
FROM EVENT LISTS TO MARKET ASYMMETRY: RECONSTRUCTING THE DEFINITION OF UNPUBLISHED PRICE SENSITIVE INFORMATION UNDER INDIA'S 2025 INSIDER TRADING REFORMS

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1. ABSTRACT

Insider trading law seeks to preserve market integrity by preventing informational advantages from being converted into private trading gains at the expense of uninformed investors. In India, this objective is pursued through the SEBI (Prohibition of Insider Trading) Regulations, 2015, where liability turns centrally on the concept of Unpublished Price Sensitive Information (UPSI). Yet the legal difficulty has never been the idea of UPSI in the abstract, but the instability of its boundaries in practice. In March 2025, SEBI amended the insider trading framework to widen the illustrative scope of UPSI by incorporating selected events aligned with the disclosure architecture of Regulation 30 and Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, with the stated objective of improving clarity, certainty and uniformity in compliance.

This paper argues that, although the 2025 reforms strengthen the compliance architecture and reduce some interpretive ambiguity, they remain anchored in an event-based method that is conceptually under-inclusive. A list-based approach may improve standardisation, but it does not fully capture the real regulatory harm in insider trading: the creation of market asymmetry through selective access to information capable of influencing valuation. The paper therefore critiques the continuing dependence on enumerated triggers and demonstrates how such a model can miss non-listed but economically significant informational advantages.

It proposes a reconstructed definition of UPSI based on a market-asymmetry and valuation-impact test. Under this framework, information should qualify as UPSI where its non-public and selective availability is capable of materially altering expected cash flows, risk assessment, governance credibility, or competitive position, thereby conferring an unfair trading advantage. This approach better aligns insider trading doctrine with the informational realities of modern securities markets.

Keywords: Unpublished Price Sensitive Information (UPSI); Insider Trading Regulation; Market Asymmetry; Market Integrity; SEBI (Prohibition of Insider Trading) Regulations; Valuation Impact; Information-Based Trading; Disclosure Obligations; Securities Law; India..

2. Introduction -

2.1 Background

Insider trading poses a direct threat to market fairness because it allows certain persons to trade on confidential corporate information before that information becomes available to the public. In an ideal securities market, investors should make decisions on the basis of publicly available information, independent analysis, and legitimate market judgment. When insiders use non-public information for personal or institutional gain, they obtain an unfair advantage over ordinary investors, distort the process of price discovery, and weaken confidence in the integrity of the market. Insider trading law therefore serves a broader public function: it seeks to protect the credibility of capital markets by preventing selective informational advantage from being converted into trading profits.¹

The principle underlying this regulatory concern is informational fairness. Capital markets do not require perfect equality of information, since investors naturally differ in skill, resources, and analytical capacity. However, they do require that material corporate developments capable of affecting investment decisions should not remain selectively available to a small group of insiders while the public continues to trade in ignorance. Information symmetry, in this sense, is not absolute parity but the absence of unfair informational access. The legitimacy of public markets depends on the belief that no participant is systematically privileged through confidential knowledge that is both market-relevant and unavailable to others. Insider trading regulation thus functions as an essential mechanism for preserving both investor confidence and market integrity.²

2.2 Evolution of Insider Trading Regulation in India

India's legal framework on insider trading has evolved through two major regulatory

1 Securities and Exchange Board of India Act, No. 15 of 1992, pmbl., India Code (1992); Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, pmbl., Gazette of India, Extra., pt. III, sec. 4 (Jan. 15, 2015) (India).

2 See Securities and Exchange Board of India Act, No. 15 of 1992, sections 11, 11A, India Code (1992); see also Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, reg. 3.

stages. The SEBI (Insider Trading) Regulations, 1992 represented the first comprehensive attempt to prohibit insider dealing in the Indian securities market. Over time, however, the limitations of that framework became apparent, particularly in relation to definitional ambiguity, enforcement challenges, and the increasing complexity of modern securities transactions. In response, SEBI replaced the earlier regime with the SEBI (Prohibition of Insider Trading) Regulations, 2015. The 2015 framework, shaped by the recommendations of the High Level Committee under Justice N. K. Sodhi, introduced a more compliance-oriented system and refined the treatment of unpublished price sensitive information, communication of such information, and internal corporate controls.³

The strengthening of insider trading regulation in India must also be understood in the context of wider concerns regarding corporate governance failures, selective disclosures, and weak internal compliance culture in listed entities. As the securities market expanded in scale and sophistication, SEBI increasingly moved toward a disclosure-based regulatory model in which investor protection depended not only on punishment after misconduct, but also on preventive compliance architecture within companies. This development made the concept of Unpublished Price Sensitive Information central to the insider trading framework, because the practical scope of liability depends substantially on how UPSI is identified and interpreted.⁴

2.3 The Core Problem

Despite the reforms introduced in 2015, the central challenge in insider trading law remains the definition of Unpublished Price Sensitive Information. UPSI forms the doctrinal core of the prohibition because liability depends on whether a person traded while in possession of information that was both non-public and price sensitive. The difficulty, however, lies in determining which kinds of information should be treated as sufficiently sensitive to trigger the law. An event-based definition offers guidance, but it also creates ambiguity because economically significant information may not always fall neatly within an enumerated

3 Securities and Exchange Board of India (Insider Trading) Regulations, 1992, Gazette of India, Extra., pt. III, sec. 4 (Nov. 19, 1992) (India); Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, Gazette of India, Extra., pt. III, sec. 4 (Jan. 15, 2015) (India); Report of the High Level Committee to Review the SEBI (Prohibition of Insider Trading) Regulations, 1992, under the Chairmanship of N.K. Sodhi, at 1-5 (Dec. 7, 2013).

