

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

SETTLEMENT ORDER

IN SETTLEMENT APPLICATION NO. 7401 OF 2023

FILED BY SALIL PAREKH [PAN: AAEP5758N]

IN THE MATTER OF INSIDER TRADING IN THE SCRIP OF INFOSYS LTD.

1. The Securities and Exchange Board of India (“**SEBI**”) passed an *ad Interim Ex Parte Order* dated September 27, 2021 (hereinafter referred to as “*Interim order*”) under Sections 11(1), 11(4), 11B(1) and 11D of the SEBI Act, 1992 (hereinafter referred to as “**SEBI Act**”) against 2 entities for *prima facie* violation of the provisions of the SEBI Act and SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter also referred to as “**SEBI (PIT) Regulations, 2015**”/ “**PIT Regulations, 2015**”) in the context of alleged insider trading in the scrip of Infosys Limited (hereinafter referred to as “**Infosys**” / “**Company**”). Confirmatory Order was passed on December 13, 2021 in the matter.
2. Subsequently, SEBI conducted an investigation to ascertain whether the act(s) of those entities during the period from June 29, 2020 to September 27, 2021 (hereinafter referred to as “**investigation period**”) were in violation of the provisions of the SEBI Act and PIT Regulations, 2015.
3. During the course of investigation, it was found that certain information which was Unpublished Price Sensitive Information (UPSIs) had not been considered as such by Infosys.
4. On July 14, 2020, Infosys had announced a strategic partnership between Infosys and Vanguard. As per the announcement by Infosys, Vanguard was

the largest asset manager in the Defined Contribution Space and Infosys would provide a cloud-based record keeping platform to Vanguard.

5. The investigation by SEBI *inter-alia* referred to Infosys' own analysis that identified the strategic importance of the partnership for the expansion of their own business and revenue; and concluded that the said partnership would result into expansion of business for Infosys. The investigation concludes that the information related to the strategic partnership was covered under Regulation 2(1)(n)(iv) of the definition of UPSI under the PIT Regulations, 2015.

6. Regulation 2(1)(n) of SEBI (PIT) Regulations, 2015, states as under:

"unpublished price sensitive information" means any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following: –

- i. financial results;*
- ii. dividends;*
- iii. change in capital structure;*
- iv. mergers, de-mergers, acquisitions, delistings, disposals and expansion of business and such other transactions;*
- v. changes in key managerial personnel."*

7. In accordance with the provisions of Regulation 9A of the PIT Regulations, *inter-alia*, the CEO, MD or such other analogous person of a listed company is responsible for putting in place adequate and effective system of internal control to ensure compliance for preventing insider trading. Salil Parekh (hereinafter referred to as "**Applicant**") was the CEO and MD of Infosys at the time of announcement of strategic partnership between Infosys and Vanguard. The

investigation concluded that the Applicant violated provisions of Regulations 9A(1) and 9A(2) of PIT Regulations 2015.

8. Regulation 9A of the PIT regulations, 2015 states as follows:

“Institutional Mechanism for Prevention of Insider Trading

9A(1) The Chief Executive Officer, Managing Director or such other analogous person of a listed company, intermediary or fiduciary shall put in place adequate and effective system of internal controls to ensure compliance with the requirements given in these regulations to prevent insider trading.

9A(2) The internal controls shall include the following:

(a) ...

(b) all the unpublished price sensitive information shall be identified and its confidentiality shall be maintained as per the requirements of these regulations;”

9. Pursuant to the investigation, a Show Cause Notice dated August 03, 2023 (hereinafter referred to as “**SCN**”) was issued to the Applicant calling upon him to show cause as to why suitable direction(s), under Section 11B(1) of SEBI Act, 1992 should not be issued against him for the alleged violation mentioned above.

10. Subsequent to the issuance and receipt of the SCN, the Applicant filed the Settlement Application bearing registration no. 7401/2023 which was received on October 03, 2023. The said application was filed in terms of the SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as “**Settlement Regulations**”) wherein the Applicant proposed to SEBI to settle the instant proceedings, without admitting or denying the findings of fact and conclusions of law, through a settlement order.

11. Pursuant to the receipt of the Application, the authorised representatives of the Applicant had a meeting with the Internal Committee of SEBI on December 27, 2023. The Internal Committee deliberated on the aspect of the violation and suggested the terms of the settlement. Thereafter, the Applicant proposed revised settlement terms dated February 02, 2024, which was received by SEBI vide e-mail dated February 04, 2024, to settle the pending proceedings initiated against him.

12. The application was placed before the High Powered Advisory Committee (hereinafter referred to as “**HPAC**”) in its meeting held on March 04, 2024, which considered the facts of the case and the revised settlement terms proposed by the Applicant. HPAC noted that Applicant has submitted an undertaking that he has taken the following steps:

- (i) The practice followed within Infosys to identify UPSI has been placed before the Audit Committee and the Board of Infosys for guidance and approval.
- (ii) The practice of breaking the Total Contract Value of any deal into average revenue per annum for comparing with the annual revenue of Infosys has also been informed to the Audit Committee and Board of Infosys.
- (iii) The practice has been converted into a written and approved policy.

13. Accordingly, HPAC recommended the case for settlement upon payment of ₹25,00,000/- (Rupees Twenty Five Lakh only). The recommendation of the HPAC was accepted by Panel of Whole Time Members of SEBI on May 21, 2024 and the Notice of Demand was issued to the Applicant vide e-mail dated May 24, 2024. The Applicant, vide e-mail dated June 07, 2024, informed that the aforesaid settlement amount was remitted on June 07, 2024 and SEBI has confirmed the receipt of the same.

14. In view of the acceptance of the settlement terms and receipt of settlement amount by SEBI, the specified proceedings initiated against the Applicant vide Show Cause Notice dated August 03, 2023 are disposed of in terms of Section 15JB read with Section 19 of the SEBI Act and Regulation 23(1) of the Settlement Regulations on the basis of aforesaid settlement terms.
15. The passing of this Settlement Order is, however, without prejudice to the right of SEBI under Regulations 28 and 31 of the Settlement Regulations to initiate any enforcement action against the Applicant, if:
- (a) any representation made by the Applicant in the present settlement proceedings is subsequently found to be untrue;
 - (b) the Applicant has breached any of the clauses / conditions of undertakings / waivers filed during the present settlement proceedings; and
 - (c) there was a discrepancy while arriving at the settlement terms.
16. This Settlement Order shall come into force with immediate effect.
17. In terms of Regulation 25 of the Settlement Regulations, a copy of this order shall be sent to the Applicant and shall also be published on the website of SEBI.

DATE: JUNE 26, 2024

PLACE: MUMBAI

ANANTH NARAYAN G.

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA