

**CHL DIRECTORS AND DESIGNATED EMPLOYEES CODE OF CONDUCT FOR PREVENTION  
OF  
INSIDER TRADING**

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## **PROHIBITION OF INSIDER TRADING**

### **INTRODUCTION**

#### **POLICIES AND OBLIGATIONS:**

Securities and Exchange Board of India (SEBI) has made regulations called Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 ('the Regulations') on November 19, 1992 as amended by amendment regulations on February 10, 2002. The object of these regulations is to curb the practice of insider trading in the shares of a listed company. Insider trading is an unethical practice which tantamounts to betrayal of fiduciary position of trust and confidence.

It is the policy of the Company to strive to preserve the confidentiality of '**UNPUBLISHED PRICE SENSITIVE INFORMATION**' and to prevent misuse of such information. The Company is committed to transparency and fairness in dealing with all stakeholders and in ensuring adherence to all laws and regulations.

Every Director/Employee of the Company has a duty to safeguard the confidentiality of all of '**UNPUBLISHED PRICE SENSITIVE INFORMATION**' obtained in the course of his/her duty. No Director/Employee may use his/her position or knowledge of Company to gain personal benefit or to provide benefit to any third party.

Pursuant to the provisions of Regulation 12 of the Regulations, the Company has framed a comprehensive set of guidelines – '**THE CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING**' ('the Code'), which lays down in a concise manner the ethical values to be followed by the directors and designated employees, to whom the Code is applicable, so as to promote ethical behavior on a day-to-day basis, create a corporate culture of trust, honesty, integrity, transparency, accountability by prohibiting directors/employees from using inside information to their own investment advantage and from disclosing such information for use by outsiders.

To achieve these objectives, the Company hereby notifies the '**CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING**' enclosed as **Annexure '1'** to be followed by:

- a. All the Directors on the Board of Directors of the Company;
- b. \* All management staff of the Grade – General Managers and above and their Secretarial staff of all the Departments;
- c. \* All employees in the grade of Managers and above of the Secretarial, Legal, Finance & Accounts Departments of the Company;
- d. Dependents (i.e. dependent family members) of 'a', 'b' and 'c' as listed above

\*hereinafter to be referred to as 'Designated Employees' for the purpose of these Regulations.

All Directors and Designated Employees would be provided with a copy of SEBI (Prohibition of Insider Trading) Regulations, 1992 together with extracts from the relevant Acts and would have to give an undertaking that they have understood the provisions thereof and would abide by them.

## **CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING**

### **CODE OF CONDUCT :**

1. This Code of Conduct shall be called "**CHL DIRECTORS AND DESIGNATED EMPLOYEES CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING**" (hereinafter referred to as 'the Code of Conduct').
2. The Code of Conduct shall come into force with immediate effect.
3. The Code of Conduct shall, be applicable to :
  - a. All the Directors on the Board of Directors of the Company;
  - b. \* All management staff of the Grade – General Managers and above and their Secretarial staff of all the Departments;
  - c. \* All employees in the grade of Managers and above of the Finance, Accounts and Secretarial Departments of the Company;
  - d. Dependents (i.e. dependent family members) of 'a', 'b' and 'c' above.

\* hereinafter to be referred to as 'Designated Employees' for the purpose of these Regulations.

### **COMPLIANCE OFFICER :**

4. The Company has appointed Mr. G. J. Varadarajan, Company Secretary as the Compliance Officer, under this Code, who shall report to the Chairman and Managing Director.
5. The Compliance Officer shall be responsible for setting forth policies, procedures for the preservation of "Unpublished Price Sensitive Information" under the overall supervision of the Board of Directors of the Company.
6. The Compliance Officer shall maintain a record of the designated employees and H.R.D will keep Compliance Officer informed of any changes therein.

### **UNPUBLISHED PRICE SENSITIVE INFORMATION:**

7. '**Unpublished Price Sensitive Information**' means any information which is material and unpublished i.e. generally not known or published by the Company for general information but, which if published or known, is likely to materially affect the price of the securities of the Company in the stock market. This will include, but shall not be limited to, financial results, intended declaration of dividends, issue of securities, any major expansion plans or execution of new projects, amalgamation, mergers and take-

overs, disposal of the whole or substantially the whole of the undertaking , such other information as may affect the earnings of the Company, any changes in policies, plans or operations of the Company, etc.

