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Insider Trading Norms Revisited: An Analysis of the N.K. Sodhi Committee Report

- New Insider Trading Norms recommended
- All entities that have issued securities listed or intended to be so listed on a stock exchange covered
- 'Connected Persons' to include public servants & persons holding statutory positions
- Charge of insider trading to only apply to 'trading' and not 'dealing' in securities
- Conduct of due-diligence in a listed company allowed subject to certain conditions
- Concept of trading plans introduced
- Principles of fair disclosures revised

1. Salient Features of the Proposed Regulations

I. Applicability and Scope

The Proposed Regulations seek to extend the applicability of the regulations to *any entity* that has issued securities which are listed on a stock exchange or intended to be so listed[i]. The Existing Regulations are limited in their extent as they only extend to companies listed on a stock exchange in India. By seeking to amend the definition of 'company' for the purposes of the Proposed Regulations, insider trading is prohibited with respect to listed or to be listed securities issued by any type of entity. The intent behind the Proposed Regulations is to bring within its reach securities issued by any entity that would be amenable to price discovery through an inter-play of demand and supply on a market platform.

II. New Definitions

A. Who is an 'Insider'?

Existing Regulations	Proposed Change
An "insider"[ii] means any person (i) is or was connected with the company or is deemed to have been connected with the company and is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company, or (ii) has received or has had access to such unpublished price sensitive information	The definition of an "insider" has been simplified to mean any person who is a "connected person" and those in possession of "unpublished price sensitive information" ("**UPSI**")[iii].

Our Observation: In the efforts to bring about a clearer and less ambiguous law, the Proposed Regulations have tailored the definition of 'insider' to two categories of persons: (i) a 'connected person' and (ii) those persons that have unpublished price sensitive information. The definition of an "insider"[iv] under the Existing Regulations also includes "a person deemed to be a connected person"[v]. This category includes a company under the same management or group or a

subsidiary; intermediaries, members or board of directors or employees of a public financial institution, officers or employees of self-regulatory organizations, relatives of the aforementioned persons, bankers of the company, relatives of the connected persons etc. With the simplification of the definition of an insider, this category of 'persons deemed to be connected persons' has been done away with. Further the Existing Regulations implicate anyone who 'has received' or 'has had access to' unpublished price sensitive information as an insider. The Proposed Regulations seek to limit this to those '*in possession of*' UPSI. The criteria for arriving at who an insider is has been narrowed down. The Committee was mindful that even this simplified definition could be overreaching on account of which the Proposed Regulations contain various defences for such a person to demonstrate that he has not indulged in insider trading.

B. Connected person

Existing Regulations	Proposed Change
The definition of a "connected person"[vi] under the Existing Regulations means (i) a director or any person deemed to be a director of a company, or (ii) officer, employee or any person who holds a position involving a professional or business relationship between himself and the company who may reasonably be expected to have an access to UPSI in relation to that company; six months prior to the act of insider trading.	Under the Proposed Regulations, the definition of a "connected person"[vii] has now been broadened to mean any person who is or has during the six months prior to the concerned trade been associated with a company in any capacity including by any reason of frequent communication with its officers or being in any contractual, fiduciary or employment relationship. Public servants and persons holding statutory positions that are reasonably expected to have access to UPSI are also to be considered to be 'connected persons' under the Proposed Regulations. A proviso has been added to the definition of a 'connected person' that provides that immediate relatives of connected persons shall be deemed to be connected persons unless such immediate relative can establish absence of access or reasonable expectation of access to UPSI. "Immediate relatives" under the Proposed Regulations mean a spouse of a person and include parent, sibling, and child of such person or of the spouse, any of whom is dependent financially on such person, or consults such person in taking decisions relating to trading in securities[viii].

Our Observation: The Proposed Regulations have increased the scope of who a connected person is. The criteria is not only limited to persons that occupy responsible positions in the company or those having professional / business relations with the company (as is the case currently) but extends to persons who are associated with a company *in any manner* and includes (i) immediate relatives of such

persons and (ii) public servants / persons holding statutory positions, that have or reasonably expected to have access to UPSI.

