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## STRENGTHENING SURVEILLANCE: SEBI'S APPROACH TO INSIDER TRADING IN THE DIGITAL ERA

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### ABSTRACT

In a time when our choices are shaped by the posts we see on social media, and where a single tweet can influence financial markets, opportunities have emerged to exploit financial data shared online. Although the openness brought about by the dissemination of information on digital platforms has enabled societies to hold governments accountable, it has also heightened the risks of insider trading, especially in major developing nations like India. The media and entertainment channels we depend on for information and connection have turned into hotbeds for the swift spread of rumours and unverified claims, creating considerable challenges for maintaining the integrity of our markets. The rapidity and anonymity with which information circulates present significant obstacles for regulatory agencies like SEBI, which have historically depended on more methodical and regulated oversight. This raises an important question: **Can India's regulatory framework evolve to meet the challenges posed by this digital wave, or will it continue to lag in identifying and addressing insider trading?**

This article seeks to answer this question by critically examining India's current regulatory framework, with a particular emphasis on how well SEBI's current instruments monitor and identify insider trading that is made possible by digital platforms. It examines the difficulties presented by the flow of information across borders, the privacy of online communication, and the absence of real-time monitoring tools to keep up with the rumour's quick spread. Additionally, the study will evaluate how technological advancements like blockchain and artificial intelligence might enhance regulatory monitoring and detection capacities. In order to better manage the changing threat of digital insider trading, the paper will propose ways to improve enforcement and modify India's regulatory frameworks through a qualitative examination of legal frameworks, case studies, and expert perspectives.

**Keywords:** Insider Trading, Digital Platforms, SEBI, Market Manipulation, Surveillance, Artificial Intelligence, Blockchain, Cross-border Jurisdiction.

## 1. INTRODUCTION

The concept of Insider Trading was recognized globally during the early 1900s which led to the formulation of laws in regards to securities of market information in various countries. In India, the need for securities law arose when the financial market took a huge blow from the fraudulent activities carried on by several companies during the bloom of the IT sector (1998-2000), by creating a list of Phoney IT companies<sup>1</sup> to benefit from the illegal use of insider financial information. The country's economic position was severely damaged due to the legal loophole in the trading laws of the country.

### 1.1. What is Insider Trading?

Insider trading is a financial malpractice that takes place when company insiders, such as top management directors, officers, or workmen, utilize confidential information to acquire illegal benefits over other market investors. This confidential information may include upcoming financial results, mergers, and acquisitions, regulatory decisions, or any other material information that could significantly impact the stock price<sup>2</sup>. In earlier days, having confidential information in one's possession was deemed to be a privilege but, with the advent of facilitating globalization, insider trading was recognized in many countries as a fraudulent activity conducted against the general public and market shareholders albeit, to the traditionally conceived notion.

The Indian legislature to curb this nefarious sham, laid down the **SEBI Act**, to ensure fair and transparent market practices. As technology evolved, with the elevation of online landscape like social media apps, messaging apps, and online forums, the means to disseminate and manipulate the market through insider trading has significantly increased. This evolution has transformed the influence of information on the securities markets. These digital platforms have become hubs for circulating **Material Non-Public Information** and spreading other market-sensitive information, both accurate and misleading. **MNPI** refers to any information that is not publicly available but could

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<sup>1</sup> "Ashish Kumar Sana, *Insider Trading*, (2002), available at [https://www.caluniv.ac.in/dj/BS-Journal/2002-2004/insider\\_trading.pdf](https://www.caluniv.ac.in/dj/BS-Journal/2002-2004/insider_trading.pdf) (last visited Dec. 20, 2024)"

<sup>2</sup> "Pooja Yadav, Article on Insider Trading in India, KNOWLEDGESTEEZ (May 2023), available at <https://knowledgesteez.com/2023/05/article-on-insider-trading-in-india/> (last visited Dec. 20, 2024)"

significantly affect decision of investors to procure or write off securities if disclosed. The widespread sharing of such information often creates ambiguity between legitimate market activity and unlawful trading practices aimed at manipulating the market.

## 1.2. Research Methodology

The authors have employed a doctrinal form of research methodology, focusing on a detailed analysis of legal frameworks and case laws that are relevant to insider trading and digital platforms involving the examination and interpretation of statutes, regulations, and judicial precedents to understand the efficacy of existing laws and enforcement mechanisms. Key statutes such as “*SEBI’s Prohibition of Insider Trading Regulations (2015)*<sup>3</sup>” and provisions under the “*Companies Act (2013)*<sup>4</sup>” are analysed to address the challenges in identifying violations of insider trading in the digital landscape. Through integration of doctrinal analysis and case studies, this research offers an in-depth examination of the regulatory gaps and enforcement challenges in identifying insider trading in India.

## 1.3. Research Hypothesis and its Objectives

*“How effective are India’s current insider trading regulations in addressing the challenges posed by digital platforms, and what technological and policy reforms are necessary to enhance regulatory detection and enforcement in this context?”*

This research hypothesis seeks to cover:

- Cross-border jurisdictional limitations
- Opacity and anonymity of digital platforms
- Market manipulation through fake rumours

The primary objective of this paper is to evaluate the effectiveness of present regulatory mechanisms implemented by SEBI, in addressing the challenges posed by digital

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<sup>3</sup> “Securities and Exchange Board of India, *Prohibition of Insider Trading Regulations*, 2015, Gazette of India, pt. II sec. 3(i), Rule 2”

<sup>4</sup> “Companies Act, No. 18 of 2013, §2 (India)”

platforms in detecting and preventing illegal insider trading. By identifying gaps in enforcement, surveillance, and cross-border coordination, the paper aims to propose actionable recommendations for enhancing regulatory efficacy in this digital era.

## 2. REGULATORY FRAMEWORK IN INDIA

Insider trading was not considered an unfair practice against public investment in the Indian market until the late 1970s. The *Sachar Committee Report (1979)*<sup>5</sup> was the first of its kind to identify the significant effects caused by company employees misusing market-sensitive information to manipulate stock prices, thereby undermining market integrity and harming public investors.

Following this recommendation, the *Patel Committee Report (1986)*<sup>6</sup> and the *Abid Hussain Committee (1989)*<sup>7</sup> further emphasized the dire necessity for the legislative to progress its measures to combat unethical trading, by recommending the lawmakers to regulate trading activities and to be penalized by civil and criminal proceedings<sup>8</sup>.

