



New Norms For Reward To Whistleblowers

 [drishtias.com/printpdf/new-norms-for-reward-to-whistleblowers](https://www.drishtias.com/printpdf/new-norms-for-reward-to-whistleblowers)

Why in News

The **Securities and Exchange Board of India (SEBI)** has come out with a new mechanism to **reward whistle-blowers** and other informants for sharing information about **insider trading cases**.

Key Points

- It would be **mandatory** to disclose the **source of information**. At the same time, confidentiality regarding the identity of the informant would be protected.
- **Reward** would be given in case the information provided leads to a **disgorgement of at least ₹1 crore** in accordance with the “**Prohibition of Insider Trading (PIT) Regulations**”.

Disgorgement is repayment of ill-gotten gains that is imposed on wrongdoers by the courts. This implies that funds that were received through illegal or unethical business transactions are disgorged, or paid back, with interest to those affected by the action.
- The **Office of Informant Protection (OIP)** has been established by the SEBI as an independent office for receiving and processing the **Voluntarily Information Disclosure Form**. The OIP would serve as a medium of exchange between the informant or legal representative and the SEBI.
 - An informant would have to voluntarily submit original information pertaining to any violation of insider trading laws to the OIP, through a VID form. He has to reveal his identity at the time of submission of the VID form.
 - In case, the information is submitted through a legal representative, the identity of the informant is not required to be revealed at the time of submission of VID form. However, the identity of the informant would be required to be revealed prior to payment of reward, if any.

Note

- **Insider Trading**

- It is the act of trading, directly or indirectly, in the securities of a publicly listed company by any person, **who may or may not be managing the affairs of such company, based on certain information**, not available to the public at large, that can influence the market price of the securities of such company.
- SEBI through **SEBI (Prohibition of Insider Trading) Regulations, 2015** and by making amendments to the Regulations and issuance of Circulars from time to time, regulates Insider Trading.
- According to PIT Regulations, it is prohibited to pass Unpublished Price Sensitive Information (UPSI) for a purpose other than legitimate purposes.

- **Whistleblowing**

- According to the Companies Act, 2013, whistleblowing is an action aimed at drawing the attention of stakeholders to instances of unethical practices in an organization.
- A whistleblower can be anyone who chooses to expose wrong practices and has evidence to support the allegations. They can be either from within or outside the organization—such as current and former employees, shareholders, external auditors, and lawyers.
- In India, whistleblowers are protected by the **WhistleBlowers Protection Act, 2014**. The law provides for the protection of their identity and also has strict norms to prevent their victimization.

Source: TH