

**Report of the Working Group to review  
provisions relating to 'Trading Plans'  
under the SEBI (Prohibition of Insider  
Trading) Regulations, 2015**

**September 15, 2023**

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## GLOSSARY

<b>TERM</b>	<b>MEANING</b>
BSE	Bombay Stock Exchange
FY	Financial Year
KMP	Key Managerial Personnel
LODR Regulations	SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
NSE	National Stock Exchange of India
PIT Regulations, 2015	SEBI (Prohibition of Insider Trading) Regulations, 2015
Reg	Regulation reference to PIT Regulations, 2015 unless specified otherwise
SEBI	Securities and Exchange Board of India
Sodhi Committee	The High Level Committee to Review the SEBI (Prohibition of Insider Trading) Regulations, 1992 under Chairmanship of Former Chief Justice N. K. Sodhi
SEC	Securities and Exchange Commission
TP	Trading Plan
UPSI	Unpublished Price Sensitive Information
UPSI <sub>Old</sub>	UPSI, which is in possession of insider while formulating the Trading Plan
UPSI <sub>New</sub>	UPSI which comes to the possession of insider subsequent to formulation of the Trading Plan
VWAP	Volume Weighted Average Price
WG	Working Group

## EXECUTIVE SUMMARY

1. Insider trading i.e. trading when in possession of Unpublished Price Sensitive Information (UPSI) is prohibited in India under the SEBI (Prohibition of Insider Trading) Regulations, 2015 (“PIT Regulations, 2015”). The prohibition on insider trading is based on the premise that trading in a security by an insider may be influenced by the UPSI in their possession, which would be detrimental to the interests of other investors in the market.
2. The insiders are allowed to trade when not in possession of UPSI. However, there is a certain class of insiders like senior management, key managerial personnel etc. who may be perpetually in possession of UPSI as they are involved in most of the decisions taken by the company. To facilitate trading by such perpetual insiders in a compliant manner, the concept of ‘Trading Plans’ (TP) was introduced under PIT Regulations, 2015.
3. The regulatory intent behind provisions of Trading Plan is to facilitate the insider who is perpetually in possession of UPSI to trade while ensuring that UPSI in his possession shall not have any influence on his trading decisions as explained below:
  - 3.1. The cool-off period i.e. gap between formulation and execution of trading plan shall be reasonably long enough to ensure that UPSI, which was in possession of insider while formulating the TP (UPSI<sub>Old</sub>), has become generally available within such period.
  - 3.2. Any new UPSI (UPSI<sub>New</sub>), which the insider comes to possess subsequent to formulation of the TP, shall provide no leverage to the insider in their trading decision, as their trades formulated in TP have been pre-decided.
  - 3.3. Provisions also mandate that if UPSI<sub>Old</sub> has not come to public domain before execution of TP, then the commencement of execution of the TP has to be deferred by the insider.
4. It has been noted that during last five years, on an average around 30 TPs have been submitted annually by the insiders to stock exchanges, which is abysmally low given the large number of listed companies. Therefore, to facilitate and increase adoption of TP by persons who may be perpetually in possession of

UPSI, SEBI constituted a Working Group (WG) on July 03, 2023, comprising of officials of SEBI, stock exchanges and market participants to review provisions of TP.

5. As per current provisions, trading plans *(i) can be executed only after 6 (six) months from its public disclosure; (ii) are required to cover a period of at least 12 (twelve) months; (iii) must be disclosed to the stock exchanges prior to its implementation (i.e., actual trading); (iv) are irrevocable; and (v) cannot be deviated from, once publicly disclosed.*
6. The WG noted that a few of the above provisions, like mandatory execution of plan puts the insiders in an economically disadvantageous position in the event of adverse price movement, thus, rendering trading plans not so attractive. The WG also noted that the insider is not entitled to provide price limits for trades mentioned in TP. Also, given the dynamic and uncertain nature of securities market, the requirement to plan trades for a minimum of 12 (twelve) months in advance tends to make TPs unpopular. This issue is further exacerbated by the requirement of minimum cool-off period of 6 (six) months between the formulation and execution of the trading plans.
7. The WG recommended to amend provisions for Trading Plan under PIT Regulations, 2015 as summarised below: -
  - 7.1. **Cool-off period:** The minimum cool-off period between disclosure of TP and implementation of TP may be reduced to four months from six months.
  - 7.2. **Minimum Coverage period:** The minimum coverage period requirement may be reduced to two months from twelve months.
  - 7.3. **Black-out period:** The requirement of black-out period for trading in TP may be done away with.
  - 7.4. **Price Limit to Protect Insider from Adverse Price Fluctuation:** The insider shall have flexibility, during formulation of TP, to provide price limits i.e. upper price limits for buy trades and lower price limits for sell trades. If price of the security during execution is below the lower price limit set for sell trade or higher than the upper price limit set for buy trade, then the respective trade shall not be executed.

**7.5. Contra-trade restrictions:** The provision exempting trades executed under TP from applicability of contra-trade restrictions to be omitted i.e. contra-trade provisions shall be applicable on trades executed under TP as well.

**7.6. Timeline for Disclosure of TP:** Disclosure of TP to stock exchanges proposed to be done in two days from the date of approval of TP.

**7.7. Format for reporting details of TP:** A suitable format may be specified in consultation with market participants.

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## **Background**

### **1.1. Trading Plans in India**

- 1.1.1. Insider trading i.e. trading when in possession of Unpublished Price Sensitive Information (UPSI) (i.e. information which, if published, could have impacted the price of the securities being traded in the market) is prohibited in India under the SEBI (Prohibition of Insider Trading) Regulations, 2015 (“PIT Regulations, 2015”). The prohibition on insider trading is based on the premise that trading in a security by a person would be influenced by the UPSI in their possession, which is not accessible to others in the market. That is to say, a person in possession of UPSI would try to gain advantage from such information that is not known to the public. Such information asymmetry is detrimental to the interests of other investors in the market. However, the insiders are allowed to trade, provided they are not in possession of UPSI and subject to compliance with other provisions of PIT Regulations, 2015.
- 1.1.2. Amongst the company insiders who may be aware of UPSI, there are a certain class of insiders like senior management or key managerial personnel who may be perpetually in possession of UPSI as they are involved in most of the decisions taken by the company. Thus, by virtue of being in possession of UPSI most of the time, coupled with mandatory trading window closures for financial results, such perpetual insiders have a very small window for carrying out trades, if required. There may also be instances where insiders may need to trade frequently for purposes such as creeping acquisitions, compliance with minimum public shareholding norms, etc. While certain defences for trading while in possession of UPSI like inter-se transfer, exercise of ESOPs, etc. are provided under PIT Regulations, 2015, such defences are limited.
- 1.1.3. Thus, the concept of ‘Trading Plans’ (hereinafter also referred as ‘plan(s)’ or ‘TP’) was introduced in PIT Regulations, 2015 to enable persons, perpetually in possession of UPSI, to trade in securities in a

compliant manner<sup>1</sup>. As per current provisions, trading plans (i) can be executed only after 6 (six) months from its public disclosure; (ii) are required to cover a period of at least 12 (twelve) months; (iii) must be disclosed to the stock exchanges prior to its implementation (i.e., actual trading); (iv) are irrevocable; and (v) cannot be deviated from, once publicly disclosed.

