

Consultation paper on the proposal to exempt certain transactions from trading window restrictions

1. Objective:

The objective of this consultation paper is to seek comments from the members of public on the proposal for exempting certain transactions including subscription to non-convertible securities from trading window restriction norms for enhancing the ease of doing business.

2. Background:

2.1. Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (“PIT Regulations”) prohibits insider trading i.e. trading when in possession of Unpublished Price Sensitive Information (“UPSI”), wherein UPSI means any information, relating to a company or securities, which upon becoming generally available, is likely to affect the price of the securities.

2.2. In this regard, PIT Regulations mandate closure of the trading window when the compliance officer of the company determines that the Designated Persons (‘DPs’) can reasonably be expected to have possession of UPSI. During the trading window closure, the DPs and their immediate relatives are prohibited from trading in the securities to which such UPSI relates, so as to prevent unfair gains due to information asymmetry.

3. Exemptions and the guiding principles:

3.1. An amendment was made to clause 4 of Schedule B read with regulation 9(1) of PIT Regulations in the year 2019, whereby it was provided that trading window restrictions shall not be applicable to transactions, inter alia, which are undertaken in accordance with respective regulations made by the Board such as *acquisition by conversion of warrants or debentures, subscribing to rights issue, further public issue, preferential allotment or tendering of shares in buy-back offer, open offer, delisting offer.*

3.2. The guiding principles behind considering grant of exemption to the aforesaid transactions are as below:

- a) these are pre-decided events,

- b) regulated, and
- c) subject to disclosure requirements/ shareholder approval under applicable regulations.

3.3. Subsequently, in the year 2020, SEBI received a request seeking clarity on applicability of trading window restrictions to Offer for Sale ('OFS') transactions. It was noted that OFS transactions are carried out in accordance with the regulatory framework laid down by SEBI, and also meet the above guiding principles for exempting transactions from trading window restrictions.

3.4. Further, it was envisaged that there could be other transactions in respect of new type of securities/ instruments, which might meet the above said guiding principles and may be required to be exempted from trading window restrictions in the future.

3.5. Accordingly, PIT Regulations was further amended to extend the exemption from trading window restrictions to '*transactions which are undertaken through such other mechanism as may be specified by SEBI from time to time*'.

3.6. Subsequent to the amendment, vide SEBI circular dated July 23, 2020, 'Offer for Sale' and 'Rights Entitlements' transactions, which meet the aforesaid guiding principles, have been exempted from the trading window restrictions.

4. Proposal for allowing transactions such as subscription to non-convertible securities during trading window closure:

4.1. Based on feedback from market participants, it is proposed that certain transactions such as subscription to Non-Convertible Debentures and similar other instruments, which meet the guiding principles, as stated at para 3.2 above, may be exempted from trading window restrictions.

4.2. It is seen that Non-Convertible Debentures are part of Non-Convertible Securities ('NCS'), as defined under the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 ('NCS Regulations'). Issuance of NCS is a pre-decided event and is regulated and subject to disclosure requirements/ shareholder approval under the respective regulations. Thus,

subscription to the issue of NCS would meet the aforesaid guiding principles for exempting transactions from trading window restrictions.

4.3. NCS also includes “non-convertible redeemable preference shares, perpetual non-cumulative preference shares, perpetual debt instruments and any other securities as specified by the Board”, under the NCS Regulations.

4.4. Perpetual non-cumulative preference shares and perpetual debt instruments, are issued in accordance with guidelines framed by RBI. However, as regards listing of these instruments on Stock Exchanges, the issuer is required to comply with the conditions stipulated under Chapter V of the NCS Regulations and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Further, the issuer is required to comply with terms and conditions as specified from time to time and make required disclosures as specified under Schedule I of the NCS Regulations and any other disclosures as may be specified by SEBI.

4.5. Data with regard to the number of issues of NCS, listed on the exchange platform over the period April 01, 2022 to August 31, 2024 is placed below:

<i>Number of issues and issuers of Non-Convertible Securities (public and private placement), listed on the exchange platform</i>																
Period	Debt				NCRPS				Perpetual NCPS				Perpetual debt			
	No. of issues (No. of issuers)				No. of issues (No. of issuers)				No. of issues (No. of issuers)				No. of issues (No. of issuers)			
	Public		Private		Public		Private		Public		Private		Public		Private	
	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE
FY 2022-23	104 (9)	282 (20)	420 (96)	1162 (254)	-	-	1 (1)	-	-	-	-	-	-	-	24 (12)	11 (6)
FY 2023-24	203 (12)	444 (26)	588 (86)	1061 (279)	-	-	2 (2)	-	-	-	-	-	-	-	38 (8)	9 (6)
April 1, 2024 – August 31, 2024	34 (3)	160 (14)	144 (63)	539 (180)	-	-	-	-	-	-	-	-	-	-	3 (2)	3 (3)

(Source: BSE, NSE)

4.6. Comments/suggestions are invited from public on the following:

4.6.1. Whether subscription to Non-Convertible Securities may be exempted from trading window restrictions.

4.6.2. Any other transactions which meet the guiding principles, as stated at para 3.2 above, that can be exempted from trading window restrictions, may be provided along with rationale.

4.7. The comments/ suggestions may be submitted latest by **October 17, 2024**, through online mode at the following link:

<https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes>



The instructions to submit comments through the online mode are as under:

INSTRUCTIONS FOR PROVIDING COMMENTS

1. Before initiating the process, please read the instructions given on top left of the web form as “Instructions”;
2. Select the consultation paper you want to comment upon from the drop-down under the tab – “Consultation Paper” after entering the requisite information in the form;
3. All fields in the form are mandatory;
4. Email Id and phone number cannot be used more than once for providing comments on a particular consultation paper.;
5. If you represent any organization other than the types mentioned under dropdown in “Organization Type”, please select “Others” and mention the type, which suits you best. Similarly, if you do not represent any organization, you may select “Others” and mention “Not Applicable” in the text box;
6. There will be a dropdown of proposals in the form. Please select the proposals one-by-one and for each of the proposal, please record your level of agreement with the selected proposal. Please note that submission of agreement level is mandatory;
7. If you want to provide your comments for the selected proposal, please select “Yes” from the dropdown under “Do you want to comment on the proposal” and use the text boxes provided for the same;
8. After recording your response to the proposal, click on “Submit” button. System will save your response to the selected proposal and prompt you to record your response for the next proposal. Please follow this procedure for all the proposals given in the dropdown;
9. If you do not want to react on any proposal, please select that proposal from the dropdown and click on “Skip this proposal” and move to the next proposal.
10. After recording your response to all the proposals, you may see your draft response to all of proposals by clicking on “Check your response before submitting” just before submitting response to the last proposal in the dropdown. A pdf copy of the response can also be downloaded from the link given in right bottom of the web page.;
11. The final comments shall be submitted only after recording your response on all of the proposals in the consultation paper.

In case of any technical issue in submitting your comment(s) through the web based public comments form, you may email your comment(s) to **pit_isd@sebi.gov.in**. While sending the email, kindly mention the subject as **“Comments on the proposal to exempt certain transactions from trading window restrictions”**

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