INSIDER TRADING IN INDIA: LEGAL FRAMEWORK UNDER THE SEBI ACT AND 2015 REGULATIONS, EXAMINED THROUGH RECENT HIGH-PROFILE ENFORCEMENT ACTIONS

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ABSTRACT

This research examines the legal and enforcement framework governing insider trading in India under the Securities and Exchange Board of India Act, 1992 and the SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended. It situates insider trading as a core threat to market integrity and investor confidence in a rapidly growing emerging market, and traces the evolution from the earlier 1992 regulations to the current, more expansive, possession-based regime. The study adopts a doctrinal approach, analysing statutory provisions, regulatory definitions of "insider", "connected person" and "unpublished price sensitive information", and the compliance architecture imposed on listed entities, alongside a close reading of recent high-profile enforcement actions such as the Indian Energy Exchange (IEX) case involving alleged leaks of a confidential regulatory order. Using these case-studies, the paper evaluates how SEBI infers possession and communication of UPSI, applies its investigative and remedial powers, and calibrates sanctions in practice. It further engages with critical academic and practitioner commentary to assess whether the current framework is conceptually coherent, procedurally fair, and sufficiently deterrent, while also considering limited comparative insights from other major securities markets. The paper argues that although the 2015 Regulations represent a significant strengthening and modernisation of India's insider trading law, persistent evidentiary hurdles, delays, and ambiguities in key concepts necessitate targeted reforms to enhance both effectiveness and legitimacy of enforcement in India's securities market.

Keywords: Insider trading, SEBI Act 1992, SEBI (Prohibition of Insider Trading) Regulations 2015, Market integrity and UPSI, SEBI enforcement actions.

Research Questions

1. How does the legal framework under the SEBI Act, 1992 and the SEBI (Prohibition of Insider Trading) Regulations, 2015 conceptualise and prohibit insider trading, and how has this conception evolved from the 1992 Regulations?

2. To what extent do SEBI's investigative and enforcement powers under the SEBI Act translate into effective deterrence in insider trading cases?

3. Does SEBI's current penalty and settlement policy (monetary penalties, disgorgement, market bans, prosecution) provide a proportionate and consistent response in insider trading cases?

Methodology

This study adopts a research methodology based on analysis of:

- Primary doctrinal analysis of the SEBI Act, 1992 and SEBI (Prohibition of Insider Trading) Regulations, 2015, including key amendments.

- Close reading of definitions, prohibitions, safe harbours, compliance obligations and penalty provisions relevant to insider trading.

- Case-study analysis of selected recent high-profile SEBI insider trading matters using publicly available orders and, where applicable, appellate decisions.

Introduction

Insider trading regulation is central to current securities legislation because it has a direct impact on capital markets' fairness and legitimacy. It enables individuals with informational advantages to profit at the expense of uneducated investors, undercutting the fundamental assumptions of fairness and openness in financial markets. In emerging countries such as India, where equity markets are a major source of both domestic savings and foreign portfolio investment, confidence in price formation is especially important. Insider trading is thus prohibited not merely to prevent individual misbehaviour, but also to mitigate systemic risks

to market development and investor protection.[1]

The idea that insiders can routinely profit from unreported price sensitive information (UPSI) affects investor trust and calls into question the validity of public markets in India, where both household savings and foreign capital are increasingly flowing via the securities market. As a result, the Securities and Exchange Board of India (SEBI), which was established by the SEBI Act of 1992, plays a crucial role as both a market regulator and the main creator and enforcer of the legal framework that aims to stop these kinds of informational abuses. The more comprehensive, possession-based SEBI (Prohibition of Insider Trading) legislation, 2015 (PIT Regulations), which replaced the earlier 1992 insider trading legislation, is an intentional regulatory reaction to these issues and criticisms of the previous framework.

