

Insider Trading in India: A Critical Evaluation of Sebi's Enforcement Mechanisms

Ishika Kaur

BBA LLB (H) Student, Amity Law School, Noida

Abstract

Insider trading is considered an eminent problem for the proper functioning of the securities market, as it enables people to trade with the help of unpublished price sensitive information (UPSI). The purpose of this research paper is to critically assess the measures taken by the Securities and Exchange Board of India (SEBI) to regulate insider trading in India. For this, the legal instruments provided under the SEBI Act of 1992 and the SEBI Prohibition of Insider Trading Regulations of 2015 are analysed.

The paper examines the enforcement regime of SEBI, covering aspects related to surveillance, investigation process, and the penalty system. Some important problems faced by the enforcement regime include the challenge of establishing cases of insider trading using circumstantial evidence, the delay in procedures, ineffective deterrent provided by penalties, and complexity of transactions. The comparison of the enforcement process with that of the United States reveals the shortcomings in the regime, especially concerning stronger penalties and quick investigations.

The paper finally comes to the conclusion that although the regime in India has developed an effective and evolving regime for the regulation of markets, it is moderately effective in enforcing the laws against insider trading. The necessary steps in improving the regime include stronger penalties, use of advanced technological tools, faster process of adjudication, and provision for whistleblower protection.

Keywords: SEBI, UPSI, Securities Market, Market Manipulation, Investor Protection.

Introduction

Insider trading¹ refers to an act where individuals or the organisations are involved in the buying or selling of securities based on unpublished price sensitive information (UPSI) which is not available to the general public. This information may affect financial results, mergers or acquisitions which affects stock prices. Confidential information like this is made use of by the individual for their personal gain as this creates an uneven playing field which undermines the principle of fairness and transparency in financial markets. Regulating insider trading is very crucial as it can directly have an impact on market integrity and investor confidence. In order for the capital markets to work efficiently all the participants are required to have access to all the relevant information. Insider trading hampers this balance by allowing few individuals make use of UPSI in order to gain an upper hand over other ordinary investors. This tends to hamper investor confidence ultimately resulting in discouraging investment and affecting growth of economy.

In India, the regulatory authority which is involved in dealing with insider trading and fraudulent trading practices is the Securities and Exchange Board of India. This regulatory body was established after the

¹ Finserv, B. (2026, January 27). Insider trading. <https://www.bajajfinserv.in>. <https://www.bajajfinserv.in/insider-trading>

enactment of the SEBI Act 1992². SEBI has been provided with the statutory powers to protect investors and regulate the securities market. SEBI has been developed over the years and enacted various regulation in order to make the market place fairer and more transparent as it focuses on protecting the investors and helps them make fully informed decisions. Not only this, SEBI has developed as a comprehensive legal framework to deal with Insider trading, as it has come up with SEBI (Prohibition of Insider Trading) Regulation, 2015.³ This regulation focuses on defining the concept of Insider and UPSI while focusing on disclosure requirements, codes of conduct, and penalty violations.

Despite after having the knowledge that SEBI has a robust legal framework. Still the effectiveness of SEBI's enforcement is a topic of debate. SEBI's challenge relies on difficulty proving insider trading, procedural delays, and questions regarding adequacy of penalty being enough to act as a deterrent. The financial markets evolving nature as the rise of technological advancements tends to play a crucial role in further enforcements.

This research paper aims to evaluate enforcement mechanisms given by SEBI for dealing with the issue of insider trading in India. This paper focuses on understanding whether the current regulatory and enforcement mechanism is effective in detecting, investigating and penalizing fraudulent trading practices in the securities market. This paper will delve into various question regarding - how effective are SEBI's enforcement mechanisms in dealing with fraudulent practices such as insider trading, secondly, what challenges does SEBI face in enforcement, and lastly, do the current penalties act as a deterrent. Thus, this paper will focus on examining and evaluating the legal statutes, relevant case laws, and will focus on assessing the role of Securities and Exchange Board of India and suggest possible reforms in order to strengthen the Indian securities market regulation.

Concept of Insider Trading

Insider trading refers to the purchase or sale of securities by persons possessing unpublished- price sensitive information (UPSI) of any firm. The concept entails the use of confidential information that is not publicly accessible and thus enables certain people to enjoy an undue advantage in the securities market. In India, there are provisions to regulate insider trading as per the SEBI (Prohibition of Insider Trading) Regulations of 2015 that define the contours and scope of such transactions.

