
TITLE OF THE PAPER: THE MODERN SHARE RIGGING: A COMPARISON BETWEEN REGULATORY COMPETENCE AND A RESILIENT MANIPULATOR

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ABSTRACT

The rise of democratisation in India's capital markets has never been seen before, as the number of retail investors increased from approximately 1.5 crore in 2020 to more than 4 crore in 2024. This wide distribution of ownership provides benefits to the global economic landscape but introduces greater susceptibility for abuse by others in these markets, including share rigging.

Through this paper, we will focus on the anatomy and types of current-day market manipulation. We will cover the range of tactics used including traditional pump-and-dump style operations, advanced circular trading techniques, and algorithmic manipulation of indices; evaluate the many tiers present in the Indian legal system focused on market manipulation; identify the many shortcomings of enforcement authorities; evaluate how increasing levels of fines have not deterred high-frequency traders, complications from cross-border jurisdictional issues, or fraudulent activity on social media; and lastly, assess the impact of these activities on the microstructure of financial markets, the misallocation of capital, and the erosion of retail investor confidence. Based upon all of these factors, our conclusions are that India needs to bring about systemic reform to the way regulatory authorities enforce market manipulation laws within their respective jurisdictions by employing real-time, AI-driven monitoring systems, quicker administrative remedies, and improved coordination with international law enforcement agencies to create an environment that prohibits manipulation, thereby preserving the integrity of India's capital markets as they continue to evolve into the global financial services marketplace.

Keywords: Share rigging, Securities and Exchange Board of India, Retail Investors, Algorithmic trading, Securities fraud, Capital markets.

Introduction

India's capital markets have shifted from trading floors primarily for institutions to public platforms, bringing increased volume and visibility to market abuse, particularly in terms of share rigging, where groups or traders manipulate price for illicit profit. In the last two years there has been an explosion of retail investor participation from approximately 1.5 crore in 2020 to above 4 crore in 2024 and that has happened due to the proliferation of apps associated with the trading of digital assets and the demographics of consumers shifting in a way that is conducive to financial asset accumulation.¹ The tide of democratisation of ownership broadly, in equity, is unequivocally a positive development in relation to the global economy, however the broad democratisation in ownership comes at an increased risk, as exploitation is quick and relies on information asymmetries, capacity outages that coincides with algorithmic trading, and the emotional mass psychology of crowds. Share rigging today includes many variants including traditional 'pump and dump' approaches, circular trading strategies in coordination, manipulation of derivatives on expiry dates, and rapidly engineering emotional sentiment through platforms like social media.² Regulatory action is in flux, in the sense that SEBI has taken extraordinary action through numerous enforcement actions possible (886 actions April 2024 to June 2025) and industry wide penalties, yet at the same time market manipulation has set records (Jane Street's index-based regime and even targeting retail in mass on Telegram and WhatsApp)³. This article talks about the anatomy of modern share rigging its stages, players, economic effects and deterrents emphasizing the back-and-forth relationship between regulatory savvy and the mapping out of economic manipulator resilience and that it argues for system wide reform in surveillance, deterrence and education.

Understanding Share Rigging: Techniques, Instruments, and Impact

At the heart of share rigging are schemes characterized by using liquidity, pricing, and market perception usually using pump and dump, circular trading, derivative options speculation, or information warfare. Traditional pump and dump frauds involve a pre-planned accumulation of low volume or low price stocks followed by a cohort purchasing in waves, an optimistic claim of incoming purchasing, and retail investors encouraged to pile on at the procured excitement and create surge prices at their expense facilitating the riggers to unload their

¹ Angel One, SEBI Targeted 886 Entities During April 2024-June 2025 (Aug. 19, 2025)

² Steel-Eye, Jane Street Fine - \$566.3m - Market Manipulation - SEBI (July 5, 2025)

³ Angel One, supra note 2

positions at artificially inflating levels, before a sudden reversal that resembles a crash.⁴ For example, Darshan Orna Ltd orchestrated some purchases, along with very aggressive marketing on Telegram, which stimulated a 90% increase for the riggers, followed by a 335% increase in public shareholders before collapse, leaving everyone now too late for a recovery.⁵ Circular trading far more sophisticated utilizes a network of inter-related individual operators who conduct circular trading to create repetitions of trades at increasing prices, thus creating a phantom liquidity and demand, as was demonstrated in the 400% rise of Quasar India from 18 related entities involved in the pattern exposed through digital forensics, receipts of the funding, or synchronised communications.⁶ As further evidence, the Jane Street Group took the abuse of trading to the level of index and derivatives manipulation: using coordinated buyer patterns to purchase Bank Nifty index constituents and structuring massive puts/calls/options around expiry days, Jane Street was able to manipulate prices from highside at morning, later selling off between 29-42% later in the day.