Three closely related research issues serve as the framework for this paper. First, it questions how insider trading is conceptualised and made illegal under the SEBI Act of 1992 and the PIT Regulations of 2015, and how this idea has changed since the 1992 Regulations. This means dissecting important concepts like "insider," "connected person," and UPSI, as well as analysing the transition from a very limited, form-driven regime to a more expansive, possession-based prohibition integrated within a thorough compliance architecture. Second, by examining how SEBI actually employs instruments like inquiry, interim orders, disgorgement, and adjudication in practice, the article investigates the degree to which SEBI's enforcement and investigative capabilities under the SEBI Act translate into effective deterrence in insider trading situations.

SEBI Act: Doctrinal & Statutory Analysis

Concept and damage: Under Indian law, trading in stocks while in possession of unpublished price sensitive information (UPSI) or disclosing such knowledge to those who trade in order to get an informational advantage over the market is referred to as insider trading.

Information on financial performance, dividends, capital structure changes, mergers and acquisitions, or major policy or operational changes that, if widely disseminated, would significantly impact the price of the securities is sometimes referred to as UPSI.

[1] https://www.sebi.gov.in/acts/insideregu.pdf

Section 11 – Functions and powers of SEBI

Section 11 sets out SEBI's basic duty "to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market." It authorises SEBI to take "such measures as it thinks fit" for these purposes, and then lists indicative functions: regulating stock-brokers and other intermediaries, prohibiting fraudulent and unfair trade practices, insider trading, and regulating substantial acquisitions and takeovers.

Sub-section 11(2) and 11(4) give SEBI specific tools such as: suspending trading in securities, restraining persons from accessing the market, impounding proceeds of suspicious transactions, freezing bank accounts related to violations, and calling for information and records. In insider trading cases, these powers allow SEBI to quickly intervene e.g., halt trading or impound alleged unlawful gains before final adjudication.[2]

Section 11B – Power to issue directions (and levy penalty)

Section 11B empowers SEBI, after conducting an enquiry, to issue "such directions" to any person or class of persons as it deems fit "in the interests of investors in securities and the securities market." This includes directions to intermediaries, listed companies, or any person associated with the securities market whose conduct is found to be detrimental to investors or in violation of the Act or regulations. Over time, courts have recognised 11B as a very wide, largely remedial power that SEBI can use even on an interim basis e.g., to restrain a person from buying/selling securities, bar them from accessing the market, or direct disgorgement of wrongful gains—pending or in addition to formal penalty proceedings.

By the Finance Act, 2018, section 11B was amended to add that SEBI may also "levy penalty" under specified sections (including 15G) after holding an inquiry, effectively allowing SEBI to combine direction-issuing and penalty-levying functions. In insider trading matters, SEBI routinely uses section 11B to:

- pass interim ex parte orders freezing alleged insider-trading profits,
- prohibit insiders and connected persons from accessing the securities market, and

[2] https://www.thesecuritiesblawg.in/post/deep-dive-2-insider-trading

- direct companies to strengthen their compliance systems.

This is central to your deterrence and proportionality questions, because 11B orders often impose serious, quasi-penal consequences even before final 15G adjudication.

Section 12A – Substantive prohibitions

Section 12A lays down general prohibitions against fraudulent and unfair trade practices in securities. It states, among other things, that no person shall:[3]

- Use or employ any manipulative or deceptive device in connection with buying or selling securities,
- Engage in any act, practice or course of business which operates as fraud or deceit upon any person, or
- Deal in securities while in possession of material or non-public information in contravention of the SEBI Act or regulations.

This section is the substantive "anti-fraud" foundation for insider-trading regulation. The PIT Regulations, 2015 effectively specify when trading on non-public information becomes a contravention of section 12A: by defining "insider" and "UPSI", and by prohibiting communication/procurement and trading while in possession.