4 See Report of the High Level Committee to Review the SEBI (Prohibition of Insider Trading) Regulations, 1992, under the Chairmanship of N.K. Sodhi, *supra* note 3, at 9-20.

category.⁵

This ambiguity leads to two major consequences. First, listed companies may interpret UPSI narrowly and treat only expressly listed events as price sensitive, even where other confidential developments could materially influence valuation or investor decision-making. Secondly, regulatory enforcement becomes difficult because SEBI must prove not only possession or communication of non-public information, but also justify its classification as UPSI within a framework that leaves substantial room for interpretation. The core problem, therefore, is that the legal boundary of UPSI does not always correspond to the economic reality of informational advantage in securities markets.⁶

2.4 The 2025 Reforms

The 2025 reforms were introduced against this background. SEBI amended the insider trading framework to expand the categories of events that may qualify as UPSI and to align the definition more closely with selected disclosure events under Regulation 30 and Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. SEBI's stated objective was to improve clarity, certainty, and uniformity in compliance, particularly because companies were often categorising only the specifically listed PIT items as UPSI. The amendments therefore widened the illustrative scope of UPSI and sought to reduce interpretive inconsistency across listed entities.⁷

At the same time, the reforms were designed to strengthen compliance and improve market transparency. By expanding the event list and reinforcing internal handling of sensitive information, SEBI attempted to make the regulatory treatment of non-public information more predictable and more enforceable. These changes represent a significant improvement in compliance design. Yet they also raise a deeper question: whether a broader list of events is enough to address the underlying problem of informational asymmetry in modern securities

5 Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, reg. 2(1)(n).

6 Securities and Exchange Board of India, Board Memorandum: Proposed Amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015, at 4-8 (Dec. 18, 2024).

7 Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2025, Gazette of India, Extra., pt. III, sec. 4 (Mar. 12, 2025) (India); Securities and Exchange Board of India, Board Memorandum: Proposed Amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015, supra note 6, at 4-12; Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, reg. 30 and sch. III, Gazette of India, Extra., pt. III, sec. 4 (Sept. 2, 2015) (India).

markets.⁸

2.5 Research Question

This paper addresses two related questions. First, do the 2025 insider trading reforms effectively address informational asymmetry in securities markets? Secondly, is the event-based UPSI framework sufficient to preserve market integrity where valuation-relevant information may arise in forms not captured by an enumerated list?

2.6 Thesis Statement

This paper argues that although the 2025 reforms expand the regulatory scope of UPSI, strengthen compliance, and improve transparency, the event-based framework remains insufficient to address informational asymmetry in securities markets. A stronger conceptual foundation lies in a valuation-impact approach grounded in market asymmetry. Under such an approach, information should qualify as UPSI where its selective non-public availability is capable of materially affecting expected cash flows, risk perception, governance credibility, or competitive position, thereby conferring an unfair trading advantage.⁹

3. Conceptual Foundations of Insider Trading Law

3.1 Information Asymmetry in Financial Markets

The conceptual foundation of insider trading law begins with the economics of information asymmetry. George Akerlof's classic "Market for Lemons" insight explained how markets can malfunction when one side possesses materially better information than the other. Akerlof's broader contribution, later recognized by the Nobel Committee, showed that asymmetric information is not a marginal defect but a structural condition capable of undermining trust, distorting exchange, and degrading market quality. In such settings, uninformed participants cannot reliably distinguish between high-value and low-value transactions, and the resulting

⁸ Press Release, Securities and Exchange Board of India, SEBI Board Meeting (Dec. 18, 2024); Securities and Exchange Board of India, Board Memorandum: Proposed Amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015, *supra* note 6, at 10-12.

⁹ Cf. Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, reg. 2(1)(n); George A. Akerlof, The Market for "Lemons": Quality Uncertainty and the Market Mechanism, 84 Q.J. Econ. 488, 488-500 (1970); Eugene F. Fama, Efficient Capital Markets: A Review of Theory and Empirical Work, 25 J. Fin. 383, 383-417 (1970).

uncertainty may reduce participation altogether.¹⁰

This logic applies powerfully to securities markets. In the insider trading context, the asymmetry arises between informed traders, such as promoters, directors, key managerial personnel, or connected persons, and uninformed public investors who trade without access to the same corporate developments. The problem is not that some investors are smarter or better at analysis; market competition tolerates differences in judgment, speed, and research capacity. The concern is that certain traders may possess non-public information whose relevance to valuation is not yet reflected in the market price. Where such informational disparities are exploited through trading, the market ceases to be a fair arena of price discovery and becomes instead a site of hidden informational privilege.¹¹

