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The Role of SEBI in Preventing Insider Trading in India: Powers, Limitations and Effectiveness

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ABSTRACT

Insider trading is a big problem because it messes up the fairness of the market. Individual with possession to unpublished price sensitive information (UPSI) gets an unfair advantage over regular investors. This basically breaks the trust in the security market. In our country, “Securities and Exchange Board of India” (SEBI) is the primary body preventing as well as regulating insider trading. The SEBI Act of 1992 established SEBI’s foundation and granted it statutory authority to oversee the securities market. This study critically evaluates SEBI’s effectiveness in regulating and preventing insider trading through an analysis of the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 2015, along with Sections 11, 12A, and 15G of the SEBI Act of 1992. It demonstrates how the regulatory framework relating to insider trading in India developed over the decades, gradually through the recommendations of various committees like Sachar Committee (1979), Patel Committee (1986), and Abid Hussain Committee(1989) with resulted in extensive 2015 Regulations, which introduced ideas like trading plans, structured digital databases, improved disclosure standards, and the informant mechanism.

Several judicial and appellate interpretations such as “Rakesh Agrawal v. SEBI, Hindustan Lever Ltd. v. SEBI, Reliance Industries Ltd. v. SEBI, and Shruti vora v. SEBI (WhatsApp Leaks Case)” , have shaped evidentiary standards and clarified the scope of liability, the study further assesses the effectiveness of SEBI’s enforcement. Despite SEBI’s broad investigative and corrective authority, including the ability to restrict market access, disgorge, and impose significant financial penalties, there are still practical challenges in proving UPSI possession and communication, dealing with technically complex trading strategies, and ensuring timely adjudication. The study comes to the conclusion that, despite the fact that SEBI’s regulatory framework has become more stronger now and closer to international best practices, there is still work to do, further reforms in technology for monitoring trades, more cooperation with other agencies, and faster legal procedures are

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necessary to improve deterrence and maintain investor confidence in India's developing securities market.

I. INTRODUCTION

The word ‘trading’ has been defined to include any ‘dealing’ in securities. Trading includes various activities such as subscribing to, purchasing, selling, or otherwise dealing in securities and also entering into contract to carry out these activities³. Insider trading refers to trading by an insider or connected person(s) based on such knowledge obtained while doing their duties. Insider means any individual who have access to or possession of confidential or price sensitive information⁴. Due to which “individuals who have access to such confidential information gain advantage or benefit”⁵ over the general public at large, who may discover about such price much later when the information becomes public. When an individual carries out a manipulative trade or make use of exclusive knowledge in violation of their fiduciary obligation, another party to a manipulative trade lacks its trust in the securities market. In an efficient regulatory framework, differences originating from insider information misuse by a company should not be put off as inevitable.

Across India, SEBI is the governing body that oversees insider trading. In 1992, SEBI was given statutory status under the Securities and Exchange Board of India Act of 1992⁶. In India prevention and regulation of Insider Trading is provided by SEBI (Prohibition of Insider Trading) Regulations, 2015⁷. Restriction on insider trading is considered important by SEBI in order to create a securities market:

- Equitable and open.
- To provide equal opportunities for all market participants.
- To prevent information asymmetry and promote unrestricted information flow.

Insider trading research is especially important in India, given the stock market's growing role in national economic growth. As India grows as a major global economy, the strength and integrity of its financial markets become critical in attracting both domestic and international investment. Credibility in these marketplace's, fairness and efficiency is essential to their

³ SEBI (Prohibition of Insider Trading) Regulations, 2015, reg 2(1)(l).

⁴ SEBI (Prohibition of Insider Trading) Regulations, 2015, reg 2(1)(g).

⁵ Kartik Ganapathy, ‘Front-Running: World View’ INDUSLAW (06 December 2012).

⁶ Zoya Farah Hussain and Vasundhara Mukherjee, ‘SEBI’s Announcement: Short-Selling A Double-Edged Sword?’ CBCL Blog (Centre for Business & Commercial Laws, 26 May 2024) <<https://cbcl.nliu.ac.in/>> accessed 26 May 2024.

⁷ Rishabh Jain and Rahul Tomar, ‘Navigating the Murky Waters – SC Redefining the Scope of Mens Rea in Insider Trading Cases’ The Law Blog (12 March 2023).

attractiveness.

