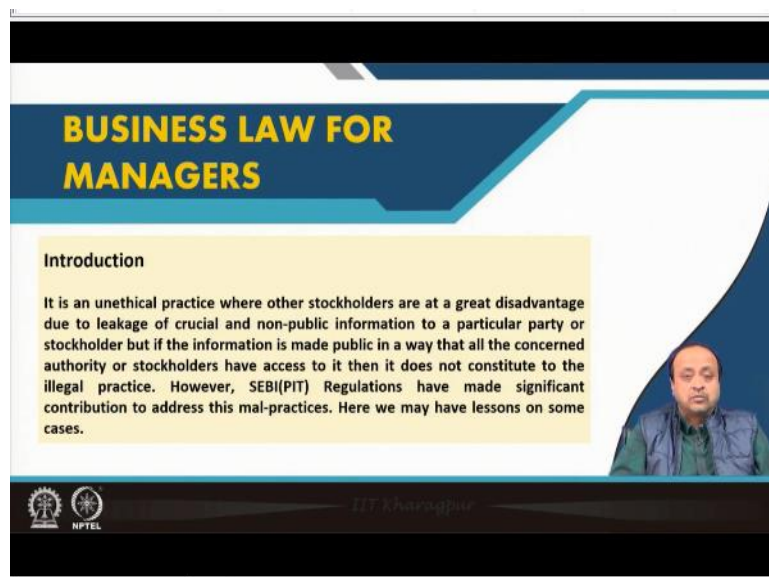


**Business Law for Managers**  
**Mr. Kaushik Mukherjee**  
**Vinod Gupta School of Management**  
**Indian Institute of Technology, Kharagpur**  
**Module-3: PIT (Prohibition of Insider Trading)**

**Lecture-15**  
**Insider Trading Examples, PIT Recent Cases and Insider Trading Initiatives**

Good afternoon, this is lecture 15 insider trading examples, PIT recent cases and insider trading initiatives, prohibition of insider trading initiatives.

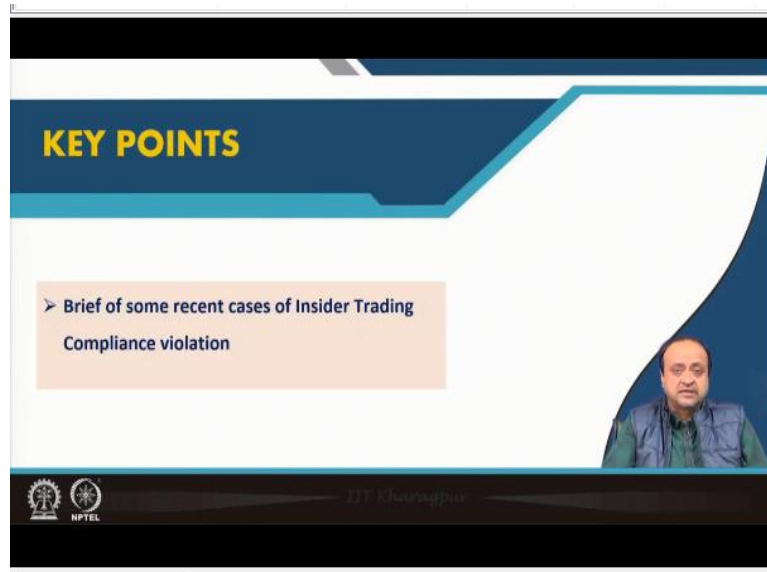
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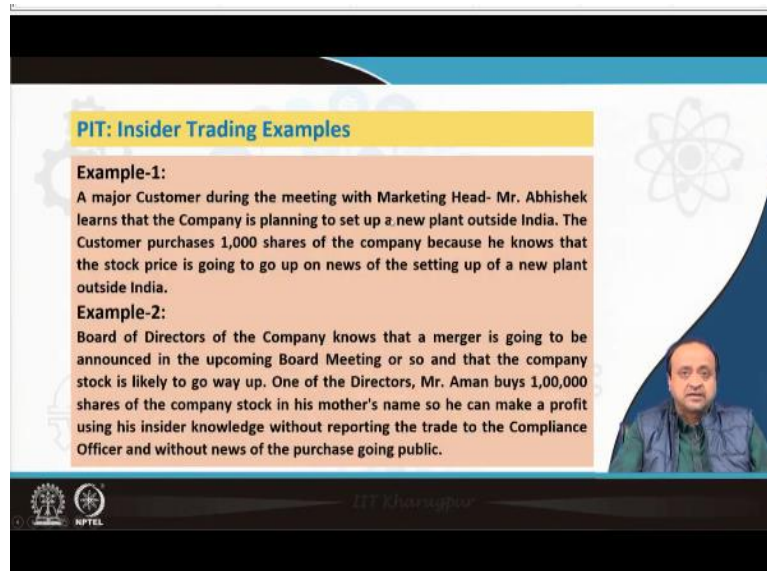
The slide features a dark blue header with the title 'BUSINESS LAW FOR MANAGERS' in yellow. Below the header is a yellow box containing the text: 'Introduction It is an unethical practice where other stockholders are at a great disadvantage due to leakage of crucial and non-public information to a particular party or stockholder but if the information is made public in a way that all the concerned authority or stockholders have access to it then it does not constitute to the illegal practice. However, SEBI(PIT) Regulations have made significant contribution to address this mal-practices. Here we may have lessons on some cases.' A small video inset of the speaker is visible in the bottom right corner of the slide. At the bottom left, there are logos for IIT Kharagpur and NPTEL.