According to the regulations, an "insider" refers to a person who is either a connected person or has UPSI regarding a business. Connected persons⁴ refer to those who have a direct or indirect association with the company and, as such, access to price- sensitive information. These include directors, employees, consultants, auditors, professionals and other connected parties who are involved with the affairs of the company. Apart from connected persons, others who possess UPSI irrespective of whether they are in a position of connection will also come under the ambit of insiders.

Unpublished Price Sensitive Information (UPSI) is an important term used in the insider trading legislation. UPSI can be defined as any information which is not readily available to the general public

² Securities and Exchange Board of India. (1992). Securities and Exchange Board of India Act, 1992. In Securities and Exchange Board of India Act, 1992. https://www.sebi.gov.in/sebi_data/attachdocs/1456380272563.pdf

³ SEBI | Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015 [Last amended on March 12, 2025]. (n.d.). https://www.sebi.gov.in/legal/regulations/mar-2025/securities-and-exchange-board-of-india-prohibition-of-insider-trading-regulations-2015-last-amended-on-march-12-2025-_92672.html

⁴ UNDERSTANDING THE EXPANDED DEFINITION OF CONNECTED PERSONS UNDER SEBI (PROHIBITION OF INSIDER TRADING) REGULATIONS, 2015 AND ITS IMPACT - Corporate Professionals. (2025, January 29). Corporate Professionals. <https://www.corporateprofessionals.com/articles/understanding-the-expanded-definition-of-connected-persons-under-sebi-prohibition-of-insider-trading-regulations-2015-and-its-impact/>

and which would have a material effect on the price of securities once released. Such information includes financial statements, dividends, mergers, acquisitions, restructuring, and major management decisions. The main objective of legislating UPSI is because of such information, if misappropriated, can lead to price distortions and lack of confidence among investors. Thus, the law strictly prohibits the communication or utilization of such information, except for legitimate reasons or fulfilment of professional obligations.

Insider trading may be classified as legal or illegal depending on whether it follows regulatory requirements or not. For example, legal insider trading takes place when an individual makes a trade within the required rules and regulations set out by the regulatory authorities. In this regard, trading of securities by insiders should take place after the transactions have been made known to the stock exchange through proper disclosures. Illegal insider trading entails trading on the basis of UPSI either without making any disclosure or violating established norms.

Regulation of Insider trading is guided by important theoretical foundations, including fairness, transparency, and fiduciary duty. Fairness as a basic principle calls for equal distribution of important information among all players in the market so that all parties enjoy a level playing ground. Insider trading contradicts this principle because some individuals benefit more than others by virtue of having exclusive access to relevant information. Transparency as a core principle calls for proper communication of material information to the public in a timely and reliable manner.

Insider dealing is against the principle of fiduciary relationship that comes about due to the expectation that people who are in trusted positions such as board members and other employees are supposed to make decisions and act in good faith to protect the interests of the firm. Insider trading goes against this requirement since use their confidential information to benefit themselves. It is for this reason that it makes sense to regulate insider dealings. In essence, insider trading constitutes a serious menace to the financial market integrity. The regulation of insiders by defining them, the regulation of UPSI, as well as defining which behaviour is acceptable and not, helps in striking a balance between legal activities and illegal activities in the financial markets. Nonetheless, the success of this theoretical framework relies on how effective the enforcement measures are, which will be critically examined further.

Legal Regime In India

The legal regime concerning the control of insider trading in India is provided through a robust statutory and regulatory regime⁵ formulated in order to maintain fair, transparent, and honest operations in the securities market. The two most prominent laws regulating insider trading activities in India are SEBI Act, 1992 and SEBI (Prohibition of Insider Trading) Regulations, 2015.

The SEBI Act, 1992 forms the basis for the establishment of the Securities and Exchange Board of India as the main regulatory body overseeing the securities market. The law gives SEBI the mandate to promote the interests of investors in the securities market, regulate the market intermediary institutions, and prohibit any fraudulent and unethical trading practices. In accordance with this Act, SEBI is endowed with extensive powers to investigate, impose fines, give directions, and enforce sanctions on parties indulging in insider trading activities.