II. LEGAL FRAMEWORK GOVERNING INSIDER TRADING IN INDIA

After independence, the Indian government began to pay serious attention to the problem of insider trading, especially after the Thomas Committee's 1948 recommendations, who looked at United States regulatory systems. The Companies Act of 1956 included Sections 307 and 308, based on the Thomas Committee's advice which required limited disclosures from important insiders like directors and staff. Despite this recognition, the Companies Act, 1956 was not effective in preventing insider trading. Recognizing this gap, several expert committees—namely the “Sachar Committee (1979), the Patel Committee (1986), and the Abid Hussain Committee (1989)” —recommended the enactment of a separate and comprehensive legal framework to regulate insider trading. The Companies Act of 1956 incorporated “Section 307 and Section 308”⁸, which mandated limited disclosures from important insiders like directors and staff, based on the Thomas Committee's advice. Despite this acknowledgement, insider trading was not effectively prevented by the Companies Act of 1956. A number of expert groups, including the “Sachar Committee (1979), the Patel Committee (1986), and the Abid Hussain Committee (1989)”, identified this gap and suggested the creation of a distinct and all-encompassing legislative framework to control insider trading. As a result of these combined efforts, it ultimately led to the establishment of the Securities and Exchange Board of India (SEBI) in 1992. The committees noted the following important points in their individual reports:

Sachar Committee (1979)

In June 1977, the Sachar Committee was established by the Indian government in order to examine the terms of the Companies Act, 1956 as well as the Monopolies and Restrictive Trade Practices Act (MRTP), 1969⁹. This committee was among the first to point out that the existing legal framework was not strong enough to deal with unfair trading practices arising from the misuse of confidential corporate information¹⁰. In its 1979 report, the committee made several key suggestions to curb insider trading:

- **Mandatory disclosure:** Company insiders should formally declare their intention to trade in the company's securities.

⁸ Priya Kumari and Aniket Sahu, ‘Critical analysis of laws related to insider trading’ *Indian journal of law and legal research* vol VI Issue II.

⁹ The Institute of Company Secretaries of India, *Prohibition of Insider Trading: Law and Practice* (New Delhi, 2007).

¹⁰ Srilakshmi K and Harshitha J S, ‘Strengthening surveillance: sebi’s approach to insider trading in the digital era’ *Indian Journal of Law and Legal Research* Vol VII Issue I.

- Timing restrictions: Insiders should be prohibited from trading in company shares during sensitive periods, particularly the two months leading up to and following the end of the fiscal year. This restriction was also proposed to apply to rights issues.
- Record-keeping: Companies should maintain a register that records all transactions in their shares made by directors and other insiders.
- Legal remedies: Provisions for compensation and civil remedies were suggested to support investors who suffered losses due to unfair insider dealing.

The underlying aim of these recommendations was to create transparency and deter directors and other key personnel from exploiting unpublished price-sensitive information for unfair gains.

Patel Committee (1986)

In May 1984, the Patel Committee was constituted in order to examine how stock exchanges functioned and to recommend reforms to enhance their integrity and efficiency. In its 1986 report, the committee acknowledged that insider trading was a grave problem in Indian securities markets and that existing laws were inadequate to deter it. Key recommendations of the committee include:

- Need for specific legislation: The committee explicitly identified that there should be specific insider trading legislation in an India's regulatory framework in order to curb trading by the insider. The committee further presented the draft proposal for the prevention of insider trading in India.
- Defined insider trading: It provided an initial explanation of insider trading as “the trading of business shares by individuals in management or with a personal connection to it, based on confidential, price-sensitive knowledge that is not accessible to the general public”¹¹.
- Need for stronger legal controls: The committee urged that legal provisions be strengthened—“not only by amending the Securities Contracts (Regulation) Act 1956 (SCRA) but also by conducting surprise inspection of the books of accounts of the stockbrokers”¹².

¹¹ Sonakshi Das & Sanjana Sahu, “The Know-all of Insider Trading - Decades of Corruptive Prevention”.

¹² Institute of Company Secretaries of India, Securities Laws and Capital Markets (Executive Programme Study Material, Module 2, Paper 6) (New Delhi, 2020).

Abid Hussain Committee (1989)

In the year 1989, Abid Hussain Committee was constituted in order to review the legal framework of India's capital markets and to suggest reforms aimed at ensuring fairness and protecting the investors. It attracted the attention on the growing problem of insider trading in India. The committee's recommendation included the introduction of insider trading comprehensive definition, creating insider trading as a separate offence, and imposition of stricter penalties in case of violation¹³. Further, the committee advised that a specialised regulatory authority should be entrusted with framing and enforcing detailed regulations to curb insider trading. Based on the recommendation of the committee the Securities and Exchange Board of India (SEBI) was eventually given the authority to regulate the security market in order to prevent insider trading.

SEBI implemented a number of regulations to combat market abuse consistent with the recommendations of the Abid Hussain Committee and prior expert bodies, including:

SEBI (Insider Trading) Regulations, 1992, the first thorough attempt to control insider trading in India¹⁴;

The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1994, intended to guarantee equity and fairness in acquisitions and takeovers; along with

The SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 1995, which targeted a wider range of manipulative and deceptive practices affecting market integrity.

Over time, several shortcomings and ambiguities in the SEBI (Insider Trading) Regulations, 1992 came to light through judicial decisions¹⁵. Cases such as *Hindustan Lever Ltd. v. SEBI*¹⁶ and *Rakesh Agarwal v. SEBI*¹⁷ underscored the gaps relating to the extent of insiders, how unpublished price-sensitive information is dealt with, and the defenses available to accused persons. SEBI substantially revised the regulatory framework to address these issues and strengthen enforcement¹⁸.

¹³ Ayan Roy, "Insider Trading In India", SSRN 1, 4 (2010).

¹⁴ Y Papa Rao & V Suryanarayana Raju, "Insider trading an unethical practice: with special reference to indian securities market" *NLUA Law & Policy Review* vol 7 (2022).

¹⁵ Sonakshi Das and Sanjana Sahu, 'The Know-All of Insider Trading – Decades of Corruptive Prevention' (15 January 2015).

¹⁶ *Hindustan Lever Limited v. SEBI*, (1998) 18 SCL 311 (AA).

¹⁷ *Rakesh Agrawal v. SEBI*, (2004) 49 SCL 351 (SAT).

¹⁸ Tanya Nayyar, 'Insider Trading: A South Asian Study' in *Financial Market Regulations and Legal Challenges in South Asia* (2016) 30.

Consequently, the 1992 regulations were superseded by the SEBI (Prohibition of Insider Trading) regulation 2002¹⁹. These regulations sought to fix existing loopholes and expand the ambit of persons covered under insider trading laws. Specifically, intermediaries, investment firms, trustee firms, asset management firms, their directors and staff, stock exchange officials, clearing house officials, and companies involved in the securities market were all included in the expanded definition of a "connected person."

Ultimately, recognizing the need to align Indian regulations with global best practices and to provide a more principle-based framework, SEBI repealed the 2002 regulations and enacted the **SEBI (Prohibition of Insider Trading) Regulations, 2015**, which continue to govern insider trading in India today.

The SEBI (PIT) Regulations, 2015 introduced a comprehensive regulatory framework to curb trading activities based on unpublished price-sensitive information (UPSI)²⁰. The regulations prohibit anybody with access to or ownership of UPSI from trading in securities or communicating such information, unless they are required by law or for lawful purposes. To strengthen monitoring, demands disclosures from designated individuals and their close relatives, as well as the upkeep of a Structured Digital Database to document the sharing of UPSI. Trading window restrictions and advance clearance requirements further ensure transparency and accountability.

The 2015 Regulations introduced the concept of trading plans, which allow insiders to carry out trade in a pre-declared and transparent manner²¹. In order to enhance market integrity, safeguard investor interests, and to harmonies insider trading laws with global best practices, SEBI is authorized to impose strict civil and criminal penalties for violations.

III. POWER OF SEBI IN PREVENTING INSIDER TRADING

Powers under the SEBI Act, 1992

The SEBI Act of 1992 confers wide range of regulatory, investigative, and enforcement powers over SEBI.

Section 11- Powers to protect the interests of investor²²

Section 11(1) of the Act requires SEBI to develop and oversee the securities market in addition

¹⁹ Supra 14.

²⁰ Diya Sharma, 'Insider Trading Laws in India: Analysing SEBI's Enforcement Mechanisms and Their Deterrent Effect' *Nyaayshastra law review* Volume V Issue I.