Well in this lecture I will take you through some recent cases which I have jotted down in different disclosures in the stock exchanges and as well as some of the incidents which I have come to know from different quarters. So, basically these are all live cases which have happened of course for the sake of confidentiality all these names etcetera cannot be taken.

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But I have shared some of this taking fictitious names and customers etcetera. So, let us take some of the examples of insider trading how it happened and how it really hit the nail and it was caught and it was a clear kit of violation. But see the inadvertence in this each one of this you will find a bit of inadvertence, a bit of innocence but however that cannot be given an exemption.

Here is an example where a major customer during the marketing heady meeting with marketing head Mr. Abhishek names obviously are taken the way I want Abhishek maybe comes to me first because of various other reasons so many Abhisheks around. A major customer during the meeting with marketing head Mr. Abhishek learns that the company is planning to set up a new carbon black plant outside India.

Now the customer purchase 100 shares of the company because he knows the stock prices has to go up on news or setting up a new plant outside India. Now you see marketing people normally they market products, they have to sell the business of the company, they are going to talk you cannot ask them do not talk. Now what the gentleman did is he gave exact location of the plant and not only that even the capacity which was not disclosed anywhere.

He was private to that because he was sitting in a meeting with the managing director and he was explaining to him, talking out to him how this business would be done. This are a case study, what will be the strategy when the plant is taken over a new plant is set up which customers to be built? So, he went and advertised about the company the customer asked how the company is doing?

He could have answered by saying the company is doing well, we are looking for growth, we are looking for expansion, we looking for brownfield expansion, we looking for green field expansion and to a specific query if he has asked, we are hearing that you are trying to buy a new plant or setting up a new plan you could have answer would have been yes. We are always in the lookout; we are always for growth.

Instead of that you wanted to be pallier to the customer, he has to wanted to give more information, he wanted to show that you are my confidant, then he passed on that information and the customer did a quick buck and he ended up in and inside a dating violation. Reported case, second again the board of directors of a company knows the merger is going to be announced in the upcoming board meeting because in the agenda there was one item of to discuss on the merger of a company.

These are all reported case laws and therefore I can discuss but only thing I could not give the name though it is disclosing the name but a name I cannot give. The company stock likely to go up obviously; one of the directors Mr. Aman buys 1000 shares of the company stock in his mother's name. So, that he can make a profit under his insider knowledge without getting reported to the compliance officer without news or purchase. See mother's name buying also will not help, even mother-in-law's name buying also will not help, they will all come under connected persons. But the mindset is making a quick buck, violation obviously is there.

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**PIT: Insider Trading Examples**

**Example-3:**  
Mr. Rajat, Finance Head of a company overhears a meeting where the CFO is talking about how the company is going to be in the loss in the coming quarter as a result of market slowdown of Industry. Mr. Rajat knows that his friend owns shares of the company. Mr. Rajat warns his friend that he needs to sell his shares right away.