#### **PRESERVATION OF UNPUBLISHED PRICE SENSITIVE INFORMATION :**

8. The Directors and Designated Employees shall maintain confidentiality of all ‘**Unpublished Price Sensitive Information**’. The Directors and Designated Employees shall not pass on such information to any person directly or indirectly by way of making a recommendation for the purchase or sale of securities of the Company on the basis of such Unpublished Price Sensitive Information.

#### **PREVENTION OF MISUSE OF UNPUBLISHED PRICE SENSITIVE INFORMATION :**

9. All Directors and Designated Employees shall be subject to certain trading restrictions as enumerated below ;
- a. The Company has designated a ‘**TRADING WINDOW**’ period being **the period during which transactions in the shares of the Company can be effected** by Directors and Designated Employees (hereinafter referred to as ‘**Trading Window**’) for trading in the Company’s securities;
- b. The **TRADING WINDOW** shall remain **closed** from the date of notice given to Stock Exchange(s) for convening the meeting of the Board of Directors of the Company to consider :
- Declaration of Financial results (quarterly, half-yearly and annual);
  - Declaration of dividends (interim and final);
  - Issue of securities by way of public/ rights/bonus etc. ;
  - Any major expansion plans or execution of new projects ;
  - Amalgamation, mergers, takeovers and buy-back ;
  - Disposal of whole or substantially whole of the undertaking ; and
  - Any changes in policies, plans or operations of the Company.
- c. The Directors/Designated Employees shall not trade in the Company’s securities during the period when the **TRADING WINDOW** is closed and will have to forego the opportunity to trade in the Company’s securities during such period;
- d. The **TRADING WINDOW** shall be **opened 24 hours** after the information referred to in Clause (b) is made public; and
- e. All Directors and Designated Employees shall conduct all their dealings in the securities of the Company only in a valid **TRADING WINDOW** and shall, not deal in any transaction involving the purchase or sale of the Company’s securities during the periods when Trading Window is closed or during any other period as may be specified by the Company from time to time;

#### **PRE-CLEARANCE OF TRADES:**

13. All Directors/Designated Employees and their dependents, who intend to deal in the securities of the Company for **10,000(Ten Thousand)** shares and above **in anyone period of 30 days** (either in one

transaction or in a series of transaction), shall get the transactions pre-cleared in the manner enumerated below:

- a. an application in the **prescribed form** shall be made to the Compliance Officer by the Director/Designated Employees indicating the estimated number of securities that such person intends to deal in, details of depository and such other information as may be prescribed by the Company (**Proforma I**);
- b. the Compliance Officer shall accord his/her approval for pre-clearance (**Proforma II**); and
- c. before the deal is executed, the Director/Designated Employee shall execute an undertaking (**Proforma III**) in favour of the Company incorporating inter-alia, the following clauses, as may be applicable that :
  - (i) the Director/Designated Employee does not have any access or has not received '**Unpublished Price Sensitive Information**' upto the date of signing the undertaking;
  - (ii) in case the Director/ Designated Employee has access to or receives '**Unpublished Price Sensitive Information**' after the signing of this undertaking but before the execution of the transaction, he/she shall inform the Compliance Officer of the change in his/her position and that he/she shall completely refrain from dealing in the securities of the Company till such time such information becomes public ;
  - (iii) he/she has not contravened the Code of Conduct for Prevention of Insider Trading as notified by the Company from time to time; and
  - (iv) he/she has made full and true disclosure in the matter.

#### **OTHER RESTRICTIONS :**

- 14 All Directors/Designated Employees and their dependents shall execute their order in respect of the securities of the Company within one week after pre-clearance approval is received. The date on which the order is executed shall be intimated to the Compliance Officer in the prescribed format (**Proforma IV**) within four days thereof. If the order is not executed within one week after the approval is given, the Director/ Designated Employee must pre-clear the transaction again.
15. The Directors/Designated Employees shall hold their investments in securities for a minimum period of thirty days in order to be considered as being held for investment purposes. The holding period shall also apply to subscription in the primary market, in which case, the holding period shall commence from the date when the securities are actually allotted.
16. The Compliance Officer and/or the Chairman and Managing Director may waive the holding period in cases where the sale is necessitated by personal emergency after recording reasons his/her reasons in writing in this regard. An application in this regard shall be made to the Compliance Officer in the prescribed format (**Proforma V**).

