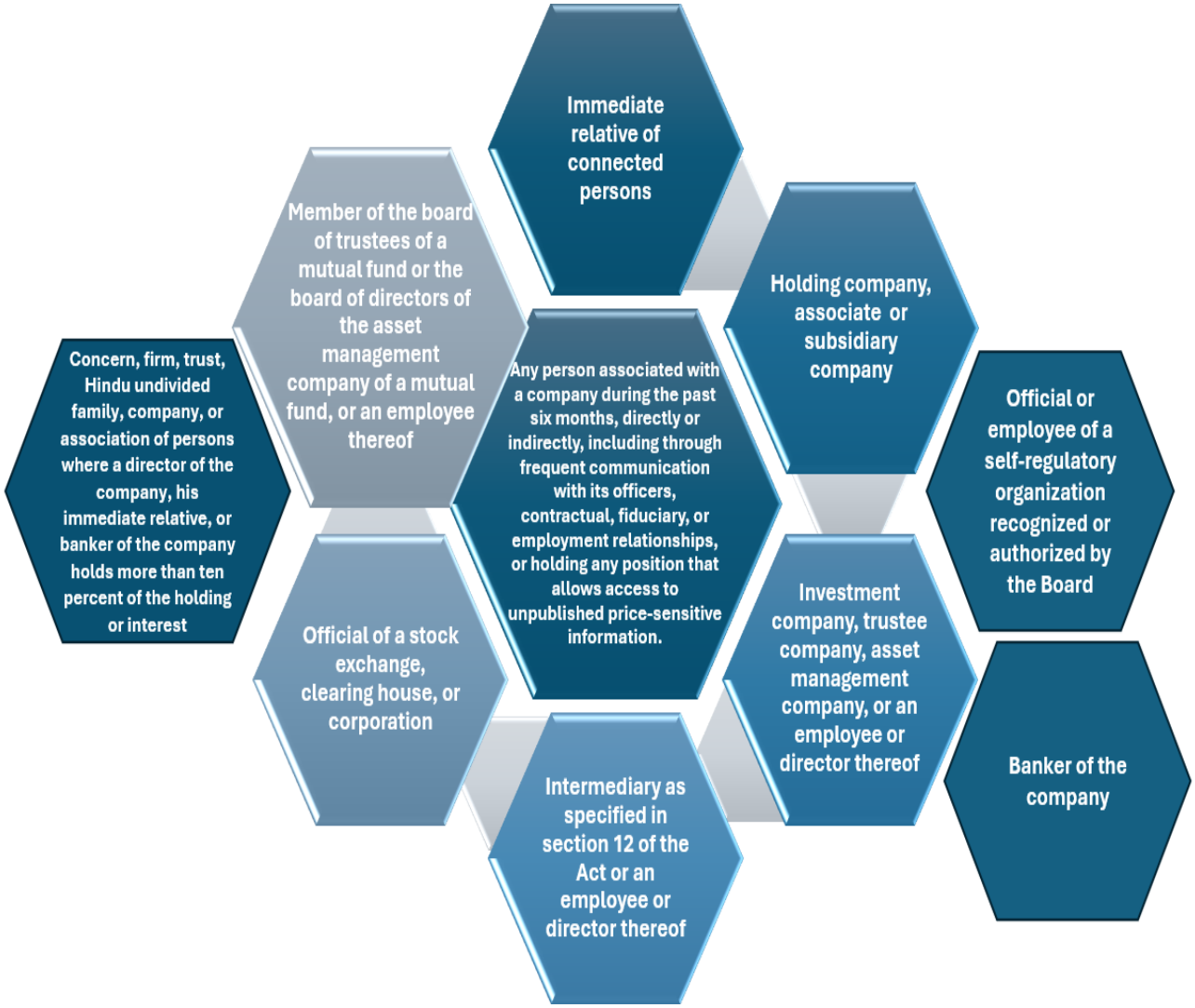


Image: Connected Person

Role of a Compliance Officer

A compliance officer is a senior officer who is designated by and reports to the board of directors. In addition to fulfilling the below mentioned responsibilities, the compliance officer ensures that a company complies with its external regulatory and legal requirements, as well as internal policies and by-laws, while maintaining an unbiased perspective - the crucial role played by them. Many companies now designate a Chief Compliance Officer (CCO) to fulfil these critical responsibilities under the overall supervision of the board of directors or the head of the organization.

