

Manuscript ID:  
TIJCMBLIR-2026-030106

Volume: 3

Issue: 1

Month: February

Year: 2026

E-ISSN: 3065-9191

Submitted: 05 Jan 2026

Revised: 15 Jan 2026

Accepted: 05 Feb 2026

Published: 28 Feb 2026

**Address for correspondence:**  
Prabhat Deep  
Research Scholar, School of Law  
and Governance, Central  
University of South Bihar  
Email:  
[deepprabhat96@gmail.com](mailto:deepprabhat96@gmail.com)

DOI: [10.5281/zenodo.18490466](https://doi.org/10.5281/zenodo.18490466)

DOI Link:  
<https://doi.org/10.5281/zenodo.18490466>



**Creative Commons (CC BY-NC-SA 4.0):**

This is an open access journal, and articles are distributed under the terms of the Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International Public License, which allows others to remix, tweak, and build upon the work noncommercially, as long as appropriate credit is given and the new creations are licensed under the identical terms.

# A Decade of SEBI Prohibition of Insider Trading Regulation 2015, Reform: Uncertainty and Capacity

Prabhat Deep<sup>1</sup> Dr. P. K. Das<sup>2</sup>

<sup>1</sup>Research Scholar, School of Law and Governance, Central University of South Bihar

<sup>2</sup>Professor, School of Law and Governance, Central University of South Bihar

## Abstract

*This research paper is a critical analysis of the SEBI (Prohibition of Insider Trading) Regulation, 2015. Over a decade of its operation between 2015 and 2025. The paper examines the impact of the regulation that repealed and replaced the 1992 regulation which led to the unprecedented growth and metamorphical change of the securities market in India. The study analyses the conflict between the objectives of the regulation and the realities of its implementation through a thorough analysis of enforcement data, landmark judicial precedents, and regulatory amendments. This decade has seen a six-fold increase in the market capitalization and evolutionary change in the dynamics of trading in the Indian securities market. However, even with the advanced structure of the new regulation such as the definition of unpublished price-sensitive information (UPSI), increased disclosure rules, and improved surveillance systems, the implementation issues still exist. The decisions of cases like Balram Garg and Abhijit Rajan, which have been decided by the Supreme Court, have significantly raised the standard of evidence required by SEBI, and the 2024, 2025 amendment to the regulation can be seen as a continuation of the attempts to close the definitional gaps. This paper states that even though the 2015 regulation is a significant improvement over 1992 regulation, the regulatory framework still struggles to find a balance between deterrence and investor protection, market integrity in the face of rapid technological change, and the institutional capacity to effectively curb insider trading.*

**Keywords:** SEBI, Insider Trading, Securities market, Insider Trading Prohibition, Insider trading Regulation.

## Introduction

The Securities and Exchange Board of India (SEBI) is the India's primary market regulator. SEBI was founded in 1988, and became statutory body and given statutory power through the SEBI Act in 1992 and has since increased its regulatory functions. With the establishment of SEBI, the metamorphosis of financial markets in India has made it a large and vibrant securities market in the world. The prohibition of insider trading has been one of the pillars of the mandate of SEBI in this path of growth and refinement. SEBI (Prohibition of Insider Trading) Regulation, 1992 was made to suit a then relatively small securities market that was operating in a liberalized economy. The market participants, intermediaries, and the regulatory ecosystem significantly changed over the course of almost 20 years and new challenges were introduced, which revealed the shortcomings of the 1992 framework. Cases such as Hindustan liver limited v. SEBI and Rakesh Agrawal v. SEBI and disclosed loopholes and exposed inadequacies of the regulation. The necessity of an overall reform became obvious. As a reaction, SEBI formed a high-level committee in March 2013 to improve the insider trading regulation framework by conducting a comprehensive review and giving suggestions under the chairmanship of Justice N.K. Sodhi. The committee, presented its report in December 2013. The primary focus of the committee was that the regulation must be predictable, precise, clear and transparent. The new SEBI (Prohibition of Insider Trading) Regulation, 2015, was notified on January 15, 2015, and it came into effect on May 15, 2015, after the extensive stakeholder consultations.

