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Enforcement Architecture of SEBI in Insider Trading Cases: An Evaluation of Regulatory Effectiveness and Appellate Oversight

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Insider trading is one of the most damaging types of market abuse. It destroys the basic ideas of equal information and trust in investors that keep capital markets working well. In India, the Securities and Exchange Board of India has created a complex, multi-layered system to find out about, investigate, judge, and punish insider trading violations. This paper looks at that system in detail from the beginning until now. This includes everything from the Securities and Exchange Board of India Act, 1992, through the important SEBI (Prohibition of Insider Trading) Regulations, 2015 and many updates made in 2019, 2024, and 2025. The paper analyses SEBI's powers to investigate; how it watches over markets using the Integrated Market Surveillance System and System-Driven Disclosures; its quasi-judicial adjudicatory process before Adjudicating Officers and Whole-Time Members; and its sanctions regime that includes monetary penalties, disgorgement, and debarment. A major point is the Securities Appellate Tribunal, since it's the main place where appeals happen. It has also added some important rules about proof burdens, standards for evidence based on indirect proof, proportionality of penalties, and rebuttable presumptions regarding 'connected persons.' This paper further analyses landmark decisions including SRSR Holdings v SEBI (Satyam), Aptech Ltd. v SEBI, SEBI v Abhijit Rajan, and 2024 SAT orders on disgorgement methodology. This analysis reveals a structurally sound but operationally challenged enforcement framework characterised by an appellate overturn rate of about 44 per cent, inconsistent penalty quantification, digital-era investigation evidentiary difficulties and consent settlement mechanism deterrent efficacy concerns. The paper concludes with reform prescriptions including codified penalty guidelines, enhanced inter-regulatory coordination, and judicial capacity strengthening.

Keywords: *SEBI, insider trading, unfair trade practices, unpublished price sensitive information.*

INTRODUCTION

Insider trading can simply be defined as the buying or selling of securities by people who have material non-public information, and takes a central position in discussions about the regulation of securities markets across the world. Its prohibition is based on two normative pillars that mutually reinforce each other: the parity-of-information theory demands that all participants in a market should trade based on equally accessible information; and fiduciary duty theory conceptualises an insider's misappropriation of corporate information as a breach of trust not only to shareholders but also to the investing public. The social harm from unregulated insider trading goes beyond personal injury to a systemic decay of market integrity, reducing investor participation and skewing capital markets' price discovery function.[1]

There have been changes in the regulatory regime concerning insider trading in India since the time of establishment of SEBI as an autonomous body in 1992. The passing of the Securities and Exchange Board of India Act, 1992 ('SEBI Act') has granted extensive legislative, executive, and quasi-judicial powers to the regulator to deal with the issue of market abuses. While the first attempt to regulate insider trading was made by SEBI (Prohibition of Insider Trading) Regulations, 1992, the same was later found to be insufficient for dealing with the complexities of the modern-day financial markets. This was followed by an important report, which was prepared by a committee headed by T.K. Viswanathan in the year 2014 and recommended major changes in the law on insider trading, resulting in the formation of fresh regulations known as the SEBI (Prohibition of Insider Trading) Regulations, 2015[2] (hereinafter "PIT Regulations"). These regulations are still operational and act as the major legislative framework for the regulation of insider trading in India, along with another set of regulations known as the SEBI (Prohibition of Fraudulent and Unfair

[1] Securities and Exchange Board of India Act 1992, ss 11, 12A, 15G
[2] Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015

Trade Practices relating to Securities Market) Regulations, 2003[3] (hereinafter 'PFUTP Regulations').

The architecture of the enforcement that SEBI has established around these regulations consists of a multi-layered system: surveillance, investigation, adjudication, and sanction. However, significant fault lines in this architecture have been revealed by academic literature and empirical evidence.[4] One of the most widely cited findings is the rate of appellate overturn reported by SEBI itself. This rate stands at about 44% for insider trading sanction orders at the Securities Appellate Tribunal[5] (SAT). Such a figure raises very serious questions regarding the quality of reasoning and proportionality of penalties in first-instance orders.

THE LEGISLATIVE EVOLUTION OF INSIDER TRADING

Starting Point — 1992 and the Harshad Mehta Shock: The 1992 Harshad Mehta scam showed just how vulnerable the securities market could be to manipulation by insiders when there was little or no effective oversight by regulators. As a direct result of this situation, SEBI was established as a statutory body to regulate the Indian Capital Markets and formal regulations prohibiting insider trading were enacted in that same year. The SEBI (PIT) Regulations, 1992,[6] were indeed a right move, since insiders associated with listed firms were forbidden from trading based on material non-public information. However, the concept of 'insider' was highly restricted, the concept of 'material non-public information' was fairly ambiguous, and the infrastructure for enforcing the regulations was lacking.