²¹ Diya Sharma, 'Insider Trading Laws in India: Analysing SEBI's Enforcement Mechanisms and Their Deterrent Effect' *Nyaayshastra law review* Volume V Issue I.

²² Securities and Exchange Board of India Act, 1992, s 11.

to safeguarding investors' interests. Particularly, Section 11(2) (g) grants power to SEBI to take steps to prohibit trading by insiders in securities, thereby giving statutory recognition to SEBI's role in preventing unfair trading practices²³. In order to ensure effective enforcement, Section 11(4) gives SEBI the authority to take actions like halting securities trading, preventing individuals from entering the securities market, freezing bank accounts, impounding and retaining proceeds of transactions, and attaching assets during the pendency of investigation. These powers are preventive in nature and aim to preserve market integrity while inquiries are ongoing.

Section 12A- Prohibition of Insider Trading (Statutory Definition)²⁴

Section 12A of the Act, specifically forbids trading by insiders by declaring that no one may communicate unpublished price-sensitive information (UPSI) or take part in such trading in any manner, or make use of any fraudulent or manipulative technique in relation to securities transactions.

Section 15G- Penalty for Insider Trading²⁵

Section 15G of the Act, provides stringent civil penalties for those who deals, communicates, counsels, or procures unpublished price sensitive information, "which shall not be less than ten lakh rupees which may extend to twenty-five crore rupees or three times the profits made or losses avoided, whichever is higher"²⁶. This penalty provision acts as a strong deterrent against misuse of insider information.

In *Rakesh Agrawal v. SEBI*, the SAT remarked that irrespective of the intention behind the transactions, trading while having access to UPSI constitutes as insider trading. The case affirmed SEBI's broad enforcement powers and clarified that once possession of UPSI is established motive becomes irrelevant²⁷.

Powers under the SEBI (PIT) Regulations, 2015

The SEBI (PIT) Regulations, 2015, provides a comprehensive regulatory framework for prevention, detection, and punishment of insider trading. They are as follows:

Regulation 3 prohibits insiders from communicating or acquisition of price-sensitive,

²³ Tanya Nayyar, 'Insider Trading: A South Asian Study' in *Financial Market Regulations and Legal Challenges in South Asia* (2016) 30

²⁴ Securities and Exchange Board of India Act, 1992, s 12A.

²⁵ Securities and Exchange Board of India Act, 1992, s 15G.

²⁶ Institute of Company Secretaries of India, *Securities Laws and Capital Markets (Executive Programme Study Material, Module 2, Paper 6)* (New Delhi, 2020).

²⁷ *Rakesh Agrawal v. SEBI*, (2004) 49 SCL 351 (SAT).

unpublished information about a firm or securities except for lawful objectives, doing out tasks, or fulfilling legal commitments.

Regulation 4 imposes a strict requirements on insiders to not to trade on securities when in access of unpublished price sensitive information in order to protect UPSI's confidentiality and stop its abuse. The Regulations also introduce preventive compliance mechanisms.

Regulation 5 permits insiders to create trading strategies, allowing them to trade shares in a specified manner without going against insider trading standards.

Regulation 7 mandates disclosure of shareholding and trading by promoters, directors, and key managerial personnel, enhancing transparency.

Regulations 8 and 9 require companies to implement internal codes of conduct, preliminary clearance of trades, and limitation on trading window during delicate times when UPSI exists.

Regulation 11 empowers SEBI to issue directions like prohibiting persons from engaging in securities trading, declaring transactions void, ordering disgorgement of unlawful gains, and transferring proceeds to the Investor Protection Fund.

In *Hindustan Lever Ltd. v. SEBI*²⁸, the SAT upheld SEBI's finding of insider trading and held that knowledge of UPSI during the trading transaction is sufficient to establish liability, even if the information is not shown to be the sole motive for trading.

IV. ROLE OF SEBI IN ENFORCEMENT OF INSIDEFR TRADING LAWS

The SEBI is in charge of an integrated system comprising internal business measures and regulatory scrutiny is used to implement insider trading laws in India. A compliance officer²⁹ plays a crucial enforcement function in an organization, especially when it comes to following legal and regulatory obligations. A compliance officer as per the SEBI (Prohibition of Insider Trading) Regulations, 2015 is a senior officer assigned to answer to the organization's CEO or the board of directors³⁰. His duties include checking adherence to regulations pertaining to safeguarding the unpublished price-sensitive information, keeping records, supervising trades, and enforcing certain norms. Compliance Officer, who is appointed by the Board³¹, is in charge of closing the trading window, giving pre-clearance, easing restrictions on contra transaction, tracking deals, and other tasks. The Compliance Officer performs internal evaluations of

²⁸ *Hindustan Lever Limited v. SEBI*, (1998) 18 SCL 311 (AA).