Although the Proposed Regulations do away with 'persons deemed to be connected persons' as a criteria for qualifying as an insider, they have retained the category of persons that are immediate relatives of connected persons as those who would be insiders provided such persons have or reasonably expected to have UPSI. Under the Existing Regulations, any person who qualifies as a 'relative' under section 6 of the Companies Act, 1956 could come within the purview of a 'person deemed to be connected'. The Proposed Regulations would only apply to 'immediate relatives' as defined under the proviso of the proposed definition if they are either financially dependent or if their trading decisions involved consultation with a connected person.

An important feature of the definition is that it casts liability on public servants / holding statutory positions that have or reasonably expected to have UPSI. The Committee was of the opinion that such persons, when in the possession of UPSI, should be prohibited from trading at such time.

The Committee has observed in the Report that whether or not a person is a connected person would always and necessarily be a mixed question of fact and law to be answered from the facts and circumstances of each case. In case there is no direct evidence of actual access to UPSI, the test to be applied would be to consider whether the person in question is reasonably expected to have such access as a reasonable inference that a reasonable man would draw from the facts and circumstances of the case.

C. UPSI and "Generally Available Information"

Existing Regulations	Proposed Change
Under the Existing Regulations, information which is not published by the company or its agents and is not specific in nature is considered "unpublished". Also, the definition of "price sensitive information" contains an explanation which provides that the (i) periodical financial results of the company (ii) intended declaration of dividends (both interim and final) (iii) issue of securities or buy-back of securities (iv) any major expansion plans or execution of new projects (v) amalgamations, mergers or takeovers (vi) disposal of the whole or substantial part of the undertaking; (vii) and significant changes in policies, plans or operations of the company shall necessarily be deemed to be considered "price sensitive information". The Proposed Regulations have done away with this deeming fiction.	Under the Proposed Regulations the definition of UPSI has been substantially modified. UPSI has been defined to mean any information that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities to which it relates and will *ordinarily* include information relating to the following – (i) financial results (ii) dividends (iii) change in capital structure (iv) mergers, de-mergers, acquisitions, delistings, disposals and expansion of business and such other transactions; and (v) changes in key management personnel.[ix]

Our observation: The definition of what constitutes UPSI under the Proposed Regulations contains 2 specific elements that make it different from the definition under the Existing Regulations:

i. The legislative notes specifically clarify that the categories of the information that might materially affect the price of the securities provided are merely illustrative in nature.

ii. Information that is 'generally available' to the public does not constitute UPSI. This information doesn't necessarily have to be *published* and can be from a source other than the company – so long as the information is generally available to the public, it no longer qualifies as 'unpublished' information, provided however the information is accessible on a non-discriminatory basis.

The deeming provision regarding the seven categories of unpublished price sensitive information listed out in the explanation clause under the Existing Regulations had been a contentious issue. SAT had, in the past, held that for information to qualify as 'unpublished price sensitive information', it must relate to the seven categories enlisted in the explanation clause.[x] However, SAT has clarified that the list contained in the explanation clause of the definition of 'unpublished price sensitive information' is not exhaustive in nature and in fact, is much wider.[xi] The Committee has sought to bring this out in the Proposed Regulations.

The Committee in its Report has attempted to clarify upon how one should understand 'generally available information' by various illustrations. The intention seems to be that any information that is capable of being assessed by any person without any breach of law would be considered as generally available. Information that is available on a non-discriminatory basis would, thus, be a question of fact to be answered adopting the standard of a reasonable man.

III. Charging provisions

A. Communication of Information

Existing Regulations	Proposed Change
• No insider is allowed to communicate or counsel or procure directly or indirectly any UPSI to any person who while in possession of such UPSI shall not deal in securities[xii].	• The prohibition against communication or counselling UPSI has been retained under the Proposed Regulations, only it has been differently worded to the extent that an insider is not allowed to *communicate, provide or allow access* of any UPSI to any person including other insiders[xiii].
	• Further, a general prohibition is imposed on all persons from procuring possession of UPSI or causing communication of UPSI by any insider under the Proposed Regulations[xiv].
• The Existing Regulations provide that the prohibition against communication or counselling UPSI is not attracted in case any communication required in the ordinary course of business or profession or employment or under any law.	• Similar to the Existing Regulations, the Proposed Regulations have kept all communications in furtherance of legitimate purposes, performance of duties or discharge of legal obligations by a person outside the scope of this provision.