The Code of Conduct and Corporate Disclosure Practice were created in 2002, but there were no important modifications to the system's present structure or system. The existing marketplace, on the other hand, was in needless flux; it was on a much larger scale than it had been before, and markets now relied heavily on electronic markets as opposed to traditional means of accessing markets. Apart from these transitions in the marketplace, there was also considerable sophistication with respect to the way that companies operated and

[3] SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003
[4] Devendra Damle and Bhargavi Zaveri, 'Enforcement of Securities Laws in India: An Empirical Overview' (2022) SSRN <https://ssrn.com/abstract=4198772> accessed 13 June 2026
[5] *Annual Report 2022–23* (Securities and Exchange Board of India 2023)
[6] Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 1992

the use of technology; therefore, regulatory regimes drafted during that time period will continue to experience ever-increasing difficulties keeping up with current rules.

The Viswanathan Committee and the 2015 Overhaul: SEBI's failure rates in enforcing its rules led to the realisation in 2013 that the insider trading framework in place (1992) required a complete overhaul, not just a patching up. In response to this, the T.K. Viswanathan Committee was formed in 2013 for the purpose of conducting an in-depth analysis of insider trading, and making recommendations for improving the regulatory structure of the Indian Securities Market. The Committee subsequently released its report in 2014[7] making a range of recommendations, both conceptually sound and based on practical experience, the majority of which were incorporated into the PIT Regulations, 2015.

So, how did the insider trading regulations change as a result? There are a number of significant developments; the definition of "Unpublished Price Sensitive Information" (UPSI) was dramatically broadened, with clear principles established in terms of what constituted UPSI and when a person could be held responsible for possession of such information. The definitions of "connected person" were also expanded, and a rebuttable presumption was created with respect to having possession of UPSI. A trading plan was also created for persons seeking "safe harbour" along with new regulations concerning the requirements for creating Structured Digital Databases (SDDs) to ensure that companies create real-time records showing who accesses UPSI. A range of clarifications was also provided regarding the obligations of designated persons to disclose to SEBI and others regarding their trading activity. All these developments provided SEBI with a more comprehensive and potent set of enforcement tools for detecting violations and also for supporting its ability to pursue enforcement through court proceedings going forward.

From 2015 to Today — A Framework in Continuous Motion: Several amendments have been made to the 2015 Regulations based on experience obtained from their enforcement and changing market practices. The Report issued by the Fair Market Conduct Committee in 2018 was concentrated on the modification of the PFUTP and PIT Regulations. It resulted in very important amendments made in 2019, namely, concerning the 'connected person' definition and SDD requirements. The Third Amendment Regulations of December 2024 considerably

[7] TK Viswanathan Committee, *Report of the Committee on Fair Market Conduct* (Securities and Exchange Board of India 2018) 38–42

broadened the list of the "deemed connected persons."[8] They include the spouse and dependent children of the individual, certain relatives, and related professional firms. Finally, the Amendment of March 2025 implemented another important innovation, which can be considered to be the most important one: the introduction of a deemed UPSI regime. It means that any corporate event such as a forensic audit, changes in a corporation's credit ratings, changes in the management, etc., is automatically regarded as a UPSI event without price sensitivity assessment.[9]

The Securities Laws (Amendment) Act, 2014 made one more change that was not very visible but was important: it changed the way we look at civil liability from dealing "based on" UPSI (which needed some link between the information and the trade) to dealing "while in possession of" UPSI (which does not need any link). This change opened up a much wider area for potential liability even though, as we will see later, the courts have not fully accepted an approach based on pure strict liability.[10]

CONSTITUTIVE ELEMENTS OF THE INSIDER TRADING PROHIBITION

Unpublished Price Sensitive Information (UPSI): The UPSI is the core of insider trading legislation. Section 2(1)(n) of the PIT Regulations 2015 defines the concept of UPSI as "any information concerning a corporation or its securities which has not been made generally available to the public and the disclosure of which would affect the prices of securities materially". This section also provides examples of UPSI, such as the financial performance of the corporation, its dividend policy, changes in capital structure, mergers and acquisitions, changes in the key management personnel, etc.[11] A major definitional challenge has always been whether information can be considered "generally available." The PIT Regulations take a functional approach: information is generally available if it can be accessed by the public without discrimination. This standard has been the basis for intense litigation, especially in cases involving selective disclosures made to analysts or institutional investors before any