1.1.4. A few of the above provisions, like mandatory execution of plan irrespective of market movements puts the insiders in an economically disadvantageous position, thus, rendering trading plans not so attractive. Another issue due to which trading plans remain unpopular is, insider is required to cover the period of at least 12 (twelve) months for any trading plan. Given the dynamic and uncertain nature of securities market, it is difficult to plan trades for a period of 12 (twelve) months in advance. This issue is further exacerbated by the requirement of minimum cool-off period of 6 (six) months between the formulation and execution of the trading plans.

## 1.2. Adoption of Trading Plans by Insiders

1.2.1. Data on the adoption of trading plans by insiders over the past 5 financial years is given in table below.

*Table 1: Year wise data on trading plans disclosed by insiders*

Stock Exchange	2018-19	2019-20	2020-21	2021-22	2022-23
<b>NSE</b>	20	38	23	31	12
<b>BSE</b>	17	31	20	24	64

Source: BSE and NSE

1.2.2. The above data is in stark contrast to the number of listed companies in India and the large number of insiders who deal with UPSI in their respective companies. For instance, the number of listed companies in India in FY 2022-23 stood at 4,680 in BSE and 2,191 in NSE. During the said period, there were a total of 2,56,878 designated

<sup>1</sup> Report of the High Level Committee to Review the SEBI (Prohibition of Insider Trading) Regulations, 1992 under Chairmanship of N. K. Sodhi, Former Chief Justice; Page 34



persons across both BSE and NSE, and listed companies made 51,010 and 65,470 disclosures under Reg. 30 of LODR Regulations at BSE and NSE respectively.

**Table 2: No. of listed companies and disclosures by insiders**

Stock Exchange	FY 2022-23	
	BSE	NSE
Total No. of Listed Companies	4,680	2,191
Total No. of Disclosures under Reg. 30 of LODR Regulations	51,010	65,470
Total No. of Designated Participants (DPs)	2,56,878	

Source: BSE and NSE

1.2.3. Thus, data reveals that despite the vast number of DPs/ insiders, adoption of trading plans by insiders of listed companies disclosed to stock exchanges are abysmally low indicating that trading plans are rarely used.

### **1.3. Need for Review**

1.3.1. The High Level Committee to review the SEBI (Prohibition of Insider Trading) Regulations, 1992 under Former Chief Justice Sodhi (hereinafter “Sodhi Committee”), while introducing trading plans in PIT Regulations, 2015, had stated that, “...upon review of empirical evidence and feedback after the concept is introduced, it would always be open to SEBI to dilute or enhance the regulatory conditions attached to trading plans under the Proposed Regulations.”

1.3.2. Since the introduction of trading plans in 2015, data and market feedback suggest that the current regulatory requirements in respect of trading plans are onerous and consequently, trading plans are not very popular.

1.3.3. During budget speech for FY 2023-24, the Hon'ble Finance Minister has also emphasized on initiatives towards simplification, ease of doing business and reducing cost of compliance for the companies<sup>2</sup>.

1.3.4. Recently, SEBI, vide a consultation paper dated May 18, 2023, proposed amendment to the definition of UPSI to include material events as defined under Regulation 30 of the LODR Regulations<sup>3</sup>. Analysis of data indicates that in the proposed scenario of having to consider all material events as UPSI, the trading window is likely to be closed for a longer period than the existing scenario, which may make it more difficult for insiders in perpetual possession of UPSI to trade in the securities of the company.

#### 1.4. Constitution of the Working Group

1.4.1. Taking into consideration the above, it was decided to review the provisions of trading plans in the PIT Regulations, 2015 under the guidance of a working group comprising of officials of SEBI, stock exchanges and market participants. The Working Group (hereinafter also referred as group or WG) was constituted on July 03, 2023 comprising of the following members:

SI No	Name	Designation	Organization
1.	Mr. V S Sundaresan	Executive Director & Head of the WG	SEBI
2.	Mr. Avishkar Naik	Head – Listing Compliance	NSE
3.	Mr. Gopal Krishnan Iyer	Head – Listing Compliance	BSE
4.	Ms. Mohini Varshneya	Partner and Head – ESOP & Insider Law Services	Corporate Professionals
5.	Ms. Savithri Parekh	Company Secretary and Compliance Officer	Reliance Industries Limited
6.	Mr. Narayan Shankar	Company Secretary and Compliance Officer	Mahindra & Mahindra Limited

<sup>2</sup> Speech of Finance Minister of India for Budget 2023-24; at [https://www.indiabudget.gov.in/doc/budget\\_speech.pdf](https://www.indiabudget.gov.in/doc/budget_speech.pdf) ; last accessed on September 14, 2023

<sup>3</sup> Consultation Paper on proposed review of the definition of UPSI under SEBI (Prohibition of Insider Trading) Regulations, 2015; at <https://www.sebi.gov.in/reports-and-statistics/reports/may-2023/consultation-paper-on-proposed-review-of-the-definition-of-unpublished-price-sensitive-information-upsi-under-sebi-prohibition-of-insider-trading-regulations-2015-to-bring-greater-clarity-and-uni-71337.html>; last accessed on September 14, 2023

7.	Mr. Pradeep Manohar Gaitonde	Company Secretary and Compliance Officer	Tata Consultancy Services Limited
8.	Mr. R J Jeyamurugan	CFO, Company Secretary and Compliance Officer	Asian Paints Limited
9.	Mr. R Vijay	Company Secretary and Compliance Officer	Bajaj Finance Limited
10.	Mr. Arindam Ghosh	Partner	Khaitan & Co
11.	Mr. Jaimin Bhatt	CFO	Kotak Mahindra Bank
12.	Ms. Prachiti Lalingkar	Company Secretary	ICICI Bank Limited
13.	Mr. Aliasgar S Mithwani	Chief General Manager	SEBI
14.	Mr. Anindya Kumar Das	Chief General Manager	SEBI
15.	Ms. Sudha Rani Thirukonda	Deputy General Manager	SEBI
16.	Mr. Nitesh Bhati	Deputy General Manager	SEBI
17.	Mr. A Vijayan	Deputy General Manager	SEBI

## 1.5. Terms of Reference

1.5.1. The terms of reference given to the working group was to review provisions of Trading Plans under PIT Regulations, 2015 so as to facilitate and increase adoption of trading plans by persons who may be perpetually in possession of UPSI.