Section 15G – Penalty for insider trading

Section 15G sits in Chapter VIA on penalties and adjudication and deals specifically with insider trading. It provides that if any insider:

- deals in securities of a listed company on the basis of UPSI,
- communicates UPSI to any person with the expectation that they will trade, or
- counsels any person to trade on the basis of UPSI,

[3] https://www.sebi.gov.in/legal/regulations/jun-2024/securities-and-exchange-board-of-india-prohibition-of-insider-trading-regulations-2015-as-amended-on-june-26-2024-_84494.html

Then SEBI may impose a monetary penalty which can extend to several times the amount of profits made or losses avoided, subject to an upper cap prescribed by statute. The provision has been amended over time to increase maximum penalties, signalling a strong legislative intent to make insider trading economically unattractive.

Communication, purchasing, and trading while in possession are the main prohibitions. The 2015 Regulations establish a dual prohibition:

Insiders who possess UPSI are prohibited from trading securities (a possession-based test), and they are prohibited from communicating, giving, or granting others access to UPSI, unless doing so is necessary to carry out their tasks, fulfil legal requirements, or achieve legitimate goals.

The "trading while in possession" regulation is captured in Regulation 4(1); Regulation 3 deals with UPSI communication and procurement and contains specific exceptions for regular business, employment, profession, or as mandated by law. Additionally, rather than acting as distinct prohibitions, these regulations interact with trade plans and structured digital databases, which act as safe-harbor and evidential procedures.

SEBI's insider-trading enforcement today is built around a two-step strategy: fast, preventive intervention through section 11B directions, followed by calibrated monetary penalties under section 15G after full adjudication. This combination is powerful, but it also raises fairness and consistency concerns that fit directly into your research questions.

How SEBI combines section 11B and section 15G

Section 11B allows SEBI to issue "such directions as it deems fit" to any person associated with the securities market, in the interests of investors and the market. Courts and commentators read this as a broad, largely preventive power, which SEBI can use even on an interim basis once it has made or caused an inquiry and is satisfied that intervention is necessary. In insider-trading matters, SEBI frequently uses section 11 and 11B to:

- Pass ex parte interim orders restraining alleged insiders from buying, selling or otherwise dealing in securities.
- Impound or "disgorge" alleged illegal gains made through trading on UPSI, often

directing these amounts to an escrow account pending final decision.

- Impose de facto market bans by prohibiting access to the securities market and dealing in any securities for a specified period.

These directions are typically justified as necessary to prevent further harm, preserve the status quo, and secure funds so they can be returned or credited to investor-protection funds if violations are ultimately established.[4]

Once investigation is complete, SEBI (through an Adjudicating Officer under section 15-I or, after the 2018 amendment, also through 11B(2)) proceeds under section 15G, which specifically penalises insider trading. Section 15G allows a minimum penalty of ₹10 lakh and a maximum of the higher of ₹25 crore or three times the profits made, giving SEBI a wide range to tailor sanctions. In final orders, SEBI has treated disgorgement/directions under sections 11/11B and penalty under Chapter VIA as "distinct remedies" serving different purposes—restoration and prevention on one hand, punishment and deterrence on the other. Securities Appellate Tribunal (SAT) has generally accepted that SEBI can pursue both tracks, while sometimes reducing quantum where it finds double-counting or excess (for example, trimming a 15G penalty after disgorgement has already stripped most gains).

Fairness and consistency: key issues

From a fairness perspective, the dual use of 11B and 15G raises at least three issues can be analysed:

1. Procedural safeguards and timing: Section 11B directions, especially interim ex parte orders, can freeze funds and effectively bar a person from the market long before a conclusive insider-trading finding is made. Although post-decisional hearings are usually offered, the immediacy and severity of 11B measures mean alleged insiders suffer significant consequences without the fuller procedural protections that accompany 15G adjudication (formal charge, evidence, cross-examination, reasoned penalty order).

[4] https://www.legal500.com/developments/thought-leadership/the-indian-landscape-of-insider-trading-understanding-regulations-managing-risks-and-upholding-ethical-governance-for-board-members/

2. Risk of "double punishment": SEBI and SAT have stated that disgorgement under sections 11/11B and monetary penalties under 15G are conceptually distinct: disgorgement is meant to strip wrongful gains, penalty to punish and deter. However, in practice the same conduct can lead to both full disgorgement of profit and a substantial 15G penalty, which may feel like double punishment unless carefully calibrated. Some SAT decisions have intervened, reducing penalties where they considered the combined financial impact excessive relative to gains or harm. This is directly linked to the third research question on proportionality and consistency of sanctions.

