**THE GAZETTE OF INDIA**
**EXTRAORDINARY**
**PART – III – SECTION 4**
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**SECURITIES AND EXCHANGE BOARD OF INDIA**
**NOTIFICATION**
**Mumbai, the 31st of December, 2018**

# SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) (AMENDMENT) REGULATIONS, 2018

**No. SEBI/LAD-NRO/GN/2018/56 ─** In exercise of the powers conferred under section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Board hereby makes the following Regulations to further amend the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, namely:

1. These regulations may be called the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018.

2. They shall come into force on February 01, 2019.

3. In the Securities and Exchange Board of (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003,

   (1) in regulation 2, in sub-regulation (1), clause (b) shall be substituted with the following, namely:
   "(b) "dealing in securities" includes:

      (i) an act of buying, selling or subscribing pursuant to any issue of any security or agreeing to buy, sell or subscribe to any issue of any security or otherwise transacting in any way in any security by any persons including as principal, agent, or intermediary referred to in section 12 of the Act;

      (ii) such acts which may be knowingly designed to influence the decision of investors in securities; and

      (iii) any act of providing assistance to carry out the aforementioned acts"

   (2) in regulation 4,-

(a) in sub-regulation (1), after the word “a” and before the word “fraudulent”, the word “manipulative,” shall be inserted.

(b) in sub-regulation (1), after the word “securities”, the word “markets” shall be inserted.

(c) in sub-regulation (2),

i. after the word 'a' and before the word 'fraudulent', the word 'manipulative,' shall be inserted;
ii. the words 'fraud and may included all or any of the following, namely' shall be substituted with the words “any of the following”;
iii. in clause (a) before the word “indulging”, the word 'knowingly' shall be inserted;
iv. in clause (c) shall be substituted with the following:
"(c) inducing any person to subscribe to an issue of the securities for fraudulently securing the minimum subscription to such issue of securities, by advancing or agreeing to advance any money to any other person or through any other means;"
v. the clause (d) shall be substituted with the following, namely:
" (d) inducing any person for dealing in any securities for artificially inflating, depressing, maintaining or causing fluctuation in the price of securities through any means including by paying, offering or agreeing to pay or offer any money or money's worth, directly or indirectly, to any person;"
vi. in the clause (e), after the word security the words "including, influencing or manipulating the reference price or bench mark price of any securities" shall be inserted;
vii. in the clause (f) before the word 'publishing', the word 'knowingly' shall be inserted;
viii. in the clause (f) after the word 'information' and before the word 'which' the words "relating to securities, including financial results, financial statements, mergers and acquisitions, regulatory approvals," shall be inserted;
ix. the clause (h) shall be substituted with following, namely:
"selling, dealing or pledging of stolen, counterfeit or fraudulently issued securities whether in physical or dematerialized form:
Provided that if:-
(i) the person selling, dealing in or pledging stolen, counterfeit or fraudulently issued securities was a holder in due course; or
(ii) the stolen, counterfeit or fraudulently issued securities were previously traded on the market through a bonafide transaction,
such selling, dealing or pledging of stolen, counterfeit or fraudulently issued securities shall not be considered as a manipulative, fraudulent, or unfair trade practice;";
x. the clause (i) shall be omitted;

xi. the clause (j) shall be omitted;

xii. the clause (k) shall be substituted with the following, namely:
"disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading and which is designed or likely to influence the decision of investors dealing in securities;"

xiii. the clause (l) shall be omitted;

xiv. the clause (m) shall be substituted with the following, namely:
"a market participant entering into transactions on behalf of client without the knowledge of or instructions from client or misutilizing or diverting the funds or securities of the client held in fiduciary capacity";

xv. in the clause (n), after the word 'between' and before the word 'provide', the words " intermediaries in order to increase commission to" shall be substituted with the words "persons including intermediaries to artificially";

xvi. the clause (o) shall be substituted with the following, namely:
"fraudulent inducement of any person by a market participant to deal in securities with the objective of enhancing his brokerage or commission or income; ";

xvii. in the clause (p) after the word 'records' the words "such as contract notes" shall be substituted with the words " including contract notes, client instructions, balance of securities statement, client account statements";

xviii. the clause (q) shall be substituted with the following, namely:
" any order in securities placed by a person, while directly or indirectly in possession of information that is not publically available, regarding a substantial impending transaction in that securities, its underlying securities or its derivative;" ;

xix. in the clause (r) before the word 'planting' the word 'knowingly' shall be inserted;

xx. in the clause (r) after the word "news" and before the word 'which', the words 'or information' shall be inserted;

xxi. the clause (s) shall be substituted with the following, namely;
"mis-selling of securities or services relating to securities market;
Explanation- For the purpose of this clause, "mis-selling" means sale of securities or services relating to securities market by any person, directly or indirectly, by─
(i) knowingly making a false or misleading statement, or
(ii) knowingly concealing or omitting material facts, or
(iii) knowingly concealing the associated risk, or
(iv) not taking reasonable care to ensure suitability of the securities or service to the buyer.";

xxii. the "Explanation" to the sub-regulation (2) shall be re-numbered as "Expiation-1";

xxiii. after the "Explanation-1" the following explanation shall be inserted, namely:
" Explanation-2 Market Participant shall include any person or entity registered under Section 12 of the Act and its employees and agents. "

(3) in regulation 8, in sub-regulation (2) the words "section 235 to 241 of the Companies Act, 1956 (1 of 1956)" shall be substituted with the words "the Companies Act, 2013 (No. 18 of 2013)";

Sd/-
**AJAY TYAGI**
**CHAIRMAN**
**SECURITIES AND EXCHANGE BOARD OF INDIA**

**Footnotes**:

1. The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 were published in the Gazette of India on July 17, 2003 vide No. S.O. 816 (E).

2. The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 were subsequently amended:-
   a) on April 23, 2007 by the Securities and Exchange Board of India (Manner of Service of Summons and Notices Issued by the Board) (Amendment) Regulations, 2007 vide No. SEBI/LAD/DOP/2232/2007.
   b) on December 11, 2012 by the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2012 vide No. LAD-NRO/GN/2012-13/25/5455.
   c) on September 06, 2013 by the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2013 vide No. LAD-NRO/GN/ 2013-14/22/22670.

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