It has been ten years since the introduction of the 2015 regulation. This decade was anything but placid. The Indian securities market has received several shocks. Global instability 2015-2018, the COVID-19 pandemic 2020-2021, geopolitical tension, and a change in technology never seen before. At the same time, the regulation has had to undergo the trial of practice with regard to implementation in relation to these evolving realities. The paper will provide an in-depth assessment of the 2015 regulation in terms of meeting its objectives, and any difficulties it has faced and the lessons that can be learned in further regulatory development.

## How to Cite this Article:

Deep, P., & Das, P. K. (2026). A Decade of SEBI Prohibition of Insider Trading Regulation 2015, Reform: Uncertainty and Capacity. *The International Journal of Commerce Management and Business Law in International Research*, 3(1), 29–34. <https://doi.org/10.5281/zenodo.18490466>

### **The 2015 Regulation: Architecture and Rationale**

SEBI (Prohibition of Insider Trading) Regulation, 2015, is a reactionary and improved departure in substance and approach than the one that existed in 1992. In contrast to enumerating the list of prohibited actions, the 2015 regulation organized the insider trading law on the basis of clearly defined concepts and principles. The regulation added legislative note for better clarity. Clarified definition which had been the points of interpretative ambiguity.

#### **Key Definitional Enhancements**

The most fundamental concept of the regulation is the Unpublished Price-Sensitive Information (UPSI). The regulation states that UPSI is any information that concerns either directly or indirectly a company or its securities that is not generally available and that once disclosed would tend to have a significant impact on the price of the securities. More importantly, the regulation also came up with the definition of Generally Available Information (GAI) information to which the public has access without discrimination. This was meant to minimize interpretation controversy on what constitutes unpublished information. The regulation gave a list of events that usually form UPSI, which is not exhaustive. These are board meetings, annual results, dividend declaration, stock splits and restructuring of the company. All the provisions of the 2015 regulation came with the legislative notes as to the intent of the regulation. A practice to help in deciphering and minimize conflict. The insider definition was extended to include not only directors, employees and promoters but also those who are referred to as tippees, who obtain UPSI by an insider. The term connected persons was also broadened to cover family members, associated persons and any other individuals in proximate relationship with a given individual.

#### **Prohibition Framework**

The rule created three prohibition levels. Firstly, no insider will trade in securities when he possesses UPSI. Secondly, no insider will disclose UPSI to any individual unless it is necessary to do so in legitimate business or in compliance with legal requirements. Thirdly, no individual will obtain UPSI through an insider or recommend others to trade on the basis of UPSI. However, the rule also came with exceptions. Legitimate business communications, including between a company and its auditors, or between merger negotiators, were allowed as long as there were some safeguards. The regulation also brought about the idea of pre-scheduled trading plans whereby insiders who are more frequently in possession of UPSI can use mechanical trading programs that predetermine the amount of trading, price, and date. The plan may be adopted in a window when they have no other UPSI, and then it may be mechanically implemented irrespective of any further acquired UPSI.

#### **Institutional Architecture**

The rule required listed companies and market brokers and intermediaries to put up internal control measures to avert insider trading. The

companies needed to appoint a compliance officer who would oversee them. Specified trading windows during which employees were able to trade were required. Code of Conducts were forced to be developed to control the trading of employees. Trading by designated persons in disclosure forms were to be kept. The regulation also stipulated that companies had to keep centralized records of persons having access to UPSI, where such persons had to sign confidentiality agreements.