3. Consistency across cases: Because both 11B directions and 15G penalties are highly discretionary, outcomes can vary widely. The statute and circulars require SEBI and Adjudicating Officers to consider factors under section 15J (disproportionate gain, investor loss, and the repetitive nature of default) when setting the quantum, and more recent SEBI and SAT jurisprudence has emphasised reasoned penalty analysis. Yet empirical and doctrinal studies note that similar-looking insider-trading fact patterns have sometimes yielded sharply different combinations of interim bans, disgorgement amounts and 15G penalties, which has fuelled criticism that enforcement may be "moderately effective" but not fully predictable or consistently deterrent.

In this paper, it can therefore be drawn that the characterise SEBI's current model as a "two-tier" enforcement strategy: rapid, preventive and often market-wide directions under section 11B, followed by targeted monetary penalties under section 15G once violation is established.

Case Law Analysis

In the Pendse matter (often cited in commentaries), the MD of Tata Finance allegedly had access to adverse information about a subsidiary, Nishkalpa, and tipped his wife and father-in-law, who then sold shares before bad results were disclosed. SEBI held that the undisclosed losses were UPSI, that Pendse was an "insider" under the 1992 Regulations, and that communication of such information to relatives who traded amounted to insider trading.

This case illustrates:

- How SEBI traces UPSI from the company to a senior officer and then to family members, inferring communication from relationships and timing of trades.

- Early use of personal relationships (immediate relatives) as the basis for establishing "connected persons", a concept that is now elaborated and broadened in the 2015 Regulations.

The Pendse logic is essentially "insider tips family; family trades; family is treated as an extension of the insider." That logic is now hard-coded into how the 2015 Regulations define connected person and immediate relative**.**

What happened in Pendse

In the Dilip S. Pendse / Tata Finance case, SEBI found that:

- Pendse, as Managing Director of Tata Finance, had access to adverse, price-sensitive information about a subsidiary's losses (UPSI).

- He communicated this information to his wife and father-in-law, who then sold shares before the bad news was disclosed.[5]

SEBI's order treated the wife and father-in-law as "connected persons" because of their close familial relationship and their ability to benefit from UPSI through Pendse's fiduciary position. The core normative move was: close family members of an insider can be presumed to be acting as channels or beneficiaries of UPSI and should not be able to escape liability just because trades are in their own names.

2015 definition of "connected person": embedding family-based tipping

Under the SEBI (Prohibition of Insider Trading) Regulations, 2015, "connected person" is defined very broadly to include anyone who is or has been associated with a company, directly or indirectly, in any capacity during the six months prior to the relevant act, in a way that gives them access, or is reasonably expected to give them access, to UPSI.[6]

[5] https://www.scribd.com/document/789524048/TATA-Finance
[6] https://indiacorplaw.in/2025/01/25/casting-a-wider-net-sebis-expanded-definition-of-connected-person-and-relatives/

Crucially, the Regulations then create a list of *deemed* connected persons, which expressly includes:

- Immediate relatives of connected persons.
- Holding and subsidiary companies.
- Intermediaries and their employees, and other specified related entities.

By deeming immediate relatives to be "connected persons", the 2015 framework directly codifies the idea that family members of a corporate insider are themselves part of the insider perimeter and are presumed to have potential access to UPSI. This is exactly what SEBI had argued in Pendse: that a spouse or close relative stands in a position where they can easily receive and misuse UPSI flowing from the insider, so the law should not require SEBI to prove access afresh in every case.