The effect of such asymmetry extends beyond individual trades. If investors begin to believe that markets are systematically tilted in favour of insiders, trust in market institutions weakens. Participation by ordinary investors may decline, the perceived legitimacy of price formation may deteriorate, and the regulatory objective of an orderly securities market becomes harder to sustain. This is why insider trading law is fundamentally linked to market trust: it addresses not only wrongful gain, but the corrosive institutional effect of selective informational access. In modern capital markets, fairness is inseparable from confidence that no class of trader can routinely exploit hidden, valuation-relevant knowledge before it reaches the public domain.¹²

3.2 Efficient Market Hypothesis

A second major conceptual foundation is the Efficient Market Hypothesis associated with Eugene Fama. Fama's work, later recognized by the Nobel Committee, advanced the proposition that stock prices in an efficient market reflect available information rapidly, making short-term price movements difficult to predict systematically. The central implication of this view is that information is the core input of price formation: as new information enters the market, prices adjust. The quality and timing of disclosure therefore matter because they shape the speed and accuracy with which prices incorporate relevant corporate developments.¹³

10 George A. Akerlof, *The Market for "Lemons": Quality Uncertainty and the Market Mechanism*, 84 Q.J. Econ. 488, 488-500 (1970).

11 *Id.* at 489-95.

12 See generally *The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2001*, NobelPrize.org (2001).

13 Eugene F. Fama, *Efficient Capital Markets: A Review of Theory and Empirical Work*, 25 J. Fin. 383, 383-

From this perspective, insider trading raises a difficult analytical question. If markets are efficient because information is quickly incorporated into prices, one might argue that trading by informed insiders helps move prices toward their “correct” level faster than would otherwise occur. On that view, insider trading can appear to perform a limited informational function by accelerating adjustment. Yet the Efficient Market Hypothesis does not itself justify insider trading. It explains how information affects prices; it does not resolve the normative question of whether all methods of incorporating information are acceptable in a regulated public market. A market may become informationally responsive while still being institutionally unfair.¹⁴

The insider trading and market efficiency debate therefore turns on a distinction between descriptive efficiency and normative legitimacy. Even if insider trading sometimes contributes to faster price adjustment, it does so by allowing a select group to profit from exclusive access to information that the broader market does not have. The law must therefore ask not only whether prices move efficiently, but whether the process by which they move is consistent with the principles of equal market access, investor protection, and institutional trust that justify public securities markets in the first place.¹⁵

3.3 Fairness vs Efficiency Debate

These tensions are reflected in the classic fairness versus efficiency debate in insider trading scholarship. The efficiency school is commonly associated with Henry Manne, whose 1966 work challenged the conventional case against insider trading. As later commentary summarizing Manne’s position explains, his central claim was that permitting insiders to trade on material non-public information could hasten the incorporation of information into securities prices and thereby improve allocative efficiency. In this account, insider trading is not primarily a moral wrong but a mechanism through which markets may adjust more rapidly to economically significant developments.¹⁶

The competing fairness school, however, has been far more influential in actual securities regulation. Regulators generally reject the view that faster price adjustment is sufficient to legitimize insider trading. Instead, they emphasize that public markets depend on market

417 (1970).

14 Id. at 383-91.

15 See id. at 404-10.

16 Henry G. Manne, *Insider Trading and the Stock Market* 76-113 (Free Press 1966).

integrity, investor protection, and trust in the fairness of trading conditions. This view underlies the architecture of Indian securities law as well. The SEBI framework is expressly tied to protecting the interests of investors in securities and regulating the securities market, while the PIT Regulations are designed to prohibit insider trading and control the misuse of unpublished price sensitive information. The regulatory premise is therefore clear: informational efficiency cannot be purchased at the cost of allowing unfair private advantage.¹⁷

The fairness approach is stronger not because efficiency is irrelevant, but because efficiency in capital markets is inseparable from institutional legitimacy. A market that appears efficient in the narrow pricing sense may still be normatively defective if public investors believe that insiders are permitted to trade ahead of them with impunity. Trust, participation, and confidence are themselves economically important. Accordingly, most modern regimes treat insider trading as harmful not simply because it affects price, but because it undermines the fairness conditions under which investors are willing to rely on market prices at all.¹⁸

3.4 Role of Insider Trading Regulation

Against this background, the role of insider trading regulation can be stated in three interrelated objectives. First, it seeks to prevent unfair advantage by stopping persons with confidential, valuation-relevant information from exploiting that information in securities trading before it is disclosed to the market. Secondly, it aims to maintain investor confidence by assuring public participants that markets are not rigged in favour of those with privileged internal access. Thirdly, it supports efficient price discovery by encouraging the public dissemination of material information rather than its selective monetization through private trades. These objectives are reflected in India's securities framework, which links market regulation with investor protection and treats insider trading controls as part of the broader project of maintaining transparent and credible capital markets.¹⁹

For the present paper, these conceptual foundations are crucial because they reveal that insider trading law is not merely about enumerating prohibited events. Its deeper concern is the

17 Securities and Exchange Board of India Act, No. 15 of 1992, sections 11, 11A, India Code (1992); Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, pmb., regs. 3-4.

18 See generally Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 Apr. 2014 on Market Abuse (Market Abuse Regulation), 2014 O.J. (L 173) 1.

