



# Preventing insider trading: KPMG in India offerings

Seeking to facilitate Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 requirements



## Insider trading – a harsh reality

Insider trading is viewed as a serious crime as it breaches the underlying trust among stakeholders in a free and fair capital market. However, insider trading violations and leakage of unpublished sensitive information (UPSI) have become increasingly common, even though the consequences can be severe and cause reputational damage.

In recent years, Securities and Exchange Board of India (SEBI) brought about wide-ranging regulatory amendments to enhance compliance related to prevention of insider trading (PIT) to make market manipulations easily identifiable and to ensure a fair and level playing field in the Indian capital markets.

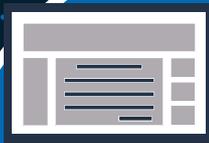
## Challenges brought on by changing regulations

- Frequently evolving regulations require greater agility
- Sensitising employees and other insiders on the norms and leading practices at regular intervals
- Setting up appropriate and adequate internal controls to ensure compliance
- Getting digital technology to comply with the mandated amended regulation: digital database of person/entities with whom UPSI is shared
- Fiduciaries and intermediaries are now required to formulate codes of conduct and implement an adequate system of internal controls to ensure compliance.

## Our offerings

KPMG Trading Compliance Manager (the tool)

1



E-learning course on trading compliance

2



Diagnostic UPSI leakage risk assessment

4



Review of policies and procedures

3



## KPMG Trading Compliance Manager (the tool)

KPMG in India has developed a web-based, compliance software to automate reporting, approvals, disclosures relating to company securities; and meet the regulatory requirement of maintaining a digital database. The tool helps strengthen internal controls with respect to PIT and saves valuable management time and bandwidth.

### Key features

- Framework for submission, tracking and archival of all trade requests requiring pre- approval
- Regular alerts to analyse, identify and escalate potential threats
- Interactive and customisable dashboards
- MIS reports
- Repository for details of parties with whom UPSI has been shared – time stamped with an audit trail.

### Potential benefits

- Easy analysis, identification and escalation of potential threats through this tech-enabled solution with automated workflows
- Intelligent monitoring of insider trades.

## Review of policies and procedure

KPMG in India assists corporates in setting up controls, policies and processes to prevent insider trading. Our approach includes:

- Review of company codes/policies/procedures pertaining to insider trading
- Identifying gaps as per the amended regulations and best practices
- Providing recommendations basis the gaps and assistance with streamlining codes/policies/procedures as per SEBI (PIT) Regulations, 2015.

## E-learning course on trading compliance

The changing regulatory environment also necessitates that companies ensure awareness and understanding among employees/insiders not just on the key concepts of the laws related to PIT and the need for compliance, but also on their roles and responsibilities, and their obligation to report violations, if any.

KPMG in India has developed an e-learning course on PIT to address training requirements in this regard. Based on the SEBI PIT Regulations, 2015, the course covers common workplace scenarios and sensitises employees on the key concepts of PIT including UPSI; possible leakages; their role and responsibilities as an insider; and compliance with the law.

### Course highlights

- Practical insights covering key concepts of PIT
- Interactive case studies
- Self-assessment-based modules
- Concise course duration to keep it interesting yet effective.

## Diagnostic UPSI leakage risk assessment

Our experienced professionals assist companies in identifying areas of possible UPSI leakages and setting up adequate controls to prevent them. Our approach includes:

- Interviewing process owners/heads of departments to understand and identify safeguards for insider trading
- Identifying gaps in the existing financial statement closure process that could expose the company to risk of leakage of UPSI
- Reviewing process of sharing information with auditors, consultants and other outsiders for legitimate purposes
- Reviewing of IT and physical infrastructure to protect UPSI
- Providing recommendations for the risks identified.

## KPMG in India contacts

### Sai Venkateshwaran

#### Partner and Head

CFO Advisory

T: +91 22 3090 2020

E: saiv@kpmg.com

### Karan Marwah

#### Partner and Head

Capital Markets

T: +91 124 336 9064

E: kmarwah@kpmg.com

### Suveer Khanna

#### Partner

Forensic

T: +91 22 3090 2020

E: skhanna@kpmg.com

### Follow us on:

[home.kpmg/in/socialmedia](https://home.kpmg/in/socialmedia)



#KPMGjosh

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2020 KPMG, an Indian Registered Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

This document is meant for e-communication only. (054\_FLY0320\_SP)

[home.kpmg/in](https://home.kpmg/in)