Our Observation: The Proposed Regulations appear to categorically bifurcate the prohibitions under the Proposed Regulations as follows: (i) prohibition on disclosing UPSI and procuring UPSI (ii) trading on such

information. Therefore, it could be the case that the mere disclosure of UPSI in itself constitutes an offence under the Proposed Regulations whether or not the recipient has utilised the UPSI to gain an undue advantage. Under the Existing Regulations, it is not clear as to whether the offence of 'insider trading' only takes place when one trades on unpublished information or whether the offence is committed immediately upon receipt of the information.

It is important to note that not only is it an offence for an insider to disclose UPSI but also for another to cause an insider to disclose UPSI. The legislative notes specifically state that inducement and procurement of unpublished price sensitive information not in furtherance of one's legitimate duties and discharge of obligations would be illegal under this provision.

B. Trading with Possession of Information

Existing Regulations	Proposed Change
The charging provision, Regulation 3 of the Existing Regulations prohibits *dealing* in securities of a company listed on any stock exchange when in possession of UPSI.	The term 'dealing' has been replaced with 'trading' for the purposes of the charging provision i.e. Regulation 4 of the Proposed Regulations. Under the Proposed Regulations, no insider shall *trade* in securities that are listed on a stock exchange when in possession of UPSI.
'Dealing in securities' typically means an act of subscribing, buying, selling or agreeing to subscribe, buy, sell or deal in any securities by any person either as principal or agent[xv].	'Trading'[xvi] under the Proposed Regulations has been defined as transacting in securities whether by way of acquisition or disposal.

Our Observation: The Committee has employed the term 'trading' in place of 'dealing' for the purpose of its charging provision, to narrow down the scope of the insider trading regulations to capture only the market abuse of insider trading. Any other forms of market abuse may be dealt with by the other securities laws in India. In case, the insider who has traded in securities is a connected person, the onus of establishing that he was not in breach of this prohibition would vest upon the connected person.

IV. Valid Defences

Valid defences for an insider who has traded when in possession of UPSI have been set out under Regulation 4(3) of the Proposed Regulations as:

i. the nature of his trades were contrary to the manner in which any person acting reasonably would have traded when seeking to take advantage of the nature of the UPSI in his possession

ii. that he was an innocent recipient of the UPSI and had no reason to believe that the information in his possession was UPSI or the person who communicated it to him violated any law or confidentiality obligation owed by such person

iii. the counterparty to the transaction, if identifiable was in possession of the same UPSI and both parties made conscious and informed decisions

iv. the trade was an exercise of stock options for which the exercise price was predetermined in compliance with applicable regulations

v. the trades were made by another person authorized to so trade on the insider's behalf without reference to or without prior knowledge of the insider and that the actual trader was not in possession of the UPSI and appropriate and adequate arrangements were put in place that the regulations were not violated

vi. the trades were pursuant to a trading plan set up in accordance with the Proposed Regulations

The Chinese wall defence[xvii] for non-individual insiders already prescribed under the Existing Regulations has been retained under the Proposed Regulations.

Our Observation: The introduction of the provisions regarding valid defences is a step forward in developing sound insider trading norms in India. The text of the charging section as well as valid defences under the Proposed Regulations set out that the charge of insider trading not only has to be clear, precise and reasonable but it also involves the element of mens rea. It must be noted that SAT has, previously, held that in light of the objective of the Insider Trading Regulations, the intention/motive of the insider has to be taken cognizance of.[xviii] However, it is interesting to note that the defences are only valid for an offence of trading with UPSI and not an offence relating to communicating or receiving the UPSI.

V. Due-Diligence

A contentious issue under the Existing Regulations regarding conduct of due-diligence into the affairs of a listed company in context of transactions involving mergers and acquisitions has been put to rest under the Proposed Regulations. Under the Proposed Regulations, the exercise of due-diligence and the consequent enquiries into the affairs of listed companies has been permitted subject to the safeguards and conditions as provided under Regulation 3(3) and 3(4) of the Proposed Regulations as under:

i. In case of any transaction that would entail making an open offer under the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 ("**Takeover Regulations**") and the board of directors of the company is of the informed opinion that the conduct of due-diligence is in the best interest of the company

ii. In case of any transaction that does not attract the obligation to make an open offer under the Takeover Regulations and the board of directors is of the informed opinion that such due-diligence is in the best interest of the company, provided that the diligence findings that constitute UPSI are made generally available at least two trading days prior to the proposed transaction being effected in such form as the board of directors may determine

Also, an obligation is cast on the board of directors to ensure that the confidentiality and non-disclosure contracts are duly executed between the parties and that such parties ought to keep information received confidential and not otherwise trade in securities of the company when in possession of UPSI.