**Example-4:**  
Mr. Suraj working in R & D Department is aware that the Company is planning to establish a new R & D Centre at China and that will be significantly benefit to the Company. Mr. Suraj secretly buys 100000 shares of the company.

The slide features a yellow header with the title, an orange box for the examples, and a small video inset of a man in a blue jacket. Logos for IIT Madras and IIT Kharagpur are visible at the bottom.

Now again this is another case of a CFO. He is a finance head of a multinational company based outside India. Now he was talking to a banker and he tells him that how the company is going to be in the loss in the coming quarter as a result of market slowdown of a particular industry. Now this is shared with his friend again, but the friend holding on to the shares which he purchased long time back sold the shares, knowing fully well, the company prices have to go down.

Another case of insider trading where you are passing on information to a friend and friend is selling the shares based on your information. In another case an R and D center will be sent up somewhere in Berlin or Netherlands or Europe somewhere and this was disclosed to a person, the head disposed to an employee in the organization and he bought shares of the company. There is a whole saying you are doing everything fine unless you are caught. Now when you are caught only these things happens to your digital database tracker, inside information, red zone all these are cases which can land you into difficulty.

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**PIT: Insider Trading Examples**

**Example-5:**  
 Surajit learns of a confidential merger between his company and another subsidiary company. Knowing that the merger will require the purchase of shares at a high price, Mr. Surajit buys the stock the day before the merger is going to go through.

**Example-6:**  
 Mr. Arijit working in a Treasury Department of the Company, got the result of the Company in his hand 3-4 days before the Board Meeting. He has submitted the outstanding results of the Company to the Bank before the Board Meeting, so that he get the loan for the Company at a lower rate of interest and may get the promotion in the Company.

The slide also features a small video inset of a man in a blue jacket and a logo in the bottom left corner.

You are not knowing; one is not knowing how one is getting tracked. He knows an officer in a central department comes to know of a merger and by that time he has picked up the share one can make money in the share market; he buys the stock and sales is after. Without knowing as a secretary officer, he is a designated person and his pan card is already in semi tracker, pan number is income tax number.

And the person in his jill to influence and get a loan at a low rate of interest from a particular bank; one day before the financial results were made public to the board shared the results; almost got a copy out from the printer and hand it over to the AGM of the particular bank to sanction the loan at a favourable term. He thought he did a brilliant job, he thought he did a brilliant job innocently by sharing the results with the banker because the banker was enquiring repeatedly what about your results.

The perhaps the DGM or AGM of the bank was not that much interested in the results of the loan but wanted to make a quick buck. Many of the banks' employees, senior employees are quite a do are in inside the trading because they are ply with so many information about corporate, they lend money and therefore they are bound to know the information about the company much before it results are out.

They have some information, may not be in writing but orally, verbally they have information. But this young guy in his jill wanted to win that extra I mean favourable interest rate for the loan and shared the results. Before it could go even to the board for approval, one day before the board meeting and lost the job. This is again a multinational company.

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**PIT: Insider Trading Examples**

**Example-7:**  
During the Business Review meeting with the Chairman, Factory Head of Plant – Mr. Kaustav got the information on fund raising by way of issue of QIP of Rs. 1000 crores. Mr. Kaustav communicated the said information to his wife Mrs. Preeti informally. Mrs. Preeti secretly buys 50,000 stock of the company in her Mother's name.

**Example-8:**  
Mr. Arvind, a support staff in the Secretarial Department of the Company, while making the Agenda folder for the Board Meeting got to know the results of the Company before 7 days of the Board Meeting and knowing the outstanding performance of the Company, the price of the stock will go up, once the result will be out, so he has communicated the same to the Head of Procurement- Mr. Rajat , who is working in the Company, to get some benefit from him.

Another case of a particular passing on information to spouse, another case example where things can go wrong, this is another case where a suppose staff in the secretarial department comes to know the agenda paper that outstanding performance of the company was doing a photocopy and he communicated the same to the head of procurement who is working in the company to get some benefit from him. This kind of things happen this is common insider training examples.