⁵The Indian landscape of insider trading understanding regulations, managing risks, and upholding ethical governance for board members – legal developments. (n.d.). The Legal 500. <https://www.legal500.com/developments/thought-leadership/the-indian-landscape-of-insider-trading-understanding-regulations-managing-risks-and-upholding-ethical-governance-for-board-members/>

Based on this structure, the SEBI (Prohibition of Insider Trading) Regulations, 2015 have been introduced, which aim to supersede existing regulations and bring Indian legislation in line with international standards. These regulations have provided a clear and structured way of defining, regulating and preventing insider trading. An important feature of the new regulations is the provision of detailed definitions, which serve to determine the ambit of liability.

The definition sections under the regulations are broad and all-inclusive. The definition of “insider”, for example, includes both “connected person” and “UPSI”. The category of connected person is wide enough to include not just individuals in close connection to the company, such as directors and employees, but even people who have indirect access to information, such as professional and intermediary parties. In the same vein, UPSI is defined as information regarding any company or securities issued by the company, which is not in the public domain and is likely to significantly impact the price of securities. These broad definitions ensure that a large number of individuals cannot be accused of engaging in misconduct and escape legal responsibility by making a technical claim of being outside the ambit of the regulation.

Prohibition clauses make the heart of the regulation. Under these regulations, insiders have been prohibited from trading in securities while having UPSI. Similarly, communicating, obtaining, or disclosing any UPSI have been prohibited other than for the purposes of performing one’s duties. The regulation seeks to stop the trading activity as well as the misusing of sensitive information in any other way, including tipping. In such a scenario, an insider may tip his/her information to somebody else, who would then act on that information by engaging in a trade activity.

The other aspect of the regulation, which is significant in fighting against the insider trading is the requirement for continuous disclosure of information by the insiders. In the case of India, this regulation requires that certain people, namely the promoter, director, or key managerial personnel of a company must disclose their ownership, i.e., how many shares they hold, to the company and the stock exchange. Later, these details are made publicly available.

Furthermore, a regulation has made the formation of a code of conduct essential for all firms. As per the regulations, all listed firms are mandated to develop and enforce an internal code of conduct that controls, monitors, and records trading of shares among its personnel and other connected individuals. It involves specifying trading windows, in which trades may be carried out, and non- trading intervals during which transactions which transactions would be prohibited on account of UPSI sharing among others. Companies are further expected to maintain electronic databases of persons that UPSI is shared with.

One of the critical factors involved in compliance with the regulations is the appointment of compliance officers in listed firms. All firms must appoint compliance officers, mostly senior officers such as company secretaries, to administer the code of conduct and the regulations. Compliance officers oversee the trading of shares among staff members, approve or reject pre-clearance applications from traders, document trade records, and submit violators’ reports to SEBI. They play a vital role as internal governance controls.

Indeed, one may say that the legal regime in relation to insider trading in India is both complete and dynamic. Through a blend of legal powers provided by the SEBI Act along with the provisions of the 2015 Regulations, efforts have been made to incorporate aspects of insider trading into this framework. In any case, the efficacy of such an approach is determined not by the nature of this framework itself, but by the manner in which it is enforced.

Enforcement Mechanisms of SEBI

The efficacy of the rules regulating insider trading in India is determined by the efficiency with which

SEBI enforces the aforementioned legal regime based on the SEBI Act, 1992 and SEBI (Prohibition of Insider Trading) Regulations, 2015. SEBI has adopted a range of enforcement measures that includes surveillance, investigation, adjudication, and penalties for preventing insider trading in the stock market. ⁶Though seemingly comprehensive, these measures should be critically evaluated in terms of their actual efficacy.

The other tool that SEBI has at its usage is the surveillance mechanisms that work accordingly with stock exchanges such as the National Stock Exchange of India and Bombay Stock Exchange. The exchanges make use of state-of-the-art technology to watch out for abnormal trends in trading patterns and any unusual movement prices and volume. The signals obtained from such surveillance usually form the basis of an investigation. Although this type of surveillance system has greatly enhanced the detection process, it is entirely data-driven and may miss detecting any insider trading schemes that are more sophisticated and indirect in nature.

Under the SEBI Act, the agency is granted wide-ranging investigation powers for investigating any suspicious transaction, including that of insider trading. Once the suspected transaction is reported, SEBI is empowered to conduct an investigation by appointing an investigating authority who will delve into the books and records, analyse trade patterns, and track information flows. But investigating any insider trading activity is not an easy task as there is a need to prove that the individual had access to UPSI prior to making the trade.