19 Securities and Exchange Board of India Act, No. 15 of 1992, sections 11, 11A, India Code (1992); Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, regs. 3-4.

regulation of market asymmetry. Once that is recognized, the central weakness of a purely event-based UPSI framework becomes clearer: it may capture standard categories of price-sensitive information, but it may still fail to identify the broader class of non-public information that confers unfair trading advantage by materially affecting valuation. That insight provides the theoretical basis for the paper's later argument that UPSI should be reconstructed through a market-asymmetry and valuation-impact approach rather than left dependent on an expanded but still limited event list.²⁰

4. Definition and Scope of UPSI under Indian Law

4.1 Legal Definition of UPSI

Under the SEBI (Prohibition of Insider Trading) Regulations, 2015, “unpublished price sensitive information” is defined as any information relating to a company or its securities, directly or indirectly, that is not generally available and that, upon becoming generally available, is likely to materially affect the price of the securities. The definition therefore has two cumulative elements: the information must be non-public, and it must be price sensitive in a material sense. The companion concept of “generally available information” is separately defined as information accessible to the public on a non-discriminatory basis, which makes public accessibility, rather than mere rumor or informal circulation, central to the legal test.²¹

The structure of the definition is important because it does not outlaw all confidential information. The law targets a narrower category of non-public information that can influence valuation or investor decision-making. In principle, this allows the regulation to distinguish between routine corporate confidentiality and market-relevant secrecy. In practice, however, the two limbs of the definition have generated recurring interpretive difficulty. Whether information is truly “generally available” is often contested where market rumors, media reports, or industry-level speculation already exist. Likewise, the requirement that disclosure be “likely to materially affect” the price of securities invites judgment about anticipated market impact, which may be difficult to assess *ex ante*. These uncertainties are built into the definition itself and explain why UPSI remains the doctrinal center of insider trading disputes in India.²²

20 Akerlof, *supra* note 10, at 488-500; Fama, *supra* note 13, at 383-417.

21 Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, regs. 2(1)(n), 2(1)(e).

22 I d. reg. 2(1)(n); see also *Hindustan Lever Ltd. v. Sec. & Exch. Bd. of India*, Appeal Nos. 1 & 2 of 1998,

4.2 Categories of UPSI in the 2015 Regulations

The 2015 Regulations address some of this uncertainty by providing an illustrative list of events that would ordinarily be regarded as UPSI. The original list included financial results, dividends, change in capital structure, mergers, de-mergers, acquisitions, delistings, disposals and expansion of business, and changes in key managerial personnel. SEBI's own 2024 Board memorandum records that this event-based model was inherited from the conceptual approach taken in the transition from the earlier regime to the 2015 Regulations, and that these events were always intended to be illustrative rather than exhaustive.²³

Each of these categories reflects a distinct way in which corporate information can influence securities pricing. Financial results affect earnings expectations; dividends communicate liquidity and distribution policy; mergers and acquisitions can alter synergies, scale, and control; changes in capital structure can change dilution, leverage, or voting power; and key managerial changes can shift market perception of governance, strategy, and operational stability. The list thus performs a practical compliance function by giving listed entities a starting point for classifying sensitive information. At the same time, because the list is illustrative, companies are expected to apply judgment beyond the text where non-listed information is nonetheless materially price sensitive.²⁴

The difficulty, however, is that companies have not always used this interpretive flexibility in the spirit SEBI intended. SEBI's 2024 review specifically found that, after earlier changes to the regulatory text, companies were by and large categorizing only the items explicitly mentioned in the PIT Regulations as UPSI, and that market feedback treated this as a "uniform practice." This empirical finding is significant because it shows that the scope of UPSI in practice had become narrower than the open-textured logic of the 2015 definition suggested.²⁵

4.3 Judicial Interpretation

Indian case law has exposed the interpretive tension built into UPSI. In *Hindustan Lever*

[1998] 18 S.C.L. 311 (SAT July 14, 1998).

23 Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, reg. 2(1)(n); Securities and Exchange Board of India, Board Memorandum: Proposed Amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015, *supra* note 6, at 4-8.

24 Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, reg. 2(1)(n).

25 Securities and Exchange Board of India, Board Memorandum: Proposed Amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015, *supra* note 6, at 5-8.

Ltd. v. SEBI, the central issue was whether information relating to a proposed merger constituted unpublished price sensitive information under the 1992 regime. As later commentary on the case explains, the appellate authority treated the definition as requiring two distinct conditions: the information had to be not generally known or published, and, if known, it had to be likely to materially affect the price of the securities. The authority accepted that merger information could be price sensitive even where both companies were healthy and profitable, because the possibility of synergies could still materially affect price. Yet it also held that the information in question had become widely known through media reports and therefore failed the “unpublished” limb, even though it remained price sensitive. The case is important because it demonstrates that price sensitivity and non-public status are analytically separate requirements, and both must be satisfied.²⁶

The SEBI v. Kanaiyalal Baldevbhai Patel litigation is significant for a different reason. The Supreme Court order publicly posted by SEBI confirms the matter as a major insider trading proceeding, and the case has commonly been read as illustrating the breadth of SEBI’s insider trading enforcement posture and the legal significance of possession-based liability in insider dealing cases. Even where the precise doctrinal question differs from a pure definitional dispute over UPSI, the case remains relevant to the Indian framework because it underscores how central the classification and handling of unpublished information is to enforcement strategy.²⁷