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**PIT: Insider Trading Examples**

**Example-9:**  
During the Analyst or Institutional Investor meet, CFO of the Company informally informed the Analyst or Institutional Investors that the Company is planning to have acquisition of carbon black company in China. One of the Investors passed the said information in his WhatsApp group of common friends who are in the business of trading. After getting the said information, his friends purchased shares of the Company in bulk quantity as the stock price will be going up on news of acquisition of carbon black company in China.

During the analyst or an institutional investor meet CFO of a company informally informed analyst or institutional investors the company, exactly what I was telling in some I think a lecture before that if you give more information to the institutional investors than what you

are giving to the retail investors. That is a clear case of violation of insider trading. These are all examples of insider trading which are nothing to do with any particular company.

All basically accumulation of different incidents and showing what can happen, trying to create that these are the gaps or ways or means how insider trading inadvertently may happen, but then again whether it is inadvertent or deliberate is not the question. Question is it is a violation. Once a violation you are under the scanner.

**(Refer Slide Time: 10:15)**

**PIT: Some Recent Cases**

**1. SEBI imposes a penalty of Rs 22.7 Crore for Insider Trading compliance violation**

On Sep 23, 2019, SEBI passed an order, imposing a penalty of Rs. 22.7 crore on Aurobindo Pharma and its promoters for Insider Trading Compliance violation. While the violation happened in 2008 – 2009 but SEBI kept on investigating and finally, SEBI concluded with a penalty of 22.7 crores and the issue remains misuse of Unpublished Price Sensitive Information (UPSI) for personal gains.

The slide features a yellow header with the title, a light blue background with a faint atom symbol, and a small inset photo of a man in a blue shirt. Logos for IIT Kharagpur and NPTEL are visible at the bottom.

These are the recent cases 22.7 crore penalty on 23rd September 2019 on Aurobindo pharma and its promoters' reported judgment for inside trading compliance violation. The violation was in 2008, 9 but SEBI kept on investigate and finally see that kind of investigation 2008, 9 getting in 2019, 10 years; whereas the records are to be get for 8 years as I told in the last lecture also.

Though it is 8 years but the investigation starts then it will be n number of years, till investigation ends. So, 2009 SEBI kept on investigating finally SEBI concluded with the penalty; it was a compounding, they agreed to pay a penalty of 22.7 crores. Misuse and unpublished price sensitive information, lot of your human cry with this Aurobindo pharma one of the leading companies not 2.27, no typo error 22.7 crores.

**(Refer Slide Time: 11:28)**

**PIT: Some Recent Cases**

**2. Sebi impounds Rs 87.21 lakh from former director, spouse**  
Pia Johnson of Indiabulls Ventures Ltd (IVL) and her husband Mehul Johnson traded in the scrip of IVL when in possession of unpublished price sensitive information (UPSI).

Markets regulator Sebi ordered impounding of alleged unlawful gains of Rs 87 lakh made by Indiabulls Ventures's former non-executive director and her husband in an insider-trading case.

11:47 AM

SEBI

This is the case I was telling director and spouse, passing on information; I created all these because these are the examples which happen. The last few examples which I have given before this I have taken different names, different units etcetera only to create it is a creation of mind to show what kind of information flow and insider trading examples can come in. That was creation but these are actual.

There are all evidence, facts, you can find out by Google, all these the case studies I am given, well the other you will never find. But these are all the others were 9 examples for my creation; I created these examples for ease of understanding. Now here market regulator SEBI ordered impounding of allied lawful, unlawful gains of rupees 87 lakh made by Indiabulls former non-executive director and her husband in an insider trading case. 87 lakhs not a small amount.

**(Refer Slide Time: 12:47)**



**PIT: Some Recent Cases**

**3. Sun Pharma's senior executive, wife settle insider trading case with SEBI**

Sun Pharma group's senior executive, Abhay Arvind Gandhi, and his wife Kiran have settled with SEBI a case related to insider trading in shares of Ranbaxy Laboratories in 2014. Both have paid a total of over Rs 70 lakh as settlement charges.

At the time of alleged violation, Abhay Arvind Gandhi was the CEO of Sun Pharma Laboratories Ltd (SPLL), a wholly-owned subsidiary of Sun Pharmaceutical Industries Ltd. Currently, Abhay Gandhi is CEO of Sun Pharma's North America business.