Legal and Regulatory framework

India has a multi-layered legislative and regulatory framework against share rigging, with a central role for constitutional protections, official statutes, and administrative regulations. Article 19(1)(g) authorizes economic liberty but also allows for "reasonable restrictions" to maintain a pristine market, reaffirming the legitimacy of preventive and punitive action within the finance space.⁷

Judicial interpretation under Article 21 has developed ideas of investor protection as a quasifundamental right and has viewed market misfeasance as within the norms of constitutional action and collective remedy.⁸ Statutorily, the Securities and Exchange Board of India Act, 1992 grants SEBI wide surveillance, investigative, and penal capacities, including fines of up to Rs.25 crores, and trebling any of these amounts in clawbacks; ceaseand-desist orders; and market bans for perpetrators.⁹ The SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (PFUTP) are at the regulatory core; Regulation 3 prohibits all trades or statements that create an artificial movement in prices or a faked change in volume,

⁴ The Daily Brief, SEBI takes down another case of stock manipulation (Nov. 3, 2025)

⁵ Caalley, Sebi fines nearly ₹4 cr on 11 entities for share price manipulation (July 29, 2025)

⁶ The Daily Brief, supra note 5

⁷ INDIA CONST. art. 19(1)(g)

⁸ INDIA CONST. art. 21

⁹ Securities and Exchange Board of India Act, 1992, § 11, No. 57, Acts of Parliament, 1992 (India)

and Regulation 4 addresses misleading the market's activity. The statutory uncertainty remains, especially in cases of manipulative behaviour that hidden in the guise of legitimate strategies or arbitrage and must be dealt with doctrinally case by case.¹⁰ The corporate fraud provisions embodied in the Companies Act, 2013's Section 447 punish fraud by senior officers and agents through extensive penalties and expansive definitions. The Bharatiya Nyaya Sanhita, 2023 provides additional vigor to the laws against misrepresentation and theft by agents and employees. The Serious Fraud Investigation Office (SFIO) takes on the investigations of high-value and complicated investigations involving multichannel criminal liability. Exchange monitoring requires the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 continuous monitoring of insider activity resulting in public disclosure while enhancing market credibility and accountability. On the whole, the legal framework in India has substantial mechanisms for discovery and prosecution around fraud, although inconsistent enforcement, the time it takes to process, and disagreement with how fraud is constituted still delays pro-active deterrence and justice.

Enforcement landscape

The last two years have witnessed a shift in the scale of detection, prosecution, and share rigging allegations, beginning with Jane Street Group's index manipulation, an expansive scheme across various exchanges globally, algorithmic strategies, and multi-modal entrances to the market that produced Rs. 43,289 crores in derivative profit before SEBI imposed interim bans on share trading, froze assets, and ordered Rs. 4,843 crores in clawback.¹¹ While SEBI ultimately imposed the interim measures, the entities continued to manipulate the market for nearly a full year while SEBI response time lagged, even with the NSE issuing warnings about the position taken in February 2025.¹² In employee actions, Darshan Orna Ltd operated a pump and dump using a three-layered structure whereby key operators manipulated the share price, temporary financiers facilitated immediate liquidity and pay back, and amateur promoters utilizing Telegram provided the amplifiers of price. An expeditious SEBI action resulted in fines of Rs. 3.87 crore and movement to other trading venues.¹³ Quasar India's circular trading structure utilized digital evidence of collaboration and coordination in conjunction with entity

¹⁰ SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003, No. 5, Central Gazette (India)

¹¹ Steel-Eye, supra note 3

¹² Indian Express, NSE, Sebi dithered for a year as Jane Street allegedly manipulated markets (July 10, 2025)

¹³ The Daily Brief, supra note 5

data, resulting in Rs. 2.5 crore fines and market reversal.¹⁴ From April 2024 to June 2025, SEBI's increased enforcement efforts 886 entities penalized for PFUTP and allied violations demonstrated regulatory advancement, but echoing trends in abuse, especially in the context of mass frauds that incorporate social media and index-related manipulation, at times potentially swamping all other misconduct and violations.¹⁵ Records of insider trading, such as noted in the 119 cases in 2019-20, reveal that issues regarding the collusion between actors and non-public information have not yet gone away, and reforms are required to ameliorate it.¹⁶ The aggregate of cases indicate that the manipulation of the market is now happening faster, on a greater scale, and in more novel forms, which results in regulatory agencies having to rethink some of their priorities in terms of adapting to these changes.