The multifaceted responsibilities of a compliance officer in upholding insider trading regulations within an organization.

- **Designated Senior Officer:** Must be appointed by the board of directors or the head of the organization.
- **Financially Literate:** Ability to read and understand basic financial statements, including balance sheets, profit and loss accounts, and cash flow statements.
- **Regulatory Compliance:** Understand and appreciate legal and regulatory requirements.
- **Policy Development:** Create and enforce policies and procedures to prevent insider trading.

- **Record Maintenance:** Ensure proper maintenance of all relevant records under the Code.
- **Information Preservation:** Monitor and safeguard unpublished price-sensitive information as enumerated.
- **Trade Monitoring:** Oversee and review trading activities and trading plans to detect suspicious transactions.
- **Code Implementation:** Implement and ensure adherence to regulatory codes.
- **Reporting Authority:** Operate under the overall supervision of the board of directors or the head of the organization and have a seamless reporting mechanism.
- **Training and Education:** Conduct training sessions for employees on compliance matters.
- **Regulatory Liaison:** Serve as a point of contact with regulatory bodies like SEBI for reporting and cooperation during investigations.

What is generally available information and how to differentiate it from unpublished price sensitive information (UPSI)?

Understanding the distinction between "generally available information" and UPSI is crucial for making informed decisions in the financial markets. Generally available information is accessible to the public on a non-discriminatory basis, meaning it is open to anyone without requiring special privileges or insider access, such as information published on websites of Stock Exchanges. This type of information is characterized by its public availability, unbiased access, and credibility as it comes from verified sources. Recognizing what constitutes generally available information helps to distinguish it from UPSI, which is non-public information that could significantly impact a company's stock price if disclosed. Proper understanding and handling UPSI is essential for regulatory compliance, preventing insider trading, and maintaining fair and transparent trading practices.

"Generally available information" refers to information that is accessible to the public on a non-discriminatory basis. Key characteristics of generally available information include:

1. **Public Access**: The information is available to anyone and is not restricted to a select group of people.
2. **Non-Discriminatory**: Access to the information is not biased or limited to certain individuals or groups.
3. **Credibility**: The information is reliable and comes from verified sources rather than unverified events or rumours.

UPSI refers to any information related to a company or its securities that is not publicly accessible and, if it were to become publicly accessible, would likely have a significant impact on the price of the company's securities. This type of information is critical because it can influence investor decisions and market prices. UPSI typically includes, but is not limited to, information related to the following areas:

1. **Financial Results**: Any information about a company's financial performance, such as earnings reports, revenue figures, and profit margins, that has not yet been disclosed to the public.
2. **Dividends**: Information about the declaration, recommendation, or payment of dividends that has not been publicly announced.
3. **Change in Capital Structure**: Information regarding changes in the company's capital structure, such as new equity or debt issuances, stock splits, or buybacks, that has not been disclosed.
4. **Mergers, De-mergers, Acquisitions, De-listings, Disposals and Expansion of Business**: Any plans or agreements for mergers, de-mergers, acquisitions, delisting from stock exchanges, disposals of significant business assets, or major expansions that have not been made public.
5. **Changes in Key Managerial Personnel**: Information about upcoming changes in the company's Key Managerial Personnel, such as the appointment or resignation of directors, CEOs, CFOs, or other top executives, that has not been disclosed to the public.

Trading Plans and their recent changes

The Regulations have prescribed governing mechanism for trading plans for insiders, detailing the procedural requirements, conditions, and stipulations necessary for compliance. These regulations aim to ensure that insiders can trade securities in a manner compliant with laws and regulations, even when they possess unpublished price-sensitive information (UPSI).

1. **Cooling-Off Period**:

   Originally**, t**he regulation initially stated that the trading plan cannot commence earlier than 6 months from public disclosure of the plan. With the amendment, the revised regulation specifies a one hundred and twenty calendar days cooling-off period, to align with the quarterly results announcements and associated trading restrictions.