Taken together, these cases show that Indian adjudicatory treatment of UPSI has revolved around two recurring inquiries: whether the information was genuinely non-public, and whether it was capable of materially affecting price. Courts and tribunals have therefore not treated materiality as a mechanical inquiry; they have looked to the character of the information, the market context, and the practical question of whether public dissemination could affect investor behavior or valuation.²⁸

4.4 Enforcement Challenges

The enforcement difficulties arising from the UPSI framework are substantial. First, ambiguity persists because the definition combines an open-ended materiality test with an illustrative

²⁶ Hindustan Lever Ltd. v. Sec. & Exch. Bd. of India, Appeal Nos. 1 & 2 of 1998, [1998] 18 S.C.L. 311 (SAT July 14, 1998).

²⁷ Sec. & Exch. Bd. of India v. Shri Kanaiyalal Baldevbhai Patel, Civil Appeal No. 2595 of 2013, decided on Sept. 20, 2017 (India).

²⁸ Hindustan Lever Ltd., [1998] 18 S.C.L. 311; Kanaiyalal Baldevbhai Patel, Civil Appeal No. 2595 of 2013.

event list. This leaves companies with interpretive discretion, but also creates room for under-classification of information. Secondly, the framework encourages subjective judgments about both price impact and public availability. Information may be partly in the market through speculation, media leaks, or analyst chatter, yet still not be “generally available” in the regulatory sense. Thirdly, evidentiary difficulties remain acute. SEBI must not only show possession, communication, or trading, but must also establish that the information met the legal threshold of UPSI at the relevant time.²⁹

These problems reveal a basic structural tension in Indian insider trading law. The law seeks to capture economically meaningful informational advantage, but it does so through a framework that still relies heavily on ex post classification and corporate judgment. That tension set the stage for the 2025 reform process.³⁰

5. The 2025 Insider Trading Amendments

5.1 Background to the Reform

The 2025 amendments emerged from SEBI’s concern that the existing UPSI framework was not operating uniformly in practice. SEBI’s December 2024 Board memorandum states that the objective of the reform was to bring “greater clarity and uniformity” in compliance by aligning the definition of UPSI with selected events from Regulation 30 and Schedule III of the LODR Regulations. The background section of that memorandum is especially revealing. It records that while the Sodhi Committee had intended the UPSI categories to be merely illustrative, and while an earlier amendment had removed the explicit inclusion of material events under the listing framework, companies were subsequently found to be treating only the expressly listed PIT events as UPSI. SEBI’s study with stock exchanges suggested that this had become a standard compliance practice.³¹

This revealed three interrelated concerns. First, compliance discipline was becoming overly formalistic: if an event was not named in the PIT definition, many entities hesitated to classify it as UPSI even where it was economically important. Secondly, market complexity had

29 Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, regs. 2(1)(n), 3, 4.

30 Securities and Exchange Board of India, Board Memorandum: Proposed Amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015, *supra* note 6, at 4-12.

31 Securities and Exchange Board of India, Board Memorandum: Proposed Amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015, *supra* note 6, at 4-8.

increased. Modern listed companies operate in an environment where financing structures, regulatory exposures, litigation outcomes, governance disruptions, and sector-specific approvals may all have immediate price implications. A narrow event list could therefore miss important informational developments. Thirdly, the gap between the PIT Regulations and the LODR disclosure architecture created friction. Some events were material enough to require stock exchange disclosure under LODR, yet companies did not always treat them as UPSI while they remained undisclosed. SEBI's reform agenda therefore sought to close this regulatory gap without turning the UPSI definition into an unlimited or automatic mirror of all LODR disclosures.³²

5.2 Expansion of UPSI Categories

The 2025 amendments broadened the illustrative scope of UPSI by adding several categories drawn from the LODR framework. SEBI's Board memorandum and the final amended regulations identify a wider range of events that may ordinarily be treated as UPSI, including changes in ratings, fund raising proposed to be undertaken, agreements that may impact the management or control of the company, fraud or defaults by the company and specified key persons, changes in key managerial personnel other than by superannuation or end of term, resignation of statutory or secretarial auditors, restructuring or one-time settlement of borrowings, and key licenses or regulatory approvals. The consultation process also addressed material litigation and operationally significant developments, reflecting SEBI's attempt to capture information that can influence valuation before formal public disclosure.³³

The regulatory significance of these additions is substantial. A credit rating change can affect financing cost and solvency perceptions. A forensic audit or fraud-related development can alter governance credibility and trigger market distrust. Significant litigation or regulatory action can change cash-flow expectations and legal risk. Major operational developments, such as key contracts, restructuring, or approval-related events, may affect business continuity, expansion prospects, or sectoral positioning. By expressly bringing such events into the illustrative UPSI framework, the amendments reduce the space for companies to argue that

³² Id. at 5-12; Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, reg. 30 and sch. III.