In light of these recommendations and the increase in market manipulation, SEBI was enshrined with statutory powers through the enactment of the *SEBI ACT, 1992*<sup>9</sup>. This act established SEBI as the apex governing body to facilitate the regulation of trading market in India. The body was conferred with the power to formulate regulations to prevent insider trading under “*Section 30 of the SEBI Act (1992)*”<sup>10</sup>. The emergence of this act marked a pivotal step towards regulating India’s market landscape, to uphold fairness and transparency in trading practices. Furthermore, the “*SEBI (Prohibition of Insider Trading) Regulations, 2015*”<sup>11</sup> introduced progressive measures to strengthen the

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<sup>5</sup> “*Sachar Committee Report (1979)*, discussed in Y Papa Rao & V Suryanarayana Raju, *Insider Trading: An Unethical Practice: With Special Reference to Indian Securities Market*, in NLUALPR, Vol. 7, 122 (2023), available at <https://nluassam.ac.in/docs/Journals/NLUALPR/Volume-7/Article-5.pdf> (last visited Dec. 21, 2024).”

<sup>6</sup> “Sandeep Kumar, *Insider Trading and India*, at 5, para. 2 (2023), available at <https://www.ijilr.org/wp-content/uploads/Insider-Trading-and-India.pdf> (last visited Dec. 22, 2024)”

<sup>7</sup> “Securities and Exchange Board of India, *Role Played by SEBI in Restricting Insider Trading* 5, para. 2 (2018), <https://www.icsi.edu/media/portals/72/year%202018/presentation/ROLE%20PLAYED%20BY%20SEBI%20IN%20RESTRICTING%20INSIDER%20TRADING.pdf> (last visited Dec. 21, 2024).”

<sup>8</sup> “S. K. Gupta, *Insider Trading: A Study of the Regulatory Framework in India*, SSRN (2011), available at [https://download.ssrn.com/11/08/07/ssrn\\_id1906165\\_code1310017.pdf](https://download.ssrn.com/11/08/07/ssrn_id1906165_code1310017.pdf) (last visited Jan. 17, 2025).”

<sup>9</sup> “Securities and Exchange Board of India, *The SEBI Act, 1992*, No. 15 of 1992, §1 (India)”

<sup>10</sup> “Securities and Exchange Board of India, *The SEBI Act, 1992*, No. 15 of 1992, §30 (India).”

<sup>11</sup> “Securities and Exchange Board of India, *SEBI (Prohibition of Insider Trading) Regulations, 2015*, Gazette of India, pt. II sec. 3(i), Rule 2 (Jan. 15, 2015).”

definitions relating to unlawful trading practices and MNPI rationalized disclosure requirements, and other important factors concerning compliance with market norms<sup>12</sup>.

## 2.1. Key Provisions of the SEBI Regulations and Act

### a. Clarity

SEBI aimed to reduce instances of insider trading and enhance mechanisms to increase accountability. To implement this objective the act provided more clear definitions to help educate insiders about their responsibilities and the potential legal repercussions in matters of non-compliance.

- **Insider:** The expression “*Insider*” has been defined under “**2(g) of SEBI Regulation**<sup>13</sup>”, as any individual who is in connection with the organization in any form and has access to unpublished confidential information. This definition is broader as it encompasses not only the executives and employees of the company but also personnels who have potential entree to this intelligence through contractual, and fiduciary relationships. The act with this wide` coverage of individual categories, minimizes loopholes that could be exploited through insider trading<sup>14</sup>.
- **Unpublished Sensitive Information (UPSI):** UPSI is defined under **SEBI Regulation 2(n)**<sup>15</sup> as any information that is related to the company that has the power to materially affect the stock market if disclosed and is not publicly available. This information includes confidential pieces of information such as mergers, acquisitions, or any significant corporate secrets<sup>16</sup>. SEBI provides clarity as to what

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<sup>12</sup> “Vaibhav Shahi, *Regulation and Analysis of the Concept of Insider Trading: A Critical Analysis*, LAWCTOPUS (Jan. 17, 2025), available at <https://www.lawctopus.com/academike/regulation-and-analysis-of-the-concept-of-insider-trading-a-critical-analysis/> (last visited Dec. 21, 2024).”

<sup>13</sup> “Securities and Exchange Board of India, *SEBI (Prohibition of Insider Trading) Regulations*, 2015, Gazette of India, pt. II sec. 3(i), §2(g) (Jan. 15, 2015).”

<sup>14</sup> “Rohit Chakraborty, *Insider Trading Under SEBI (Prohibition of Insider Trading) Regulation Act*, IPLAW (Jan. 17, 2025), available at <https://blog.ipleaders.in/insider-trading-under-sebi-prohibition-of-insider-trading-regulation-act/> (last visited Jan. 17, 2025).”

<sup>15</sup> “Securities and Exchange Board of India, *SEBI (Prohibition of Insider Trading) Regulations*, 2015, Gazette of India, pt. II sec. 3(i), §2(n) (Jan. 15, 2015).”

<sup>16</sup> “Securities and Exchange Board of India, *Unpublished Price Sensitive Information (UPSI)*, (PwC, Dec 21, 2024), available at <https://www.pwc.in/assets/pdfs/services/ras/upsi.pdf> (last visited Dec 21, 2024).”

constitutes sensitive information, thereby laying a broader scope under the term “UPSI”<sup>17</sup>.

- **Trading:** The term trade consists the act of subscription, sales, dealing, purchasing or agreeing to subscribe, deal, purchase and selling of securities as defined under “*SEBI Regulation 2(l)*”<sup>18</sup>. The regulations cover all forms of trading activity, in order to prevent individuals from dodging the legal repercussions through engaging in different forms of transaction.
- **Connected Person:** Every individual that has been linked to the company in question, in any manner within six months prior to the concerned act of insider trading is known as a connected person. This definition in “*regulation 2(d)*”<sup>19</sup> is very crucial as it extends its reach during the investigation to expose and analyse individuals who may not be directly employed by the company but still hold access to confidential intelligence of the organisation.
- **Compliance Officer:** The role of compliance officer is introduced by *regulation 2(c)*<sup>20</sup> to assess the enforcement of the norms laid down. The officer is responsible for monitoring compliance with insider trading laws within a company<sup>21</sup>.

## b. Prohibition of Insider Trading

“*Regulation 3 of the SEBI (Prohibition of Insider Trading) Regulations, 2015*”<sup>22</sup> explicitly prohibits the practice of insider trading while in possession of sensitive confidential information that could affect the price of a company's securities if

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<sup>17</sup> *Supra* note 7

<sup>18</sup> “Securities and Exchange Board of India, *SEBI (Prohibition of Insider Trading) Regulations, 2015*, Gazette of India, pt. II sec. 3(i), §2(l) (Jan. 15, 2015).”