   Additionally, this statutory cool-off period does not provide immunity from regulatory actions if the insider holds the same UPSI at both the formulation and execution stages of the plan.

2. **Non-Trading Period Around Financial Results** and **Minimum Duration of Trading Plan has been omitted i.e,** The regulation prohibited trading for the period between the twentieth trading day prior to the last day of any financial period for which results are required to be announced and the second trading day after the disclosure of such financial results and the original mandate that a trading plan must cover a period of no less than twelve months has been omitted in the latest amendments.

3. **Non-Overlap of Trading Plans**:

   The Regulation prohibits the overlap of trading plans. It clarifies the importance of this restriction to avoid the potential for timing manipulation of UPSI and provides way for a stable market environment. Allowing multiple trading plans to overlap could enable insiders to manipulate the timing of UPSI disclosures to benefit from multiple trading plans simultaneously. By preventing overlapping trading plans, the regulation ensures that insiders cannot strategically time their trades to exploit UPSI, thereby maintaining the integrity and fairness of the trading process. This restriction also simplifies regulatory oversight, making it easier to monitor and enforce compliance with trading plan regulations.

4. **Introduction of Detailed Trade Parameters and Flexibility:**

   The introduction of specifying mandatorily the nature of trade, specific dates and specific price limits viz., The price limit sets an upper price limit for buy trades and a lower price limit for sell trades, based on the specified range. For a buy trade, the upper limit can be between the previous day's closing price and up to 20% higher. For a sell trade, the lower limit can be between the previous day's closing price and up to 20% lower, before submission of Trading Plans respectively. This ensures transparency and predictability in insider trading activities. It also allows flexibility to adjust number and price limits for corporate actions like Bonus and stock split, which is a practical solution for both insiders and market participants. Additionally, there should be a maximum time limit for the duration, allowing the insider to spread their trades across different dates without the risk of misuse. To protect the insiders from unexpected price movements, they may set price limits within the specified range when formulating the trading plan.

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5. **Non-Implementation Procedures**:

   The conditions and procedures for deviation or non-implementation of trading plans ensure that exceptions are handled transparently and fairly, preventing misuse of the trading plan provisions. Two things to note here, one, the concept of deferment of the commencement of the trading plan is itself omitted to stress the importance of non-commencement of the trading plan until the UPSI is made general. Secondly, to emphasize fairness, that the investors in the market would have assessed their views on the securities based on the plan, and hence in this case deviation is not allowed except in situations beyond the control of the insider viz., permanent incapacity or bankruptcy or operation of law.

6. **Approval of Trading Plan and Timely Disclosure**:

   Originally, no specific timelines were provided for the approval process. With the amendment, the compliance officer must approve or reject the trading plan within two trading days of receiving it and notify the stock exchanges where the securities are listed on the day the plan is approved.

Conclusion

The elaborate changes to the Regulations on insider trading plans provide a clearer framework for ensuring that trading by insiders is conducted transparently and fairly. These changes underscore the commitment to maintaining a fair and transparent trading environment, bolstering investor confidence and market stability.

BLISS Tips for the Month

BLISS Tips #294: With CimplyBest, get configurable and pre-populated customizable surveys.

CIMPLYBEST is a tailored software for Board Evaluation, integrating the mandates of Indian Corporate Law with international best practices. It features specialized surveys designed specifically for Indian corporates, all in line with the guidelines set forth by SEBI Regulations and ICSI. With CimplyBest, users can create surveys for the Board, Chairperson, Sub-committees, Independent Directors, and Executive Directors, and can design the survey with various types of questions such as single-line questions, rating questions, multiple-choice questions, and more. This optimizes time management and enhances productivity.

BLISS Tips #295: With BLISS, Organize the Agenda items in a meeting using the grouping feature.

BLISS, our secretarial automation software has the provision for users to group multiple agenda items under separate heads for structured and effective presentation of Board and Sub-committee meeting documents. Users can group items under their defined categories such as 'Information', 'Approval' etc. This could enable optimum time allocation for conducting efficient Board and Sub-committee Meetings. Additionally, BLISS enables users to form sub-groups within a primary group and rearrange agenda items either within the same group or across different groups. It also allows for the duplication of group structures from the Agenda into the Minutes.