2015 definition of "immediate relative": formalising the Pendse family circle

The 2015 Regulations define "immediate relative" to mean a spouse, and to include parents, siblings and children of the person or of the spouse, *any of whom is either financially dependent on such person or consults such person in taking trading decisions*. Key features:

- It is not just blood relation; it is relation plus dependence or influence in trading decisions.
- The definition is tailored to capture exactly those family members through whom an insider is most likely to channel trades or whose trades the insider can effectively control.

This maps almost perfectly onto the pattern in Pendse: the alleged tipping occurred to a spouse and a close in-law, who realistically would be expected to depend on or consult Pendse for investment decisions. Under the 2015 regime, such persons are automatically "immediate relatives" and hence deemed "connected persons," which means:

- They are brought within the definition of "insider" (because an insider is a connected person or anyone in possession of UPSI).

- There is a rebuttable presumption that they may have access to UPSI and that their trading while the insider holds UPSI is suspicious.

So, instead of building the family-based inference case by case as in Pendse, the Regulations now build it into the structure of liability itself.

Compliance Architecture In Listed Entities

The compliance architecture of a listed entity in India serves as the operational backbone for preventing insider trading. Under the SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations), this architecture has evolved from a mere "disclosure-based" system to a "preventative and systemic" framework, shifting significant accountability onto the Board and the Compliance Officer.[7]

1. The Core Pillar: The Compliance Officer (CO):

The Compliance Officer is the designated "Gatekeeper" of the organization. Their role is not merely administrative but quasi-judicial within the company.

Eligibility & Reporting: Must be a senior officer, financially literate, and capable of appreciating legal requirements. Crucially, the CO reports directly to the Board of Directors or the Chairman of the Audit Committee.

Key Responsibilities:

- Trading Window Management: Notifying the closure of the "trading window" during periods when UPSI (Unpublished Price Sensitive Information) is present (e.g., prior to financial result announcements).

- Pre-clearance of Trades: Reviewing and approving/rejecting trade requests from "Designated Persons" (DPs) to ensure they aren't trading while in possession of UPSI.

- Contra-trade Monitoring: Ensuring that DPs do not execute opposite trades (buy vs. sell) within a six-month window.

[7] Securities and Exchange Board of India, SEBI (Prohibition of Insider Trading) Regulations, 2015, notified vide No. LAD-NRO/GN/2014-15/21/85, dated January 15, 2015.

2. Structural Digital Database (SDD):

Introduced via amendments to Regulation 3(5), the SDD is perhaps the most significant technological requirement in the modern compliance architecture.

-The Mandate: Listed entities must maintain a non-tamperable digital database containing:

1. The nature of the UPSI shared.

2. The names and PANs of persons with whom UPSI was shared.

-Audit Trail: The database must have time-stamping and an audit trail to prevent retroactive entries. SEBI has clarified that this database cannot be outsourced to a third party; it must be maintained internally to ensure data integrity.

-Enforcement Trigger: In recent probes (e.g., the Future Retail or WhatsApp Leak cases), SEBI has used SDD logs to trace the "leakage" of information back to specific insiders.

3. Codes of Conduct and Fair Disclosure

Every listed entity is required to formulate two distinct codes:

I) Code Type- Code of Fair Disclosure (Schedule A)[8]

Purpose- To ensure timely and uniform disclosure of UPSI to the public.

Primary Focus- Prevents "selective disclosure" to analysts or large shareholders.

II) Code Type- Code of Conduct (Schedule B)[9]

Purpose- To regulate and monitor trading by "Designated Persons."

Primary purpose- Internal discipline, reporting of trades, and ethical boundaries.

[8] Regulation 8, read with Schedule A — Code of Practices and Procedures for Fair Disclosure of UPSI.
[9] Regulation 9, read with Schedule B — Code of Conduct to regulate, monitor and report trading by Designated Persons.

4. Internal Control Systems (Regulation 9A):

The 2018 amendment added Regulation 9A, which mandates the CEO/MD to put in place "adequate and effective systems of internal controls."

Identification of DPs: The board must identify "Designated Persons" based on their functional role and access to UPSI, not just their seniority.