Besides being able to enforce laws by conducting searches and seizures on premises, SEBI also enjoys search and seizure powers to raid places and seize any documents, electronic evidence, and other materials necessary to an investigation. These powers are normally carried out in collaboration with the judiciary, but they play a critical role in discovering vital information that is purposely kept secret. Although the search and seizure power is important, it is not used extensively owing to several reasons, including the need to safeguard individual rights.

Moreover, SEBI is granted power to summon any individual, company, and intermediary for information about the transactions made. The summoned party is supposed to provide documents like bank statements, emails, and others that would help prove connections between inside persons and trades. However, one of the difficulties faced in this process involves the issue of the international transactions or communication that is encrypted.

After the completion of the investigation, SEBI proceeds to initiate the adjudication process, whereby an adjudicating officer reviews the evidence and decides whether there was a violation of the law. This process entails issuing a show-cause notice to the offender, giving him/her a chance to explain, and finally issuing a reasoned order. Although this quasi-judicial approach ensures procedural fairness, it has been heavily criticized for its time-consuming nature and frequent litigation whenever there are appeals made to higher authorities.

SEBI has several forms of punishment that it can administer to those found guilty of insider trading. They include fines, which are usually heavy and serve as deterrence against criminal behaviour. Besides, SEBI may impose a ban on the offender from participating in the securities market for a particular period of time. Disgorgement of profits obtained through insider trading is another penalty, while there are also cease-and-desist orders. Although these punishments look intimidating on paper, they have been criticized

⁶ Kapoor, V., & Kapoor, V. (2024, February 7). Insider trading under SEBI (Prohibition of Insider Trading) Regulation Act. iPleaders. <https://blog.ipleaders.in/insider-trading-under-sebi-prohibition-of-insider-trading-regulation-act/>

for their ineffectiveness, especially when the profits from the insider trading surpass the punishment administered.

Another key feature of SEBI's enforcement regime is that of settlements. In the process of settlements, the accused party pays a sum of money as a settlement amount without either accepting or refusing any wrongdoing on their part. This method is beneficial in resolving cases and preventing lengthy litigations but, on the other hand, it has also received criticism for failing to impose strict penalties on violators.

From a critical perspective, although the enforcement process adopted by SEBI can be described as thorough, there are quite a few problems that render this enforcement process ineffective. To begin with, since there is a lack of direct evidence in most instances, it is rather difficult for SEBI to prove insider trading. This makes SEBI depend on circumstantial evidence like trading behaviour and association among others; however, this may be inconclusive. A further challenge faced during enforcement includes the time taken for the process of investigation and adjudication, which lowers the efficiency of the enforcement process. Besides, the growing complexity of the nature of the transactions being undertaken poses yet another challenge. There are also some concerns about the appropriateness of the amount of penalty levied against those who undertake insider trading. Sometimes, this is less than the profits made out of the activity and therefore fails as a deterrent.

In summary, SEBI has adopted a robust and effective model of enforcement against insider trading that exhibits a sound and evolving system of regulation against this form of market abuse. Nevertheless, the efficacy of these systems is hampered by problems of evidence collection and processing, procedural inefficiencies, and emerging market conditions. Thus, even though SEBI has achieved substantial gains in terms of enforcing laws relating to insider trading, much still needs to be done to improve enforcement practices.

Challenges and Loopholes

Although there exists an elaborate framework governing insider trading in India through the SEBI Act, 1992, and SEBI (Prohibition of Insider Trading) Regulations, 2015, enforcement of regulations concerning insider trading in India is riddled with challenges and loopholes⁷. Such hindrances make it extremely hard for the Securities and Exchange Board of India to effectively enforce the existing law in detecting, investigating and penalizing offenders. Consequently, its objective of regulating insider trading to maintain market integrity may not be achieved as planned. First and foremost, one major hindrance associated with enforcement of insider trading regulation is proving that such an offence was committed. Insider trading being a crime that is not evident through direct proof like any other financial crime, it is extremely hard for investigators to prove an insider trading offence beyond doubt. It should be noted that such activities take place secretly without leaving any trace of evidence to be used for purposes of prosecuting the offenders.