[8] Securities and Exchange Board of India (Prohibition of Insider Trading) (Third Amendment) Regulations 2024, reg 2(1)(d)
[9] Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations 2025
[10] Securities Laws (Amendment) Act 2014
[11] Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015, reg 2(1)(n)

general public release.[12] Courts and SAT have repeatedly held that any information conveyed to select market participants without simultaneous general disclosure shall constitute UPSI irrespective of the number of recipients.

With the 2025 Amendment, there was a fundamental change in perspective with the introduction of the deemed UPSI regime applicable to specific events within corporations, which does away with the conventional price sensitivity test-based approach. Key management personnel changes (excluding retirement), changes in credit ratings, forensic audit findings, insolvency proceedings involving the corporation, regulatory actions, and litigation are now automatically categorised as UPSI events on occurrence. The listed company must also log any UPSI received from external sources in its Structured Digital Database within two days of receiving the information.[13]

The "Insider" and "Connected Person" Paradigm: An insider under Regulation 2(1)(g) of the PIT Regulations[14] means any person who has at any time had some connection with the corporation or is considered to have had some connection with the corporation and may have reasonable access to any UPSI regarding that corporation or its securities. An insider may be a person who has accessed or possessed any UPSI. This broad concept of an insider includes a large number of people whose definitions exceed the traditional understanding of corporate executives and directors.

The notion of "connected person" in Regulation 2(1)(d)[15] is just as extensive. This means any individual who was involved in any professional, business, or employment relationship with the company within the six months prior to the concerned event. A legal presumption which can be rebutted by the defendant is that all connected persons are considered as being in control of UPSI. Through the Third Amendment Regulations introduced in December 2024[16] the list of connected persons has been enlarged significantly and now covers: (i) extended

[12] Rajat Asthana et al., 'An Analysis of SEBI WhatsApp Orders: Some Observations on Regulation-Making and Adjudication' (*The Leap Blog*, 27 May 2021) <https://blog.theleapjournal.org/2021/05/an-analysis-of-sebi-whatsapp-orders.html> accessed 13 June 2026

[13] 'Understanding SEBI's March 2025 Changes to Insider Trading Regulations' (*Lexology*, 17 July 2025) <https://www.lexology.com/library/detail.aspx?g=c9b82216-ca12-4396-ae64-292faf1a1c8f> accessed 13 June 2026

[14] Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015, reg 2(1)(g)

[15] *Ibid* reg 2(1)(d)

[16] 'SEBI's Amendment to the Insider Trading Regulations' (*Finsec Law Advisors*, 16 December 2024) <https://www.finseclaw.com/article/sebis-amendment-to-the-insider-trading-regulations> accessed 13 June 2026

family members of a connected person (including brothers and sisters-in-law of the spouse and the spouse of children); (ii) companies whose partner is a connected person along with his partners and employees; and (iii) any individual living with a connected person.

Expanding the definition of 'deemed connected person' thus constitutes a legislative attempt at placing the onus of proof on the accused in a blanket manner. Though this may make it easier for the authorities at SEBI to prosecute the case, this poses serious issues of due process, especially in cases where the household member has nothing to do with the decision-making involved in insider trading by the insider. This practice is unconstitutional, according to some academics, due to the possible criminalisation of the ignorant.

The Trading Prohibition and Its Exceptions: According to Regulation 4[17], there is an absolute ban on any insider trading in the shares of a listed firm when he possesses any UPSI. The test used here is based on the possessory theory. Under this theory, it is enough for one to have the UPSI at the moment of the trade; the trader does not have to show that his action was triggered by the information. The burden of proof lies on the accused.

There are certain exceptions carved out under the PIT Regulations, extracted herein below:

- The ability for an insider to make transfers to another insider with respect to their common UPSI.
- This deal was executed using the block deal window procedure by persons holding confidential information that may affect pricing decisions without contravening Regulation 3, since both parties involved made an informed business choice.
- The transactions made under any obligation arising out of statute or regulation.
- Exercising stock options where the exercise price is known.
- Trades made by non-individual insiders where those insiders have UPSI and have been firewalled from making investment decisions
- Trades made under a previously approved trading plan.