Our Observation: The Report seems to suggest that due-diligence is an exception to the blanket provisions as regards communication of UPSI. However, the provision does not clearly set out due-diligence as a valid defence for insider trading, although this appears to be the intention.

In the Report, a member has observed that public disclosures after conducting due-diligence would pose various challenges, especially as competitors would get hold of such information. It was also suggested that the due-diligence exercise conducted by a prospective strategic partner or large financial investor should be excluded from public disclosures of findings with a minimum threshold of 10% of the equity being acquired by such investor; however this view has not been adopted in the Proposed Regulations.

Two aspects of this provision that need to be looked into are (i) only due-diligence findings that would constitute UPSI and notany other information would have to be publicly disclosed under the Proposed Regulations; and

(ii) that the obligation is cast on the board of directors to decide whether due-diligence is in the best interest of the company and to also disclose the due-diligence findings constituting UPSI.

From an investor/acquirers' perspective, the due-diligence provision that has been introduced under the Proposed Regulations would exclude any legal and regulatory risks faced in terms of violation of the Existing Regulations during conduct of due-diligence. However, it is debatable whether the requirement of disclosure of the due-diligence findings to the public at least two days prior to the transaction in case of transactions that do not entail making of an open offer under the Takeover Regulations would be welcomed by the industry. Another controversy that may arise in light of this provision is the form and manner in which such information might have to be disclosed.

VI. Trading Plans

The concept of 'Trading Plans' has been introduced under the Proposed Regulations. Typically, 'insiders' who are liable to possess UPSI round the year are permitted to formulate trading plans with appropriate safeguards. The provisions set out under Regulation 5 of the Proposed Regulations deal comprehensively with the various requirements to be met for formulation of a trading plan. The Proposed Regulations lay down that every trading plan would have to be reviewed and approved by the compliance officer of the company and then publicly disclosed after which it would have to mandatorily be implemented. The trading plan would be required to be in place for at least a year. No trading plans should entail overlap of any period for which another trading plan is in existence. Trading plans, however, would not provide absolute immunity from investigation under the Proposed Regulations.

Our Observation: One of the reasons for introducing the concept of trading plans under the Proposed Regulations is to facilitate compliant trading towards acquisitions by insiders and to provide them a safe harbour under the Proposed Regulations. However, it is contemplated that once a trading plan has been in put in place; it shall necessarily have to be followed. It is debatable, in view of this mandate, whether the concept of 'pre - determined trading plans' will be useful in the Indian context.

The United States had introduced the concept of "pre-arranged trading plans" in 2000 in the form of Rule 10b5-1 of the Exchange Act, 1934. However, the experience in the United States, especially in light of the reports published by the Wall Street Journal would indicate that this safe harbour provision is open to exploitation[xix]. For instance, cancellation of a planned trade made under the safe harbour, even if the person or the entity is in possession of the material non-public information may not necessarily attract the charge of insider trading in the United States; further under this provision, proving a case of insider trading has proven to be more challenging. Though, there is merit in this concept, it has its own shortcomings.

VII. Disclosure Obligations

Existing Regulations	Proposed Change
The Existing Regulations stipulate initial and continual disclosure requirements by any person holding more than 5 % shares/ voting rights in any listed company and by a director or an officer of a	The disclosure requirements have sought to be made applicable to promoters, employees and directors under the Proposed Regulations[xxi].Under Regulation 7 (3), every such person would have to necessarily

listed company to be made to the company.[xx] A director or an officer is obligation to additionally disclose the particulars of his trades in case there has been a change in his shareholding/voting rights exceeding Rs. 5 lakhs in value or 25,000 shares or 1% of the total shareholding/voting rights of the company as the case may be, to the stock exchange where the securities are listed. Every listed company is required to notify all such initial and continual disclosures to the stock exchange in a particular format in any case.	disclose the number of such securities acquired or disposed of within two transaction days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any quarter aggregates to a traded value in excess of *Rs. 10 lakhs.* The reference to voting rights as a threshold for disclosures as under the Existing Regulations has been removed under the Proposed Regulations.

