

LEGAL UPDATES

SEBI: RELEASES RESTRICTIONS IMPLIED ON CERTAIN ENTITIES VIA INTERIM ORDER IN THE INFOSYS INSIDER-TRADING CASE

SEBI amended the interim order imposed against 8 Entities for allegedly trading in Infosys' stock while in possession of UPSI, i.e., the company's audited financial figures for the three months ending June 30, 2020, pointing out that the Entities' arguments and supporting evidence partially refute the initial findings made in the Interim Order, which relaxes some of the limitations on Entities 1 through 5 and 8.

Noting that neither Entity 1 nor Entity 8's identities appear in the Structured Digital Database, which provides information about all the people with whom UPSI is shared and who have direct access to it, the regulator maintained that this established a case that Entities 1 and 8 appear to have no access to UPSI and emphasised that *"...absence of evidence at this juncture, of any direct access to UPSI... coupled with the contents of the email correspondences indulged into by these two entities... advances the case in favour of the Entities no. 1 and 8..."*

Nevertheless, given that Entity 8 is a Designated Person, it cannot be ruled out that he may have direct or indirect access to UPSI.

SEBI claimed that the Interim Order cannot be seen to be in contravention of the evidence and circumstances on the record at that time and stated firmly that *"It may not be possible to describe and limit the usage of ingenious mind to fix the possible violations of securities laws under a straight jacket formula... There would always be a new and smart breed of investors who, either by using their innovative mind or through the use of technology, would try to take advantage of the extant regulatory framework under the guise of non-conventional strategies."*

As a result, SEBI maintained that despite the low likelihood of having absolute proof at this point in the investigation, given the admitted position of the Entities and the fact that they

were in constant communication, it cannot be definitively determined at this time that there was no insider trading.

However, it believed that the entities were, to some degree, successful in convincing the authority of a case warranting alteration in the directions given under the Interim Order by indicating the continuation of restraints on these entities may not be in the best interest of justice and equity, allowing credit and debit of securities in the accounts of Entities 1 to 5 and 8.