The device of a trading plan, which is a novel provision in the 2015 Regulations, facilitates insiders to make prior commitments for conducting their trades six months before the

[17] Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015, reg 4

periods during which UPSI exists. However, this is a non-revocable commitment and hence of little practical benefit once approved.

SEBI'S ENFORCEMENT ARCHITECTURE: INVESTIGATIVE MECHANISMS

Surveillance and Intelligence Gathering: The surveillance framework employed by SEBI starts from the surveillance tier, which has undergone significant improvements over time with the help of technology. The main technological platform used to detect any such activity is the Integrated Market Surveillance System (IMSS)[18]. This system uses Artificial Intelligence (AI) algorithms to detect abnormal price movements and abnormal volume trades before the release of any crucial corporate information.

As per the SDD model made stronger via the 2024 PIT amendment, it would be possible to track the trading activity of designated persons (DPs), immediate family members of DPs, and other insiders in real time. The SDD model works based on automatic identification of trades that take place during closed trading windows and those with unusual features compared to their records of trading. Significantly, with the SDD model, SEBI can avoid relying heavily on the self-disclosure of information by companies.[19]

SEBI further uses data about trades made on NSE and BSE, information from depositories like CDSL and NSDL, and payments made through banking channels for building complete trading profiles. Network analysis has also become standard practice for identifying "connected trading," which refers to the act of making simultaneous or consecutive trades in which the entities involved have some demographic, professional, or financial connection. SEBI, IMSS, under Regulation 11 of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992.

Standard practice in insider trading investigations is that they are complicated. The IndusInd Bank Limited[20] is a good example of the same; in this case, SEBI studied documents from

[18] Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations 1992, reg 11
[19] Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015, reg 3(5)
[20] 'EX-PARTE INTERIM ORDER NO WTM/KV/ISD/ISD-SEC-5/31437/2025-26' (*SEBI*, 28 May 2025) <https://www.sebi.gov.in/sebi_data/attachdocs/may-2025/ibl_interim_order.pdf> accessed 13 June 2026

NSE, BSE, depositories, auditing companies, and the bank in question to build the trading profile of five senior executives for 18 months.[21]

Investigation under PFUTP Regulations and SEBI Act: Upon obtaining a reasonable suspicion about any potential insider trading from the results of surveillance, SEBI can conduct a proper inquiry. According to Regulation 8 of the PFUTP Regulations[22] and Section 11C of the SEBI Act,[23] SEBI is authorised to constitute an Investigating Authority with extensive powers to interrogate any individual, compel production of books, accounts, registers, and papers, examine the books of any intermediary, and direct any listed company or participant of the market to provide information.

In addition to these, SEBI's powers of investigation also include the power to intercept messages only in certain situations, which was subject to discussion regarding its scope. In its recommendation in 2018, the Fair Market Conduct Committee highlighted the constitutional importance of telephone intercepts, which involve fundamental freedoms enshrined in the Constitution of India, and suggested that SEBI obtain the necessary directives from the State Government for conducting these interceptions similar to Section 5(2) of the Indian Telegraph Act, 1885.

Other significant structural aspects of the enforcement regime in India are the possibility of investigations at the same time into different offences carried out by different bodies. For instance, while the ED can investigate the aspect of money laundering through the PMLA, the state police will investigate the crime of fraud, and the Ministry of Corporate Affairs will carry out an investigation into any violation of the Companies Act, based on the same facts about violations of the SEBI Act and PIT Regulations. These can happen in India under the law, but they raise significant procedural problems for the accused.[24]

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[21] Samie Modak, 'How Sebi Fixed ₹20 Crore Disgorgement in IndusInd Bank Insider Trading Case' *Business Standard* (30 May 2025) <https://www.business-standard.com/companies/news/how-sebi-fixed-rs-20-cr-disgorgement-in-indusind-bank-insider-trading-case-125052900635_1.html> accessed 13 June 2026

[22] SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003, reg 8

[23] Securities and Exchange Board of India Act 1992, s 11C

[24] Manjari Tyagi et al., 'India: A Deep Dive into SEBI and Related Legislation Amid Insider Trading and Market Manipulation Investigations' (*Global Investigations Review*, 07 December 2023) <https://globalinvestigationsreview.com/guide/the-guide-international-enforcement-of-the-securities-laws/third-edition/article/india-deep-dive-sebi-and-related-legislation-amid-insider-trading-and-market-manipulation-investigations> accessed 13 June 2026

SEBI's Power of Suo Motu Investigation: SEBI is endowed with the capacity to conduct suo motu investigations without waiting for a complainant to file a case. The use of this capacity has been seen in many cases where SEBI has conducted investigations promptly after detecting any suspicious movement within the market. The IndusInd Bank case in 2025 is a good example of how SEBI has effectively used suo motu investigation powers backed up by a strong market surveillance mechanism. In the case, SEBI launched an immediate suo motu investigation after the bank announced losses in its derivative portfolios and a massive drop in share prices of 27.2% in a single day.

