



**INFORMAL GUIDANCE OF SEBI WITH RESPECT TO PROHIBITION OF INSIDER
TRADING REGULATIONS**

Surbhi Sharma

Audit Division

Surbhi@bmpandco.com

BMP & Co. LLP
#4272, 2nd Floor, Saptagiri, Vivekananda park Road., Near Seetha circle, Girinagar, Bangalore- 560085
LLP IN: AAI-4194 ☎ - 08026714061 ✉ - biswajit@bmpandco.com

SEBI vide SEBI (Prohibition of Insider Trading) Amendment Regulations, 2018 had notified certain amendments to the SEBI (Prohibition of Insider Trading) Regulations 2015 (“PIT Regulations”). The amendments range from information sharing to creating a digital database of persons having UPSI to framing Code of conduct by other parties/firms/consultants who have access to/ handling unpublished price sensitive information of a company, material financial relationship by a designated person. In response to the numerous queries arising on the Amendment Regulations, SEBI under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 (The Scheme) has clarified the following:

1. Monetary transactions as well as non-monetary transactions would construe to establish the material financial relationship and the same has to be reported.
2. If a Designated Person has material financial relationship with one of his Immediate Relatives, then in that case the same is required to be disclosed separately in the category of person with whom the Designated Person has a Material Financial Relationship.
3. The term material financial relationship under Clause 14 of Schedule 8 to the PIT Regulations is explained as: "a relationship in which one person is a recipient of any kind of payment such as by way of a loan or gift from a designated person during the immediately preceding twelve months, equivalent to at least 25% of the annual income of such designated person." Accordingly, any transaction entered by the designated person with which exceeds 25% of the Designated Person's Annual Income has to be disclosed.
4. Even repayment of financial obligations by the designated person of any other person exceeding 25% of the designated person’s annual income amounts to material financial relationship and has to be disclosed.