<sup>19</sup> “Securities and Exchange Board of India, *SEBI (Prohibition of Insider Trading) Regulations, 2015*, Gazette of India, pt. II sec. 3(i), §2(d) (Jan. 15, 2015).”

<sup>20</sup> “Securities and Exchange Board of India, *SEBI (Prohibition of Insider Trading) Regulations, 2015*, Gazette of India, pt. II sec. 3(i), §2(c) (Jan. 15, 2015).”

<sup>21</sup> “Securities and Exchange Board of India, *Reporting to Stock Exchanges Regarding Violations Under Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 Relating to the Code of Conduct*, Circular No. SEBI/HO/ISD/ISD/CIR/P/2020/135 (Jul. 23, 2020), available at <https://www.sebi.gov.in/legal/circulars/jul-2020/reporting-to-stock-exchanges-regarding-violations-under-securities-and-exchange-board-of-india-prohibition-of-insider-trading-regulations-2015-relating-to-the-code-of-conduct-coc-47121.html> (last visited Jan. 17, 2025).”

<sup>22</sup> “Securities and Exchange Board of India, *SEBI (Prohibition of Insider Trading) Regulations, 2015*, Gazette of India, pt. II sec. 3(i), §3 (Jan. 15, 2015)”

disclosed. This prohibition is aimed at maintaining market integrity and to provide all the investors with equal information access that can influence their investment decisions, thereby prohibition is used to level the knowledge of all investors.

In addition to “**Regulation 3<sup>23</sup>**”, the legislature has several other provisions to protect investor's rights through the “**Companies Act, 2013<sup>24</sup>**” to further reinforce its stance on insider trading. Before 2017, “**Sections 194 and 195 of the Companies Act, 2013**” were designed to prevent insider trading mainly among the top managerial personnels. However, during the amendment of the act in 2017 these provisions were omitted, leading to a more streamlined approach where SEBI was the only comprehensive governor of this under the act and the associated regulations<sup>25</sup>.

### c. Trading Plans

“**Regulation 5 of the 2015 SEBI regulations<sup>26</sup>**” introduced the concept of trading plans to mitigate the risks of insider trading by enabling them to create pre-scheduled trading plans. According to the regulation, this plan must be made at least 12 months in advance along with a 6-month cooling-off period, thereby facilitating transparency in trading activities while safeguarding against potential violations. Once this plan has been assented through the compliance officer, these plans cannot be cancelled or altered. This regulation explicitly empowers individuals who consistently possess **UPSI** of securities while fully complying with the necessary standards. It establishes the framework for a trading plan that allows insiders to schedule their trades in advance. Therefore, even if they hold unpublished price-sensitive information at the moment of executing a pre-arranged trade, such possession does not fall under the unlawful transaction. Furthermore, recent amendments proposed by **SEBI** aim to enhance the flexibility of these trading plans by allowing insiders to set price limits for their trades and reducing the minimum duration from 12 months to 6 months. This adaptability is crucial in a

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<sup>23</sup> *Supra* note 22

<sup>24</sup> *Supra* note 4

<sup>25</sup> “Ankit Handa & Arunima Vijay, *Harmonization of Insider Trading Norms: Companies Act and SEBI Regulations*, India Corp Law (Jan. 17, 2025), available at <https://indiacorplaw.in/2018/01/harmonization-insider-trading-norms-companies-act.html> (last visited Dec 23 2024).”

<sup>26</sup> “Securities and Exchange Board of India, *SEBI (Prohibition of Insider Trading) Regulations*, 2015, Gazette of India, pt. II sec. 3(i), §5 (Jan. 15, 2015).”

dynamic market where conditions can change rapidly, enabling insiders to respond effectively while still complying with regulatory standards<sup>27</sup>.

#### d. Disclosure of Trading by Designated Persons

A designated person is someone that is authorized to learn the company's sensitive information due to their positions, such as - directors, key managerial personnel, employees up to two levels below the CEO, and any other individuals who were notified by the compliance officer based on their role. A designated person is bound to reveal their trades to the organization within 2 trading days if the value exceeds ₹10 lakhs or any other requisites specified by **SEBI**. The requirement for a designated person to disclose their trading activities is crucial for several reasons.

First, to inevitably promote transparency and accountability within the organization among the employees. It also allows the compliance officer to monitor the insider activities of these persons. This acts as a deterrent mechanism allowing the trading activities of a designated person to be scrutinized and maintain confidence among the members by ensuring that the person had access to the same information that every other participant holds.

Secondly, the disclosure of trading information allows companies to fulfil their regulatory obligations towards **SEBI** and maintain reliable records on legal insider transactions. This also demonstrates the company's commitment towards ethical practices and compliance with insider trading laws. The ultimate goal of these disclosures is to facilitate a more transparent and fair market environment, where all market participants have equal access to company's information to make knowledgeable decisions<sup>28</sup>.

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<sup>27</sup> *Supra* note 25

<sup>28</sup> "National Securities Depository Limited, *Code of Conduct to Regulate, Monitor and Report Trading in Securities of NSDL by Designated Persons as a Listed Entity*, NSDL/ Code of Conduct/Policy/1.0 (June 27, 2023), available at [https://nsdl.co.in/downloadables/pdf/Code\\_of\\_Conduct\\_of\\_NSDDL\\_by\\_Designated\\_Persons\\_as\\_a\\_Listed\\_Entity.pdf](https://nsdl.co.in/downloadables/pdf/Code_of_Conduct_of_NSDDL_by_Designated_Persons_as_a_Listed_Entity.pdf) (last visited Dec. 24, 2024)."

#### e. Disclosures by Companies

**Regulation 8 of the SEBI (PIT) Regulations, 2015**<sup>29</sup> mandates companies to disclose information related to their securities, similar to how designated persons are bound to disclose. This regulation aims to ensure transparency between the company and the market, it requires companies to report trades made by designated persons along with any UPSI that could impact the stock prices. Additionally, maintaining a level playing field for all investors and preventing market manipulation depends on this kind of transparency, which strengthens public trust in the financial markets<sup>30</sup>.

Furthermore, the corporations are required to provide an annual disclosure report that summarises the designated people's holdings and any changes to their shareholding patterns. This recurrent mandate guarantees that investors and regulators stay aware of noteworthy developments that may impact stock performance<sup>31</sup>. In lieu of improving market transparency, SEBI's enforcement of these disclosure standards provides investors the knowledge they need to evaluate the risks involved in their investments<sup>32</sup>.

