

CIRCULAR

SEBI/HO/ISD/ISD-PoD-2/P/CIR/2023/124

July 19, 2023

To

All Recognized Stock Exchanges

All Depositories

All Listed Companies

Dear Sir/Madam,

Sub: Trading Window closure period under Clause 4 of Schedule B read with Regulation 9 of SEBI (Prohibition of Insider Trading) Regulations, 2015 (“PIT Regulations”) – Extending framework for restricting trading by Designated Persons (“DPs”) by freezing PAN at security level to all listed companies in a phased manner.

1. Clause 4 (1) of Schedule B read with Regulation 9 of PIT Regulations, inter-alia, states that “*Designated persons may execute trades subject to compliance with these regulations. Towards this end, a notional trading window shall be used as an instrument of monitoring the trading by the designated persons. The trading window shall be closed when the compliance officer determines that a designated person or class of designated persons can reasonably be expected to have possession of UPSI. Such closure shall be imposed in relation to such securities to which such UPSI relates. Designated persons and their immediate relatives shall not trade in securities when the trading window is closed*”.
2. One of the instances of closure of trading window is provided in Clause 4 (2) of Schedule B read with Regulation 9 of PIT Regulations, which inter-alia states that “*trading restriction period shall be made applicable from the end of every quarter till 48 hours after the declaration of financial results.....*”.
3. In order to rationalize the compliance requirement under Clause 4 of Schedule B read with Regulation 9 of PIT Regulations, to improve ease of doing business and to prevent

inadvertent non-compliances of provisions of PIT Regulations by DPs, SEBI issued Circular SEBI/HO/ISD/ISD-SEC-4/P/CIR/2022/107 dated August 05, 2022, laying down a framework for developing a system to restrict the trading by Designated Persons (DPs) by way of freezing the PAN at security level during Trading Window closure period.

4. Accordingly, a system has been developed and framework put in place by the Depositories and the Stock Exchanges. The framework was initially made applicable for those listed companies that were part of benchmark indices i.e. NIFTY 50 and SENSEX. The aforesaid Circular was rescinded and superseded vide section 3.4.2 of Master Circular on Surveillance of Securities Market SEBI/HO/ISD/ISD-PoD-2/P/CIR/2023/039 dated March 23, 2023.
5. Considering the satisfactory implementation of the framework for the listed companies forming part of benchmark indices and the consultations held with the Stock Exchanges and Depositories, the above framework is hereby extended to all the listed companies.
6. To ensure smooth implementation of the framework, glide path is being prescribed as under:

Table 1: Timelines for phase wise implementation of the framework

Sr.No.	Companies to be covered	PAN freeze start date
1	Listed companies that are part of benchmark indices i.e. NIFTY 50 and SENSEX	Already applicable as on date
2	Top 1,000 companies in terms of BSE Market Capitalization as of June 30, 2023 (excluding companies part of benchmark indices)	October 1, 2023
3	Next 1,000 companies in terms of BSE Market Capitalization as of June 30, 2023	January 1, 2024
4	Remaining companies listed on BSE, NSE & MSEI	April 1, 2024
5	Companies getting listed on Stock Exchanges post issuance of this circular	1 st day of the second quarter from the quarter in which the company gets listed [#]

Illustration: For a company getting listed during January 01 to March 31, 2023, PAN of DPs should be frozen at security level as per prescribed framework latest from July 01, 2023.

7. The procedure for implementation of the system is enclosed at **Annexure- A**. The flowchart for the same is enclosed at **Annexure- B**.
8. This circular shall come into force as per the glide path prescribed above.
9. The Depositories and Stock Exchanges are directed to:
 - 9.1. take necessary steps to implement this circular.
 - 9.2. bring the provisions of this circular to the notice of all listed companies and also disseminate the same on their websites.
10. The Depositories shall submit the quarterly report to SEBI in the format placed at **Annexure- C**.
11. This circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, read with Regulations 4(3) and 11 of the PIT Regulations, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
12. A copy of this circular is available on SEBI website at www.sebi.gov.in under the Category "Legal→Circulars".