Our Observation: Under the Existing Regulations, the provision as regards internal and external disclosures applies to - (i) persons holding more than 5% shares or voting rights in a listed company (ii) the directors or officers of a listed company. The Proposed Regulations have extended this requirement to all the employees and their immediate relatives, however as regards the criteria of persons holding more than 5% shares/ voting rights in a listed company, this provision would not apply. The disclosures to be made by any individual under the Proposed Regulations shall include those relating to trading by such person's immediate relatives, and by any other person for whom such person takes trading decisions.

Disclosures of securities held and traded by such persons have to be mandatorily disclosed by the company to the stock exchange within a certain stipulated time limit only once they cross the material threshold limit of Rs. 10 lakhs. The proposed change setting out a financial threshold of Rs. 10 lakhs for mandatory public disclosures to be made by all promoters, directors and employees was sufficiently opposed by some members of the Committee on account of being onerous and cumbersome. It was finally seen that this particular provision is a fundamental reform measure that needs to be adopted in India. Further, to facilitate internal review, the Proposed Regulations also contain an enabling provision for listed companies to seek information from those to whom it has to provide unpublished price sensitive information.

VIII. Code of Fair Disclosure and Conduct

The mandate for formulation of a code of internal procedures and conduct as provided under the Existing Regulations applies to all listed companies and organization associated with the securities market including intermediaries, self-regulatory organizations, recognized stock exchanges and clearing house or corporations, public financial institutions and professional firms[xxii].

Under the Proposed Regulations, the board of directors of every company would be required to formulate and publish on its official website, a code of fair disclosure governing disclosure of events and circumstances that would impact the price discovery of its securities[xxiii]. The Proposed Regulations aim to strengthen the principles that every such code should conform to.

Further, the board of directors of every company and market intermediary registered with SEBI would be required to formulate a code of conduct to regulate, monitor and report trading by its employees and other connected persons. [xxiv]Any other person required to handle UPSI in course of business may also formulate such a code of conduct. The compliance officer of the company would be empowered to administer the code of conduct and other requirements under the Proposed Regulations. A compliance officer under Regulation 2(1) (d) of the Proposed Regulations means any senior officer who is financially literate and is capable of

appreciating requirements of legal and regulatory compliance under these Regulations. Under the Proposed Regulations, every issuer or market intermediary would have to appoint a compliance officer.

It has been recommended in the Report that the SEBI's circular [xxv]governing the insider trading requirements issued to mutual funds be withdrawn in light of these provisions contained under the Proposed Regulations.

2. General Analysis

The Existing Regulations do have their inadequacies as regards their form, interpretation and reach. Given the high prevalence of misuse of price sensitive information in India and SEBI's low track record of prosecution of insider trading offenders, the Proposed Regulations propound a much needed change. The Proposed Regulations have devised simplistic and clear-cut provisions following a principle based approach to curb insider trading in India. More importantly, to reduce the scope of any ambiguities and as an aid to interpretation, the Committee has annotated every provision contained under the Proposed Regulations with legislative notes.

The Proposed Regulations are still in the draft form, out for public comments and the final regulations should be put in place in the coming future.

In light of the analysis on the Proposed Regulations, some key takeaways have been enlisted as below:

Category	Provision
Promoters	• **Disclosures:** Mandatory obligations have been cast upon the promoters of a company whose securities are listed on a recognized stock exchange to make internal disclosures of their holdings in securities including derivatives positions of the company (i) within 30 days of the Proposed Regulations taking effect (ii) within 7 days of appointment. The requirement shall extend to immediate relatives as well as persons for whom the promoter takes trading decisions
Directors	• **Due-Diligence:** By way of the conditions for conduct of due-diligence on a company, duty has been cast upon the board of directors to ensure that the proposed transaction and due-diligence are in the best interest of the company. The board of directors would need to cause public disclosures of the due-diligence findings constituting UPSI so that there is no asymmetry of access to information in the market. Further, the board of directors shall require execution of confidentiality agreements/non-disclosure agreements for conduct of due-diligence • **Disclosures:** Mandatory obligations have been cast upon the directors of a company whose securities are listed on a recognized stock exchange to make internal disclosures of their holdings in securities including derivatives positions of the company (i) within 30 days of the Proposed Regulations taking effect (ii) within 7 days of appointment (iii) in case of any material trade. The requirement shall extend to immediate relatives as well as persons for whom such director takes trading decisions • **Other requirements:** The board of directors of every company shall