## **REPORTING REQUIREMENTS FOR TRANSACTIONS IN SECURITIES :**

### **INITIAL DISCLOSURE**

17. All Directors and the Designated Employees shall disclose to the Company, the number of shares or voting rights held by such person and the statement of dependents holding within fifteen **days** from the date of notification of this Code or within **four days** of he/she becoming a Director / Designated Employee of the Company (**Proforma VI**) as the case may be.

### **CONTINUAL DISCLOSURE**

18. a. All Directors/Designated Employees and their dependents shall disclose any change in shareholding or voting rights, if there has been a change in such holdings from the last disclosure and the change exceeds Rs. 5 lacs in value or 25000 shares or 1% of total shareholding or voting rights, whichever is lower or any revised limits notified by SEBI from time to time in (**Proforma VII**).
- b. The disclosure mentioned in Clause (a) above shall be made within **four working days** of :
- (i) the receipt of intimation of allotment of shares ; or
  - (ii) the acquisition or sale of shares or voting rights, as the case may be.

### **PERIODIC DISCLOSURES**

19. All Directors/ Designated Employees and their dependents dealing in the Securities of the Company shall be required to forward following details of their securities transactions including the holdings of dependents to the Compliance officer:
- (i) Quarterly statement of transactions in securities of the Company in **Proforma VIII and IX** within four days of end of Quarter. The NIL statement is not required to be submitted by the Directors and Designated employees.
  - (ii) Annual statement of holdings in the securities of the Company within 30 days of close of financial year in **Proforma X and XI**.
20. The Compliance Officer shall maintain records of all the declarations in the appropriate forms given by the Directors/Designated Employees for a minimum period of three years.
21. The Compliance Officer shall furnish to the Chairman and Managing Director or a Committee specified by the Company, on a monthly basis, all the details of the dealings in the securities of the Company by Directors/ *Designated Employees* of the Company and the accompanying documents such persons had executed under the pre-dealing procedure as envisaged in this code.

### **DISCLOSURE BY COMPANY TO STOCK EXCHANGE(S)**

22. The Company shall, within five days of receipt of disclosure of information from Directors/Designated Employees, disclose to all the stock exchanges on which the Company is listed, necessary information as required under Regulation 13 of SEBI (Prohibition of Insider Trading) Regulation, 1992

**PENALTY FOR CONTRAVENTION OF CODE OF CONDUCT:**

23. Any Director/Designated Employee who trades in securities of the Company or communicates any information for trading in the securities of the Company, in contravention of the Code of Conduct shall be held guilty and penalised and appropriate action shall be taken by the Company, which may include wage freeze, suspension, etc.
24. The decisions of the Board of Directors of the Company with regard to any of the matters relating to this code of conduct will be final and binding on all concerned.
25. The penal action taken by the Company shall not preclude SEBI from taking any action in case of violation of the Regulations.

**INFORMATION TO SEBI IN CASE OF VIOLATION:**

26. The Compliance Officer shall inform SEBI cases of any violation of the Regulations so that appropriate action may be taken.

**Serial No. :**

**CHL DIRECTORS AND DESIGNATED EMPLOYEES CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING**

**APPLICATION FORM FOR PRE-CLEARANCE OF TRADES IN COMPANY'S SECURITIES  
[Regulation 13 (a)]**

**The Compliance Officer,  
CHL Limited,  
New Friends Colony  
New Delhi**

Dear Sir,

I intend to deal in the securities of the Company as per the particulars furnished below :

Name of the person for whom the transaction is to be executed	
Relationship with the applicant	
No. of shares covered by the transaction	
Nature of transaction for which approval is sought	<b>Purchase / Sale / Both *</b>
Depository I. D. No.	
Client I. D. No.	
Particulars of the broker through whom the transaction is to be executed	Name : Address :  Phone No. :

\* - *strike out whichever is not applicable*

Pursuant to Regulation 13 (c) of the Code of Conduct, I enclose duly executed undertaking in favour of the Company, containing the prescribed particulars.