This is closely related to the problem is the extensive use of circumstantial evidence. Lacking direct evidence, SEBI often relies on indirect evidence like trading patterns, time of the transaction, telephone calls, and relations between the parties. Despite the increased effectiveness that is achieved through the judicial acceptance of circumstantial evidence, there is an element of subjectivity involved. Patterns and correlations do not always leave clear traces, which may lead to inconsistent decision-making. This

⁷ White Black legal. (n.d.). <https://www.whiteblacklegal.co.in/details/unveiling-the-gaps-in-insider-trading-regulations-in-india-how-india-can-strengthen-regulation-in-the-indian-securities-market-by---suraj-prakash>

practice brings up the issue of impartiality because people can be punished for something they did not actually do but for being in the wrong place at the wrong time.

The second serious problem faced by the SEC is connected with the lengthy process of investigation and adjudication of insider trading cases. These proceedings require a large volume of work to be done, including thorough analysis of numerous documents and records, cooperation with various parties and institutions. All these factors contribute to the delay of investigations for several years, not to mention the additional delay that comes from the process of adjudication. Such a lengthy process undermines the deterrent effect that can be achieved with penalties for offenders.

The problem of insufficient deterrence against penalties also makes the regulatory framework inefficient. Although SEBI enjoys the right to impose hefty financial penalties as well as restriction on trading, in most cases the sanctions imposed do not adequately reflect the benefits received through insider trading.⁸ The situations can mean that the offenders will still enjoy considerable profits despite the imposition of the sanctions, resulting in less deterrence. Additionally, the settlement option provides a way of ending the case without having a guilty party admit liability.

Another challenge to regulation of insider trading relates to the complexity of corporate financial structure. Modern-day financial markets operate within the complex structure of corporation, which includes complicated ownership structures, use of shell companies, and other related features. Such situations make it rather challenging to trace the information flow and determine the final recipients of the information.

Another crucial concern is the use of proxies, or other third parties, for trading. Instead of carrying out the transactions themselves, insiders pass the necessary information to their relatives, friends, and contacts who then trade using the information provided. This way of doing business makes identifying the link between the insider and trader extremely difficult, especially if the connection itself is hard to establish. Proving that information passed was meant to facilitate trading also proves to be quite challenging. Besides, it is important to take into account that despite the existing legal requirements, many companies fail to ensure proper compliance with them. Indeed, despite being required to have an internal code of conduct and a system of compliance, not all companies have these two elements. Even if the systems exist, monitoring is not necessarily conducted properly. Compliance officers are sometimes too lenient in their activities, and employees are sometimes simply unaware of insider trading legislation.

Lastly, though India possesses a fairly strong structure concerning insider trading, there are numerous problems which affect the application of these laws in practice. The inability to prove violation cases, the use of circumstantial evidence, delays, lack of deterrence measures, among others, have made these rules ineffective in regulating insider trading activities. There is a need for better enforcement techniques along with a need for constant change in response to changing market conditions in order to effectively control insider trading in India.

Comparative Perspective

Comparing the systems of regulation of insider trading in India and the USA can help to identify the advantages and disadvantages of the existing enforcement regime in the former country. Although in India, the Securities and Exchange Board of India regulates insider trading activities using the powers vested to it by the SEBI Act, 1992 and the SEBI (Prohibition of Insider Trading) Regulations, 2015, the system of

⁸ Ekbal, M. J., & Imran, M. (2024). ROLE OF SEBI IN CURBING MARKET MANIPULATION AND INSIDER TRADING. In LawFoyer International Journal of Doctrinal Legal Research, LawFoyer International Journal of Doctrinal Legal Research (Vol. 2, Issue 3, pp. 478–490). https://lijdlr.com/wp-content/uploads/2024/10/LIJDLR_PAPER-28-Vol-II-Issue-III.pdf

regulation of this type of market manipulation used by the U.S. authorities is more developed and stricter, as it is enforced by the U.S. Securities and Exchange Commission.⁹

In terms of penalties imposed for the insider trading, the most obvious difference consists in their nature and severity. While in the United States the penalties for the insider trading violation may include both civil and criminal charges involving imprisonment in severe cases, in India the SEBI can apply mainly civil and administrative penalties to the violators. These may include monetary fines and other restrictive measures, such as disgorgement and prohibition from working in the securities markets. However, because of the absence of criminal prosecution in this case, there appears no powerful deterrent element for the offenders.

A major point of distinction concerns enforcement instruments used. SEC has substantial investigative power at its disposal, including forensics, coordinated efforts across agencies, and an effective data analysis system. Moreover, there exists a well-developed whistleblower program in the United States providing for rewards and protection against any form of reprisal from insiders. The program has proven quite successful in improving the level of enforcement. SEBI is attempting to adopt similar procedures; however, this is yet another issue being developed but not having achieved comparable results.