Detection and Enforcement Challenges

The modern evolution of share rigging exceeds traditional oversight capacities: high-frequency trading and algorithmic execution obfuscate trading intentions and performance, blurring the line separating lawful trading strategies from prohibited manipulation, with activities by Jane Street as paradigmatic for the emerging "volatility harvesting" disguised as efficacious market behavior.¹⁷ State-of-the-art forensics (machine-enabled learning, pattern-recognition, quantum-resistant digital evidence gathering) are now considered minimum standards. Resources are significant barriers, however, at the Securities and Exchange Board of India (SEBI), technical skills gaps and resource shortages prevent patterns of manipulation being identified and acted upon consistently and proactively.¹⁸ Evidence chains depend on connections of disparate digital records (communication logs, timestamps of trades), reading financial flows, and aspects of a physical network but dealing with regulatory overload risks cursory investigation, allowing collusion to escape detection. The international dimension of coordinating multi-regional activity from Jane Street's two trading desks in Singapore, one in Hong Kong, and one in Mumbai takes programmatic communication flow centered on shared protocols, intelligent and nimble investigation, but regulatory burdens are significant. In addition, the differences in data regulations, local privacy laws, and disparate procedures

¹⁴ Angel One, *supra* note 2

¹⁵ Angel One, *supra* note 2

¹⁶ Christopher Raj, *supra* note 1

¹⁷ Shilpa Hegdekatte, *The Effectiveness of SEBI's Measures in Preventing Market Manipulation*, 6 INT'L J. RES. &

ANALYTICAL REVS. 634, 642 (2019)

¹⁸ *Telangana Today*, *Massive stock market scam: How US firm Jane Street manipulated Indian markets* (July 3, 2025)

facilitate challenges of nimbly forming viable cases and limiting capital.¹⁹ Regulatory workflows can be stymied with legitimacy of capital flows often establishing an indefinite lag time for monitoring actions to reflect in the marketplace. The lag between initial identification of market manipulation and demonstrable market action—over a year in some case studies—allows for longer profit-taking and weakens public trust in the overall enforcement process.²⁰ In addition, the increase in unsophisticated retail investor engagement, amplified by fintech apps and peer networks, further increases vulnerability in simultaneous rumor based decisionmaking by investors engaging in coordinated campaigns as manipulators; educational outreach remains expanded and costs continue to be incurred, but it struggles to keep pace with the adaptability and immediacy of social-media-driven fraud²¹. Sustained effort will require not only technology upgrades, but also meaningful organisational reform: flexible investigative teams, cross-disciplinary data scientists and accelerated channels for whistleblowers and public alerts.

Impact on market microstructure

Shared rigging exacts a cost on multiple dimensions: on the micro-structural indicators, manipulative trading increases bid-ask spreads (as liquidity providers account for adverse selection risk), reduces market depth and resilience, and spikes unpredictability—and so it adds transaction costs and inefficiency into an increasingly unpredictably system.²² The loss extends to the macrolevel: retail trust dies, having been damaged by certainty that repeated high-profile abuses will keep happening and disincentivizing participation, undermining any progress for financial inclusion. In the Darshan Orna case, for instance, at the peak, there were thousands of new investors arriving and buying into the excitement of momentum only to see fast reversals, derailing value, while concurrently breeding additional doubt and suspicion of future equity investment. Capital will continue to be systemically misallocated, inevitably directing resources towards manipulated entities and away from the true engines of productivity and innovation, curbing growth and necessarily making overall allocation efficiency less. If increasingly speculative and manipulated conditions recur (occurring before and after trolling stock performance) broader style contagion, in the financial markets can be expected to occur,