I request you to kindly pre-clear the above transaction at the earliest.

Thanking you,

Yours faithfully,

\_\_\_\_\_  
Name of the Applicant  
Employee Code No. :  
Department :

Date :

Place :



**CHL DIRECTORS AND DESIGNATED EMPLOYEES CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING**

**(Draft letter of approval from Compliance Officer)  
[Regulation 13 (b)]**

Date :

To :

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dear Sir,

Sub : Pre-clearance of transaction in Company's Securities

Ref : Your application dated \_\_\_\_\_, 20\_\_\_\_ for pre-clearance of transaction for \_\_\_\_\_ shares of the  
Company in your name / in the names of \_\_\_\_\_  
\_\_\_\_\_.

With reference to your above application pursuant to Regulation 14 (a) of CHL Directors and Designated Employees Code of Conduct for Prevention of Insider Trading, seeking pre-clearance of your transaction in shares of the Company, we hereby accord our approval to the proposed transaction.

You may kindly note that pursuant to provisions of Regulation 15 of the said Code of Conduct, the aforesaid transaction shall be executed **within one week** from the date of receipt of this approval letter, failing which, an application seeking pre-clearance to the proposed transaction together with undertaking in the prescribed format, shall be made afresh. As stipulated in Regulation 16 of the Code of Conduct, the shares so purchased shall be held for a **minimum period of 30 days** from the date of acquisition thereof.

Thanking you,

Yours faithfully,

For **CHL Limited**

**Compliance Officer**

**CHL DIRECTORS AND DESIGNATED EMPLOYEES CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING**

**(Undertaking to be accompanied with every pre-clearance application)**

**[Regulation 13 (c)]**

**The Compliance Officer,  
CHL Limited,  
New Friends Colony  
New Delhi**

Dear Sir,

I, \_\_\_\_\_ being a Director/Designated Employee of the Company, am desirous of dealing in \_\_\_\_\_ shares of the Company as mentioned in my application dated \_\_\_\_\_ for pre-clearance of the transaction.

Pursuant to Regulation 13(c) of the Code of Conduct, I hereby confirm :

- a. to maintain confidentiality of all ‘Unpublished Price Sensitive Information’ that may come into my possession in the discharge of my duties with the Company;
- b. not to pass on such information to any person directly or indirectly by way of making a recommendation for the purchase or sale of securities of the Company based on the same;
- c. to report to the Compliance Officer, any non-public information that may be directly received by me;
- d. that I did not have any access or received ‘**Unpublished Price Sensitive Information**’ upto the date of signing this undertaking ;
- e. that in case I have access to or receive ‘**Unpublished Price Sensitive Information**’ after the signing of this undertaking but before the execution of the transaction, I shall inform the Compliance Officer of the change in my position and that I shall completely refrain from dealing in the securities of the Company till such time such information becomes public ;
- f. that I have not contravened the Code of Conduct for Prevention of Insider Trading as notified by the Company from time to time; and

g. that I have made full and true disclosure in the matter..

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Name of Designated Employee :

Employee Code No.:

Division :

Department :

Location :

Place :

Date :

**CHL DIRECTORS AND DESIGNATED EMPLOYEES CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING**

(Confirmation of date of completion of transaction)

**[Regulation 14]**

**The Compliance Officer  
CHL Limited,  
New Friends Colony  
New Delhi**

Dear Sir,

Sub : **Date of completion of transaction**

I hereby confirm that the transaction for dealing in the shares of the Company for which, pre-clearance was granted on \_\_\_\_\_, was completed on \_\_\_\_\_ by purchasing \* / selling \* \_\_\_\_\_ (nos.) equity shares of the Company.