³³ Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2025, Gazette of India, Extra., pt. III, sec. 4 (Mar. 12, 2025) (India); Securities and Exchange Board of India, Board Memorandum: Proposed Amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015, supra note 6, at 8-12.

only the traditional 2015 categories matter. They also bring the insider trading framework closer to the practical sources of price sensitivity in contemporary listed companies.³⁴

At the same time, SEBI did not accept the proposition that every LODR disclosure event must automatically be UPSI. The Board memorandum expressly records feedback that all Regulation 30 events may not affect price, and SEBI responded by selecting specific categories rather than adopting a complete one-to-one incorporation model. This is important for doctrinal balance: the amendments expand regulatory scope, but still preserve the principle that UPSI must remain tied to information likely to materially affect the price of securities.³⁵

5.3 Structured Digital Database (SDD)

The 2025 amendments also strengthened the compliance architecture around the Structured Digital Database. The SDD regime already required listed entities and relevant intermediaries or fiduciaries to maintain a digital audit trail of UPSI sharing, including the nature of the information, the persons with whom it was shared, and the timing of such sharing. Post-amendment commentary consistent with the amended framework notes an important clarification: where UPSI originates outside the listed entity, the relevant details must be entered into the SDD within two calendar days of receipt. This change was intended to reduce practical difficulty in cases where information does not emanate internally but still enters the company's control.³⁶

The purpose of the SDD is threefold. First, it enhances traceability by creating a time-stamped record of how UPSI moved across persons and institutions. Secondly, it strengthens accountability because the company can no longer rely on informal or undocumented handling of sensitive information. Thirdly, it helps prevent information leakage by making the chain of communication auditable. In enforcement terms, the SDD transforms insider trading compliance from a merely declaratory obligation into a verifiable record-keeping discipline, which is especially important where the existence, timing, and circulation of UPSI are disputed.³⁷

34 Id.

35 Securities and Exchange Board of India, Board Memorandum: Proposed Amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015, *supra* note 6, at 8-11.

36 Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, reg. 3(5); Institute of Company Secretaries of India, SEBI PIT Amendments-Compliance Note 6-8 (June 27, 2025).

37 Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, reg. 3(5);

5.4 Trading Window Clarifications

The amendments also clarified the operation of the trading window mechanism. Under Schedule B of the PIT Regulations, trading window closure is a preventive compliance tool that restricts designated persons from trading when UPSI is in existence or when they are likely to possess it. Commentary on the 2025 changes notes that SEBI relaxed the approach for information emanating from outside the listed entity, so that trading window closure is not mechanically required in every such case; instead, the emphasis remains on whether designated persons are actually in possession of UPSI. This refinement matters because it shifts the focus from blanket closure toward more targeted compliance based on possession and access.³⁸

5.5 Compliance Impact

For listed companies, the cumulative effect of the 2025 amendments is significant. Companies must now adopt a wider and more disciplined approach to classifying sensitive information, aligning internal controls more closely with both PIT and LODR obligations. Promoters, directors, key managerial personnel, compliance officers, and governance committees face a more demanding environment in which documentation, disclosure timing, and internal communication controls matter more than before. The reforms also deepen the role of corporate governance structures: boards, audit committees, compliance officers, and legal teams must now coordinate more closely in identifying potential UPSI, maintaining SDD trails, and calibrating trading-window decisions. In that sense, the 2025 amendments are not merely definitional. They represent a shift toward a more compliance-intensive model of insider trading control, one that seeks to embed market integrity within the day-to-day governance systems of listed entities.³⁹

7. A Stronger Framework: Market Asymmetry Based UPSI Definition

7.1 Valuation Impact Test

The principal weakness of the present UPSI framework is that it remains anchored in an

Institute of Company Secretaries of India, SEBI PIT Amendments-Compliance Note, *supra* note 36, at 6-8.

³⁸ Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, sch. B; see also M. V. Kini, Understanding SEBI's March 2025 Changes to Insider Trading Regulations, Lexology (Mar. 2025).

³⁹ Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2025; Securities and Exchange Board of India, Board Memorandum: Proposed Amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015, *supra* note 6, at 10-12.

event-list method. Even after the 2025 amendments, the law still operates mainly by identifying categories of events that are ordinarily likely to be price sensitive. That method improves compliance clarity, but it does not fully capture the real mischief of insider trading. The core harm in insider trading is not the mere existence of a listed corporate event; it is the selective possession of non-public information that gives one trader a measurable advantage over the rest of the market. A stronger framework must therefore begin not with form, but with effect. In other words, the legal question should be whether the information is capable of materially altering valuation, risk assessment, or trading behavior if it becomes public.⁴⁰

On this basis, the paper proposes a valuation-impact test. Information should be classified as UPSI where its non-public availability is capable of materially affecting one or more of four valuation drivers. The first is **expected cash flows**. Information that changes revenue prospects, cost structures, financing capacity, or business continuity can alter how the market values the company. The second is **corporate risk perception**. Litigation exposure, insolvency risk, regulatory intervention, fraud, and governance breakdowns affect the discount the market applies to future earnings. The third is **competitive position**. Strategic alliances, loss of a key contract, regulatory approvals, technology shifts, or market-entry barriers may change a firm's comparative market strength even before immediate financial numbers move. The fourth is **governance credibility**. Resignations of auditors or key managerial personnel, evidence of fraud, breakdown in internal controls, or serious compliance failures affect investor trust, which itself has pricing consequences.⁴¹

A valuation-impact approach would not replace the existing event list entirely. Rather, it would treat the event list as a compliance aid and not as the conceptual definition itself. The present listed categories would remain presumptive illustrations of UPSI, but they would no longer exhaust the field. Any other non-public information that materially affects valuation through cash flows, risk, competitive position, or governance credibility should also qualify. This would better reflect how securities prices actually respond to information in modern markets.⁴²

40 Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, reg. 2(1)(n); Securities and Exchange Board of India, Board Memorandum: Proposed Amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015, *supra* note 6, at 4-12.