Sun pharma senior executives, wife settle insider trading case with SEBI. So, wherever you find this wife coming into the picture it is a clear case of husband passing on information to wife or wife passing on information to a husband either way. These relationships are good but confidentiality has to be maintained as far as insider trading regulation goes even in husband-wife relationship. So, PIT regulations said above a husband-wife relationship, otherwise you will land up paying crores or lakhs of rupees; 70 lakh both have paid a total of 70 lakh as a settlement charge.

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**PIT: Some Recent Cases**

**Sun Pharma's senior executive, wife settle insider trading case with SEBI (contd.....)**

Gandhi and his wife traded in Ranbaxy shares soon after Japanese major Daiichi, in 2014, agreed to sell Ranbaxy to Sun Pharma.

According to separate notices sent to the two individuals, they had traded in the shares of Ranbaxy when the proposed deal was to be made public. The proposed deal was UPSI (Unpublished Price Sensitive Information) from February 14, 2014 to April 6, 2014.

So, this is the case.

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**PIT: Some Recent Cases**

**Sun Pharma's senior executive, wife settle insider trading case with SEBI (contd....)**

By trading in the shares of Ranbaxy during the UPSI period, both allegedly violated prohibition of insider trading norms, according to the notices. As Gandhi was then the chief of SPLI, he and his wife were insiders under SEBI norms.

Gandhi and Kiran traded in 454 shares and 6,770 shares, respectively, during the UPSI period.

In two separate but similarly-worded orders issued on Thursday, SEBI said the two individuals sought to settle the adjudication proceedings initiated against them in 2017.

Dr. Kiran Gandhi

NIPTL

Detail is here given; SEBI has said that 2 individuals sought to settle the adjudication proceedings. So, initially they went for an adjudication means a legal battle. Finally, when they found that so strong is the evidence in the hands of SEBI as I told I think a lecture before or 2 before that SEBI were investigated and comes and finally gives an order to you remain rest assured the ground is fully there. Otherwise, SEBI will not pass an order to you; it will either exempt you or give you a low penalty.

But when gives an order and then the order quantifies the amount the best thing to do is to settle because SEBI comes with very strong evidence on that and any education before appellate tribunal perhaps would be footless, unless there is strong evidence against it. I am not saying for a moment there can be but mostly it is seen, whenever they pass an order the receiving party though initially may educate like finally has to come and settle and SEBI settle, SEBI also understands that unnecessarily running a court case and getting a settlement means 2 things, one SEBI wins, 2 awareness wins, 3 money comes in.

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**PIT: Some Recent Cases**

**Sun Pharma's senior executive, wife settle insider trading case with SEBI (contd....)**

Under SEBI's settlement mechanism, without admission or denial of guilt, both proposed to pay Rs 35.06 lakh each to settle the case. The settlement amounts proposed were approved by a panel of SEBI's Whole-Time Members, according to the two orders. While settling the case, the regulator also said enforcement actions could be initiated if any representation made by the two individuals is found to be untrue.

Dr. Khanna

NPTEL

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**PIT: Some Recent Cases**

**4. Sebi sends notice to 5 Asset Management Companies in insider trading case**

Sebi has issued show cause notices to five Asset Management Companies (AMCs) for alleged breach of insider trading regulations.

SBI Fund Management, ING Mutual Fund (now Birla Sunlife) and BNP Paribas are among these. They are all charged with use of price-sensitive information for trading in the scrip of Manappuram Finance (MFL) in March 2013. Notices have been also issued to Ambit Capital, its former chief executive officer, Saurabh Mukherjea, and to MFL and its top management. This comes at a time when mutual fund houses are bleeding due to their significant exposure in crisis-hit Zee Enterprises, DHFL and IL&FS.

Dr. Khanna

NPTEL

So, this is notice to 5 asset companies in insider. Five asset management companies AMCs and all of them had to settle.