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Test your Gray Matter!! Take our Brain Teasers to find out!

1. One of the most important documents in the insolvency resolution process

amniofonomItniromiaf

2. Agreement which documents the rights and obligations of two or more creditors when working with a shared borrower

centriderroi

3. Any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly as detailed in Regulation 2(d) of PIT

Ecnondetc ropens

4. Interest or lien created on the property or assets of a company

ehrcag

5. Any fund established or incorporated in India which is a privately pooled investment vehicle which collects funds from sophisticated investors, whether Indian or foreign, for investing it in accordance with a defined investment policy

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Test your Gray Matter!! Take our Quiz to find out!

1. Under the Companies Act 2013, what is the penalty for non-compliance with the provisions related to appointment of auditors?

   A) Fine of Rs. 1 lakh to Rs. 5 lakhs

   B) Fine of Rs. 50,000 to Rs. 25 lakhs

   C) Fine of Rs. 25,000 to Rs. 1 crore

   D) Fine of Rs. 10,000 to Rs. 50 lakhs

2. What is NOT an example of discretionary requirements under Regulation 27 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015?

   A) Dissemination of report on corporate governance including activities undertaken under CSR, to the shareholders on a quarterly basis

   B) A half-yearly declaration of financial performance including a summary of the significant events in last six-months, may be sent to shareholders.

   C) Move towards a regime of financial statements with unmodified audit opinion.

   D) The internal auditor to report directly to the audit committee.

3. What period is considered reasonably long for unpublished price sensitive information that is in possession of the insider when formulating the trading plan, to become generally available i.e., cooling off period to get the benefit of trading plan?

   A) 3 months

   B) 6 months

   C) 9 months

   D) 12 months

4. Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Listed entity shall disclose significant event and information shall be hosted on the website for a minimum of:

   A) 7 years

   B) 5 years

   C) 3 years

   D) 1 year

5. Form MSME is to be filed under the Companies Act, 2013 pursuant to which of the following sections?

   A) Section 405

   B) Section 385

   C) Section 378

   D) Section 434

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Board Leaders Integrated Software Solutions

BLISSPLUS

BLISSPLUS is a Cloud hosted software that automates the routines, provides an e-repository, timely alerts, and a real-time dashboard, all aimed at ensuring compliance and good corporate governance. By doing so, it provides complete peace of mind to the Board of Directors and assurance to professionals by providing them with real-time compliance status with respect to the Companies Act, 2013. It also has multiple premium features like Directors view, facility to store past Secretarial records, automated compliance tracker for size- based compliance under the Companies Act, 2013.

BLISSLISTED

BLISSLISTED is an advanced variant of BLISSPLUS for Listed Companies with Companies Act,2013 and SEBI's LODR 2015 compliances integrated to provide a single point compliance automation, risk manager & e-repository for secretarial records including past secretarial records.

BLISSDOCS

BLISSDOCS is an Android/IOS based Board app for Directors which provides secure access to Board documents on Tablets/mobile phones, enhancing Directors productivity and making the Board meetings efficient & effective

CIMPLYBEST

CimplyBest is a tailormade software for Indian Corporates in conducting Corporate Board Evaluation which will optimize Board's Time & Effort with confidentiality assured.

Clear Compass

Clear Compass is an All-law Compliance Software to ascertain, track and manage all the applicable state, central and industry-specific laws.

CAIRR LODR Integrated

CAIRR is a free to use website from CimplyFive that provides at your fingertips, an integrated view of the Companies Act, 2013, IB Code, 2016 and LODR, 2015. The site and app are updated every business day by 11 AM for changes in the Act & Regulations. For more details, please visit www.ca2013.com