Statistics show that over 90% of the investigations conducted or finalised in the financial years 2022-2023 were for market abuse, including insider trading and market manipulation.

THE ADJUDICATORY PROCESS AND THE SANCTIONS REGIME

Two Tracks — Adjudicating Officers and Whole-Time Members: The quasi-judicial framework of SEBI distinguishes between two categories of decision-makers in the adjudicatory stage. Adjudicating Officer (AO) is any officer of SEBI appointed under Section 15I of the SEBI Act, 1992, to inquire into matters in accordance with the Adjudication Rules, 1995 and impose a monetary penalty.[25] Whole-time Member (WMT) of the SEBI Board has wide powers conferred under Sections 11(4) and 11B to issue directions to prohibit an individual from participating in securities market activities, recover gains made through illegal means, and stop business operations.[26] The key point is that the AO lacks authority to debar; only WTM can do that.

The adjudication process is formally committed to natural justice doctrines in both forums. Notice is served on the accused; access is granted to the inquiry report and all material evidence that SEBI plans to use against him/her. He/she is allowed to submit a written defence and be heard orally. In fact, SAT has consistently overturned decisions of SEBI for violations of these basic rules: lack of production of all material used, inadequate time to present a defence, and utilisation of undisclosed material against the accused.

[25] SEBI Act 1992, ss 15I and 15J; Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules 1995

[26] SEBI Act 1992, ss 11(4) and 11B

The burden of proof in civil law refers to preponderance of probability, which is a much lesser burden of proof than the criminal burden of proving the matter "beyond a reasonable doubt." However, in the present case, the SAT has maintained that, although it may be true that the burden of proof was less stringent, SEBI should have come up with logical inferences from the facts actually proved before it.

Monetary Penalties and the Section 15J Framework: The SEBI Act, 1992, Section 15G provides for financial penalties in case of insider trading, where the minimum is Rs. 10 lakhs, and the maximum is Rs. 25 crores or three times the amount of gain earned through the said trading, whichever is more. Section 15J requires AOs to take into consideration three important factors in case of imposing penalties, namely (a) the amount of any undue gain or unfair advantage; (b) the loss suffered by other parties because of such a breach; and (c) repetition of the violation. These are the mandatory factors that must be considered while imposing penalties; otherwise, the order may be quashed on appeal.[27]

This is where the disconnect between legislative intent and enforcement practice becomes glaringly obvious. The empirical evidence reveals that SEBI sanctions seldom make any meaningful attempt to address the criteria stipulated under Section 15J – the sanction amounts tend to be stated in terms of a flat figure with little or no explanation, and there appears to be no pattern connecting the size of the illicit gain with the financial sanction or ban imposed. This is not merely a theoretical issue. It has real-world implications for the SAT's reversal rate.

Disgorgement — Taking Away the Profit: One could say that disgorgement is the strongest mechanism used by SEBI in cases of insider trading violations. While a monetary penalty is a punitive measure, the idea behind disgorgement is restitutive – disgorgement is meant to deprive the violator of the benefit obtained as a result of the offence to ensure that insider trading will not be rewarded, regardless of whether it is discovered or not.

A relevant example of SEBI calculating disgorgement amounts is the case involving IndusInd Bank in 2025. As a part of this case, five senior managers had sold shares, taking advantage of UPSI concerning problems with the bank's derivatives portfolio. Once the news was disclosed to the public, there was a drop in stock value by 27.2 per cent on one day alone.

[27] Securities and Exchange Board of India Act 1992, ss 15G, 15HA and 15J

Disgorgement amounts were calculated based on the number of shares each of the executives had sold multiplied by the aforementioned drop rate. As a result, Rs. 14.4 crores were ordered from the former Deputy CEO Khurana and Rs. 5.21 crores from the former CEO Kathpalia.

The Consent Settlement — Useful Tool or Easy Exit? Consent settlement has been in existence since 2007, but it is currently administered under the Settlement Regulations of 2018.[28] This process allows an alleged offender to propose SEBI at almost any point in time during the enforcement process, whereby there will be a payment of a certain settlement amount along with the fulfilment of other required terms, all without admitting guilt.