Confidentiality Agreements: Ensuring all employees and "connected persons" (lawyers, auditors, consultants) sign non-disclosure agreements (NDAs) or are served confidentiality notices.

Whistleblower Policy: A mandatory mechanism for employees to report instances of leakages or suspected insider trading.

5. Recent Enforcement Trends & Failures:

Examining recent actions reveals where compliance architectures typically fail:

Failure in Monitoring "Benpos" (Beneficial Position): In the Marksons Pharma case, the CO was penalized for failing to cross-verify the RTA (Registrar and Transfer Agent) data with internal pre-clearance records. SEBI rejected the defense that "manpower was short," emphasizing that the CO must find systemic ways to track trades.

The "Legitimate Purpose" Loophole: Boards must now have a clear policy defining "Legitimate Purpose" for sharing UPSI. In several high-profile cases, UPSI was shared under the guise of "informal consultations," which SEBI now views as a compliance failure if not recorded in the SDD.

Institutional Responsibility: SEBI has moved away from only penalizing the individual trader; it now frequently imposes penalties on the Company and the Compliance Officer for "failure to implement an effective code of conduct."

Penalties and Remedial Measures

This research analysis examines the enforcement mechanisms employed by the Securities and Exchange Board of India (SEBI) to combat insider trading, specifically focusing on the

interplay between the SEBI Act, 1992, and the SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations).[10]

1. Statutory Framework for Penalties:

The power to penalize insider trading is derived primarily from the SEBI Act, which provides for both monetary and administrative sanctions.

A. Monetary Penalties (Section 15G of the SEBI Act)-

Section 15G is the specific charging section for insider trading. It mandates a penalty that shall not be less than ₹10 lakhs, but which may extend to ₹25 Crores, OR

Three times the amount of profits made out of insider trading, whichever is higher.

B. Adjudication Process- Penalties are typically levied by an Adjudicating Officer (AO) after an inquiry. The AO considers factors such as the amount of disproportionate gain, the loss caused to investors, and the repetitive nature of the default (Section 15J).

2. Remedial Measures and Directions:

Beyond mere fines, SEBI exercises "remedial" powers under Sections 11 and 11B of the SEBI Act to protect market integrity.

A. Disgorgement of Profits-

Disgorgement is an equitable remedy, not a penalty. It involves stripping the wrongdoer of ill-gotten gains (plus interest, usually 12% per annum) to ensure they do not profit from the breach. These funds are often credited to the Investor Protection and Education Fund (IPEF).[11]

B. Market Debarment-

SEBI frequently issues directions to >Restrain entities from accessing the securities market.

[10] SEBI Act, 1992, § 15G (providing penalties for insider trading including minimum ₹10 lakh up to ₹25 crore or three times the profit made, whichever is higher)

[11] SEBI, Disgorgement and Directions in Various Insider Trading Cases; also see SEBI v. Shriram Mutual Fund, (2006) 5 SCC 361 (distinguishing penalty from remedial actions in securities law context)

Prohibit individuals from holding key managerial positions (KMPs) in listed companies.

Freeze assets or demat accounts to prevent further dissipation of funds.

C. Internal Codes and Institutional Measures:

Under the 2015 Regulations, companies are required to formulate a Code of Conduct. Remedial actions at the corporate level include:

> Wage freeze or suspension.

> Recovery of profits by the company (separate from SEBI's disgorgement).

> Clawback of bonuses or stock options.

3. Analysis of Recent Enforcement Actions:

A. The PC Jeweller Case (2021-2022)-

In this instance, SEBI acted against promoters and their relatives for trading based on Unpublished Price Sensitive Information (UPSI) regarding a share buyback.[12]

>Penalties: Cumulative fines exceeding.₹1 Crore on various entities.

>Remedies: SEBI ordered the disgorgement of over ₹8 Crores (representing the loss avoided) and imposed a 1 to 2-year market debarment.

>Key Insight: This case highlights SEBI's "look-through" approach, where it successfully established "preponderance of probability" to link trades by relatives to the UPSI held by the promoters.