#### f. Maintenance of Digital Database

Companies are directed to preserve a “**Structured Digital Database (SDD)**”<sup>33</sup> of individuals who have access to UPSI. This step taken forward by SEBI under “**Regulation 3(5) of the SEBI (PIT) Regulations, 2015**,”<sup>34</sup> has been a crucial effort to combat insider trading by securing the record of all individuals who might potentially be influenced or might influence others by sensitive information. It also regulates that the said database must be secure, regularly updated, and only be accessible to

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<sup>29</sup> “Securities and Exchange Board of India, *SEBI (Prohibition of Insider Trading) Regulations, 2015*, Gazette of India, pt. II sec. 3(i), §8 (Jan. 15, 2015)”

<sup>30</sup> “Elecon Engineering Company Limited, *Disclosures Under Sub-Regulation (8) of Regulation 30*, (Jan. 7, 2025), available at <https://www.elecon.com/investors/disclosures-under-sub-regulation-8-of-regulation-30> (last visited Dec. 23, 2024)”

<sup>31</sup> *Supra* note 2

<sup>32</sup> “Santosh K., *Insider Trading Presentation*, ICSI (June 18, 2022), available at [https://www.icsi.edu/media/filer\\_public/11/93/119365fe-02d1-42ac-b5ec-f0b916fdac7a/insider\\_trading\\_ppt\\_-18062022pdf\\_cs\\_santosh\\_k.pdf](https://www.icsi.edu/media/filer_public/11/93/119365fe-02d1-42ac-b5ec-f0b916fdac7a/insider_trading_ppt_-18062022pdf_cs_santosh_k.pdf) (last visited Dec. 25, 2024)”

<sup>33</sup> “Teamlease Regtech, *SEBI Regulations SDD | Comply with SEBI Regulations | Unpublished Price Sensitive Information (UPSI) | Structured Digital Database (SDD)*, (Jan. 17, 2025), available at <https://www.teamleaseregtech.com/product/sdd/> (last visited Dec. 26, 2024)”

<sup>34</sup> “Securities and Exchange Board of India, *SEBI (Prohibition of Insider Trading) Regulations, 2015*, Gazette of India, pt. II sec. 3(i), §3(5) (Jan. 15, 2015)”

authorized personnel, thereby allowing **SEBI** to more effectively conduct investigations in circumstances of insider trading<sup>35</sup>.

The **SDD** is not limited to members of the company, it extends to intermediaries and fiduciaries who routinely gain access to a company's **UPSI** as part of business obligations. Through this provision, the **SEBI** has enabled a system to maintain a detailed record, which allows companies to manage compliance risks. As digital communication continues to evolve, the ability to track and manage access to **UPSI** becomes increasingly vital in safeguarding market integrity.

#### **g. Obligations of Intermediaries**

Intermediaries, such as brokers, consultants, advisors, and other financial professionals are often accessors of sensitive information in a company, this knowledge of sensitive information allows them to be considered as connected person<sup>36</sup>. As a connected person, they are also enshrined with certain obligations under the “**SEBI (PIT) Regulations, 2015**,<sup>37</sup>)” to ensure that they cannot be used as a loophole to evade penalties. One of the primary obligations of these intermediaries is to conduct transactions with due diligence when handling clients who may be insiders or have access to sensitive information. Here, due diligence includes the intermediaries to implement internal control and monitoring mechanisms that will help the company to prevent insider unlawful trading activities. They are also mandated to establish their own code of conduct<sup>38</sup> as directed under “**Regulation 9**”<sup>39</sup>)” along with the standards of monitoring, regulating, and reporting trades by designated persons. These measures not only protect investors but also enhance confidence in the Indian securities market.

#### **h. Investigation and Action**

**SEBI** is granted the authority to investigate and take action on any suspected violations

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<sup>35</sup> “Corporate Professionals, *Insilysis: A Comprehensive Solution for Insider Trading Compliance*, available at <https://www.corporateprofessionals.com/products/insilysis/> (last visited Dec. 26, 2024)”

<sup>36</sup> “*Insilysis: Navigating the Obligations of Intermediaries and Fiduciaries under SEBI (PIT) Regulations, 2015* (Dec. 30, 2023) available at <https://www.linkedin.com/pulse/navigating-obligations-intermediaries-fiduciaries-under-sebi-ujedf> (last visited Dec 25, 2024)”

<sup>37</sup> *Supra* note 34

<sup>38</sup> *Supra* note 28

<sup>39</sup> “Securities and Exchange Board of India, *SEBI (Prohibition of Insider Trading) Regulations, 2015*, Gazette of India, pt. II sec. 3(i), §9 (Jan. 15, 2015).”

of the regulations concerning insider trading under “**Section 11c of the SEBI Act, 1992**<sup>40</sup>”. When **SEBI** receives a complaint or identifies any suspicious trading activities that point towards unlawful trading the board can start the investigation process<sup>41</sup>. In case, *prima facie* evidence is established, **SEBI** can appoint an investigating authority who is not below the rank of Division Chief to carry out a thorough investigation on the concerned matter.

During the investigation, the appointed authority has been granted extensive power to gather evidence against the act. This power includes collecting information through records from any person involved in the suspected violation, inspecting books and records of the company, and also demanding the intermediaries and associated persons to furnish necessary documentation. The investigating authority also has the power to record statements from individuals who are relevant to the case, including directors, partners, and employees of the company that is being investigated. Once the investigation is complete the board provides the suspected individuals an opportunity to respond against the claims and evidence collected against them within a specified timeframe. Based on these investigation findings and defence **SEBI** has the power to take appropriate actions to protect investor interests and uphold market integrity by restoring investor's confidence through its actions<sup>42</sup>.

#### **i. Penalties under the SEBI Act**

The Act do not tolerate the acts of defiance against the provisions laid down to protect the market integrity as stipulated under “**Sections 15G and 24 of the Act**<sup>43</sup>”. The penalties for taking part in the act of insider trading are specifically addressed under **Section 15G**<sup>44</sup> sentencing any person found guilty of insider trading to being imprisoned for a period that may increase up to 10 years, or to a fine that ranges from ₹10 lakhs to ₹25 crores, or to a fine of amount triple the times of their total profit procured through

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<sup>40</sup> “Securities and Exchange Board of India, *SEBI Act, 1992*, §11C (April 4, 1992).”