The question of whether there can be settlement of such serious offences as insider trading is debatable. The rationale behind the opposition to it is that making it possible for the insider involved in a violation to settle by making a payment will not require him to admit guilt at all. The result of this practice would be turning regulatory fines into an expected expense of running the business. According to Shriram Subramanian.[29] The main drawback of the settlement process is that it does not consider its effects on the whole market.

Supporters of the system include Sandeep Parekh[30], an Executive Director at SEBI until recently, who has a separate set of arguments to offer. The fact that consent orders tend to achieve speedy disgorgement compared to years of litigating the case; that settlements generally result in larger sums being disgorged than a full trial; and the decrease in cases that are litigated due to such settlements are some of their key arguments. Both have valid arguments, which may explain why there has been no definitive resolution to the debate.

THE SECURITIES APPELLATE TRIBUNAL — STRUCTURE AND JURISPRUDENCE

What the SAT Is and How It Works: The Securities Appellate Tribunal was set up under Section 15K of the SEBI Act 1992, and is a quasi-judicial body which has appellate jurisdiction over orders passed by SEBI[31]. The Securities Appellate Tribunal is made up of a Presiding

[28] Securities and Exchange Board of India (Settlement Proceedings) Regulations 2018
[29] Shriram Subramanian, 'Should Sebi have barred insider trading from consent orders?' *Business Standard* (11 January 2018) <https://www.business-standard.com/article/opinion/should-sebi-have-barred-insider-trading-from-consent-orders-112060600021_1.html> accessed 13 June 2026
[30] 'Circular No. EFD/ED/Cir-1/2007' (*Securities and Exchange Board of India*, 20 April 2007) <https://www.sebi.gov.in/sebi_data/attachdocs/1291879532674.pdf> accessed 13 June 2026
[31] SEBI Act 1992, ss 15K,15T and 15Z

Officer, who shall be or have been a Judge of a High Court, and other members appointed by the Central Government in consultation with the Chief Justice of India. The territorial jurisdiction of the Securities Appellate Tribunal extends throughout India, and now it also covers appeals against orders of IRDAI and PFRDA[32]

Appeals shall generally have to be made within 45 days from the date of the receipt of the impugned SEBI order, provided that there is condonation for sufficient reasons. The SAT possesses the power to conduct de novo review, meaning that it is not confined only to considering whether SEBI had conducted its proceedings according to procedure but also has the authority to evaluate all facts again based upon new findings. This is indeed wide in scope and allowed the SAT to take an active role in shaping the legal principles regarding insider trading and not confining itself to mere supervision of SEBI.

SRSR Holdings v SEBI (2023): The judgment passed by the SAT in SRSR Holdings Pvt. Ltd. v SEBI[33] in February 2023 is a noteworthy one with respect to insider trading under Indian securities law. This case originated from the scandal of Satyam Computer Services, wherein the company's Chairman, B. Ramalinga Raju, confessed to fraudulent activities for a prolonged period of time. SEBI had levied a fine of Rs. 1,849 crores on both the chairman and his brother for engaging in insider trading through UPSI with regard to financial statements prepared by Satyam.

Concerning joint and several liability with respect to disgorgement, the SAT created a rule that liability is in relation to one singular event undertaken by joint tortfeasors, and not to different events. With regard to the present case, since the shares were sold independently by Ramalinga Raju and Rama Raju, the disgorgement liability should be treated separately as well.

Aptech Ltd. v SEBI (2022): In the matter of Aptech Ltd. v SEBI,[34] one of the critical factors was deciding when information concerning the deal would be considered Unpublished Price Sensitive Information (UPSI). According to SEBI, the signing of a non-disclosure agreement

[32] 'Securities Appellate Tribunal (SEBI)' (*Finlaw Associates*) <https://finlawassociates.com/sat-sebi-compliance-lawyers.php> accessed 13 June 2026
[33] *SRSR Holdings Pvt Ltd and Ors v SEBI* (2023) App No 1/2019 (SAT)
[34] *Aptech Ltd v SEBI* (2021) Appeal No 467/2021 (SAT); 'Securities appellate tribunal's key judgments: 2019 to 2024 [Volume 1]' (*Lexology*, 24 June 2024) <https://www.lexology.com/library/detail.aspx?g=fd64be15-cf05-4a5a-8025-895cb0fc87bc> accessed 13 June 2026

between Aptech and its business partner on March 14, 2016, was the moment when information could be regarded as UPSI. This happened six months prior to the public disclosure on September 7, 2016. Nevertheless, SAT refused to consider a mechanistic approach, arguing that without a binding deal, the signing of an agreement alone would not make the information UPSI. SAT made it clear that there must be concrete information during the process of trading so that only relevant information becomes UPSI.