## 1.6. Acknowledgements

1.6.1. The working group would like to express its gratitude and appreciation to Ms. Meenakshi Jayant, AGM and Mr. Atul Mittal, AGM of SEBI who have been associated with the Working Group from the very beginning. They were instrumental in the smooth and timely conduct of the proceedings of the group. It would not have been possible to achieve the timely completion of this report without their able support and assistance, the timely provision of data and co-ordination across all group members. The Working Group would also like to acknowledge the contributions of Mr. Shashank Patil and Ms. Shubhra Wadhawan of Khaitan & Co, in undertaking research and preparing material for deliberations by the Working Group and assisting in drafting of the proposed amendments.

## **2. Deliberations of the Working Group**

### **2.1. Approach of the Working Group**

- 2.1.1. The WG met virtually on various occasions and endeavoured to exhaustively identify the various issues with the current provisions of trading plans and has attempted to offer the best possible alternatives to overcome the challenges that exist today.
- 2.1.2. The issues in the current provisions that were identified and discussed are detailed below and the amendments to PIT Regulations, 2015 recommended by the WG are discussed in the following chapter. The proposed draft amendments are placed at **Annexure 'A'**.

### **2.2. Issues in Current Provisions of Trading Plans**

- 2.2.1. Currently, there is a requirement of a minimum cool-off period of 6 (six) months between the day of public disclosure of the trading plan by the insider and commencement of trading under the plan. Thus, insiders have to plan their transactions at least 6 (six) months ahead which may be too onerous for them, as market conditions while implementing the trading plan may be largely different from the time it was formulated. [Reg 5(2)(i)]
- 2.2.2. Further, there is another requirement that trading plan should cover trades for a period of at least 12 (twelve) months. This requires the insider to consider a significantly longer forward-looking outlook while formulating the TP. [Reg 5(2)(iii)]
- 2.2.3. Further, a trading plan once approved, becomes irrevocable i.e. the insider has to mandatorily implement the plan without any deviation from it [Reg 5(4)]. Also the insider is not entitled to provide price limits for trades mentioned in the trading plan. This causes trades to be mandatorily executed by the insiders even if they are

economically disadvantageous due to drastic movement in market price of the security.

- 2.2.4. As per Reg 5(2)(ii), TP cannot entail trades 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 by the issuer of the securities and the second trading day after the disclosure of such financial results. This period (hereinafter referred as 'black-out period') forms a significant portion of the year during which no trade can be undertaken by the insider. That leaves the insider with hardly a few trading days in the entire year to plan their trades.

### **2.3. Regulatory Intent behind Trading Plan Provisions**

- 2.3.1. As has been discussed in previous chapter, acquisition/ sale by insiders in the secondary market has restrictions under PIT Regulations, 2015 including the prohibition of trading by insiders while in possession of UPSI [Regulation 4(1)]. There will be a few insiders, who may be perpetually in possession of UPSI. Such insiders are rendered incapable of trading throughout the year. The provisions of trading plans are intended to enable such insiders to trade in their company's securities in a compliant manner.

- 2.3.2. The regulatory provisions of Trading Plan endeavour that UPSI in possession of insider shall not have any influence on their trading decisions as elaborated below:

- 2.3.2.1. The cool-off period between formulation and execution of trading plan is kept reasonably long enough to ensure that UPSI, which was in possession of insider while formulating the TP (UPSI<sub>Old</sub>) is expected to become generally available within such period i.e. before the time of execution of the trade.

- 2.3.2.2. Any new UPSI (UPSI<sub>New</sub>), which the insider comes to possess subsequent to formulation of the TP, would provide no leverage to the insider in their trading decision, as their trades formulated in

TP have been pre-decided which could not be changed or influenced by UPSI<sub>New</sub>.

2.3.2.3. Provisions also mandate that if UPSI<sub>Old</sub> has not come to public domain before execution of TP, then the commencement of execution of the TP has to be deferred by the insider.

### **3. Proposed Amendments to Trading Plans**

#### **3.1. Minimum Lifespan of a Trading Plan**

3.1.1. Currently, while formulating a TP the insider has to plan for a period of at least 18 months, consisting of mandatory six (6) months cool-off period prior to execution of the trades and the minimum coverage period of twelve (12) months. Additionally, regulations also require that there shall be no overlap between two (2) trading plans of an insider. If there is any change in the financial needs or economic outlook of the insider, causing plan to become economically unviable, they would not be able to exercise any discretion by deviating or revoking the plan.

3.1.2. The WG deliberated on the issue of the 18 month long lifespan of a TP. Black swan events in the recent past like the COVID pandemic have demonstrated the uncertain and dynamic nature of securities market. Given such potential uncertainties, it was felt that there is a genuine case for reducing the total lifespan of a TP.

3.1.3. A reduced duration of minimum coverage period of TP (coupled with reduced cool-off period) may help in making trading plans viable for insiders, as they would be required to consider a shorter forward outlook while formulating the plan.

#### **3.2. Cool off Period for Commencement of Trading Plan**

3.2.1. The current provisions provide that the execution of the TP may commence only after at least six months of disclosure of the TP to public [Regn. 5(2)(i)].

3.2.2. The WG deliberated to determine whether there is a need to do away with the cool-off period or to reduce it.

3.2.3. Given the potential of misuse of TPs without any cool-off, WG decided to identify an appropriate cool-off period lesser than the

currently mandated six (6) months but which is still adequate enough for most UPSI to become generally available.

3.2.4. To ascertain by what time UPSI is expected to become generally available, the gestation period of any information is to be considered.

Based on its nature, UPSI can be classified as follows:

3.2.4.1. **Short-term UPSI:** Information/ event that is expected to fructify over a short time frame and become public would generally constitute short term UPSI. For instance, events like declaration of financial results, dividends, change in KMP, etc.