41 Eugene F. Fama, *Efficient Capital Markets: A Review of Theory and Empirical Work*, 25 *J. Fin.* 383, 383-417 (1970); George A. Akerlof, *The Market for "Lemons": Quality Uncertainty and the Market Mechanism*, 84 *Q.J. Econ.* 488, 488-500 (1970).

42 Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, reg. 2(1)(n).

7.2 Information Asymmetry Model

The proposed framework is best understood as an information asymmetry model. Under this model, UPSI should be defined as **non-public information that creates a measurable informational advantage in securities trading because its disclosure would be capable of materially altering valuation, risk perception, or investment decision-making**. This definition shifts the focus from whether the information resembles a listed event to whether it creates unfair asymmetry between informed and uninformed market participants. That shift is conceptually superior because insider trading law exists to regulate informational inequality in public markets, not merely to catalogue corporate events.⁴³

The phrase “measurable informational advantage” is important. It does not require proof of exact price movement in advance, which would be unrealistic. Rather, it asks whether the information would matter to a rational investor or materially influence the market’s assessment of value or risk. This is closer to how financial economics understands relevant information: stock prices respond to expectations about future cash flows and uncertainty, not only to formally labelled corporate events. A market-asymmetry definition therefore aligns UPSI more closely with the actual mechanics of trading advantage.⁴⁴

7.3 Advantages of the Framework

This model offers three major advantages. First, it produces **stronger regulatory clarity** at the level of principle. While event lists give operational guidance, they also invite narrow compliance behavior. A valuation-impact standard clarifies why certain information matters and reduces the tendency of companies to treat only enumerated events as UPSI. Secondly, it provides **better alignment with financial economics**. Securities prices respond to information that changes expectations and risk; a definition of UPSI should mirror that reality rather than depend excessively on formal categories. Thirdly, it **reduces loopholes**. Insiders would find it harder to argue that economically significant information escapes regulation merely because it is not expressly named in the rule.⁴⁵

43 Akerlof, *supra* note 10, at 488-500; Securities and Exchange Board of India Act, No. 15 of 1992, sections 11, 11A, India Code (1992).

44 Fama, *supra* note 13, at 383-417.

45 Securities and Exchange Board of India, Board Memorandum: Proposed Amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015, *supra* note 6, at 4-12; Akerlof, *supra* note 10, at 488-500; Fama, *supra* note 13, at 383-417.

A further advantage is doctrinal coherence. The 2025 reforms were designed to improve clarity and uniformity by expanding the illustrative list, but SEBI itself did not adopt a full one-to-one incorporation of all LODR events into UPSI because not every disclosure item necessarily affects price. That logic supports the proposed model: the law should not ask only whether the event falls on a list, but whether the information creates material asymmetry in relation to valuation. The valuation-impact test therefore preserves discipline while avoiding both under-inclusion and over-inclusion.⁴⁶

7.4 Policy Implications

The regulatory implications are significant. First, SEBI could formally articulate a **valuation-impact test** in guidance or interpretive notes accompanying the PIT Regulations. Secondly, India could move toward a **dynamic UPSI classification** model in which event lists remain illustrative, but compliance officers are required to assess whether non-listed information materially affects valuation drivers. Thirdly, **stronger disclosure standards** could be developed to ensure that once such information arises, the period of asymmetry is shortened through timely and non-discriminatory dissemination. This would harmonize insider trading control with the broader disclosure architecture of Indian securities regulation.⁴⁷

In substance, the proposed framework does not dilute the 2025 reforms; it completes them. SEBI's amendments improved the architecture of compliance, but the conceptual definition of UPSI still needs to be reconstructed around market asymmetry and valuation relevance. Only then can insider trading law fully correspond to the informational realities of modern securities markets.⁴⁸

8. Comparative Perspective

A comparative perspective shows that India's current framework stands between the United States and the European Union, but does not fully mirror either. In the United States, insider trading liability under Rule 10b-5 and Rule 10b5-1 is generally framed around trading on the

46 Securities and Exchange Board of India, Board Memorandum: Proposed Amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015, *supra* note 6, at 8-11.

47 Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, regs. 2(1)(n), 3, sch. B; Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, reg. 30 and sch. III.