Yours faithfully,

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Enclosure:

1. Procedure for implementation of the system – Annexure A.
2. Process flow chart – Annexure B.
3. Quarterly reporting format by the Depositories - Annexure C

ANNEXURE – A

Trading Window closure period under Clause 4 of Schedule B read with Regulation 9 of SEBI (Prohibition of Insider Trading) Regulations, 2015 (“PIT Regulations”) – Extending the framework for restricting trading by Designated Persons (“DPs”) by freezing PAN at security level

Process for implementation of the system:

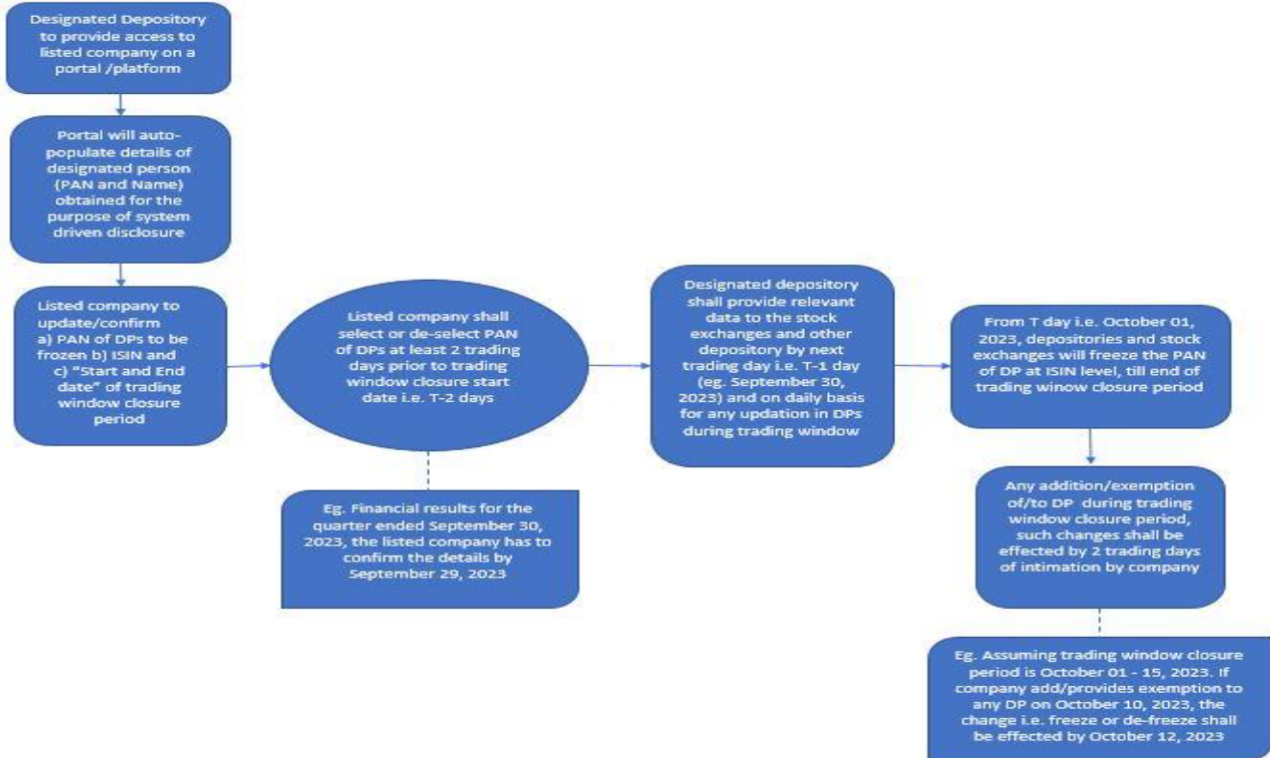
1. The Designated Depository (“DD”) appointed by the listed company pursuant to the SEBI Circular No. SEBI/HO/CFD/DCR1/CIR/P/2018/85 dated May 28, 2018 shall enable access to the respective listed company on the portal/platform.
2. Upon login, DD shall auto-populate PAN and name of the DPs and their demat account number / DP ID and client ID (only in case of PAN exempt cases) as per the last updated or available information under system-driven disclosure uploaded by the listed company with DD in terms of SEBI Circular No. SEBI/HO/ISD/ISD/CIR/P/2020/168 dated September 09, 2020.
3. The listed company shall confirm to the DD details with respect to listed ISIN of equity share of the company, Name, PAN, and confirm the demat account number viz. DP ID and client ID (in case of PAN exempted cases) of DPs. In the event any updation is required to the aforementioned details, the listed company shall take necessary steps as per para 10 below.
4. DD shall provide a facility to the listed company to specify the ‘Trading Window Closure Period’ i.e. ‘Commencement Date’ and ‘End Date’ on portal/platform.
 - 4.1. With respect to financial results, the listed company shall specify the 1st day (T- day) immediately after the end of every quarter for which results are to be announced, as ‘Trading Window Closure commencement date’ and the date on which 48 hours ends post disclosure of financial results, as ‘Trading Window Closure End date’ in the portal/platform.