<sup>41</sup> “Securities and Exchange Board of India, *Decoding SEBI's Tech Arsenal for Insider Trading: Structured Digital Database (Part I)*, Cyril Amarchand Mangaldas (Nov. 2023), available at <https://corporate.cyrilamarchandblogs.com/2023/11/decoding-sebis-tech-arsenal-for-insider-trading-structured-digital-database-part-i/> (last visited Dec 24, 2024).”

<sup>42</sup> “Securities and Exchange Board of India, *Annual Report 1999-2000*, SEBI (n.d.), available at [https://www.sebi.gov.in/sebi\\_data/commndocs/ar99002f\\_h.html](https://www.sebi.gov.in/sebi_data/commndocs/ar99002f_h.html) (last visited Dec. 26, 2024).”

<sup>43</sup> “Securities and Exchange Board of India, *SEBI Act, 1992*, §15G (April 4, 1992), Securities and Exchange Board of India, *SEBI Act, 1992*, §24 (April 4, 1992).”

<sup>44</sup> *Supra note 43*

the illegal trading activities (whichever is greater)<sup>45</sup>. This framework is articulated to act as a deterrent against potential defiers and upholds the investors interests.

**SEBI** also can take crucial actions against individuals or entities that contravenes the provisions laid down by engaging in such unethical practices through **Section 24 of the act**<sup>46</sup>. This section allows **SEBI** to take both civil and criminal proceedings against offenders<sup>47</sup>, to enforce compliance effectively. The combination of these two sections not only provides a clear legal structure for penalizing the offenders but also reinforces **SEBI's** commitment to promoting market integrity and protecting the interests of the investors.

The regulatory framework surrounding Insider trading in India, primarily governed by **SEBI** Act and regulations, plays a significant part in preserving market stability and protecting investor's interests through its provisions and investigation process.

### 3. TECHNOLOGICAL SOLUTIONS FOR THE DETECTION OF INSIDER TRADING VIA DIGITAL PLATFORMS

Insider trading undermines market integrity, and with the rise of digital platforms, detecting such illicit activities has become increasingly complex. In India, the **Securities and Exchange Board of India (SEBI)** has adopted advanced technological solutions to enhance surveillance and enforcement.

#### 3.1. Current Technologies for Surveillance

**SEBI** utilizes a suite of sophisticated tools to monitor trading activities and detect anomalies indicative of insider trading:

- **Data Warehousing and Business Intelligence System (DWBIS):** This system enables comprehensive analysis of trading data, facilitating the identification of

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<sup>45</sup> “Securities and Exchange Board of India, *SEBI Act, 1992*, §15G (April 4, 1992) available at <https://lawgist.in/securities-and-exchange-board-of-india-act/15G> (last visited on Dec 26, 2024)”

<sup>46</sup> *Supra* note 43

<sup>47</sup> “Securities and Exchange Board of India, *SEBI Prohibition of Insider Trading Regulations, 2015: Major Obstacles to Implementation*, SCC Online (Sept. 14, 2023), available at <https://www.scconline.com/blog/post/2023/09/14/sebi-prohibition-of-insider-trading-regulations-2015-major-obstacles-implementation/> (last visited Dec. 24, 2024).”

suspicious patterns and behaviours<sup>48</sup>.

- **Integrated Market Surveillance System (IMSS):** IMSS provides real-time monitoring of market activities, allowing **SEBI** to promptly detect and address potential market manipulation and insider trading incidents<sup>49</sup>.
- **Structured Digital Database (SDD):** Introduced to maintain an audit trail of confidential information, **SDD** records details of individuals accessing such information, thereby enhancing transparency and accountability within organizations.

### 3.2. AI and Machine Learning

Artificial Intelligence (AI) and Machine Learning (ML) have become pivotal in revolutionizing market surveillance:

- **Anomaly Detection:** AI algorithms can analyse vast datasets to detect unusual trading patterns, such as sudden surges in transactions volumes or atypical stock price movements, which may indicate insider trading<sup>50</sup>.
- **Pattern Recognition:** ML models can identify complex patterns and correlations within trading data that may elude human analysts, such as coordinated trading activities or correlations between trading behaviour and external events<sup>51</sup>.
- **Network Analysis:** AI can map relationships between market participants, uncovering prospective association between insiders and individuals who are benefiting from non-public information, thereby identifying networks involved in illicit activities<sup>52</sup>.

In India, researchers have emphasized AI's potential to enhance insider trading

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<sup>48</sup> “Ankura, *How SEBI Can Use Advanced Analytics to Curb Insider Trading*, (Jan. 17, 2025), available at <https://angle.ankura.com/post/102hre9/how-sebi-can-use-advanced-analytics-to-curb-insider-trading?utm> (last visited Dec. 27, 2024)”

<sup>49</sup> *Supra* note 48

<sup>50</sup> “Mr. Suraj Prakash, Dr. Tavleen Kaur Khurana, *Harnessing Artificial Intelligence for Enhanced Insider Trading Detection in India: Challenges and Regulatory Imperatives*, (2024), available at <https://kuey.net/index.php/kuey/article/view/4167/2777> (last visited Dec. 28, 2024)”

<sup>51</sup> *Supra* note 50

<sup>52</sup> *Supra* note 50

detection, advocating for its integration into regulatory frameworks to improve market integrity<sup>53</sup>.

### 3.3. Blockchain and Data Transparency

Blockchain technology offers significant potential to enhance transparency and trust in financial markets:

- **Immutable Records:** The decentralized and tamper-proof nature of blockchain ensures that all transactions are permanently recorded, making it challenging to conceal illicit activities<sup>54</sup>.
- **Real-Time Monitoring:** Integrating blockchain with AI can facilitate real-time surveillance of trading activities, enabling prompt detection of suspicious transactions<sup>55</sup>.

By implementing blockchain, regulators can develop an accountable and transparent financial ecosystem, deterring insider trading and fostering investor confidence.

### 3.4. Relevant Case Studies

- **The IL&FS Crisis (2018):**

During the Infrastructure Leasing & Financial Services (IL&FS) crisis, rumours about the company's financial instability spread rapidly through platforms like Twitter and WhatsApp, leading to market volatility. SEBI encountered difficulties tracing the origins of the misinformation but subsequently, analysed trading data to identify suspicious activities linked to these rumours. This incident underscores the necessity for advanced technological solutions to monitor digital platforms and detect early signs of insider trading or market manipulation.