48 Cf. Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 Apr. 2014 on Market Abuse (Market Abuse Regulation), 2014 O.J. (L 173) 1; 17 C.F.R. section 240.10b5-1 (2024).

basis of **material nonpublic information**. The SEC's recent amendments to Rule 10b5-1 reaffirm that the central concern is opportunistic trading based on material nonpublic information in ways that harm investors and undermine market integrity. The American model is therefore less dependent on a statutory event list and more focused on the materiality and non-public character of information. This gives the U.S. framework conceptual flexibility, although it also leaves substantial room for case-by-case adjudication.⁴⁹

The European Union's Market Abuse Regulation is even more explicit in linking insider trading rules to **market integrity, investor protection, and confidence**. MAR establishes a common framework against insider dealing, unlawful disclosure of inside information, and market manipulation in order to ensure the integrity of financial markets and enhance investor confidence. The EU concept of "inside information" is broader in regulatory orientation because it is embedded in a market-abuse framework that openly prioritizes transparency and orderly markets. In policy terms, the EU approach better reflects the fairness rationale that underlies public market regulation.⁵⁰

India's PIT regime shares elements with both systems. Like the U.S., it depends on the concepts of non-public and price-sensitive information. Like the EU, it is normatively concerned with investor protection and market integrity. However, India differs by relying more heavily on an **illustrative event-list structure** for UPSI compliance. The 2025 amendments moved the regime forward by aligning UPSI more closely with selected LODR disclosure events and by strengthening compliance mechanisms, but the framework remains more list-dependent than the U.S. materiality model and less openly asymmetry-focused than the EU market-abuse model.⁵¹

This comparison highlights India's doctrinal opportunity. A market-asymmetry and valuation-impact definition of UPSI would not make Indian law alien to comparative practice; rather, it would bring it closer to the conceptual strengths of both major systems. From the U.S. it would borrow sensitivity to material non-public information as the true object of regulation. From the EU it would borrow a clearer commitment to market integrity and transparency as

49 17 C.F.R. section 240.10b5-1 (2024); Insider Trading Arrangements and Related Disclosures, Securities Act Release No. 33-11138, Exchange Act Release No. 34-96492, 87 Fed. Reg. 80,362 (Dec. 29, 2022).

50 Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 Apr. 2014 on Market Abuse (Market Abuse Regulation), 2014 O.J. (L 173) 1.

51 Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, reg. 2(1)(n); Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2025; 17 C.F.R. section 240.10b5-1 (2024); Regulation (EU) No. 596/2014, 2014 O.J. (L 173) 1.

the normative foundations of insider trading control. India's own 2025 reform project shows that SEBI is already moving toward greater clarity and uniformity. The next logical step is to shift the conceptual center of UPSI from event lists to informational advantage.⁵²

9. Conclusion

Insider trading law exists because market fairness cannot survive where confidential, valuation-relevant information is selectively available to a privileged class of traders. The deeper harm of insider trading is not limited to unlawful gain by insiders; it lies in the distortion of price discovery, the erosion of investor confidence, and the weakening of market integrity as a foundational condition of public securities markets. In this sense, insider trading is ultimately a problem of informational asymmetry.⁵³

The 2025 SEBI amendments represent an important regulatory advance. By expanding the illustrative categories of UPSI, aligning the PIT framework more closely with selected LODR disclosure events, clarifying compliance expectations, and strengthening record-keeping through the Structured Digital Database, SEBI has improved certainty, traceability, and institutional discipline. These reforms reduce some of the ambiguity that previously encouraged narrow and formalistic classification of UPSI by listed entities.⁵⁴

Yet the paper has argued that the event-based framework remains conceptually limited. A wider list is still a list. It cannot fully capture the broad range of non-public information that may materially alter expected cash flows, change corporate risk perception, affect competitive position, or undermine governance credibility. So long as UPSI remains defined mainly through illustrative categories, the law will continue to risk under-inclusion where economically significant informational advantages fall outside enumerated events.⁵⁵

For that reason, a stronger regulatory model lies in a **market asymmetry based UPSI definition** grounded in a valuation-impact test. Information should qualify as UPSI where its

52 Cf. 17 C.F.R. section 240.10b5-1 (2024); Regulation (EU) No. 596/2014, 2014 O.J. (L 173) 1; Securities and Exchange Board of India, Board Memorandum: Proposed Amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015, supra note 6, at 4-12.

53 Akerlof, supra note 10, at 488-500; Securities and Exchange Board of India Act, No. 15 of 1992, sections 11, 11A, India Code (1992).

54 Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2025; Securities and Exchange Board of India, Board Memorandum: Proposed Amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015, supra note 6, at 8-12.

55 Securities and Exchange Board of India, Board Memorandum: Proposed Amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015, supra note 6, at 4-12.

selective non-public availability creates a measurable informational advantage in securities trading because disclosure would be capable of materially affecting valuation or investment decision-making. Such a model would better align Indian insider trading law with financial economics, close loopholes created by list-based compliance, and strengthen the normative goal that underlies the entire regime: preservation of market integrity through fair informational access. The most appropriate policy recommendation, therefore, is that SEBI should retain event lists as compliance illustrations but formally reconstruct the concept of UPSI around valuation impact, dynamic classification, and stronger disclosure discipline.⁵⁶

⁵⁶ Akerlof, *supra* note 10, at 488-500; Fama, *supra* note 13, at 383-417; Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, reg. 2(1)(n); Regulation (EU) No. 596/2014, 2014 O.J. (L 173) 1.

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