Compliance Calendar for the month of July 2024

SEBI (LODR) Regulations, 2015 Compliances			
Sl. No.	**Compliance requirement**	**Regulation reference**	**Due Date**
1.	Statement on investors Grievance Redressal Mechanism	13(3)	To be filed on or before 21st July 2024
2.	Compliance Report on Corporate Governance	27(2)(a)	To be filed on or before 21st July 2024
3.	statement showing holding of securities and shareholding pattern	31	To be filed on or before 21st July 2024
4.	Indian Depository Receipt holding pattern (Only for Listed entities which has issued IDR)	69(1)	To be filed on or before 15th July 2024
SEBI (Depositories and Participants) Regulations, 2018			
Sl. No.	**Compliance requirement**	**Regulation reference**	**Due Date**
1.	Reconciliation of share capital audit report.	55A (1)	To be filed on or before 30th July 2024

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Gist of regulatory changes in Companies Act, 2013, SEBI (LODR), 2015 and Insolvency & Bankruptcy Code, 2016 in the month of June 2024.

- **04-06-2024**

Path for submission of verification of market rumours

SEBI vide its circular dated May 21, 2024 has mandated top 100 listed entities w.e.f. June 01, 2024 and top 250 (i.e. next 150) listed entities from December 01, 2024 to verify market rumours under Regulation 30(11) of SEBI (LODR) Regulations, 2015.

In order to comply with the said circular, a new Category / Subcategory titled 'Rumour verification – Regulation 30(11)' (effective from June 01, 2024) under the corporate announcements module of BSE listing centre has been introduced.

Similarly, NSE has introduced subject titled 'Rumour verification – Regulation 30(11)' (effective from June 01, 2024) under the Announcement module which can be accessed at the path NEAPS > Compliance > Announcements > Announcements/Corporate Action> Create Announcement.

The listed entities shall use the above-mentioned subject and path for submission of the announcements related to verification of market rumours.

- **27-06-2024**

SEBI notifies the Securities and Exchange Board Of India (Prohibition Of Insider Trading) (Second Amendment) Regulations, 2024

The key highlights of the amendment are as follows:

1. Regulations entitle an insider to formulate a trading plan and present it to the Compliance officer for their approval and public disclosure. Earlier, in such case, the trading plan could not be commenced until 6 months from the public disclosure of the plan. Vide this notification, the cooling period has been reduced to 120 calendar days.
2. The restriction on trading between the twentieth trading day prior to the last day of any financial period for which results are required to be announced by the issuer of the securities and the second trading day after the disclosure of such financial results has been omitted.
3. The requirement of entailing trading for a period of not less than 12 months in a trading plan has now been omitted.
4. In addition to mentioning the value of trades to be effected/ number of securities to be traded along with nature of the trade, in the trading plan, the following parameters shall also be set out:

   - Specific date or time period for the trade not exceeding 5 consecutive trading days (Mandatory to be mentioned)

   - Upper price limit for a buy trade and lower price limit for a sell trade, the range of the price limit has been mentioned in the notification (not required to be mentioned mandatorily); The price limit shall be rounded off to the nearest numeral.

   The insider may make adjustments to the trading plan, in the number of securities and price limit with the approval of compliance officer in the event of corporate actions related to bonus issue and stock split after approval of trading plan and the same shall be notified on the stock exchanges on which securities are listed.
5. In case the insider has set a price limit for the trade, the trade shall be executed only if the execution price of the security is within the limit. If it is outside the price limit, the trade shall not be executed.
6. If due to adverse fluctuations in market price, the price of the security is outside the price limit set by the insider, the trade shall not be executed. However, if the insider wishes to trade irrespective of the fluctuation in market price, he may not set any price limit at the time of formulation of the trading plan.
7. The procedure to be followed in case of non-implementation (full/partial) of trading plan has been provided for in the notification.
8. A time limit of 2 trading days of receipt of the plan has been introduced for the compliance officer to approve or reject the trading plan and the same shall be notified to the stock exchanges on the day of approval.

Solution for Brain Teasers	**Solution for Quiz**
1. Information memorandum	1. C
2. Intercreditor	2. A
3. Connected person	3. B
4. Charge	4. B
5. Alternative investment fund	5. A

About CimplyFive

Mission

Provide a cost-effective, secure web-based, menu driven, subscription services that provides curated resolutions, timely alerts and informative dashboards to free the management bandwidth for pursuing business goals

Vision

Leverage research and technology to eliminate procedural non-compliance risk for entities regulated by the Indian Companies Act, 2013



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