3.2.4.2. **Long-term UPSI:** UPSI which is already specific and not generic, and which will have a gestation period of more than the execution period of the TP. E.g.: mergers, de-mergers, acquisitions, delisting, disposals and expansion of business and such other strategic transactions.

3.2.5. Needless to say, any information would be considered short-term or long-term based on the actual time it takes to become generally available. It is possible that at the time of execution of the TP, some long term UPSI existing at the time of approval of the TP has still not become generally available or ceased to exist. For example, an M&A transaction that was expected to be finalized was delayed. In such circumstances, it is expected that the insider, while devising a TP, will reasonably factor for the gestation period of UPSI in their possession.

3.2.6. Reverting to the deliberation on the appropriate duration of cool-off period, the WG discussed that companies are required to declare financial results quarterly and it is seen that most companies do so within a period of around one month from the end of the quarter. Hence, a period of four (4) months would be a sufficiently long period for short term UPSI to become generally available. Other short term UPSI such as dividends, change in KMP, etc. are also expected to generally become available in a four month period. As far as long term UPSI is concerned, there is a possibility that strategic



transactions like M&A, expansion of business etc. would not become generally available within four (4) months. That is, there may be a case where an insider possesses some UPSI that is expected to become public only after long duration (e.g. 8 months). The question before the WG then was how to address the issue of such UPSI with long gestation while balancing it with the need to have a shorter cool-off period than the current six (6) months.

3.2.7. Firstly, the WG expects that the insider in possession of UPSI would adequately factor in time for the UPSI to become generally available while devising the TP. Notwithstanding the same, proviso to Reg. 5(4) of PIT Regulations, 2015 prohibits implementation of the TP until the UPSI (which the insider possessed while formulating the TP) ceases to be UPSI. The prohibition ensures that insider cannot take advantage of information asymmetry in circumstances where the UPSI (which they possessed while formulating the TP) continues to remain UPSI even after the cool off period. The WG's view was that the aforesaid proviso to Reg. 5(4) of PIT Regulations, 2015 sufficiently covers scenarios where UPSI may not have become generally available.

3.2.8. Consequently, the WG proposed that it would be feasible to reduce the cool-off period to four (4) months from the current requirement of six (6) months.

3.2.9. On this issue, the discussion was also guided by the recent introduction of cool off requirement in the insider trading provisions in the USA. Since the introduction of TPs in USA, there was no cool off period for TPs and the insiders could submit a plan for executing trades even on the next day. However, the US SEC in December 2022 stated that over time it was seen that company insiders who traded under 10b5-1 plans<sup>4</sup>, particularly when those trades were

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<sup>4</sup> Code of Federal Regulations for Securities and Exchange Commission § 240.10b5-1

close in time to the adoption of the plan, earned abnormal returns<sup>5</sup>. Therefore, to address the potential misuse of TPs in the absence of a cool-off period, the SEC has now introduced a cool-off period ranging from 90 days to 120 days for the KMP and 30 days for other insiders<sup>6</sup>.

3.2.10. **Recommendation:** In light of the above discussion, the provisions of regulation 5(2)(i) are proposed to be amended as follows:

“(2) Such trading plan shall:–

(i) not entail commencement of trading on behalf of the insider earlier than ~~six~~ **four** months from the public disclosure of the plan;

***NOTE:** It is intended that to get the benefit of a trading plan, a cool-off period of ~~six~~ **four** months is necessary. **Taking into account that companies declare their financial results quarterly, and since it is seen that most companies do so within a period of around one month from the end of the quarter, a four month** ~~Such a~~ 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. It is also considered to be a reasonable period for a time lag in which new unpublished price sensitive information may come into being without adversely affecting the trading plan formulated earlier. In any case, it should be remembered that this is only a statutory cool-off period and would not grant immunity from action if the insider were to be in possession of the same unpublished price sensitive information both at the time of formulation of the plan and implementation of the same.”*

### 3.3. Minimum Coverage Period of Trading Plan

3.3.1. Feedback suggested requirement of minimum coverage period of twelve (12) months of TP, is too long for an insider to plan as market

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<sup>5</sup> Statement on Final Rule: “Insider Trading Arrangements and Related Disclosures”; at <https://www.sec.gov/news/statement/peirce-insider-trading-20221214> ; last accessed on September 14, 2023

<sup>6</sup> Code of Federal Regulations for Securities and Exchange Commission § 240.10b5-1

conditions while formulating the TP may be vastly different by the time it is implemented.

3.3.2. The WG discussed the need to make TPs as flexible as possible in terms of its tenure. It was felt that a minimum coverage period of one month would be too short. Instead, two months will be a reasonable period to plan trading decision as an insider would have to consider reasonable forward outlook. Hence, it was proposed to reduce the minimum tenure of execution period of TP to two months. The insider would be free to choose a longer tenure of execution period considering the UPSI in their possession at the time of formulation of the TP.

3.3.3. **Recommendation:** In light of the above discussion, the provisions of regulation 5(2)(iii) are proposed to be amended as follows:

“(iii) entail trading for a period of not less than ~~twelve~~ **two** months;

***NOTE:** It is intended that it would be undesirable to have frequent announcements of trading plans for short periods of time rendering meaningless the defence of a reasonable time gap between the decision to trade and the actual trade. Hence it is felt that a reasonable time would be twelve months. While it may not be desirable to have frequent announcement of trading plans, the minimum period of trading under a plan is two months in order to enable insiders to effectively plan their trades in advance considering the prevailing market conditions.”*

### **3.4. Black-out Period**

3.4.1. As per current provisions, there is a black-out period requirement, wherein, TP shall not entail trading for the period between the twentieth trading day prior to the last date of a financial period for which results are to be announced and until the second trading day after the disclosure of the results [Reg 5(2)(ii)]. Feedback suggests that this black-out period restriction is onerous.

3.4.2. Due to the provision of black-out period, the insider is left with only a few trading days in the entire year to plan their trades. Further, with the reduction of the execution period to a minimum of 2 months, the provision of black-out period will further reduce the trading days left during the execution period for planning the trades for the insider. The WG also noted that an exemption has already been granted to designated persons for effecting trading plans during closure of the trading window, set out in clause 4(3) of Schedule B of the PIT Regulations, 2015. In view of the above, the WG proposed that the requirement for black-out period be done away with. This would provide flexibility to execute trades by insiders through TPs.