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**PIT: Some Recent Cases**

5. The Sebi notices are dated May 29 AMD seek a reply in 14 days.

The capital markets regulator has said these fund houses' decision to exit the stock of MFL during the period in question appears to be based on an Ambit research report, 'leaked' to them before the formal earnings announcement for the fourth quarter (Q4) of 2012-13. It was alleged the MFL management organised a conference call attended by fund managers and research analysts, where they were given the profit warning news for Q4.

Dr. Abhinav

NPTEL

And let me also say that though I take a disclaimer but I state this that my personal experience is various asset management companies, mutual fund investor, advisors merchant bankers they have huge information. Say a company is going for an issue, whether rights, bonus, public, QIP, preferential issues. One person is thoroughly there from 0 date till the issue becomes a success is the merchant banker.

And while he is there, he prepares the document based on which you go and make a road show, win the investors, their confidence and finally make a successful bidding and issue. In the process while preparing the document the company has to share all its information to the machine banker, yes confidentiality is done by oath. His business is to maintain confidentiality, a merchant banker registered with SEBI.

But merchant bankers also have asset management companies, meaning not the merchant bank the same company control ownership; this is something also SEBI needs to look into. I would only say this much, somewhere when so much investigations deep diving are being done it is also important that SEBI looks into this aspect also, same group ABC, ABC having a merchant banking division and ABC having an investment division. May be totally separate at arm's length but SEBI also needs to look at that with the scanner.

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**PIT: Some Recent Cases**

(contd....)

According to the Sebi notice, MFL discussed the unpublished and price-sensitive information (UPSI) with Ambit on March 18 and 19, 2013, during the conference call to market participants, before this was disclosed to the stock exchanges. This is violation of the insider trading, code of corporate disclosure and listing agreements, said the notice.

Each of the entities served with a notice have to explain why an inquiry should be not held against it under Sebi's adjudication rules. The Sebi Act prescribes a penalty for insider trading up to Rs 25 crore or three times the amount of profit made out of the illegal activity, whichever is higher. It also says insider trading is punishable with a prison term of up to 10 years.

Dr. K. Srinivasan

NIPTEL

Research analysts who does the research on companies' performance, finance they are also store house of huge information, reservoir of information for various companies, they are also insiders. So, the penalty amount 25 crores or 3 times the amount of profit whichever is higher and the punishable with the fine up to 10 years.

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**PIT: Some Recent Cases**

An MFL spokesperson said legal issues precluded any comment. Queries to Ambit, SBI MF and Saurabh Mukherjea did not elicit a response. BNP Paribas refused to comment.

The regulator further said the act of selectively disclosing the price-sensitive information resulted in a fraud on genuine investors who were not privy to this and who'd dealt in the scrip of MFL during March 19-20, 2013.

On MFL, Sebi said it had failed to ensure and enforce compliance with the code of conduct on insider trading. It has said MFL's I Unikrishnan and Sachin Agarwal, in the meeting on March 18, 2013, and Ambit's Saurabh Mukherjea and Pankaj Agarwal during the conference call on March 19 with market participants, communicated the UPSI in violation of the rules.

Dr. K. Srinivasan

NIPTEL

So, this was the case of SBI mutual fund, queries to ambit, ambit is also one of the advisors the merchant banker, on MF SEBI said it failed to ensure enforce compliance with the code of conduct on insider trading.

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**PIT: Some Recent Cases**

Further, MFL's board of directors, including V P Nandakumar, failed to supervise implementation of the code of conduct.

Ambit had, Sebi said, communicated the UPSI by e-mail to its clients through a research report, which led to trading in the scrip by its clients and also by trading in its proprietary account. Ambit was well aware that the information was not in the public domain but still told its clients, a fraud on the uninformed investors who dealt in the scrip.

Dr. Khanna

NIPTEL

See Ambit was well aware of the information was not in the public domain but still told its clients a fraud and uninformed investors who dealt in the script is the reporting.

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**PIT: Some Recent Cases**

Sebi observed that on March 19, 2013, the price of an MFL share declined from Rs 34 to Rs 27.

MFL has issued a clarification and denied any such selective sharing of information. It said its people had met the Ambit analyst at 4 pm and the meeting was for seeking information on the outlook and the Q4 results. Also, that it had conducted a conference call and informed the participants that the company expected a one-time hit of Rs 250 crore during the said quarter, resulting in a loss of up to Rs 50 crore.