	formulate and publish the codes of fair disclosures and conduct. The board may specify standards for treatment of information on a need-to-know basis among insiders, model code of conduct to be adopted by the company and their insiders etc.
Shareholders/Investors	• The exercise of due-diligence and the consequent enquiries into the affairs of listed companies has been permitted subject to few conditions • Valid defences have been provided for a violation of insider trading • What constitutes UPSI more clearly defined and more investor friendly
Employees	• **Disclosures:** Mandatory obligations have been cast upon all employees of a company whose securities are listed on a recognized stock exchange to make internal disclosures of their holdings in securities including derivatives positions of the company (i) within 30 days of the Proposed Regulations taking effect (ii) within 7 days of appointment (iii) in case of any material trade. The requirement shall extend to immediate relatives as well as persons for whom such employee takes trading decisions

Interestingly, under the newly introduced Companies Act, 2013 ("the **Companies Act**"), the legislature has already incorporated the prohibition on insider trading of securities under Section 195. This provision has been made applicable to all companies incorporated under the Companies Act or any other previous company law. More importantly, the definition of 'price sensitive information' and the description of the offence of 'insider trading' as provided under the Existing Regulations have been reproduced under the Companies Act. It is noteworthy that the Report provides that only securities amenable to price discovery process on a market platform would be covered under the charge of insider trading. An important question that needs to be still answered is whether in context of private companies, the charge of insider trading would even be applicable in light of these observations.

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[i] Regulation 2 (1) (c) of the Proposed Regulations
[ii] Regulation 2 (e) of the Existing Regulations
[iii] Regulation 2 (1) (h) of the Proposed Regulations
[iv] Regulation 2 (e) of the Existing Regulations
[v] Regulation 2(h) of the Existing Regulations
[vi] Regulation 2(c) of the Existing Regulations
[vii] Regulation 2 (1) (e) of the Proposed Regulations
[viii] Regulation 2 (1) (g) of the Proposed Regulations
[ix] Regulation 2 (1) (p) of the Proposed Regulations
[x] Rakesh Aggarwal v. SEBI, [2004]49SCL351(SAT)
[xi] Hindustan Dorr Oliver Ltd vs. SEBI (Appeal no. 107 of 2011, decided on 19.10.2011)
[xii] Regulation 3 of the Existing Regulations
[xiii] Regulation 3 (1) of the Proposed Regulations
[xiv] Regulation 3 (2) of the Proposed Regulations
[xv] Regulation 2(d) of the Existing Regulations
[xvi] Regulation 2(1) (n) of the Proposed Regulations
[xvii] Regulation 3B of the Existing Regulations
[xviii] (2004) 1 CompLJ 193 SAT, 2004 49 SCL 351 SAT
[xix] See Susan Pulliam and Rob Barry, "Dark Markets: Executives' Good Luck in Trading Own Stock," *Wall Street Journal*, Nov. 28, 2012; Susan Pulliam and Rob Barry, "Disclosure on Trades Is Sought," *Wall Street Journal*, Nov. 29, 2012; and Justin Lahart, "For Insiders, It's All in the Timing," *Wall Street Journal*, Nov. 29, 2012. The articles concluded that, statistically, corporate executives' stock trading during the five trading days before the company released material information resulted in gains in excess of 10% (or losses avoided in excess of 10%) at almost twice the rate of those executives who suffered losses of similar amounts. The articles also asserted that because of the "proliferation of trading

plans" and "holes" in Rule 10b5-1, it has become more difficult for regulators to assess these trades and to detect insider trading. It has been reported that the SEC, Federal Bureau of Investigation and the U.S. Attorney for the Southern District of New York have launched investigations in the wake of the Journal reports.

[xx] *Regulation 13 of the Existing Regulations*

[xxi] Regulation 6 and 7 of the Proposed Regulations

[xxii] Regulation 12 (1) of the Existing Regulations

[xxiii] Regulation 8 of the Proposed Regulations

[xxiv] Regulation 12 (1) of the Existing Regulations

[xxv] Ref. No. MFD/CIR No. 4/216/2001 dated May 8, 2001