



CHALLENGES OF IMPLEMENTING INSIDER TRADING COMPLIANCE SOFTWARE FOR A RETAIL GIANT

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Document Date: February 2020

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INTRODUCTION

Volody pioneered the concept of building holistic Insider Trading compliance software which goes beyond mandatory compliances required under SEBI (Prohibition of Insider Trading) Regulations, 2015 and gives complete peace of mind and creates compliance culture among all designated persons & connected parties.

While regulatory compliances remain a low priority for many businesses, however, with regulators putting down stringent laws in place it is becoming a necessity for businesses to invest in compliance and use technology to ensure complete compliances to all regulations.

Volody has been helping large businesses like SIDBI, Centrum, Cipla, Dr. Reddy`s Labs, Manappuram Finance, JB Chemical, Ingersoll, etc by providing them compliance solutions including a solution for Insider Trading Compliances to comply with SEBI Insider Trading compliance regulations.



Volody has also been working with one of the largest retail giants in India to implement Insider Trading Compliance across all the businesses. While the assignment was quite challenging, however, it was a lot enriching and the said implementation helped us made the product much more robust, scalable and workable for all large conglomerates in India.

This document will entail the challenges and the solutions we adopted to make the implementation a smooth flow for an Indian retail conglomerate with more than 1000 designated persons and more than 250 connected parties.

HOW THE CUSTOMER GEARED UP FOR SEBI PIT REGULATION COMPLIANCE

Immediately upon SEBI came up with new regulations on Dec 18/Jan 19, we met with senior officials of customers including CFO, Group Company Secretary and Company Secretaries of more than 12 groups listed companies. While the first meeting was pretty much easy in terms they looked at Volody Insider Trading Compliance Solution and they gave out a broad framework and structure being followed in the group for handling Unpublished Price Sensitive Information (UPSI). In our first interaction, we got the feeling that the group is very sensitive about compliances and is very much committed to ensuring the highest compliance & governance standards to remain always on the right side of SEBI regulations. In our first meeting, we broadly understood the compliance handling, profiles of Designated Persons, Connected parties and organizational framework. In addition, we got a list of additional features requirement from a group of more than 20 company

secretaries sitting in the room. We finished our negotiation, implementation structure, timeline, the scope of engagement and finalized the contract.

HOW HAS INSIDER TRADING REGULATIONS IMPACTED CORPORATE INDIA?

It's a normal phenomenon that no one likes compliances but when you run business and you understand the importance of reputation, good businesses always want to make sure all compliance is adhered to. While the Insider Trading Compliance Software still to be implemented at many corporates, intermediaries considering implementation time, educating employees and building expectations however its heartening to see that slowly compliance officers/company secretaries are gearing up and reaching out to Volody to provide them best Insider Trading Compliance Software to ensure that there is no negative comment from auditors/regulators.

HURDLES FACED DURING THE IMPLEMENTATION AT THE RETAIL CONGLOMERATE

Volody Insider Trading Compliance software is fully equipped to meet SEBI compliances but it was great to see that our customer wanted to ensure compliance in spirit as well and hence wanted to put processes, workflows and approval mechanism in place to make Insider Trading Compliance Software robust, organization-wide acceptable and consider nuances of its businesses functioning. As every large conglomerate, here also we had challenges to ensure that UPSI handling remains the top priority, shares trading by Designated persons and connected parties remain compliant and everyone who is in possession of UPSI gets captured properly in the system. The biggest challenge we faced when the software was given for User Testing and we got so many use cases from more than 20 company secretaries which would have not been possible had the software was being installed at a company with only a single business/entity. So, the User Testing process gave us a lot of insights and made us change many things in the software to meet very specific requirements of our customer.



COMPLIANCE MATTERS?

Volody has been in business for many years now helping businesses to digitize & automate their legal & compliance functions. SEBI (Prohibition of Insider Trading) Regulations, 2015 gave a completely different direction to us in building compliance solutions for businesses in India. In our interaction with more than 300

listed corporates of all sizes, we have realized that compliance culture is really catching up and compliance officers are playing it safe considering the hard stand is being taken by Regulators, Judiciary & Government. Businesses are also now looking to digitize and automate compliances using technology to make sure that compliance is system dependent instead of person dependent.

SEBI PUTTING THE FOCUS ON COMPLIANCE & REGULATORY FRAMEWORK

SEBI, since its inception in 1992 has so far brought in [48 regulations](#) and the objective is to create compliance culture, build the regulatory framework in ensuring that the interest of all investors especially minority investors remains protected. These regulations clearly put us at par with a global organization like SEC of US or FSA of the UK. The regulatory framework has come up in bringing in advance technology like a sandbox or putting a regulation like Prohibition of Insider Trading, Portfolio Manager Regulations, Stock Broker Regulations, Merchant Banker Regulations, Debenture Trustee Regulations, Underwriter Regulations, Credit Rating Agencies Regulations, Issuance & Listing of Debt Securities, etc.

In addition to putting regulatory & compliance framework SEBI also ensuring the adherence of all these regulations by listed entities, market participants, intermediaries & stock exchanges. Allowing whistleblowers mechanism, ombudsman appointment framework. In the recent past, we have also seen a lot of cases where SEBI has taken strict action against violations and giving out the message loud and clear that non-compliance is just not acceptable. The recent cases of fines for Insider trading non-compliances, Misuse of money received during IPO, mis-selling by investment advisors or wrong steps taken by mutual fund houses to favor and above all any action of rating agencies which was not in line with defined processes and regulations in place.

SEBI is working with a single-minded focus to ensure the protecting interest of investors and more importantly minority investors.

CHALLENGES FACED BY COMPLIANCE OFFICERS & COMPANY SECRETARIES

Board Members, CEOs & CFOs are entrusting compliance officers & company secretaries to ensure strict compliances with all the regulations including SEBI regulation, however, it always remains a low priority agenda for top management. This results in low investment approvals, no use of technology solutions and reluctance to take strict action for non-compliances against individuals who are critical for business.

While it may help businesses in the short run to sustain business and profitability, however, this gives negative signals to all the employees and specially demoralize the compliance professionals. Globally we have seen CEOs, CFOs, Founders and Board members getting terminated for small non-compliances, which help the businesses to set an example and build a long-lasting governance reputation.

Indian corporates are catching up and with digitization is catching every transaction, event, situation it is even more critical to empower compliance officers & company secretaries so that they use technology solutions, build policies and enforce all the non-compliances in the strictest way. Companies may put a blind eye to certain non-compliances if no one is watching, however, it is becoming more and more difficult to get away or

hide any non-compliances considering every data, action, movement is somewhere or other connecting the dots digitally.

VOLODY'S OPINION

Volody has pioneered the concept of digitization of secretarial, compliance and legal function and in the process, has met more than 500 company secretaries & compliance officers of large, mid-size and small companies including people from the top 10 market cap companies in India. The experience suggests that while the response from customers in 2016-17 was quite different and Volody was alien or not doable, however, as digitization is moving fast pace, regulatory pressures building up and non-compliances becoming punitive, its completely changed environment now. Company Secretaries & Compliance Officers are moving very fast for automation, engaging with CFOs & CIOs for tech budget approvals and working with the technology team to work on digitization & automation of compliance function. Considering this rapid change, Volody feels that it's a matter of time within which all companies will adopt for a technology solution to manage compliances and ensure peace of mind for Board Members, CEOs, CFOs and for themselves.

Please reach out at connect@volody.in or call us at +91 8080 80 9301 in case you have still not installed mandatory install Insider Trading Compliance Software to comply with SEBI (Prohibition of Insider Trading) Regulations, 2015.

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