Apart from these, many other cases are there. Request you to kindly check at your end.

Dr. Khanna

NIPTEL

Various times the financial analysts they are also under the scanner of SEBI, many times it happens, this investor **conferences** conference with the financial analyst.

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**PIT: Some Recent Cases**

6. SEBI settles insider trading case in Sabero Organics matter for Rs 1 crore SEPT 2019

SEBI, during an investigation between May-June 2011, noted that Coromandel, after a meeting with the representatives of Sabero Organics, informed the bourses about the acquisition of the latter by it.

SEBI has settled an alleged insider trading case with an individual in Sabero Organics matter on payment of over Rs 1 crore as settlement charges and disgorgement of illegal gains.

SEBI, during an investigation between May-June 2011, noted that Coromandel, after a meeting with the representatives of Sabero Organics, informed the bourses about the acquisition of the latter by it.

Or in the scanner of SEBI, SEBI settles a trading case in several organics matter for which 1 crore September 2019 before COVID. Settlement means settlement on SEBI's terms after investigation SEBI cyber organics accepted and therefore came to a settlement.

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**PIT: Some Recent Cases**

6. SEBI settles insider trading case in Sabero Organics matter for Rs 1 crore SEPT 2019 (contd...)

The information related to the acquisition of Sabero Organics by Coromandel was deemed to be a price sensitive information and the period between May 15, 2011 to May 30, 2011 was unpublished price sensitive information period.

SEBI observed that the individual Kailash Pratap Mariwala, made a profit of over Rs. 31.57 lakh allegedly trading in the scrip of Sabero during UPSI period.

In view of the trading during UPSI period, Mariwala had allegedly violated Prohibition of Insider Trading Regulations.

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**PIT: Some Recent Cases**

However, while the proceeding was in progress, Mariwala filed a settlement application with SEBI and proposed to pay Rs 70.45 lakh as settlement amount along with Rs 31.57 lakh of illegal gains and Rs 30.72 lakh of interest amount.

The total amount after the approval from the high powered advisory committee of SEBI was remitted by Kailash Pratap Mariwala in September 2019.

Accordingly, the probe in the matter has been disposed of by SEBI after the applicant remitted the settlement amount.

However, the SEBI has said proceeding in the matter may be restored if representations made by the applicant are subsequently found to be untrue.

NPTEL IIT Kharyagpur

These are all details of the cases.

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**PIT: Insider Trading Initiatives**

- Best Practices : Leadership Team is strictly prohibited to trade in the securities of the Company. Tracking the same through a tracking tool which is monitored by Registrar and Share Transfer Agent, which exercises the tracking in the securities of the Company by the Senior Leadership Team along with their spouse on a weekly basis. The Senior Leadership Team pro-actively provides the PAN Nos. of themselves and their spouses in order to facilitate the tracking process.

NPTEL IIT Kharyagpur

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**PIT: Insider Trading Initiatives**

- An annual declaration is obtained as per the SEBI (Prohibition of Insider Trading) Amendment Regulations, 2018, immediately after the closure of the financial year, from all the designated persons, Promoters, Directors, Key Managerial Personnel, Employees of the Company and its material subsidiaries in finance, secretarial, investor relations and any other department as determined by the Compliance Officer from time to time, Support staff of listed entity such as IT staff or secretarial staff who have access to UPSI and the Auditors of the Company to furnish their PAN, names of their immediate relatives, persons with whom they share a material financial relationship, their phone/cell numbers, Names of Educational Institutions from which they have graduated and the names of their past employers

Dr. Khansingh

NIPTEL

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**PIT: Insider Trading Initiatives**

- A detailed Insider Trading Policy has been formulated and posted on the website of the Company at [www.pcblltd.com](http://www.pcblltd.com) and all the Designated Persons ("Insiders") are being annually informed to visit the website of the Company and abide by the Code of Conduct on Insider Trading in order to be aware of the Insider Trading norms.
- The Trading Window of the Company is closed w.e.f. the 1<sup>st</sup> day of the month immediately succeeding the end of a quarter till 48 hours from the date of declaration of the financial results to the Stock Exchanges and quarterly intimation is sent to all the Designated Persons stating that the designated persons cannot trade in the shares of the Company when the 'Trading Window' is closed.