B. The Future Retail / Kishore Biyani Case-

SEBI initially barred Kishore Biyani and others for one year and imposed a fine for trading ahead of a demerger announcement.[13]

[12] SEBI Order in the matter of PC Jeweller Ltd., WTM/AB/EFD-1/DRA-3/22/2022–23 (2022) (imposing penalties, disgorgement, and market debarment for insider trading based on UPSI relating to buyback)
[13] Kishore Biyani v. SEBI, Appeal No. 80 of 2021, Securities Appellate Tribunal (SAT) (2023) (setting aside

>Outcome: The Securities Appellate Tribunal (SAT) eventually quashed the order, ruling that the information was already in the public domain via media reports.

>Legal Implication: This underscores the high evidentiary threshold required to prove "Unpublished" status. Remedial measures cannot be sustained if the information does not strictly meet the definition of UPSI under Regulation 2(1)(n).

4. The Settlement Mechanism:

The SEBI (Settlement Proceedings) Regulations, 2018, allow entities to resolve insider trading charges without admitting or denying guilt.

>Process: The applicant pays a "Settlement Amount" and may accept non-monetary terms (like a voluntary debarment).

>Restriction: Cases with a "market-wide impact" or those involving serious systemic risks are generally not eligible for settlement. This acts as a middle-path remedial measure, ensuring swift enforcement without prolonged litigation.

5. Critical Observations:

>Disproportionate Gain vs. Penalty: A recurring critique in Indian jurisprudence is whether the penalties are truly deterrent. In many high-profile cases, the actual fine is significantly lower than the maximum ₹25 Crores, often focusing more on disgorgement.

>Standard of Proof: SEBI relies on circumstantial evidence (call data records, bank transfers, and social ties). While the "preponderance of probability" is the standard, the SAT often requires a tighter "chain of events" to uphold debarment orders.

>Speed of Action: The time lag between the offense and the final remedial order remains a challenge. By the time a debarment is issued, the "wrongful gain" has often been integrated into the violator's broader portfolio.

SEBI's order on grounds that information was already in the public domain)

Conclusion

The evolution of insider trading jurisprudence in India reflects a transition from a nascent regulatory environment to a sophisticated, data-driven enforcement regime. The shift from the 1992 regulations to the SEBI (Prohibition of Insider Trading) Regulations, 2015, marked a pivotal turning point, broadening the definitions of "connected persons" and "unpublished price sensitive information" (UPSI) to close long-standing loopholes.

Recent high-profile enforcement actions underscore several critical themes in the current landscape:

- Circumstantial Evidence as a Cornerstone: As seen in recent tribunal rulings, SEBI has increasingly relied on the "preponderance of probabilities." Because direct evidence of communication is rare, the synchronization of trading patterns with the possession of UPSI has become a primary tool for establishing guilt.

- Technological Integration: The use of advanced data analytics and the "Social Media Intermediary" surveillance tools has allowed SEBI to trace complex webs of connections that were previously invisible, moving beyond immediate family to include distant professional and social circles.

- The Reach of "Deemed" Insiders: Recent cases have tested the limits of who can be considered an insider, proving that the 2015 Regulations are robust enough to catch "insiders-once-removed," such as consultants, auditors, and even casual acquaintances who trade on leaked tips.

Final Assessment:

While the legal framework under the SEBI Act, 1992 and the 2015 Regulations is comprehensive, challenges remain regarding the speed of adjudication and the consistency of penalties. The "standard of proof" continues to be a battleground in the Securities Appellate Tribunal (SAT) and the Supreme Court.

Ultimately, the efficacy of India's insider trading laws rests not just on the letter of the law, but on the proactive surveillance and the deterrent effect of recent high-stakes enforcement. For the Indian capital markets to maintain global investor confidence, the regulatory mechanism

must continue to adapt to the digital-first nature of modern financial communication, ensuring that information parity remains the bedrock of market integrity.