

# Regulatory Hotline

January 10, 2014

## INSIDER TRADING NORMS REVISITED: AN ANALYSIS OF THE N.K. SODHI COMMITTEE REPORT

An 18 member committee under the chairmanship of Justice N.K. Sodhi, Former Chief Justice of the High Courts of Kerala and Karnataka and a Former Presiding Officer of the Securities Appellate Tribunal (“**SAT**”) was formed to review the Securities and Exchange Board of India (“**SEBI**”) (Prohibition of Insider Trading) Regulations, 1992 (the “**Existing Regulations**”) (the “**Committee**”). The Committee in its comprehensive report finalized on December 7, 2013 (the “**Report**”) has recommended a new set of regulations (the “**Proposed Regulations**”) be notified, repealing and replacing the Existing Regulations.

Lately, given the current investment sentiment and the dire need to reboot the Indian economy, SEBI has made several efforts to review and amend a variety of its laws. Especially, with a view to ensure a level-playing field in the securities market and to safeguard the interest of small investors, SEBI has identified greater oversight mechanism on insider trading and a stronger risk management framework as among key focus areas for the coming year.

The wrong of insider trading has attracted sufficient regulatory attention from jurisdictions across the world, especially in light of several recent high-profile cases such as the Rajat Gupta case or the SAC Capital Advisors case. In India, the two decade old insider trading norms have time and again proven to be inadequate in deterring insider trading. Even more so, as in India, insider trading is not only a civil wrong but also a criminal offence, there was a pressing need to provide clear and comprehensive regulatory policy on this subject and to balance the needs of the Indian market and investors in India with international standards and best practices.

The Committee has drafted the Proposed Regulations after several inputs and deliberations on various aspects of insider trading from the public. The core drafting sub-group included luminaries from the industry, legal and media communities et al. In drafting the Proposed Regulations, the Committee has examined literature from International Organization of Securities Commissions (IOSCO) and also that published in various international jurisdictions such as Australia, Canada, Israel, Malaysia, New Zealand, Singapore, United Kingdom and United States of America along with their respective regulatory regimes.

Please find the [link to our hotline](#) on the key provisions of the Report and the Proposed Regulations as well as a comparison between the key provisions of the Proposed Regulations and the Existing Regulations.

– Tanya Pahwa, Simone Reis, Nishchal Joshipura & Pratibha Jain  
You can direct your queries or comments to the authors

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