

## LEGAL UPDATES

### **WITHOUT SUFFICIENT EVIDENCE, "SERIOUS" CHARGES LIKE INSIDER TRADING CANNOT BE JUSTIFIED PROCEEDS ARE DROPPED**

SEBI dismissed the SCN issued against the entity for trading in the Company's stock while in possession of its UPSI, acknowledging that there is insufficient evidence to support the judgment that the entity had access to the UPSI and to satisfy the preponderance of the evidence standard; Remarkd that *"...the primary onus of substantiating the charge of receipt or possession of or having an access to UPSI by the Noticee has not been discharged. Therefore, a serious charge like insider trading against persons who are not connected with the Company becomes nebulous and unsustainable."*

SEBI also stated that there is no information in the SCN that, when the inquiry is complete, even slightly suggests that the entity was a Director, employee, or official of the Company. Indicating that the entity had no prior trading history in the Company's stock, either recently or following the revelation of UPSI, SEBI believed that *"Thus, prima facie, the unusual coincidences of certain acts, viz. buying of...shares during the UPSI period and selling the shares after the said PSI was disseminated through the stock exchanges...were viewed as the prime reasons to presume that the Noticee despite being not connected with the two companies...have traded in the scrip..."*

In addition, the regulator emphasized that some incontrovertible facts must be addressed to decide if an entity is engaged in insider trading. The regulator argued that *"...it may not be appropriate now to ascribe any stronger evidentiary value to such inadequate evidence for bringing in a serious charge of insider trading against the Noticee."*