3.4.3. The WG also took into account the potential concerns arising from removing the blackout period and the insider taking advantage of UPSI in their possession. It was felt that the above concern is addressed by the fact that there would be a cool-off period before the execution of the trades and that the insider would not be able to alter the TP once approved and disclosed to the public. Another issue could be that some UPSI in possession of insider, while formulating TP, may not become generally available before execution of trade. This issue has already been addressed in para 3.2 earlier.

3.4.4. **Recommendation:** In light of the above discussion, the provisions of 5(2)(ii) may be deleted

~~(ii) not entail 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 by the issuer of the securities and the second trading day after the disclosure of such financial results;~~

~~*NOTE: Since the trading plan is envisaged to be an exception to the general rule prohibiting trading by insiders when in possession of unpublished price sensitive information, it is important that the trading plan does not entail trading for a reasonable period around the declaration of financial results as that would generate unpublished price sensitive information.*~~

### 3.5. Price Limit to Protect Insider from Adverse Price Fluctuation

- 3.5.1. Currently as per Reg 5(2)(v), TP *shall set out either the value of trades to be effected or the number of securities to be traded along with the nature of the trade and the intervals at, or dates on which such trades shall be effected.* Thus, the insider is allowed to mention nature of trade (acquisition/disposal); No. or value of securities; date or intervals for trades to get effected.
- 3.5.2. The WG noted that there is no provision enabling the insider to mention their price limit for the trade, based on their risk appetite, within which they wish to execute the transaction.
- 3.5.3. Given that the insider has to formulate TP well in advance (cool-off period + minimum coverage period), there is always an uncertainty as to what will be the prevailing prices at the time of execution of the trade. This, along with the provision of mandatory execution of TP, exposes the insider to a risk of fluctuation in market price. In case of sell trade, there is a risk that price of security may fall substantially to such a level, where the insider may not prefer to sell or in case of buy trade, prices may rise to such a level that they may not be inclined to buy at such high prices.
- 3.5.4. The WG further noted that the above factor may be the major deterrent in adoption of TP by insiders as this exposes them to financial risk, beyond their risk appetite. Thus, to provide protection against loss due to price fluctuation, there is a need to give an option to the insider to indicate price limit beyond which they do not prefer to trade.
- 3.5.5. The WG deliberated whether there is a need for stipulating any regulatory price range within which the insider can indicate their price limit or the insider may be allowed to mention any price limit as per their preference.

3.5.6. As the TPs are disclosed publicly, there is an apprehension that the insider may use these prices to send false signals to the market. e.g. the insider may mention unrealistically high price as limit for their trades to signal to the market participants that the insider expects prices to go up to these levels in future, which is not in the interest of market integrity. Thus, the WG agreed that a price range be stipulated so that the insider may mention price limits within that range.

3.5.7. As the purpose of the price limit is protection against loss caused due to unfavourable movement in market price of the security, the WG considered that the insider may be allowed to mention only upper price limit for buy trade and lower price limit for sell trade. For instance, the insider may mention the following in TP:

- Sell 10,000 shares of XYZ, provided price  $\geq x$
- Buy 10,000 shares of XYZ, provided price  $\leq y$

3.5.8. In order to arrive at what should be the stipulated price range for permissible values of x and y, various alternatives were explored:

- i. High (H)/Low(L) price variation of the stock during last one year
- ii. H/L variation of index during last one year
- iii. Average of H/L variation of stock price and H/L variation of index
- iv. VWAP price of last one year
- v. Theoretical future price of the stock
- vi. Fixed percentage relative to the current market price of stock

3.5.9. It was discussed that while stipulating norms for permissible range, it should not be so complicated that it becomes tedious to calculate by the insider and to verify by the compliance officer. As the primary purpose of the price limit is just to provide protection against loss due to adverse price fluctuation, the WG proposed that fixed percentage

based threshold of 20% of current market price (at the time of formulation of TP) may be kept as the range, which would provide sufficient leeway to the insider to protect their proposed trade from adverse price fluctuation.

3.5.10. The date of submission of TP may be considered as the day of formulation of TP. Thus, if closing price of the stock on the previous day of the formulation of TP is Rs 1,000, then price limit for buy trade can range from Rs. 1,000 to Rs. 1,200 (20% above Rs 1,000) and similarly price limit for sell trade can range from Rs. 1,000 to Rs. 800 (20% below Rs 1,000) depending upon the insider's preference.

3.5.11. Thus, if the insider chose to set out the lower price limit 'x' for sell trade, then trade shall be executed only at price equal to or more than 'x'. Similarly, if upper price limit 'y' for buy trade is set out, then trade shall be executed only at price less than or equal to 'y'. If the insider wishes that they want to execute the trade even if prices move beyond 20%, then they may choose not to set out any price limit while formulating a TP. In that case they shall have to mandatorily execute the trade irrespective of the prevailing prices.

3.5.12. For clarity, following table depicts the hypothetical example of various scenarios of scrip 'XYZ' assuming the market price of Rs. 1,000 at the time of TP formulation.

Table 3: Price Scenarios of XYZ scrip showing whether trades to be executed or not

	Sample Trade Mentioned in Trading Plan	Prevailing Price (in Rs) of XYZ (On 1-May-2024)					
		1300	1200	1100	1000	900	800
1	Sell 500 shares of xyz	YES					
2	Sell 500 shares of xyz, provided price >= 1000	YES			NO		
3	Sell 500 shares of xyz, provided price >= 900	YES				NO	
4	Sell 500 shares of xyz, provided price >= 800	YES					NO
5	Buy 500 shares of xyz	YES					
6	Buy 500 shares of xyz, provided price <= 1000	NO			YES		
7	Buy 500 shares of xyz, provided price <= 1100	NO		YES			
8	Buy 500 shares of xyz, provided price <= 1200	NO	YES				

**YES:** Trade shall mandatorily execute  
**NO:** Trade cannot execute

**Assumptions:**  
TP Formulation Date: 1-Jan-2024  
TP Execution date: 1-May-2024  
Market Price of XYZ on formulation date: Rs. 1000  
Permissible Range for Price limit in Sell order: Rs 800 to 1000  
Permissible Range for Price limit in Buy order: Rs 1000 to 1200

### 3.6. Date or Interval during which Trade Execution will take place

- 3.6.1. While current provisions [Reg 5(2)(v)] enable the insider to mention specific date and interval for trade execution, it is felt that the term 'interval' may be misinterpreted as the intervening time or break between two trades. Therefore, it was proposed that the term 'interval' may be replaced by the term 'time period'.
- 3.6.2. Further, the WG noted that since there is currently no cap on the duration of 'time period' ('interval'), some trading plans specify the entire duration of trading plan as time period for execution of trade e.g. trading plan may mention that sell 10,000 shares during 1-Jan-2024 to 30-Jun-2024.
- 3.6.3. While this provides greater flexibility for insiders, it may also allow them to misuse any new UPSI and time the market, as they have



full flexibility to decide the exact dates on which the trades must be executed during execution period.