²⁹ SEBI PIT Regulations, 2015, Regulation 2(1)(c).

³⁰ Lakshmi Narasimhan Srikrishna, 'SEBI Adjudication Order on Non-Disclosure of Pledges under SAST Regulations', EshwarsBlog, 2026 <website link> accessed 14 March 2026.

³¹ SEBI PIT Regulations, 2015, Regulation 2(1)(c).

suspected transactions in order to ascertain if trades were made while in knowledge of Unpublished Price Sensitive Information (UPSI). The compliance officer acts as the operational link between the company and the regulator by facilitating the production of paperwork, trading records, and communication records. Failure to fulfill these obligations may result in liability since insider trading law enforcement covers both trade misconduct and systemic defects.

On the contrary, corporate directors are ultimately in charge of governance and enforcement monitoring. Directors are subject to trading limitations while in possession of UPSI as "insiders" and "connected persons" under the PIT Regulations, and they are required to disclose their holdings and any changes on a regular basis. In addition to personal compliance, the Board of Directors is ultimately in charge of governance in enforcement proceedings and responsible for approving and routinely monitoring the Conduct and the Fair Disclosure, keeping an eye on risk, making sure that sufficient internal controls are in place to stop price-sensitive information from leaking. Directors may be subject to financial fines under Section 15G³² and directives provided in Sections 11 and 11B³³ of the SEBI Act, 1992, if systemic flaws or negligence are discovered. Therefore, directors bear fiduciary and supervisory responsibility for fostering an atmosphere of compliance and preventing insider trading at the structural level, while the Compliance Officer handles day-to-day enforcement within the company.

In order to detect, discourage, and punish insider trading while maintaining transparency and investor confidence in the securities market, a multi-layered enforcement mechanism is created by the Compliance Officer's operational vigilance, the Board's supervisory responsibility, and SEBI's binding circulars and guidance.

V. LIMITATIONS AND CHALLENGES FACED BY SEBI

1. Evidentiary Challenge

Lack of evidence makes it difficult for SEBI to prove trading by the insiders as such transactions is usually executed secretly without direct evidence. It became easy for the aggrieved party to argue that the SEBI has not collected a sufficient amount of evidences for the case. Courts require clear and cogent material, not mere suspicion. In *Balram Garg v. SEBI*³⁴, the Supreme Court emphasized that in order to impose penalty there is a need to establish proper proof of communication or possession of UPSI.

³² Securities and Exchange Board of India Act, 1992, s 15G.

³³ Securities and Exchange Board of India Act, 1992, s 11 & 11B.

³⁴ *Balram Garg v. SEBI*, (2022) 9 SCC 241.

2. Proving Access and Possession of UPSI

It is difficult to establish that an accused person had access to and had UPSI in their possession at the time of trading is legally complex³⁵. Although the PIT Regulations create presumptions for connected persons, SEBI must still prove a nexus between the information and the trade, as recognized in *SEBI v. Rakhi Trading Pvt. Ltd.*³⁶

3. Technological and Digital Trading Challenges

Advanced trading technologies, algorithmic systems, use of multiple accounts, and cross border transactions make detection harder. Even with surveillance mechanisms through exchanges such as the “Bombay Stock Exchange” and the “National Stock Exchange of India”, tracing beneficial ownership as well as digital communication remains challenging. “The SEBI lacks the authority to tap into mobile phones,” a former SEBI chairman once stated. Only in suspicious circumstances may it request call data records. In India, “only a small number of economic entities, such as the Central Board of Direct Taxes, have the right to tap phones”³⁷.

4. Procedural Delays and Enforcement Constraints

Enforcement involves investigation, adjudication, and appeals to the Supreme Court and SAT, often causing delays. Compliance with principles of natural justice and extensive forensic examination further lengthen proceedings, affecting timely deterrence.