¹⁹ BBC, Why Jane Street, a US trading giant, is in trouble in India (July 17, 2025)

²⁰ Indian Express, *supra* note 20

²¹ News on Air, SEBI begins investor awareness campaign with NSE (July 27, 2025)

²² Dionigi Gerace et al., Stock Market Manipulation on the Hong Kong Stock Exchange, 16 AUSTRALASIAN ACCT., BUS. & FIN. J. 105, 118 (2022)

as was highlighted in events following the Punjab National Bank scam. When represented as high-volume recurring fraud nearly systemic failure, reluctance to participate will become a norm, with far-reaching societal effects on mobility, corporate governance, national confidence and economic trajectory.²³ Nimb pointed noted, wealth transfers especially for cloud retail investors, will be initiated to collude and group productivity and performance will produce increases in economic inequality, that will damage long-term stability for households and formalise broader structural economic imbalances.²⁴

Regulatory reforms and recommendations

Securities regulators and parallel agencies must develop an innovative approach for a unified, future-oriented anti-manipulation framework. Investing in technological innovations such as AI-based surveillance functions, cross-market data analysis, and predictive modeling should enable continuous and real-time protection against algorithmic exploitation or manipulation. Regulatory authority interim freezing provisions such as for assets, trading privileges, and access to markets should be utilized or exercised at earlier or more preliminary thresholds of suspicion, preventing the exploitation of time and resources from ongoing collaborative market manipulation and quickly advising engaged investors about the grounding of such suspicions by acting swiftly. Fast tracked judicial and administrative processes could diminish the timing from identification to immediate emergency response to a breach of the law. Jane Street's litigious continuation represents both an alternative and a warning to jurisdictions desiring a precipitant intervention process as part of their regulation. Monitoring and analyzing markets in multiple jurisdictions should be routine so prosecutors and regulators can obtain proceedings that can be supported in a case on greater scale given sufficient evidence. Additionally, shared standards and protocols for liaising, reporting, and investigating facilitate sharing investigative reporting between regulators to minimise regulatory arbitrage and enhance the efficiency or at least shape the outcomes of a given report. Further, increasing market transparency should necessitate real-time disclosure of all unusual transactions, distressed pricing opportunities, and cross-border transactions, allowing the regulator to make continuous assessments of market conditions while opening the door for scrutiny by investors. Educational campaigns using social and broadcast media as well as fintech partnerships directly with broker-dealers

²³ Lawsikho, how to deal with corporate frauds in India: from accounting scams to securities fraud (June 2, 2025)

²⁴ Angel One, supra note 2

would be much more essential, safe, and secure to schools and institutions value as educational tools as both an inoculation against concern and intervention bias against rational public inquiries. Regulatory penalties (always) above illicit profit and meant to herald intensive asset recovery (with broad publicity) must be limited in time and publicity to fulfil a prolonged general deterrent and normalising function in the market. All asset managers, brokers, and proprietary traders need a comprehensive internal compliance system, which should include automated fraud detection, routine audits, the oversight of independent members on boards, etc. There is great benefit in a (formative) model for benchmarking with international systems in countries like: the US SEC, UK FCA, EU ESMA; which may provide best practices in multijurisdictional surveillance, timely enforcement, or smooth (liquid) compensation. Finally, India will need to develop a culture of reformation with market wilful understanding that integrity entails economic development, and that every participant of the ecosystem regulator, market participant, legal, etc. is accountable to security.

Conclusion

To sum up, share rigging, as a modern felony, is probably the most significant regulatory issue facing capital markets in India - from penny stocks to derivatives, retail channels to global indices, and from old-fashioned fraud to the 'creative' use of AI in cross-border corporate actions. The regulatory and legal infrastructure that has been built by SEBI and other authorities is quite powerful, but faces ongoing issues with speed, inertia at the organisational level, and harmonisation across other jurisdictions. When systematic manipulation destroys market confidence, there are certainly potential risks to the economy, and to retail participation; a sustainable solution will require rather than just better surveillance and forensic capacity, but in addition a common vision to gather around reform, an international dimension to the strategy, and an unwavering commitment to a culture of deterrence and justice. For millions of Indian investors and for the markets' international reputation in India the stakes have never been higher; this is more than just an initiative and fulfilment of a legal obligation to address prosecution and prevention of share rigging as a matter of law, it is a matter of national importance.