SEBI v Abhijit Rajan (2022): The decision taken by the apex court in the case of SEBI v Abhijit Rajan[35] was an important one concerning the state of mind for insider trading. In this case, the respondent, who was an important member of the company's management, had traded in stocks using information which was UPSI regarding the financial problems of the company. The Supreme Court drew a distinction between exploiting insider trading and transactions conducted in distress in order to settle the company's liabilities.

Two Important 2024 Decisions: There were two noteworthy rulings from the SAT's 2024 record. First, in Affluence Fincon Service Pvt. Ltd. v SEBI,[36] the SAT upheld that information relating to a proposed stock split, which was discussed in a board meeting, was indeed UPSI, based on its interpretation of the term 'price-sensitive' in line with the purposive interpretation of price sensitivity, which includes equal accessibility of information. Second, in Venkatraman Ranganathan v SEBI,[37] the SAT quashed the penalty imposed on one individual who was alleged to have communicated UPSI by taking note of the inconsistent approach taken by the Adjudicating Officer in the application of evidentiary principles, in that some accused persons were given the benefit of doubt because of discrepancies in evidence, but not others whose case facts were similar.

HOW EFFECTIVE IS THE FRAMEWORK?

The Overturn Rate Problem: According to SEBI's Annual Report of 2022-23, there has been an instance where the SAT altered or reversed the decisions concerning 44% of insider trading sanction proceedings, meaning that there is a possibility for defendants to benefit from an almost 50% likelihood of success in their case. The literature suggests that there are

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[35] *SEBI v Abhijit Rajan* (2022) SCC Online 1241
[36] *Affluence Fincon Service Pvt Ltd v SEBI* (2024) Appeal No 314/2021 (SAT) and *Venkatraman Ranganathan v SEBI* (2024) Appeal No 69/2024 (SAT)
[37] *Venkatraman Ranganathan v SEBI* (2024) RC No 7494/2024 (SAT)

four common challenges faced in the process including: (1) the lack of rationality and quantitative assessment of penalty in accordance with Section 15J; (2) disparity between the level of violation and the penalties imposed on the defendant; (3) the lack of evidence of conflict or other explanation; and (4) violation of natural justice due to the lack of documentation provided to the noticee.

The Digital Evidence Problem: Encrypted digital communication among insiders is becoming an important practical issue in the enforcement of insider trading. The WhatsApp orders case, where SEBI fined parties accused of trading on information about corporate results that had been communicated using encrypted messaging platforms, was ultimately resolved in favour of the respondents by the SAT, which held that SEBI had failed to prove not only that those who received the communication were aware that the information they were receiving was true UPSI (as opposed to hearsay), but also that any of the individuals had traded based on that information.

The USTA Regulations, 2023,[38] issued by SEBI, constitute an effort to circumvent this problem by carving out a new class of "suspicious trading activity," which is premised on the principle of statistical anomaly, under which any significant departure from the norm in terms of trading behaviour before the occurrence of any material event of the corporation will require the trader to account for the departure. While the premise itself may have some value, the current draft of the regulation gives rise to the fear that it might end up catching legitimate forms of algorithmic or quantitative trading as well.

Does the Deterrence Actually Work: Overall, the performance of the deterrence mechanism can be measured by its success in preventing negative behaviours. In the Indian context, the performance is not satisfactory, as detection levels have increased but the high rate of overturning cases and the imposition of punishments on recent violators indicates that chances of being punished are higher for rational violators. The alternative of consent orders offers an escape route at a definite cost, especially considering the relatively low monetary penalties imposed on previous violators.