Thanking you,

Yours faithfully,

\_\_\_\_\_

(Signature)

\_\_\_\_\_  
Name of Designated Employee :

Employee Code No.:

Division :

Department :

Location :

Place :

Date :

\* strike out whichever is not applicable

**CHL DIRECTORS AND DESIGNATED EMPLOYEES CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING**

**(Application for waiver of minimum holding period)  
[Regulation 16]**

**The Compliance Officer  
CHL Limited,  
New Friends Colony  
New Delhi**

Dear Sir,

Sub : **Waiver of minimum holding period**

I request you to grant me waiver of the minimum holding period of 30 days as required under Regulation 16 of the Code of Conduct for prevention of insider trading with respect to \_\_\_\_\_ (nos.) equity shares of the Company held by me / \_\_\_\_\_ (name of relative) singly / jointly, acquired by me on \_\_\_\_\_ (date). I propose to deal in the said shares on account of

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Thanking you,  
Yours faithfully,

\_\_\_\_\_

(Signature)

\_\_\_\_\_  
Name of Designated Employee :

Employee Code No.:

Division:

Department::

Location:

Place:

Date:

**FORM B**

**Securities and Exchange Board of India (Prohibition of insider Trading Regulations, 1992)  
(Regulation 13(2) and (6))**

**Regulation 13(2)-Details of Shares held by Director\* or officer\*or Designated Employees\* of a Listed Company**

<b>Name &amp; Address of Director/Officer/ Designated employee</b>	<b>Date of assuming office of Director/Officer/Designated employee</b>	<b>No. &amp; % of shares/voting rights held at the time of becoming Director/Officer/Designated employee</b>	<b>Date of intimation to the Company</b>	<b>Mode of acquisition (market purchase/public /rights/preferential offer etc.)</b>	<b>Trading member through whom the trade was executed with SEBI Registration No. of the TM</b>	<b>Exchange on which the trade was executed</b>	<b>Buy quantity</b>	<b>Buy value</b>
<b>Dependents Details:</b>								

\* Details of dependent(s) shareholding are also to be given in same format.

\_\_\_\_\_  
(Signature)



**FORM D**

**Securities and Exchange Board of India (Prohibition of insider Trading Regulations, 1992)  
(Regulation 13(4) and (6))**

**Regulation 13(4)-Details of change in Shareholding of Director \*or officer\* or Designated employees \*of a Listed Company**

<b>Name &amp; Address of Director /Officer/ Designated employees</b>	<b>No. &amp; % of shares/voting rights held by the Director /Officer/ Designated employees</b>	<b>Date of Receipt of allotment advice. Acquisition / sale of share /voting rights (Specify)</b>	<b>Date of intimation to the Company</b>	<b>Mode of acquisition (market purchase / public /rights/ preferential offer etc.)</b>	<b>No. &amp; %age of shares / post acquisition/ voting rights sale</b>	<b>Trading member through whom the trade was executed with SEBI Registration No. of the TM</b>	<b>Exchange on which trade was executed</b>	<b>Buy qty</b>	<b>Buy value</b>	<b>Sell qty</b>	<b>Sell value</b>
<b>DEPENDENTS DETAILS</b>											

Details of dependent(s) shareholding are also to be given in same format.

\_\_\_\_\_  
(Signature)

**VIII**

**SERIAL NO :**

**CHL DIRECTORS AND DESIGNATED EMPLOYEES CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING**

**QUARTERLY DISCLOSURE OF TRANSACTION IN SECURITIES BY DIRECTORS**

**[Regulation 19 (i)]**

**Name of Director:**

**Date of appointment :**

<b>Particulars of Individuals</b>		No. of shares held on _____	No. of shares bought during the quarter	No. of shares sold during the quarter	No. of shares held on _____	Client I.D. No.
	<b>Name</b>					
SELF						
DEPENDENTS						

I/We declare that I/we have complied with the requirement of the minimum holding period of 30 days with respect to the shares sold.