VI. JUDICIAL INTERPRETATION

As we assess the implementation of SEBI's anti-insider trading regulations, it is important to look at some significant insider trading cases. These instances have sparked a number of conversations over time on the validity of the current provisions:

1. *Rakesh Agrawal v. SEBI*³⁸

In this case a key issue pertaining to “the scope of trading by insider under the SEBI (Prohibition of Insider Trading) Regulations was addressed”³⁹. Mr. Rakesh Agrawal the managing director of ABS Industries Ltd. claimed that he had helped his brother-in-law buy shares when he had unpublished price sensitive information (UPSI) about Bayer AG's planned acquisition of a

³⁵ Mayank Gandhi, ‘Prohibition of Unexplained Suspicious Trading Activities in the Securities Market: Effectiveness and Challenges of SEBI’s Proposal’, *RGNUL Financial and Mercantile Law Review*, Peer Reviewed, Vol. XI, Issue I, 2024, Rajiv Gandhi National University of Law, Punjab.

³⁶ *SEBI v. Rakhi Trading Pvt. Ltd.*, (2018) 13 SCC 753.

³⁷ UK Sinha, “Stricter Disclosure Norms Soon for Research Analysts” (The Indian Express, 2015).

³⁸ *Supra* 19.

³⁹ *Apar Industries Limited, Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading by Designated Persons (COC)*.

majority stake in the business. SEBI said that the trades were based on insider information and levied a financial penalty. The SAT, however, granted the appeal, concluding that insider trading is not always proven by the simple possession of UPSI when trading unless the transaction was planned to obtain an unfair advantage or generate illegal profits. The Tribunal stressed that insider trading laws are not meant to completely forbid insider trading, especially when the actions are carried out in the company's interest and in carrying their fiduciary obligations. Instead, they are meant to stop the improper use of private information that skews market integrity.

2. **Hindustan Lever Limited v. SEBI**⁴⁰

As per the regulation 3(1) of the SEBI (PIT) Regulations, 1992, the Securities Appellate Tribunal investigated whether Hindustan Lever Ltd. (HLL) had participated in trading by insiders in the Hindustan Lever Limited v. SEBI case. Before their merger was made public, HLL had paid a premium for almost- 'eight lakh shares of Brook Bond Lipton India Ltd. (BBLIL) from UTI'⁴¹. Due to their shared management and status as Unilever subsidiaries, SEBI determined that HLL qualified as a "insider" under the 1992 Regulations and that it had traded on unpublished price sensitive information (UPSI), ordering it to reimburse UTI. During the appeal, the SAT concentrated on determining whether the merger-related information was actually pricesensitive and unpublished. It held that information may be regarded as "generally known" even if the corporation has not formally confirmed it, particularly in cases where the proposed merger has previously been mentioned in media reports and market speculation. A flaw in the 1992 framework was thus revealed when the Tribunal concluded that the regulatory requirements to prove insider trading were not entirely met. The legislative framework against insider trading was tightened as a result of later revisions that made it clear that information had to be officially publicized and verified in order to be deemed broadly available.

3. **Reliance Industries Ltd v. SEBI**⁴²

In Reliance Industries Ltd v. SEBI, SEBI investigated claims of market manipulation and insider trading related to transactions involving Reliance Petroleum Ltd. shares. After selling a substantial portion of Reliance Petroleum in 2007, Reliance Industries Ltd. (RIL) was charged with taking up sizable futures bets before selling cash market shares. In order to profit from the following decline in share prices, SEBI claimed that RIL had knowledge of its impending sale

⁴⁰ Supra 18.

⁴¹ Srilakshmi K and Harshitha J S, 'Strengthening surveillance: sebi's approach to insider trading in the digital era' Indian Journal of Law and Legal Research Vol VII Issue I.

⁴² Reliance Industries Ltd. v. SEBI, (2022) 10 SCC 181.

and had used this undisclosed price sensitive information (UPSI) to place bets in the derivatives industry. Additionally, it was claimed that large sell orders were placed in the final moments of trade, which affected market prices and produced profits in the futures market. SEBI levied severe financial penalties after concluding that such behavior qualified as insider trading and fraudulent trade practices under securities regulations. One of the most contentious enforcement proceedings pertaining to insider trading and market manipulation in India, the case has been the focus of protracted litigation and appellate scrutiny.

