



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

CHIEF GENERAL MANAGER
INTEGRATED SURVEILLANCE DEPARTMENT

ISD/OW/9964/2017
April 28, 2017

Bina Chandarana
Kotak Mahindra Bank Limited
27BKC, C 27, G Block
Bandra Kurla Complex
Bandra (East), Mumbai 400051

Dear Madam,

Re: Request for Interpretive Letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 in connection with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

1. Please refer to your letter dated March 1, 2017 seeking an interpretative letter under the SEBI (Informal Guidance) Scheme, 2003.
2. You have, *inter alia*, represented before us as follows-
 - i. You refer to Regulation 7(2) (a) of the SEBI (Prohibition of Insider Trading) Regulations, 2015 [hereinafter referred to as the said "SEBI PIT Regulations, 2015"] requiring every promoter, employee and director of the company to disclose to the company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to traded value in excess of ten lakh rupees or such other value as may be specified. You have also referred to Regulation 7(2)(b) of PIT regulations, in terms of which, the company has to notify the particulars of such trading to the stock exchanges on which the securities are listed within 2(two) trading days of receipt of the disclosure or from becoming aware of such information. IN explanation to Reg. 7(2)(b) – it is clarified for the avoidance of doubts that the disclosure of the incremental transactions after any disclosure under this sub-regulation, shall be made when transactions effected after the prior disclosure cross the threshold specified in clause (a) of sub-regulation (2).
 - ii. Further, you have made the case that there could be some transactions, e.g. Bonus, shares received pursuant to the scheme of amalgamation/demerger, gift

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुरला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.बी.आर. एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनियम बोर्ड
**Securities and Exchange
Board of India**

or off market transaction like transfer of shares to a family trust account, where the traded value is Nil and the same cannot be considered for computing the threshold limit of ten lakh rupees. The Regulations do not provide clarity with regard to the disclosure to be made in respect of such transactions in the prescribed form C by the concerned promoter/employee/director to the company and in turn by the company to the stock exchanges.

3. In the light of aforesaid submissions, you had sought an interpretive letter on the following queries:
- Whether disclosure in Form C pertaining to the change in the holdings of securities needs to be made in case of some transactions e.g. Bonus, Shares received pursuant to the Scheme of Amalgamation/Demerger, Gift or Off market transaction like transfer of shares to a family trust account where there is no consideration amount involved .i.e. the traded value of securities is nil?
 - In case the answer to the above query is affirmative then at what value should the aforesaid transactions be disclosed?
4. In view of the above queries, it is stated that without necessarily agreeing with your analysis given in your letter under reference, our views on the said queries raised by you are as under-
- With regard to your first query mentioned at para 3(i) above, the following provisions of the said SEBI PIT Regulations, 2015 may be applicable-

Regulation 7(2)(a) of the said PIT Regulations, 2015 states that;

Every promoter, employee and director of every company shall disclose to the company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of ten lakh rupees or such other value as may be specified.

From the above it is understood that number of securities acquired or disposed beyond the given threshold have to be disclosed, irrespective of the mode of acquisition or disposal. Therefore, with respect to the first query, disclosure pertaining to change in holdings of securities needs to be made; by the concerned promoter/employee/director to the company and in turn by the company to the stock exchanges.

sc



अनुवर्ती :
Continuation :

भारतीय प्रतिभूति
और विनिमय बोर्ड
**Securities and Exchange
Board of India**

At the same time, it may be pertinent to point out that the said SEBI PIT Regulations, 2015 are primarily aimed at preventing abuse by trading when in possession of unpublished price sensitive information ("UPSI"). The same is inter alia also mentioned in the explanatory note under Regulation 6(2) of PIT Regulations, in Chapter III covering Disclosure of Trading by Insiders as well. Accordingly, various provisions of PIT Regulations, including disclosures, are in respect of UPSI relating to a security or in respect of trading by persons who may have access to such UPSI. Therefore, any willful trading by such insiders is either prohibited; when in possession of certain UPSI; or otherwise required to be disclosed beyond a certain threshold.

In cases, wherein the person getting allotment of shares has no role in the transaction in question and relevant information or disclosure of such transaction is already in the public domain, for eg, in case of bonus shares or shares received pursuant to Scheme of amalgamation/demerger etc, a separate disclosure may not be necessary. For all other instances as quoted by you, like off market transaction or gifts, disclosure must be made in accordance with provisions of PIT Regulations.

- ii. With respect to the second query, the term *value of securities traded* is interpreted as the prevailing market value of the securities on the day they were acquired or disposed off. The same may be used for the purpose of calculation of threshold value beyond which disclosure is required; and must also be disclosed in the referred form.
5. The above position is based on the information furnished in your letter under reference. Different facts or conditions might lead to a different result. Further, this letter does not express in any way a decision of the Board on the question referred.
6. You may also note that the above views are expressed only with respect to the clarification sought in your letter under reference with respect to the PIT Regulations and do not affect the applicability of any other law or requirements of any other SEBI Regulations, Guidelines and Circulars administered by SEBI or the laws administered by any other authority.

Yours faithfully,

Sunil Kadam

se
of