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<sup>53</sup> “Indian Researchers, *Identifying the Impact of AI on Insider Trading Detection*, IndiaAI (Jan. 17, 2025), available at [https://indiaai.gov.in/article/indian-researchers-identify-the-impact-of-ai-on-insider-trading-detection?utm\\_](https://indiaai.gov.in/article/indian-researchers-identify-the-impact-of-ai-on-insider-trading-detection?utm_) (last visited Dec. 28, 2024)”

<sup>54</sup> *Supra note 50*

<sup>55</sup> *Supra note 50*

- **SEBI v. Abhijit Rajan (2019)**

Abhijit Rajan, the former chairman and managing director of Gammon India, was charged by SEBI with unlawful trading practices using unpublished confidential information. Before the negative financial information was made public, Rajan sold shares, which caused the stock price to drop sharply. At first, the Securities Appellate Tribunal (SAT) decided in Rajan's favour, highlighting the necessity of demonstrating motive. But SEBI's Supreme Court appeal brought to light the difficulties in proving intent in cases involving insider trading and emphasised the significance of strong monitoring systems to identify and stop such actions<sup>56</sup>.

- **Axis Mutual Fund Front-Running Case (2022)**

The Enforcement Directorate (ED) of India conducted searches in the offices of Axis Mutual Fund as part of an investigation into a front-running instance. ***Viresh Joshi***, the *former chief dealer at Axis Mutual Fund*, was allegedly involved in sharing market-sensitive information in exchange for kickbacks from brokers. This case highlights the ongoing challenges in detecting and preventing insider trading activities within financial institutions<sup>57</sup>.

The integration of advanced technologies such as AI, machine learning, and blockchain into regulatory frameworks is essential for elevating the identification and deterrence of illegal trading via digital platforms. Continuous development and implementation of these technologies are crucial to maintaining the integrity of financial markets in the digital era.

#### **4. DIFFICULTIES IN REGULATORY EFFICACY: CROSS-BORDER JURISDICTION ISSUES**

The proliferation of global digital platforms has significantly complicated the detection and prosecution of insider trading, particularly for Indian regulators. The cross-border nature of information dissemination poses unique challenges that require a nuanced

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<sup>56</sup> “NLIU Law Review, Volume XIII, Issue 2, pp. 127-140 (2024), available at [https://nliulawreview.nliu.ac.in/wp-content/uploads/2024/06/NLIU-Law-Review\\_Volume-XIII-Issue-2-127-140.pdf?utm\\_](https://nliulawreview.nliu.ac.in/wp-content/uploads/2024/06/NLIU-Law-Review_Volume-XIII-Issue-2-127-140.pdf?utm_) (last visited Dec. 29, 2024).”

<sup>57</sup> “India Enforcement Agency, *India Enforcement Agency Conducts Searches in Axis Mutual Fund Front Running Case*, Reuters (Sept. 11, 2024), available at [https://www.reuters.com/world/india/india-enforcement-agency-conducts-searches-axis-mutual-fund-front-running-case-2024-09-11/?utm\\_](https://www.reuters.com/world/india/india-enforcement-agency-conducts-searches-axis-mutual-fund-front-running-case-2024-09-11/?utm_) (last visited Dec. 29, 2024).”

understanding of international law, digital communication dynamics, and the limitations of current regulatory frameworks.

#### 4.1. Cross-Border Jurisdictional Issues

- **Legal Conflicts Between Jurisdictions**

Insider trading laws vary significantly across jurisdictions, leading to potential conflicts when illicit activities span multiple countries. For instance, the “*U.S. Securities and Exchange Commission (SEC)*”<sup>58</sup> has faced challenges in asserting jurisdiction over trading activities that occur outside its borders but affect U.S. markets. “A study by the SEC highlighted the complexities of applying “*Section 10(b) of the Securities Exchange Act to transnational securities frauds*”, noting that the Supreme Court adopted a new transactional test under which “*Section 10(b)*”<sup>59</sup> reaches the use of a manipulative or deceptive device only in connection with the purchase or sale of a security listed on an American stock exchange, and the purchase or sale of any other security in the United States<sup>60</sup>.”

- **Lack of Enforcement Authority**

Governing bodies like India's “*Securities and Exchange Board of India (SEBI)*” lack direct enforcement powers outside their national territory. This limitation becomes evident when investigating insider trading facilitated through foreign digital platforms. For example, the SEC has encountered difficulties in prosecuting cases where foreign individuals use foreign brokerage accounts to trade in U.S. securities, as seen in cases involving Italian portfolio managers trading through Swiss offices<sup>61</sup>.

- **Issues in Extradition and Mutual Legal Assistance Treaties (MLATs)**

While India has signed MLATs with several countries to aid in cross-border criminal

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<sup>58</sup> Securities Exchange Act of 1934 § 10(b), 15 U.S.C. § 78j(b) (2018)

<sup>59</sup> *Supra note 58*

<sup>60</sup> “Securities and Exchange Commission, *Study on Cross-Border Private Rights*, SEC (n.d.), available at [https://www.sec.gov/files/929y-study-cross-border-private-rights.pdf?utm\\_](https://www.sec.gov/files/929y-study-cross-border-private-rights.pdf?utm_) (last visited Dec. 29, 2024).”

<sup>61</sup> “Langevoort, Donald C., *Cross-Border Insider Trading*, 19 Penn State Int'l L. Rev. 1 (2000), available at [https://elibrary.law.psu.edu/cgi/viewcontent.cgi?article=1517&context=psilr&utm\\_](https://elibrary.law.psu.edu/cgi/viewcontent.cgi?article=1517&context=psilr&utm_) (last visited Dec. 28, 2024).”

investigations, these treaties often do not explicitly cover financial crimes like insider trading. The lack of harmonized laws across jurisdictions hinders SEBI's ability to trace and prosecute foreign individuals or entities involved in insider trading affecting Indian securities markets. A hypothetical case discussed by the Office of Justice Programs emphasized the difficulty in asserting jurisdiction over trading activities that span multiple countries, underscoring the need for a multinational organization to handle insider trading surveillance and enforcement<sup>62</sup>.

#### 4.2. Difficulty in Tracing Information Sources

- **Anonymity in Digital Communication**

The anonymity of digital platforms, particularly encrypted messaging services like Telegram and WhatsApp, presents a major challenge to regulators in tracing the origins of insider trading information. As many individuals operate under pseudonyms or use VPNs, it becomes extremely difficult to track down the original sources of such rumours. This anonymous nature makes it harder to connect the dots and enforce regulations effectively<sup>63</sup>.