**Place:**

**Date:**

\_\_\_\_\_  
(Signature)

**SERIAL NO :**

**CHL DIRECTORS AND DESIGNATED EMPLOYEES CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING**

**QUARTERLY DISCLOSURE OF TRANSACTION IN SECURITIES BY DESIGNATED EMPLOYEES  
[Regulation 19(i)]**

**Name of Designated Employee :**

**Employee Code No :**

**Division:**

**Location :**

**Department :**

<b>Particulars of Individuals</b>		No. of shares held on _____	No. of shares bought during the quarter	No. of shares sold during the quarter	No. of shares held on _____	Client I.D. No.
	<b>Name</b>					
SELF						
DEPENDENTS						

I/We declare that I/we have complied with the requirement of the minimum holding period of 30 days with respect to the shares sold.

**Place :**

**Date :**

\_\_\_\_\_  
(Signature)

SERIAL NO :

**CHL DIRECTORS AND DESIGNATED EMPLOYEES CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING**

**ANNUAL DISCLOSURE OF SHARES HELD IN THE COMPANY BY DIRECTORS**

[Regulation 19 (ii)]

Name of Director:

Date of appointment:

Particulars of Individuals		No. of shares held on 1/4/20__	No. of shares bought during the year	No. of shares sold during the year	No. of shares held on 31/3/20__	Client I.D. No.
	<b>Name</b>					
SELF						
DEPENDENTS						

I/We declare that I/we have complied with the requirement of the minimum holding period of 30 days with respect to the shares sold.

I further declare that the above disclosure is true and correct and is in accordance with the previous disclosures given to the Company.

Place :

Date :

\_\_\_\_\_  
(Signature)



I/We declare that I/we have complied with the requirement of the minimum holding period of 30 days with respect to the shares sold.

I further declare that the above disclosure is true and correct and is in accordance with the previous disclosures given to the Company.

**Place :**

**Date :**

\_\_\_\_\_  
(Signature)

## **Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992**

### **Regulation 11:**

SEBI may without prejudice to its right to initiate criminal prosecution under Section 24 or any action under Chapter VIA of the Securities and Exchange Board of India Act, 1992 ('the Act'), to protect the interests of investors and in the interests of the securities market and for due compliance with the provisions of the Act, Regulations made thereunder issue any or all of the following order, namely:-

- a. directing the insider or such person as mentioned in clause (i) of sub-section (2) of Section 11 of the Act not to deal in securities in any particular manner;
- b. prohibiting the insider or such person as mentioned in clause (i) of sub-section (2) of Section 11 of the Act from disposing of any of the securities acquired in violation of these Regulations;
- c. restraining the insider to communicate or counsel any person to deal in securities;
- d. declaring the transaction(s) in securities as null and void;
- e. directing the person who acquired the securities in violation of these regulations to deliver the securities back to the seller;

Provided that in case the buyer is not in a position to deliver such securities, the market price prevailing at the time of issuing of such directions or at the time of transactions whichever is higher, shall be paid to the seller.

- f. directing the person who has dealt in securities in violation of these regulations to transfer an amount or proceeds equivalent to the cost price or market price of securities, whichever is higher to the investor protection fund of a Recognised Stock Exchange.



## **EXTRACTS FROM SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992**

### **SECTION 11**

#### **Functions of the Board**

11. (1) Subject to the provisions of this Act, it shall be duty of the Board to protect the interests of the investors in securities and to promote and development of, and to regulate the securities market by such measures as it thinks fit.
- (2) Without prejudice to the generality of the foregoing provisions, the measures referred to therein may provide for –
- (a) prohibiting insider trading in securities;
  - (b) regulating substantial acquisition of shares and take-over of companies;
  - (c) calling for information from, undertaking inspection, conducting inquiries and audits of the stock exchanges, [mutual funds] and other persons associated with the securities market and intermediaries and self- regulatory organisations in the securities market;
  - (d) performing such functions and exercising such powers under the provisions of [...] Securities Contracts (Regulation) Act, 1956, as may be delegated to it by the Central Government;
- (3) Notwithstanding anything contained in any other law for the time being in force while exercising the powers under clause (i) of sub-section (2), the Board shall have the same powers as are vested in a civil court under the [Code of Civil Procedure, 1908 (5 of 1908)] while trying a suit, in respect of the following matters, namely:-
- (i) the discovery and production of books of account and other documents, at such place and such time as may be specified by the Board;
  - (ii) summoning and enforcing the attendance of persons and examining them on oath;
  - (iii) inspection of any books, registers and other documents of any person referred to in Section 12, at any place.