3.6.4. In view of the above, the WG recommended that insiders may be required to specify short 'time periods' of 5 consecutive trading days within which trading quantity/ value/ price have to be mentioned for execution. For instance, a trading plan may specify that the insider will sell 10,000 shares from 1-Jan-2024 to 5-Jan-2024 and then, insider can split their trade for 10,000 shares across these 5 trading days.

3.6.5. If the insider wishes to split the quantity across more than 5 trading days, then they are entitled to split the quantity across multiple time periods of 5 trading days. e.g. if the insider wishes to sell 20,000 shares across two months (say January-February 2024), they may split the quantity across more than one time period in TP as illustrated below:

- Sell 4,000 shares during Jan 01 to Jan 05, 2024
- Sell 7,000 shares during Jan 15 to Jan 19, 2024
- Sell 3,000 shares during Feb 05 to Feb 09, 2024
- Sell 6,000 shares during Feb 19 to Feb 23, 2024

3.6.6. **Recommendation:** In light of the above discussions (under Para 3.5 and 3.6), the provisions of regulation 5(2)(v) are proposed to be amended as follows:-

*(v) set out either the value of trades to be effected or the number of securities to be traded along with the nature of the trade and the intervals at, or dates on which such trades shall be effected; and*

*set out following parameters for each trade to be executed:*

*(a) either the value of trade or the number of securities;*

*(b) nature of the trade;*

- (c) *either specific date or time period not exceeding 5 consecutive trading days;*
- (d) *price limit, that is an upper price limit for a buy trade and a lower price limit for a sell trade, subject to the range as specified below or as may be specified by the Board from time to time:*
- i. for a buy trade, upper price limit can be between closing price on the day before submission of the trading plan and 20% higher than such closing price;*
  - ii. for a sell trade, lower price limit can be between closing price on the day before submission of the trading plan and 20% lower than such closing price.*

*Explanation: While the parameters in sub-clause (a), (b) and (c) shall be mandatorily mentioned against each trade, parameter in sub-clause (d) shall be optional. Further, the price limit in sub-clause (d) shall be rounded off to the nearest numeral.*

*NOTE: It is intended that while regulations should not be too prescriptive and rigid about what a trading plan should entail, they should stipulate certain basic parameters that a trading plan should conform to and within which, the plan may be formulated with full flexibility. The nature of the trades entailed in the trading plan i.e. acquisition or disposal should be set out. The trading plan may set out the value of securities or the number of securities to be invested or divested. Specific dates or specific time ~~intervals~~ **period** may be set out in the plan. However, there should be an outer limit on the duration of the time period, so that while it allows the insider to split their trades across different dates, the duration should not be so long that it is prone to misuse.*

*Further, to protect the insider from unexpected price movements, he may at the time of formulation of Trading Plan, provide price limits within the range specified in these Regulations.*

### **3.7. Irrevocability of Trading Plan**

- 3.7.1. *As per Reg 5(4), the trading plan once approved shall be irrevocable and the insider shall mandatorily have to implement the plan,*

*without being entitled to either deviate from it or to execute any trade in the securities outside the scope of the trading plan.*

*Provided that the implementation of the trading plan shall not be commenced if any unpublished price sensitive information in possession of the insider at the time of formulation of the plan has not become generally available at the time of the commencement of implementation and In such event the compliance officer shall confirm that the commencement ought to be deferred until such unpublished price sensitive information becomes generally available information so as to avoid a violation of sub-regulation (1) of regulation 4*

- 3.7.2. As explained earlier, the regulatory provisions for Trading Plan endeavour that possession of UPSI may not provide any advantage to insider for trades formulated in trading plan. To ensure the same, the principle behind regulations should be that insider may have the maximum discretion during the formulation of plan to decide about their trades as there is sufficient cool-off period between formulation and execution of trades, but once the plan is formulated, they may have no discretion to deviate from the plan.
- 3.7.3. To protect insiders from adverse price fluctuation, amendments to Reg 5(2)(v) have been proposed enabling insiders to provide price limits for trade [refer para 3.6.6]. For this purpose, the WG deliberated on following two alternatives: -
1. **Alternative A:** if price has moved beyond the price limit set out in TP, insider may have the option either to revoke the trade or go ahead with the trade in spite of price being beyond the limit.
  2. **Alternative B:** if price has moved beyond the limit set out in TP, the insider cannot execute the trade and mandatorily has to revoke the trade.

3.7.4. In Alternative A, there is a risk that decision of the insider to revoke or go ahead with the trade can be influenced by UPSI<sub>New</sub> which might have come into their possession subsequent to the formulation of TP. Therefore, Alternative B is recommended as it will provide no discretion to insider during execution and their decision to revoke or continue with the trade cannot be influenced by UPSI<sub>New</sub>.

3.7.5. **Recommendation:** In light of the above discussion, the provisions of regulation 5(4) are proposed to be amended as below:

(4) The trading plan once approved shall be irrevocable and the insider shall mandatorily have to implement the plan, without being entitled to either deviate from it or to execute any trade in the securities outside the scope of the trading plan

Provided that the implementation of the trading plan shall not be commenced if any unpublished price sensitive information in possession of the insider at the time of formulation of the plan has not become generally available at the time of the commencement of implementation and in such event the compliance officer shall confirm that the commencement ought to be deferred until such unpublished price sensitive information becomes generally available information so as to avoid a violation of sub-regulation (1) of regulation 4.