Dr. Khansingh

NIPTEL

These are all good practices which good companies do, 48 hours from the date of declaration financial results which already discussed.

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**PIT: Insider Trading Initiatives**

- When the trading window is open, trading by the Designated Persons cannot be done unless it is pre-cleared by the Compliance Officer of the Company, if the value of the proposed trade is above Rs. 5,00,000/- (Rupees Five lakhs) in value over any calendar quarter or such limits as the Board may determine.
- Our Audit Committee reviews compliance of the Insider Trading Regulations at least once in a financial year and verifies that the systems for internal controls are in place and are adequate and are operating effectively.

DT Khosla

NIPTEL

Audit committee reviews the compliance of the insider trading regulations at least once in a financial year; verify the systems of intel controls.

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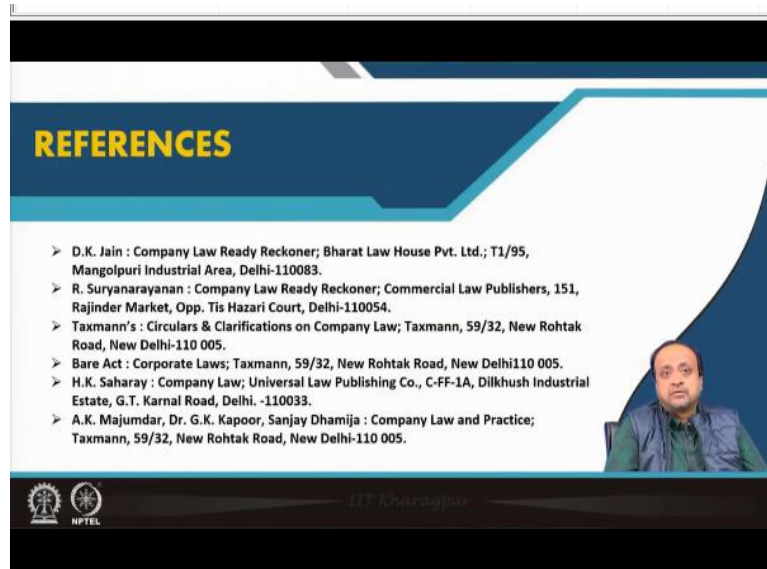
**PIT: Penalties**

No separate penalties have been prescribed under the Regulations. Reference is made however to the penalty provisions under the SEBI Act, 1992 which shall apply. As per the Act, insider trading is punishable with a penalty of INR 250,000,000 (Rupees Two Hundred Fifty Million Only) or 3 times the profit made out of insider trading, whichever is higher. SEBI is also empowered to prohibit an insider from investing in or dealing in securities, declare violative transactions as void, order return of securities so purchased or sold. Any person contravening or attempting to contravene or abetting the contravention of the Act may also be liable to imprisonment for a term which may extend to ten years or with fine which may extend to INR 250,000,000 (Rupees Two Hundred Fifty Million Only) or with both.

DT Khosla

NIPTEL

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So, these are basically the references that I have taken, but I created certain case studies on my own just to make the things simpler and also what can be the model policy some companies can follow based on best practices that are also captured here. Rest this is something more of a mindset, this is more something of a culture, this is more I repeat top down, it has to be ensured that information does not flow unpublished price inspiration does not flow, everybody's responsibilities.

Because information is what is most important in today's scenario and that is why SEBI is taking so much care of this prohibition of insider trading, yes senior most persons designated persons would be private to confidential information, they would be but at the same time they should be held responsible to keep it confidential and not trade in that share for monetary gain at the loss of the company, loss of the innocent retail investors. This is something which SEBI is trying to do and has come a long way but it is more like it can never be made full proof, no one can make it full proof, only the drive and strongest of measures, awareness and cooperation of the corporates can only make it happen.

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## CONCLUSION

In this lecture attempt has been made to give an overall ideas about few insider trading examples, Recent cases against which SEBI has taken necessary action for penalties as well as for recovery of securities and insider trading initiatives which are part of good lessons to all learners of this course.



IIT Madras

We will discuss more as we go forward, thank you.