## **EXTRACTS FROM SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992**

### **SECTION 11 B**

#### **Power to issue directions**

- 11B. Save as otherwise provided in section 11, if after making or causing to be made an enquiry, the Board is satisfied that it is necessary,-
- (i) in the interest of investors, or orderly development of securities market; or
  - (ii) to prevent the affairs of any intermediary or other persons referred to in Section 12 being conducted in a manner detrimental to the interests of investors or securities market; or
  - (iii) to secure the proper management of any such intermediary or person, it may issue such directions,-
  - (iv) (a) to any person or class of persons referred to in section 12, or associated with the securities market; or
  - (b) to any company in respect of matters specified in section 11A as may be appropriate in the interests of investors in securities and the securities market.
-

## CHAPTER VIA

### PENALTIES AND ADJUDICATION

#### **Penalty for failure to furnish information, return, etc.**

- 15A. If any person, who is required under this Act or any rules or regulations made thereunder,-
- (a) to furnish any document, return or report to the Board, fails to furnish the same, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees whichever is less;
  - (b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees whichever is less;
  - (c) to maintain books of accounts or records, fails to maintain the same, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees whichever is less.

#### **Penalty for insider trading**

- 15G. If any insider who,-
- (i) either on his own behalf or on behalf of any other person, deals in securities of a body corporate listed on any stock exchange on the basis of any unpublished price sensitive information; or
  - (ii) communicates any unpublished price sensitive information to any person, with or without his request for such information except as required in the ordinary course of business or under any law; or
  - (iii) counsels, or procures for any other person to deal in any securities of any body corporate on the basis of unpublished price sensitive information, **shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of the insider trading, whichever is higher.**

#### **Penalty for fraudulent and unfair trade practices.**

- 15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crores or three times the amount of profits made out of such practices, whichever is higher.

#### **Penalty for contravention where no separate penalty has been provided.**

- 15HB. Whosoever fails to comply with any provisions of this Act, the rules or regulations made or the directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to penalty which may extend to one crore rupees.

#### **Power to adjudicate**

- 15I. (1) For the purpose of adjudging under sections 15A, 15B, 15C, 15D, 15E, 15F, 15G and 15H, 15HA and 15HB the Board shall appoint any of its officer not below the rank of a Division Chief to be an adjudicating officer for holding an inquiry in the prescribed manner after giving any person concerned a reasonable opportunity of being heard for the purpose of imposing any penalty.

- (2) While holding an inquiry the adjudicating officer shall have power to summon and enforce the attendance of any person acquainted with the facts and circumstances of the case to give evidence or to produce any document which in the opinion of the adjudicating officer, may be useful for or relevant to the subject matter of the inquiry and if, on such inquiry, he is satisfied that the person has failed to comply with the provisions of any of the sections specified in sub-section (1), he may impose such penalty as he thinks fit in accordance with the provisions of any of those sections.

**Factors to be taken into account by the adjudicating officer**

- 15J. While adjudging quantum of penalty under section 15- I, the adjudicating officer shall have due regard to the following factors, namely:
- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
  - (b) the amount of loss caused to an investor or group of investors as a result of the default;
  - (c) the repetitive nature of the default.

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<sup>27</sup>Chapter VIA inserted by the Securities Laws (Amendment) Act, 1995 (9 of 1995) (w.e.f. 25.1.95)

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**EXTRACTS FROM SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992**

**SECTION 24**

**Offences**

- 24 (1) Without prejudice to any award of penalty by the Adjudicating Officer under this Act, if any person contravenes or attempts to contravene or abets the contravention of the provisions of this Act or of any rules or regulations made thereunder, he shall be punishable with **imprisonment for a term which may extend to ten years, or with fine which may extend to twenty-five crore rupees, or with both.**
- (2) If any person fails to pay the penalty imposed by the Adjudicating Officer or fails to comply with any of his directions or orders, he shall be punishable with imprisonment for a term which shall not be less than one month, but which may extend to ten years, or with fine, which may extend to twenty-five crore rupees or with both.

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