- **High-Speed Dissemination of Information**

Digital platforms, especially social media, allow information to spread at an unprecedented speed. A single post can quickly lead to substantial market volatility, making it harder for regulators to act swiftly enough to prevent illegal trades. The rapid dissemination of rumours, often before they can be analysed, results in a significant regulatory lag<sup>64</sup>.

- **Decentralized Nature of Digital Platforms**

Unlike traditional stock exchanges, which operate under centralized oversight, many digital forums and cryptocurrency exchanges are decentralized, with no single

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<sup>62</sup> "U.S. Department of Justice, *Cross-Border Insider Trading*, 8 J. Fin. Crime 254-263 (Feb. 2001), available at [https://www.ojp.gov/ncjrs/virtual-library/abstracts/cross-border-insider-trading?utm\\_](https://www.ojp.gov/ncjrs/virtual-library/abstracts/cross-border-insider-trading?utm_) (last visited Dec. 30, 2024)"

<sup>63</sup> "Pew Research Center, *The State of Privacy*, (Jan. 14, 2016), available at [https://www.pewresearch.org/internet/2016/01/14/the-state-of-privacy/?utm\\_](https://www.pewresearch.org/internet/2016/01/14/the-state-of-privacy/?utm_) (last visited Dec. 30, 2024)"

<sup>64</sup> *Supra note 57*

governing entity responsible for compliance. The lack of **Know Your Customer** (KYC) requirements on some **Decentralized finance** (DeFi) exchanges allows traders to execute transactions without revealing their identities, making it nearly impossible for regulators to track illicit activities<sup>65</sup>.

#### 4.3. Lack of Coordinated Global Efforts

- **Absence of a Global Regulatory Authority**

Unlike “*anti-money laundering (AML) regulations*”, which benefit organizations like the “*Financial Action Task Force (FATF)*”, there is no equivalent global authority dedicated to preventing insider trading. While the “*International Organization of Securities Commissions (IOSCO)*” facilitates information-sharing among regulators, these arrangements are often limited to information-sharing rather than active enforcement. The lack of an international governing body results in fragmented enforcement, where countries rely on ad-hoc cooperation rather than a standardized protocol for investigating cross-border insider trading<sup>66</sup>.

- **Challenges in Data Sharing Between Regulatory Bodies**

Even when cross-border regulatory cooperation exists, data-sharing limitations often impede investigations. In many cases, foreign regulators require a formal request before sharing critical information, leading to delays in insider trading probes. Enforcement is made more difficult by the fact that certain jurisdictions have privacy rules that prevent the release of trading data. For example, a persistent problem in the investigation of offshore insider trading practices has been the inability of Indian regulators to directly access trading data from broker accounts situated in the United States.

- **Regulatory Arbitrage by Market Participants**

Insider traders frequently take advantage of regulatory arbitrage, which is the

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<sup>65</sup> “Financial Stability Board, *Implementation and Effects of the G20 Financial Regulatory Reforms: Fifth Annual Report* (Oct. 2019), available at [https://www.fsb.org/2019/10/implementation-and-effects-of-the-g20-financial-regulatory-reforms-fifth-annual-report/?utm\\_](https://www.fsb.org/2019/10/implementation-and-effects-of-the-g20-financial-regulatory-reforms-fifth-annual-report/?utm_) (last visited Dec. 31, 2024)”

<sup>66</sup> *Supra* note 65

practice of taking advantage of variations in laws between jurisdictions. People who engage in illegal trade in nations with laxer enforcement can evade harsher sanctions levied by more strict authorities. This tactic is especially popular among institutional traders and hedge funds that use offshore entities to structure their trades in order to evade detection. For instance, some traders engage in insider trading that impacts Indian markets by using foreign brokerage accounts in jurisdictions with lax disclosure laws.

#### 4.4. Relevant Case Studies

- **GameStop Short Squeeze (2021) and Indian Investors:**

The GameStop episode, primarily orchestrated by retail investors on platforms like Reddit, led to a dramatic escalation in the organization's stock price, causing significant disruptions in the U.S. financial markets. This event had a ripple effect, influencing retail investors globally, including those in India. Indian investors, through various online forums and trading platforms, participated in the frenzy, highlighting how global digital platforms can impact local markets. This incident underscored the challenges faced by Indian regulators in monitoring and responding to market movements initiated beyond their jurisdiction, emphasizing the need for better coordination with international regulatory bodies to effectively oversee and mitigate such cross-border market influences<sup>67</sup>.

- **Bank of America's Alleged Information Sharing in India (2023)**

In 2023, allegations emerged that Bank of America's bankers in Asia shared non-public information with investors ahead of a significant stock sale in India. This purported information leak, facilitating illegal front-running, exemplifies the complexities of cross-border regulatory enforcement. The involvement of international financial institutions and the cross-border nature of the transactions posed significant challenges for Indian regulators in investigating and addressing

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<sup>67</sup> "Indian Investors Join GameStop Frenzy, *Times of India*, Feb. 12, 2021, available at [https://timesofindia.indiatimes.com/business/india-business/indian-investors-join-gamestop-frenzy/articleshow/80520468.cms?utm\\_](https://timesofindia.indiatimes.com/business/india-business/indian-investors-join-gamestop-frenzy/articleshow/80520468.cms?utm_) (last visited Dec. 31, 2024)"

the misconduct, highlighting the need for robust international cooperation and stringent compliance mechanisms to effectively tackle such issues<sup>68</sup>.

- **Adani Group and Activist Short Selling (2023)**

In early 2023, the Adani Group, a major Indian conglomerate, was confronted with accusations of manipulating stock and committing fraud by “*Hindenburg Research*”, a U.S. based activist short-setting firm. The report led to a substantial decline in the market value of Adani companies, raising concerns about the influence of foreign entities on Indian markets. The incident highlighted the challenges Indian regulators face in responding to market volatility induced by cross-border information dissemination and underscored the necessity for international regulatory collaboration to address the complexities introduced by global digital platforms<sup>69</sup>.

- **Indian-Origin Individuals Charged in U.S. Insider Trading Cases (2022)**

2022, several individuals of Indian origin were charged in the United States for their involvement in insider trading schemes that collectively yielded over five million dollars in illegal profits. These cases exemplify the cross-border nature of insider trading activities and the challenges faced by regulators in different jurisdictions to detect, investigate, and prosecute such offenses. The involvement of Indian nationals in these schemes underscores the need for enhanced international cooperation and information-sharing mechanisms between regulatory bodies to effectively combat insider trading on a global scale<sup>70</sup>.