Additionally, the US approach relies on quick and effective enforcement practices. SEC is a rather dynamic organization that is able to begin investigations almost instantly. It takes comparatively little time to settle cases and punish violators, which is a significant advantage of the current approach. On the contrary, SEBI's enforcement practices are often subject to criticism for being delayed or slow. Such a situation may negatively affect the process of regulating insider trading in the stock market environment.

Looking at the matter in a wider context, one can observe that the approach of the USA combines elements of strict liability, deterrence, and enforcement, while the approach employed by the SEBI, despite being rather broad and all-encompassing, suffers from numerous problems with its practical application. First and foremost, the use of circumstantial evidence and various delays, coupled with relatively small amount of fines, hinder SEBI's ability to effectively enforce their rules.

Nevertheless, this comparison provides some valuable lessons for the country. In particular, increasing the level of fines and, if necessary, introducing criminal measures in case of severe violation may prove effective. Equally importantly, improving investigation capabilities via implementing more advanced technologies and conducting more active investigations can help to detect any insider trading in a timely manner. Creating an efficient whistleblowing system is another important point. To conclude, it should be noted that although the achievements of SEBI with regard to combating insider trading cannot be underestimated, comparing SEBI and U.S. SEC demonstrates some areas where the Indian authority can improve its performance.

Suggestions and Reforms

Despite the creation of a fairly exhaustive legal regime for regulating insider trading in accordance with the SEBI Act of 1992 and SEBI (Prohibition of Insider Trading) Regulations, 2015 in India, it has been identified that certain improvements may help address some difficulties in enforcing these provisions. It is important to note that strengthening of SEBI's regulatory and enforcement capacities would make possible more effective protection of capital markets.

⁹ Journal, I. (2026, February 14). Insider Trading laws in India and the United States: A comparative legal analysis. IJLLR Journal. <https://www.ijllr.com/post/insider-trading-laws-in-india-and-the-united-states-a-comparative-legal-analysis>

First and foremost, the issue which requires special attention relates to the imposition of stricter penalties on insiders. Even though SEBI possesses the capacity to penalize insiders' traders through imposing monetary penalties and suspensions or restrictions on participation in market transactions, it may happen that these measures cannot fully discourage insiders from committing illegal actions. Therefore, it is crucial to ensure that penalty will be based on the actual benefits obtained by an offender from illegal activities. In addition, the introduction of criminal liability with respect to imprisonment may serve as strong disincentive for insiders.

The second area where reforms are essential includes quicker processes of investigation and enforcement. Delayed investigation and decision-making lead to inefficaciousness of enforcement measures, besides lowering the level of investor trust. It is important that SEBI implements a procedure that will imply strict time limits both in investigation and making decisions.¹⁰ The creation of special benches or some sort of fast-track mechanism for cases of insider trading may positively influence this process. Moreover, it will be useful to incorporate the newest technologies into the surveillance system to strengthen the effectiveness of the enforcement mechanism. Although SEBI currently uses data analytics in its monitoring practices, due to high dynamics of financial markets, new ways of analysis become necessary. Artificial intelligence systems allow analysing huge amount of information in real time, detecting sophisticated trading relationships between parties.

Whistleblower protection and rewards are yet another reform that could be considered. An effective system of whistleblowers can prove to be a useful tool for gaining information regarding cases of insider trading, especially where there is little concrete evidence available. SEBI needs to refine the process and make it more effective by offering financial rewards and adequate protection to individuals who come forward with any evidence of wrongdoing. This can prove to be very helpful for enforcement agencies. Lastly, the problem of legal definitions cannot be ignored at all. While the current regulations do provide some clarity regarding many terms, like that of an "insider" and "UPSI", there are certain ambiguities left about connected persons and legitimate exchange of information. This is something that must be cleared out before the regulators. This will not only increase clarity but help in enforcing the law as well.

In summary, although the regulations laid out by SEBI are effective, they need constant updating in line with changing trends in the market. The need for increased penalties, faster enforcement processes, using technology, encouraging whistleblowers, and defining terms correctly is vital in establishing an effective insider trading law in India.