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[38] 'Consultation paper on draft SEBI (Prohibition of Unexplained Suspicious Trading Activities in the Securities Market) Regulations, 2023' (*Securities and Exchange Board of India*, 18 May 2023) <https://www.sebi.gov.in/reports-and-statistics/reports/may-2023/consultation-paper-on-draft-sebi-prohibition-of-unexplained-suspicious-trading-activities-in-the-securities-market-regulations-2023_71385.html> accessed 13 June 2026

LOOKING OUTWARD: COMPARATIVE PERSPECTIVES AND REFORM RECOMMENDATIONS

How Other Systems Manage It: The structure in which the SEC of the United States functions is, however, significantly different and, from almost any perspective, more efficient in terms of conviction rates. Rule 10b-5, contained within the Securities Exchange Act of 1934,[39] incorporates both the fiduciary relationship to shareholders and the theory of misappropriation, whereby the duty to maintain confidence applies to the information provider, and thereby extends its reach. Maximum criminal punishment in the form of up to twenty years of imprisonment, alongside financial disgorgement of any unjust gains made and pre-judgment interest, constitutes an effective anticipated penalty. However, what makes the American system unique is the existence of an informant reward program, in which whistleblowers providing original information leading to an SEC conviction resulting in sanctions of a specified value receive between 10 and 30 per cent of such sanctions.

However, the EU's Market Abuse Regulation of 2014[40] follows a different path by adopting a uniform system where insider lists must be exhaustive, legitimate confidential information must have an extended disclosure period, and a safe harbour exists for certain market soundings. It can be seen that both the deemed UPSI regime of the 2025 SEBI Amendment and the requirement to record external UPSI within two days have been inspired by this regulatory model.[41]

What India Should Do: Based on the analysis offered above, there are four important reforms that require consideration. First, the SEBI must set out penalty criteria that will define the number of fines imposed as well as the period of disqualification from trading based on the illegal gain, degree of planning, length of the offence, and the level of harm done to the market. To calculate penalty fees, the Competition Commission of India's formula of 2024[42] can be used as an example. Second, the provision dealing with whistleblowers in

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[39] Securities Exchange Act of 1934, 15 USC s 78j(b); SEC Rule 10b-5, 17 CFR s 240.10b-5; Insider Trading Sanctions Act of 1984; Insider Trading and Securities Fraud Enforcement Act of 1988

[40] Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC [2014] OJ L173/1

[41] Understanding SEBI's March 2025 Changes to Insider Trading Regulations (n 15)

[42] Competition Commission of India (Determination of Monetary Penalty) Guidelines 2024; 'Strengthening Compliance: SEBI's Recent Enforcement Strategies Against Insider Trading' (*Cyril Amarchand Mangaldas*

the Prohibition of Insider Trading (PIT) regulations needs improvement. Present incentives are underutilised because of the lack of protection and rewards. This should be fixed by raising reward caps to 20-30%, as well as creating statutory anti-retaliation provisions that carry criminal liability.

Lastly, there is a need for the provision of a narrow statutory defence in order to address the problem of due process in relation to the broader definition of "deemed connected person." Here, people should be provided with an opportunity to prove that they did not have actual knowledge of UPSI and that their transactions were not made based on the advice of connected persons. Lastly, a Quality Assurance system should be put in place by SEBI in relation to the orders issued by it, akin to the UK's FCA's Decision Procedure and Penalties Handbook. In this way, the quality of the orders can be maintained since all of the factors provided under Section 15J will be addressed, and also quantitative data can be used to determine the period of debarment in relation to the breach committed. The high overturning rate of SAT is an indication that much more is needed to solve this problem than simply tweaking the appeals procedure.

CONCLUSION

There have been considerable developments in SEBI's framework for enforcing insider trading, especially in the form of stringent rules related to the Prohibition of Insider Trading (PIT) since their amendments in 2015, 2024, and 2025. The IMSS monitoring system has become very efficient during the past ten years, and SAT has developed an excellent jurisprudence in several important cases such as SEBI v Abhijit Rajan, SRSR Holdings v SEBI, and Aptech Ltd. v SEBI, among others.

The high reversal rate of 44% of the SAT is a clear indication that there are numerous issues, such as insufficient justifications for penalties, lack of consistency in evidence standards, harshness of penalties, and a breach of natural justice, among others, that need to be addressed through reform. Although the consent settlement mechanism offers several advantages, it cannot replace the function of proper adjudication, which acts as a safety valve that masks early warning signals.

Corporate Law, 08 April 2025) <https://corporate.cyrilamarchandblogs.com/2025/04/strengthening-compliance-sebis-recent-enforcement-strategies-against-insider-trading/> accessed 13 June 2026

This proposal to develop penalty guidelines, establish a whistleblowing procedure, and allow a limited number of people partial access to due process and review orders is intended to improve the system rather than change it. The aim is to ensure that the process of implementation becomes more efficient, considering the huge expansion experienced by the Indian capital market during the last twenty years.