- **Tiger Asia Management LLC Case**

This case involved a U.S.-based hedge fund, “*Tiger Asia Management*”, which

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<sup>68</sup> :Bank of America Shared Nonpublic Information with Investors in India, *Wall Street Journal*, Jan. 17, 2025, available at [https://www.wsj.com/finance/bank-of-america-shared-nonpublic-information-with-investors-in-india-whistleblower-says-8e16deb8?utm\\_](https://www.wsj.com/finance/bank-of-america-shared-nonpublic-information-with-investors-in-india-whistleblower-says-8e16deb8?utm_) (last visited Jan. 1, 2025)”

<sup>69</sup> “Hindenburg Receives Show Cause Letter from Indian Markets Regulator, *Reuters*, July 1, 2024, available at [https://www.reuters.com/business/hindenburg-receives-show-cause-letter-indian-markets-regulator-2024-07-01/?utm\\_](https://www.reuters.com/business/hindenburg-receives-show-cause-letter-indian-markets-regulator-2024-07-01/?utm_) (last visited Jan. 1, 2025).”

<sup>70</sup> “Several Indian-Origin Persons Charged in Insider Trading Cases in US, *Economic Times*, Jan. 17, 2025, available at [https://m.economictimes.com/news/india/several-indian-origin-persons-charged-in-insider-trading-cases-in-us/articleshow/93120010.cms?utm\\_](https://m.economictimes.com/news/india/several-indian-origin-persons-charged-in-insider-trading-cases-in-us/articleshow/93120010.cms?utm_) (last visited Jan. 2, 2025)”

engaged in insider trading and market manipulation in Hong Kong's securities markets. The firm utilized non-public information to trade Chinese bank stocks, leading to substantial illegal profits. “*Hong Kong's Securities and Futures Commission (SFC)*” took legal action against the firm, resulting in significant penalties and highlighting the challenges of cross-border securities enforcement. This case underscores the complexities that arise when entities operate across multiple jurisdictions with varying regulatory frameworks<sup>71</sup>.

- **Nomura Securities Insider Trading Scandal (2012)**

In 2012, Nomura Securities, a leading Japanese brokerage firm, was embroiled in an insider trading scandal where its employees leaked non-public information about equity offerings to favoured clients. While the primary activities occurred in Japan, the scandal had international implications, affecting global investors and foregrounding the dynamic nature of insider trading across jurisdictions. The case led to significant reputational damage and regulatory scrutiny for Nomura, emphasizing the need for stringent compliance measures within financial institutions operating internationally<sup>72</sup>.

## **5. POLICY RECOMMENDATIONS TO COMBAT INFORMATION DISSEMINATION AND ENHANCE INSIDER TRADING REGULATIONS IN INDIA**

To effectively combat the dissemination of information through the internet and social media while enhancing insider trading regulations in India, the following policy recommendations are proposed:

- **Update Insider Trading Framework**

Amend the “*SEBI (Prohibition of Insider Trading) Regulations*” to include a series of provisions addressing different challenges that the digital platforms pose. For example, definitions and punishment for the dissemination of misleading

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<sup>71</sup> “7 Pillars Institute, *Case Studies on Insider Trading*, available at [https://7pillarsinstitute-org.sevenpillarsconsulting.com/case-studies/insider-trading-cases/?utm\\_](https://7pillarsinstitute-org.sevenpillarsconsulting.com/case-studies/insider-trading-cases/?utm_) (last visited Jan. 3, 2025)”

<sup>72</sup> *Supra* note 71

information that could temporarily influence stock prices.

- **Implement Clear Guidelines for Digital Communication**

Provide thorough instructions for businesses on how to convey sensitive information via digital platforms. Protocols for confirming the veracity of material prior to its public dissemination should be part of this.

- **Leverage Technology for Monitoring**

Investments in elite analytical data and artificial intelligence tools to scan social media and other digital platforms to detect signals of possible insider trade activity, rather than pouring everything into human resources. These tools are more efficient in spotting algorithm patterns and cycles of misinformation.

- **Create a Dedicated Cyber Unit**

Create a dedicated division within SEBI to keep an eye out for disinformation campaigns and insider trading infractions on internet platforms. To improve detecting capabilities, this unit should work with IT companies to protect investors from being cheated on.

- **Mandatory Reporting of Digital Communications**

Make it mandatory for businesses to keep track of any correspondence pertaining to price-sensitive data, including exchanges on social media. Regulators should be able to follow possible leaks and hold parties accountable with the use of this transparency.

- **Establish Whistleblower Programs**

Encourage the reporting of insider trading and false information by implementing strong programs for whistleblowers that provide rewards and protection to those who come forward with useful information to prevent such violations.

- **Investor Education Initiatives**

Nationwide campaigns to educate the investors on the risk taken by insider trading and misinformation should be launched. Collaborate with schools, NGOs, and financial literacy organizations to create awareness among public investors on the same.

- **Corporate Training Programs**

Require corporate executives to participate in insider trading compliance training programs that emphasize the value of ethical trading practices and the ramifications of digital communication.

- **Enhance Cross-Border Collaboration**

Boost collaborations with global regulatory organisations to exchange data about instances on cross-border insider trading. To properly regulate jurisdictional issues, this may entail cooperative investigations and regulatory harmonisation.

- **Participate in Global Initiatives**

Participate in international forums aimed at preventing insider trading and manipulation in the financial markets so that India can share its knowledge and adopt best practices from other countries.

As things stand, implementing these recommendations will put India on a stronger footing to fight insider trading, especially in the expanse of rapidly evolving digital platforms. These measures will instigate investment protection, revitalization of market integrity, and further welfare conducive to free trade and free bid.

## **6. CONCLUSION**

The regulation regarding insider trading is essential for the integrity and transparency of the financial markets considering the fast-paced evolving digital platforms that enable the swift dissemination of information. Through its detailed analysis, this paper has formulated a backdrop for these challenges, which include cross-border jurisdictional limits, anonymity of transactions being digital in nature, and market manipulation through misinformation, reflects the demand for a strong tool of regulation. While there has been

immense work in the direction of formulating insider trading laws on the part of SEBI in India, there are some vital areas of enforcement and detection that need to be catered to.

This paper has shown the efficacy of the existing regulations and has proposed practical recommendations to improve regulatory effectiveness in the fight against insider trading. This would incorporate enhancement in international cooperation, effective use of technological means for monitoring, and an increase in public awareness concerning the risks of insider trading and leading towards resiliency in the financial instruments. As India enters into the global financial framework, the applicability of strict measures against insider trading will be the lightened path for India. Finally, this will establish in a big way the sustenance and intactness in the Indian capital markets in the context of the digital age.