Insider Trading

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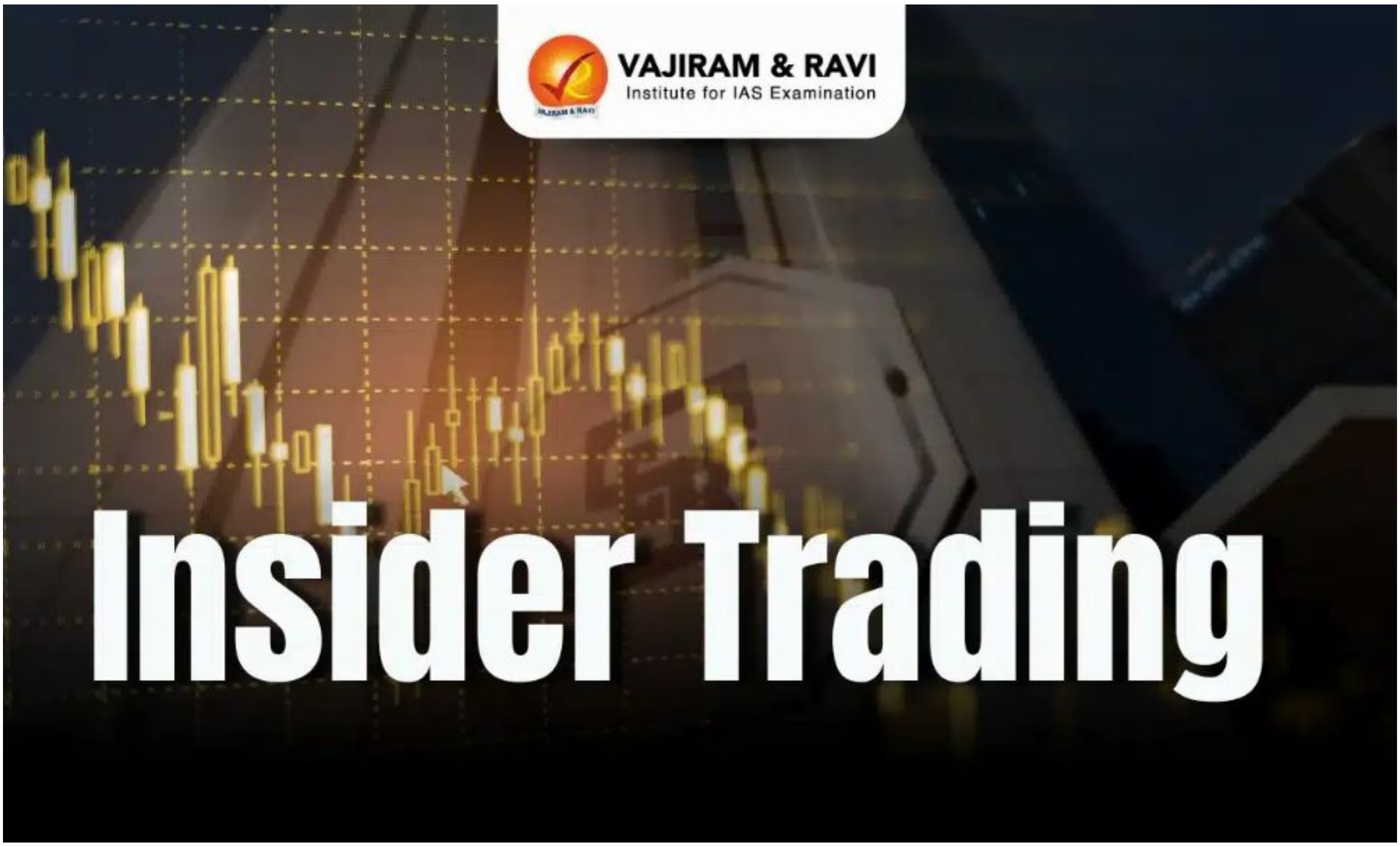

Insider Trading Latest News

Nestle India recently said it received a warning from the country's markets regulator for a breach of insider trading regulations "by a designated person of the company".

About Insider Trading

Insider trading, also known as **insider dealing**, is the malpractice of **selling or buying a company's securities by the insiders of a company.**

- **Who is an insider?**
    - The Securities and Exchange Board of India (SEBI) defines an 'insider' as **someone who has access to price-sensitive information** about a particular **company's shares or securities.**
    - An insider can be anyone who has been **associated with the company** in some way **during the six months preceding the insider trade.**
    - That person could be an **employee, a director, relative, banker or a legal counsel** to the company, or even **an official of the stock exchanges,** trustees or employees of an asset

        management company (AMC) that worked with the company.
    - Insiders, who have access to confidential and exclusive information about the issuer of a particular security or stock, **benefit from buying or selling undisclosed securities before they fluctuate in price.**
- **What is Unpublished Price Sensitive Information (UPSI)?**
    - UPSI refers to a piece of **exclusive information related to a firm's** stock prices, quarterly results, acquisition deals, mergers, or any kind of sensitive activities that have **not been shared with the public at large.**
    - When insiders are able to access the UPSI, they illegally conduct trade dealings for personal gains.
- Insider trading is one of the most serious malpractices that exists in the market.
- In India, insider trades are **regulated by the SEBI under the Insider Trading Regulations, 2015.**
    - To prevent such acts of insider trading and to promote fair trading in the market for the interest of common investors, **SEBI has prohibited the firms from purchasing their own shares from the secondary market.**
    - SEBI can **impose fines and prohibit individuals or entities from trading** in the capital market **if found in violation of rules.**
- For example, a company director informs his friend about a yet-to-be-declared deal, and the latter disseminates that information to his colleagues, who then buy that company's stocks.
    - Then, the manager, his friend, and his colleagues are liable to be booked by SEBI for violation of PTI (Prohibition of Insider Trading) Regulations.

Insider Trading FAQs

Q1. Is insider trading legal in India?

Ans. No, insider trading is illegal in India.

Q2. What is front-running?

Ans. Front Running involves trading securities based on knowledge of pending orders or anticipated market movements.

Q3. What is an asset management company (AMC)?

Ans. An AMC is a financial institution that pools funds from multiple investors and invests in various financial instruments, such as stocks, bonds, and real estate.

Source: TH