**Provided further that if the insider has set a price limit for a trade under sub-clause (d) of clause (v) of sub-regulation 2, then the insider shall execute the trade only if the price of the security is within such limit. If price of the security is outside the price limit set by the insider, the trade shall not be executed.**

*NOTE: It is intended that since the trading plan is an exception to the general rule that an insider should not trade when in possession of unpublished price sensitive information, changing the plan or*

*trading outside the same would negate the intent behind the exception. Other investors in the market, too, would factor the impact of the trading plan on their own trading decisions and in price discovery. Therefore, it is not fair or desirable to permit the insider to deviate from the trading plan based on which others in the market have assessed their views on the securities.*

*The **first** proviso is intended to address the prospect that despite the ~~six~~ **four**-month gap between the formulation of the trading plan and its commencement, the unpublished price sensitive information in possession of the insider is still not generally available. In such a situation, commencement of the plan would conflict with the overriding principle that trades should not be executed when in possession of such information. If the very same unpublished price sensitive information is still in the insider's possession, the commencement of execution of the trading plan ought to be deferred.*

***The second proviso is intended to address the scenario, where the insider has set a price limit for a trade and due to adverse fluctuation in market prices, if 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 cannot set any price limit at the time of formulation of the trading plan.***

### **3.8. Exemption from Contra-Trade Provisions**

- 3.8.1. Proviso to Reg 5(3), inter alia, stipulates that *restrictions on contra trade shall not be applicable for trades carried out in accordance with an approved trading plan.*
- 3.8.2. Clause 10 of Schedule B of PIT Regulations, 2015 reads as under:  
*The code of conduct shall specify the period, which in any event shall not be less than six months, within which a designated*

*person who is permitted to trade shall not execute a contra trade...*

- 3.8.3. The above restriction of contra-trade on designated persons/ insiders is intended to prevent misuse of UPSI in possession of designated persons/ insider and thereby disallow him to take an opposite view within short span of time. That is why it is stipulated that contra-trades should have minimum gap of six months.
- 3.8.4. However, trades under trading plan is currently exempted from such contra-trade restrictions, i.e. an insider is permitted to execute opposite trades with a gap of less than six months within a trading plan. The intent behind exempting trading plan from this restriction is as TP is currently being planned at least six months in advance and the execution period has to be for a minimum period of 12 months. Therefore, it is unlikely that insider may take advantage of any new UPSI that may come into their possession.
- 3.8.5. It was deliberated as to what could be the realistic need of including contra trade transactions under trading plan. Generally, when any person formulates a trading plan for future trades, they would either plan to sell the securities they already possess or they would plan to invest their surplus funds in the securities.
- 3.8.6. It is difficult to envisage a reasonable and genuine need for any insider to plan in advance two opposite trades with a gap of less than six months from each other. Only in case of personal exigencies, there could be genuine need to reverse the previous trade in short span of time. However, such exigencies cannot be planned in advance through trading plans.
- 3.8.7. Further, it was also felt that there may be a risk that insider may misuse this exemption for undertaking a contra-position under protection of Trading Plan provisions. Therefore, it is proposed that exemption for trades executed under Trading Plan from applicability

of contra-trade restrictions to be omitted i.e. contra-trade restrictions shall also be applicable on trades executed under Trading Plan.

- 3.8.8. **Recommendations:** In light of the above discussion, the proviso to Regulation 5(3) are proposed to be amended as under:

*Provided further that trading window norms ~~and restrictions on contra trade~~ shall not be applicable for trades carried out in accordance with an approved trading plan*

### 3.9. Disclosure of Trading Plan

- 3.9.1. As per Reg 5(5), upon approval of the trading plan, the compliance officer shall notify the plan to the stock exchanges on which the securities are listed.
- 3.9.2. The WG observed that currently, there is provision regarding submission of trading plan to stock exchange for public disclosure. However, there is no deadline prescribed within which to submit the same. The WG proposed to prescribe the deadline of two days' post approval of trading plan for more clarity.
- 3.9.3. It was also discussed whether trading plan should continue to be disclosed to public, especially when insider will now have the option to mention price limits in respect of their proposed trades. In this regard, it was proposed that for the sake of transparency, trading plan may continue to be disclosed to public along with price limits. If price limit conditions are masked from the market then it may confuse the market participants as they would not be able to ascertain whether trades are likely to be executed or not, given the prevailing prices of securities during execution time.
- 3.9.4. It was also discussed whether the name of insider can be masked to protect their privacy and make it more convenient for them to submit a trading plan. As per Reg 7(2), there is already requirement of disclosing all trades done by the promoter/ Designated persons to the Exchanges above specified threshold, within two days of

transactions, which comes in public domain. Thus, post execution of significant trades, names are anyway disclosed to public.

- 3.9.5. However, if any of the details of the insider is required to be masked, the same may pose challenges in monitoring the execution of TP. Therefore, the WG recommends that existing disclosures shall continue.
- 3.9.6. The WG also noted that currently, there is no uniformity in reporting details of the TP and hence, recommends that a suitable format may be specified in consultation with market participants.
- 3.9.7. **Recommendation:** In light of the above discussion, the provisions of regulation 5(5) are proposed to be amended as under:-

(5) Upon approval of the trading plan, the compliance officer shall notify the plan to the stock exchanges on which the securities are listed, **within two trading days of approval.**

*NOTE: It is intended that given the material exception to the prohibitory rule in regulation 4, a trading plan is required to be publicly disseminated. Investors in the market at large would also factor the potential pointers in the trading plan in their own assessment of the securities and price discovery for them on the premise of how the insiders perceive the prospects or approach the securities in their trading plan.*

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## Proposed Amendments to PIT Regulations

### SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF INSIDER TRADING) REGULATIONS, 2015

#### Trading Plans.

5. (1) An insider shall be entitled to formulate a trading plan and present it to the compliance officer for approval and public disclosure pursuant to which trades may be carried out on their behalf in accordance with such plan.

**NOTE:** *This provision intends to give an option to persons who may be perpetually in possession of unpublished price sensitive information and enabling them to trade in securities in a compliant manner. This provision would enable the formulation of a trading plan by an insider to enable him to plan for trades to be executed in future. By doing so, the possession of unpublished price sensitive information when a trade under a trading plan is actually executed would not prohibit the execution of such trades that he had pre-decided even before the unpublished price sensitive information came into being.*

(2) Such trading plan shall:—

(i) not entail commencement of trading on behalf of the insider earlier than ~~six~~**four** months from the public disclosure of the plan;

**NOTE:** *It is intended that to get the benefit of a trading plan, a cool-off period of ~~six~~**four** months is necessary. Taking into account that companies declare their results quarterly, and there exists a trading restriction, in terms of PIT Regulations, from quarter end to 2 days after declaration of quarterly result, which, it is seen, is generally a period of around 1 month for most of the companies, **four months** ~~Such a~~ 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. It is also considered to be a reasonable period for a time lag in which new unpublished price sensitive information may come into being without adversely affecting the trading plan formulated earlier. In any case, it should be remembered that this is only a statutory cool-off period and would not grant immunity from action if the insider were to be in possession of the same unpublished price sensitive information both at the time of formulation of the plan and implementation of the same.”*