Conclusion

Insider trading is a grave concern in relation to the sanctity, fairness, and transparency of securities markets. In this research paper, we have discussed the regulation of insider trading in India. The legal framework of insider trading has been analysed in the context of the provisions of the SEBI Act, 1992 and the SEBI (Prohibition of Insider Trading) Regulations, 2015. It can be observed that India has made a significant effort in developing an elaborate and constantly evolving mechanism for controlling insider trading and the abuse of unpublished price sensitive information. The research paper brings out that SEBI

¹⁰ Agrawal, A., Sunderam, V., Agrawal, A., Sunderam, V., Agrawal, A., & Sunderam, V. (2025, April 15). Strengthening compliance: SEBI's recent enforcement strategies against insider trading. *India Corporate Law*. <https://corporate.cyrilamarchandblogs.com/2025/04/strengthening-compliance-sebis-recent-enforcement-strategies-against-insider-trading/>

has devised a three-tier mechanism for enforcement, which includes surveillance, investigation, adjudication, and penalties.

Nonetheless, the efficacy of the enforcement tools used by SEBI in curbing insider trading is constrained by certain physical issues. The difficulty of establishing insider trading cases based on indirect proof, procedural complexities involved, delay in procedures, and lack of strong deterrence provided by penalties constitute some of these factors. Besides, the dynamics of the securities market and the emergence of new practices pose additional challenges in detecting and regulation insider trading. Despite the contributions made by enforcement tools such as settlement towards efficiency, their misuse might compromise their efficacy. In addressing the main research question posed in this paper about whether SEBI is effective in curbing insider trading, it may be noted that while SEBI is moderately effective, it is not entirely efficient. In this regard, an evaluation will reveal that even though SEBI has done exceedingly well in terms of market regulation, it is evident that there is still a need for change. The need for increasing fines, ensuring that processes are faster, taking advantage of technology, and enhancing compliance are key considerations that need to be addressed in order to overcome any inadequacies.

References

1. Securities and Exchange Board of India Act, 1992. SEBI. https://www.sebi.gov.in/sebi_data/attachdocs/1456380272563.pdf
2. Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended on 12 March 2025. SEBI. <https://www.sebi.gov.in/legal/regulations/mar-2025/securities-and-exchange-board-of-india-prohibition-of-insider-trading-regulations-2015-last-amended-on-march-12-2025-92672.html>
3. Bajaj Finserv. “Insider Trading.” 27 January 2026. <https://www.bajajfinserv.in/insider-trading>
4. Corporate Professionals. “Understanding the expanded definition of connected persons under SEBI (Prohibition of Insider Trading) Regulations, 2015 and its impact.” 29 January 2025. <https://www.corporateprofessionals.com/articles/understanding-the-expanded-definition-of-connected-persons-under-sebi-prohibition-of-insider-trading-regulations-2015-and-its-impact/>
5. The Legal 500. “The Indian landscape of insider trading: understanding regulations, managing risks, and upholding ethical governance for board members.” <https://www.legal500.com/developments/thought-leadership/the-indian-landscape-of-insider-trading-understanding-regulations-managing-risks-and-upholding-ethical-governance-for-board-members/>
6. iPleaders. “Insider trading under SEBI (Prohibition of Insider Trading) Regulation Act.” 7 February 2024. <https://blog.ipleaders.in/insider-trading-under-sebi-prohibition-of-insider-trading-regulation-act/>
7. White Black Legal. “Unveiling the gaps in insider trading regulations in India: How India can strengthen regulation in the Indian securities market.” <https://www.whiteblacklegal.co.in/details/unveiling-the-gaps-in-insider-trading-regulations-in-india-how-india-can-strengthen-regulation-in-the-indian-securities-market-by---suraj-prakash>
8. Ekbal, M. J., and Imran, M. “Role of SEBI in Curbing Market Manipulation and Insider Trading.” LawFoyer International Journal of Doctrinal Legal Research 2, no. 3 (2024): 478–490. https://ijdlr.com/wp-content/uploads/2024/10/LIJDLR_PAPER-28-Vol-II-Issue-III.pdf

9. IJLLR Journal. “Insider Trading laws in India and the United States: A comparative legal analysis.”
14 February 2026.
<https://www.ijllr.com/post/insider-trading-laws-in-india-and-the-united-states-a-comparative-legal-analysis>
10. Agrawal, A., and Sunderam, V. “Strengthening compliance: SEBI’s recent enforcement strategies against insider trading.” India Corporate Law 15 April 2025.
<https://corporate.cyrilamarchandblogs.com/2025/04/strengthening-compliance-sebis-recent-enforcement-strategies-against-insider-trading/>