Business Standard

Sebi notifies new insider trading regulations

New rules come into force on May 15, insider to mean all those in possession to price-sensitive information

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The Securities and Exchange Board of India (Sebi) on Thursday notified the Prohibition of Insider Trading (PIT) Regulations, 2015to replace a two-decade framework.

In addition to broadening the definitions of unpublished price-sensitive information (USPI), insider and connected persons, the legal perspective suggests graver consequences for company officials involved in selective exchange of information.

Vanessa Abhishek, a lawyer, said the new regulations would also tighten the screws on company officials who communicate information to a select group.

“Under the new regulations, mere communication of UPSI would be punishable. Earlier, Sebi's stand was that mere communication (without any trade) would not be proceeded against. Companies now have to be even more careful not to reveal UPSI selectively, say, to analysts,” she said.

The new rules will come into effect from May 15.

Under the new definition, an insider would mean a person in possession of or has access to price-sensitive information.

Sebi has defined “connected person” as anyone who is or has during the six months prior to the act been associated with a company in any capacity, including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or employee. It also covers persons holding any position that allows access to unpublished price-sensitive information.