5. The listed company shall provide the aforesaid details atleast 2 trading days prior to the commencement of trading window closure date (T-2 days). For example, for financial results for the quarter ending September 30, 2023, the listed company shall confirm the details by September 29, 2023.
6. DD shall provide the details received from the listed company (i.e. Commencement Date and End Date of the trading window closure period, Name and PAN of DPs, ISIN, etc.) to the Stock Exchanges and other Depository atleast 1 trading day prior to the commencement of trading window closure commencement date (T-1 day). For example, for financial results for the quarter ending September 30, 2023, the DD shall provide the details by September 30, 2023. Further, during the trading window closure period, DD shall also provide the aforesaid details and changes therein, if any, to the Stock Exchanges and other Depository on a daily basis.
7. The demat accounts shall be identified by the Depositories based on the PAN of the DP of Sole / joint holder.
8. Based on demat accounts identified as per para 7 above and instruction given by listed company as per paras 3 and 4 above, the off-market transactions and creation of pledge shall be restricted by the Depositories with reason code as "Trading Window Closure Period".
9. On the basis of data received from the Depositories, the Stock Exchanges shall restrict the on-market transactions of DPs in equity shares and equity derivatives contracts of the listed company from T day i.e. Commencement Date of trading window closure period. As per the example mentioned above, Commencement Date of trading window closure period shall be October 01, 2023, for the quarter ending September 30, 2023.
10. In case of any addition/deletion/update pertaining to the details of DP, the listed company has to follow the procedure specified in terms of SEBI Circular No. SEBI/HO/ISD/ISD/CIR/P/2020/168 dated September 09, 2020 and shall be required to separately provide the details as mentioned at paras 3 and 4 above.

Such instances shall be effected within 2 trading days of receipt of intimation from the listed company. For example, assuming the trading window closure period is October 01 - 15, 2023 and if the listed company adds any DP on October 10, 2023, then the change, i.e. freeze shall be effected on or before October 12, 2023.

11. There shall be provision in the system to specify the details of DP to be exempted by listed company from Trading Window restriction in terms of Clause 4 (3) of Schedule B read with regulation 9 of PIT Regulations. In such cases, the restriction shall be removed within 2 trading days from the date of receipt of request from the listed company. As per the example given at para 10 above, if the listed company provides exemption to any DP on October 11, 2023, then the change i.e. de-freeze shall be effected on or before October 13, 2023. The restriction shall be re-introduced automatically post lapse of the exemption period or completion of the transaction by the DP.
12. The freezing/de-freezing of PAN at the security level on account of changes due to addition or deletion will be effected post market hours.
13. Pay-in and pay-out obligations in respect of transactions, if any, taken place prior to freezing the PAN of DP at the security level, may be permitted to be settled, squared off or closed out, as the case may be.
14. The formats and timelines for sharing of data shall be standardized, as agreed upon by the Depositories and Stock Exchanges. Further, operational guidelines for listed companies shall be issued by the Depositories.
15. In case of any discrepancy, the issue shall be resolved by the Depositories, in coordination with Stock Exchanges and listed company.

Process Flow Chart



Report by Depositories for implementation of framework for restricting trading by Designated Persons by Freezing PAN at security level.

Sr.No	Particulars	Count
1	Total number of listed companies which have appointed the Depository (NSDL/CDSL) as Designated Depository (DD)	
2	Total number of listed companies on which implementation of framework for restricting trading by Designated Persons ("DPs") by Freezing PAN at security level, applicable	
3	Total number of unique and valid PAN's of KMP/DPs provided by issuers/ listed companies for Trading Window closure restriction to the DD, at the end of the quarter.	
4	Total number of accounts in which PAN-ISIN level freeze in the demat accounts of the concerned DPs was levied towards Trading Window closure for the quarter.	
5	Total number of exemptions given to DPs from Trading Window restriction in terms of Clause 4(3) of Schedule B read with regulation 9 of PIT Regulations	

Depositories shall be required to separately provide the details as mentioned above in the Quarterly report submitted to SEBI.