~~(ii) not entail 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 by the issuer of the securities and the second trading day after the disclosure of such financial results;~~

~~**NOTE:** Since the trading plan is envisaged to be an exception to the general rule prohibiting trading by insiders when in possession of unpublished price sensitive information, it is important that the trading plan does not entail trading for a reasonable period around the declaration of financial results as that would generate unpublished price sensitive information.~~

(iii) entail trading for a period of not less than ~~twelve~~ **two** months;

~~**NOTE:** It is intended that it would be undesirable to have frequent announcements of trading plans for short periods of time rendering meaningless the defence of a reasonable time gap between the decision to trade and the actual trade. Hence it is felt that a reasonable time would be twelve months. While it may not be desirable to have frequent announcement of trading plans, the minimum period of trading under a plan is two months in order to enable insiders to effectively plan their trades in advance considering the prevailing market conditions.”~~

(iv) not entail overlap of any period for which another trading plan is already in existence;

~~**NOTE:** It is intended that it would be undesirable to have multiple trading plans operating during the same time period. Since it would be possible for an insider to time the publication of the unpublished price sensitive information to make it generally available instead of timing the trades, it is important not to have the ability to initiate more than one plan covering the same time period.~~

~~(v) set out either the value of trades to be effected or the number of securities to be traded along with the nature of the trade and the intervals at, or dates on which such trades shall be effected; and~~

*set out following parameters for each trade to be executed:*

- (a) either the value of trade or the number of securities;*
- (b) nature of the trade;*
- (c) either specific date or time period not exceeding 5 consecutive trading days;*
- (d) price limit, that is an upper price limit for a buy trade and a lower price limit for a sell trade, subject to the range as specified below or as may be specified by the Board from time to time:*

- i. *for a buy trade, upper price limit can be between closing price on the day before submission of the trading plan and 20% higher than such closing price;*
- ii. *for a sell trade, lower price limit can be between closing price on the day before submission of the trading plan and 20% lower than such closing price.*

***Explanation:*** *While the parameters in sub-clause (a), (b) and (c) shall be mandatorily mentioned against each trade, parameter in sub-clause (d) shall be optional. Further, the price limit in sub-clause (d) shall be rounded off to the nearest numeral*

***NOTE:*** *It is intended that while regulations should not be too prescriptive and rigid about what a trading plan should entail, they should stipulate certain basic parameters that a trading plan should conform to and within which, the plan may be formulated with full flexibility. The nature of the trades entailed in the trading plan i.e. acquisition or disposal should be set out. The trading plan may set out the value of securities or the number of securities to be invested or divested. Specific dates or specific time intervals period may be set out in the plan. However, there should be an outer limit on the duration of the time period, so that while it allows the insider to split their trades across different dates, duration should not be so long that it is prone to misuse.*

***Further, to protect the insider from unexpected price movements, he may, at the time of formulation of Trading Plan, provide price limits within the range specified in these Regulations.***

(vi) not entail trading in securities for market abuse.

***NOTE:*** *Trading on the basis of such a trading plan would not grant absolute immunity from bringing proceedings for market abuse. For instance, in the event of manipulative timing of the release of unpublished price sensitive information to ensure that trading under a trading plan becomes lucrative in circumvention of regulation 4 being detected, it would be open to initiate proceedings for alleged breach of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003.*

(3) The compliance officer shall review the trading plan to assess whether the plan would have any potential for violation of these regulations and shall be entitled to seek such express undertakings as may be necessary to enable such assessment and to approve and monitor the implementation of the plan.

[Provided that pre-clearance of trades shall not be required for a trade executed as per an approved trading plan.

Provided further that trading window norms ~~and restrictions on contra trade~~ shall not be applicable for trades carried out in accordance with an approved trading plan.]

***NOTE:*** *It is intended that the compliance officer would have to review and approve the plan. For doing so, he may need the insider to declare that he is not in possession of unpublished price sensitive information or that he would ensure that any unpublished price sensitive information in their possession becomes generally available before he commences executing their trades. Once satisfied, he may approve the trading plan, which would then have to be implemented in accordance with these regulations.*

(4) The trading plan once approved shall be irrevocable and the insider shall mandatorily have to implement the plan, without being entitled to either deviate from it or to execute any trade in the securities outside the scope of the trading plan.

*Provided that* the implementation of the trading plan shall not be commenced if any unpublished price sensitive information in possession of the insider at the time of formulation of the plan has not become generally available at the time of the commencement of implementation and in such event the compliance officer shall confirm that the commencement ought to be deferred until such unpublished price sensitive information becomes generally available information so as to avoid a violation of sub-regulation (1) of regulation 4.

**Provided further that if the insider has set a price limit for a trade under sub-clause (d) of clause (v) of sub-regulation 2, then the insider shall execute the trade only if the price of the security is within such limit. If price of the security is outside the price limit set by the insider, the trade shall not be executed.**

*NOTE: It is intended that since the trading plan is an exception to the general rule that an insider should not trade when in possession of unpublished price sensitive information, changing the plan or trading outside the same would negate the intent behind the exception. Other investors in the market, too, would factor the impact of the trading plan on their own trading decisions and in price discovery. Therefore, it is not fair or desirable to permit the insider to deviate from the trading plan based on which others in the market have assessed their views on the securities.*

*The **first** proviso is intended to address the prospect that despite the ~~six~~ **four**-month gap between the formulation of the trading plan and its commencement, the unpublished price sensitive information in possession of the insider is still not generally available. In such a situation,*

*commencement of the plan would conflict with the over-riding principle that trades should not be executed when in possession of such information. If the very same unpublished price sensitive information is still in the insider's possession, the commencement of execution of the trading plan ought to be deferred.*

*The second proviso is intended to address the scenario, where the insider has set a price limit for a trade and due to adverse fluctuation in market prices, if 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 cannot set any price limit at the time of formulation of the trading plan.*

(5) Upon approval of the trading plan, the compliance officer shall notify the plan to the stock exchanges on which the securities are listed, **within two trading days of approval.**

NOTE: *It is intended that given the material exception to the prohibitory rule in regulation 4, a trading plan is required to be publicly disseminated. Investors in the market at large would also factor the potential pointers in the trading plan in their own assessment of the securities and price discovery for them on the premise of how the insiders perceive the prospects or approach the securities in their trading plan.*

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