4. **Shruti Vora v. SEBI**⁴³

Also known as the WhatsApp Leaks Case, is a well-known case that was started by SEBI after a 2017 Reuters report disclosed that messages purportedly containing the unpublished quarterly financial results of a number of listed companies, including Tata Steel Ltd., Wipro Ltd., Cipla Ltd., Axis Bank Ltd., HDFC Bank Ltd., and Dr. Reddy's

Laboratories Ltd., were circulated on WhatsApp groups. As per the SEBI (PIT) Regulations, 2015, SEBI's Adjudicating Officer imposed monetary fines on some individuals for suspected insider trading after observing a striking resemblance between the figures circulated in the messages and the subsequently announced financial results following search and seizure operations. But after an appeal, the Securities Appellate Tribunal granted relief, ruling that a charge of insider trading could not be proven based on the mere forwarding of messages containing financial figures without specific proof of the information's source, a direct link to UPSI, or evidence of trading advantage or motive. By stressing that SEBI must fulfill a higher evidentiary hurdle and cannot rely only on circumstantial resemblance between disseminated data and final disclosures, the Tribunal greatly clarified the burden of proof in cases involving digital communications and insider trading.

VII. SUGGESTIONS AND RECOMMENDATIONS

The inadequacies of the current strategy against insider trading in India have been evaluated and possible solutions are readily apparent. The following suggestions are made to curb trading by insider and to make it more standardized:

First, by improving interagency coordination with enforcement agencies like “the Enforcement Directorate, Income Tax Department, and Serious Fraud Investigation Office” to guarantee prompt access to financial, banking, and communication records, investigative powers given

⁴³ Shruti Vora v. SEBI (2020) Appeal (L) No. 28/2020.

under Sections 11 and 11C of the SEBI Act, 1992 may be further strengthened⁴⁴.

Second, expanding the quantity of staff members or officials to keep an eye on listed companies' operations to the point out whether there are enough personnel to keep an eye on each business separately.

Third, enhancing technological surveillance is crucial⁴⁵. Investment in artificial intelligence, data analytics, and pattern-recognition tools would improve early detection of suspicious trades.

Fourth, to guarantee prompt deterrence, adjudication must be made faster and more effective by establishing more stringent procedural deadlines, increasing adjudicatory capacity, and encouraging expedited digital hearings. Quicker case resolution would strengthen regulatory legitimacy and boost market confidence. Incorporating regulations that penalize foreign corporations listed on Indian stock markets for engaging in such prohibited activities would be beneficial.

Fifth, Insider trading detection can be greatly improved by fortifying whistleblower system. People who come across such information will become more confident if whistleblowers are assured that their identity would be protected when they reveal their knowledge. Offering financial prizes will encourage more people to come forward which would greatly help in curbing insider trading.

Finally, granting SEBI an extensive authority to make decisions. Sometimes, SEBI finds itself unable to move quickly due to administrative and bureaucratic red tape. Therefore, expanding SEBI's authority would greatly simplify its work and enable it to carry out a seamless inquiry free from obstacles.

VIII. CONCLUSION

The SEBI is crucial in preventing insider trading in India through a systematic legal and enforcement framework established under the SEBI Act, 1992 as well as the SEBI (PIT) Regulations, 2015. It can take decisive action against misuse of UPSI due to its statutory authority to look into suspicious transactions, request information, give preventative and remedial directives, levy financial penalties, and order disgorgement. SEBI has created a preventive as well as punitive regulatory approach by enforcing disclosure rules, limiting trading windows, maintaining a Structured Digital Database, and working with stock exchanges for real-time surveillance. Together, these systems seek to reduce information asymmetry and

⁴⁴ Supra 14.

⁴⁵ Supra 9.

advance equity in the securities market.

However, there are inherent limitations to the enforcement of insider trading laws. For example, it is challenging to draw a direct link between trade execution and access to confidential data, especially when communication takes place informally or through digital channels; advanced trading technologies, layered transactions, and cross-border dealings present additional investigative challenges.

Notwithstanding these limitations, SEBI's changing enforcement approach shows consistent advancements in strengthening market discipline. A shift toward preventive regulation can be seen in the creation of an informant mechanism, increased financial penalties, structured compliance obligations within businesses, and increased monitoring capacity. SEBI's regulatory framework has significantly improved transparency, discouraged wrongdoing, and maintained investor trust in India's securities market, even if more advancement in investigative efficiency and technological adaptation are still required.