#### **Market Transformation During 2015-2025**

In this period, the aggregate market capitalization of the securities market in India increased by six times. As an example, the BSE Sensex rose by some 25,000 points in November, 2015 to over 84,000 points in November, 2025, which translates to an annual growth rate of about 13 percent. The Nifty 50 showed an equal trend. Simultaneously, India saw its market share in the Asia-Pacific equity markets rise to 12 percent up to 4 percent, a pointer to the increasing significance of market in terms of its capital flows. India has become one of the best securities markets in the world with total market capitalization of about USD 5.3 trillion as at December 2025. This size is not just nominal growth but it is substantive growth in terms of trading volumes, number of participants as well as complexity of the instruments to be traded. This growth pattern was however not smooth sailing. There were several periods in the market when volatility was high. In the beginning of 2018, there was a significant correction. The 2020 COVID-19 pandemic brought with it an unprecedented uncertainty but Indian markets were able to recover rather quickly. Periodic volatility was caused by global supply-chain upheaval, inflationary pressures, and geopolitical strains during the decade. At the same time, the financial ecosystem was transformed technologically: electronic trading platforms became widely available, algorithmic trading experienced a significant growth, and retail investment in securities markets increased significantly, especially after the lockdowns during the pandemic. Currency derivatives, commodity derivatives and complex structured products gained even greater popularity and thus changed the very ways, in which insiders might seek to misuse UPSI.

#### **Enforcement Effectiveness and Emerging Jurisprudence**

SEBI's insider trading investigations have surged from 140 cases over five years (FY 2015–2019) to over 130 investigations in a single year (FY 2023–24). Primarily driven by advanced technology. System Driven Disclosures (SDD) and data analytics tools that automatically flag suspicious trading patterns which correlate phone records with market activity. However, this investigative success masks a conviction bottleneck. The Securities Appellate Tribunal (SAT) and Supreme Court overturned or remanded nearly 30 to 40% of SEBI order. The fundamental problem is evidentiary. Courts require both circumstantial evidence and foundational facts like proof of actual communication of inside information. But SEBI presents only timing of trade.

It doesn't able to present that information was actually communicated, as established in the case of *Balram Garg* as precedent. In consequence of SEBI's increase technological capabilities in detecting more cases, the agency faces more legal obstacles in securing convictions, which creates a wide gap between investigations successful penalty and prosecution.

#### Judicial Interventions

Two Supreme Court decisions have reshaped insider trading jurisprudence regarding evidentiary standards in last 5 years. First is *Balram Garg v. SEBI*. which has changed the application of circumstantial evidence and raised the bar of evidence. *Balram Garg*, the Managing Director of P.C. Jewellers, was accused of communicating UPSI regarding a proposed share buyback to his family members, who then traded in company shares. The buyback was later cancelled. While investigating SEBI concluded that Garg's family members, Sachin Gupta, Shivani Gupta, and Amit Garg, possessed UPSI and on the basis of that traded unlawfully. The market watchdog's conclusion relied heavily on circumstantial evidence like the family relationships between the alleged tippees and Garg, the timing of trades relative to the announcement, and observed the trading patterns. The Supreme Court overruled the findings of board. The Court held that in the absence of direct evidence such as call records, emails, or witnesses and on the basis of circumstantial evidence alone, could not reach to conclusion that UPSI was communicated. The Court pointed to Regulation 3 and said that it creates no presumption of communication based on proximity. Communication must be clearly proved. This judgment raised the evidentiary threshold for SEBI in insider trading prosecutions. This made SEBI to adduce evidence positively establishing the chain of communication rather than relying on circumstantial evidence. The practical impact this judgement will be huge. Now SEBI has to invest it force heavily on investigation to establish the communication of UPSI.

One more case is of *SEBI v Abhijit Rajan* where motive of profit was said to be essential to establish the charge of insider trading. Abhijit Rajan the Chairman and Managing Director of Gammon Infrastructure Projects Limited, sold his company shares just before the public announcement of the termination of shareholder agreements. In this scenario SEBI concluded that it constitutes insider trading. The SAT upheld board's conclusion, but the Supreme Court overruled it. The Court reasoned on the question of motive. The Court observed that accused sales of shares were not driven by an intention to profit. Rather, his company was in critical need for liquidity due to a corporate debt the sale was made. Accused sold shares in financial distress and not to exploit UPSI. The Court held that insider trading liability should require not merely possession of UPSI but also a fraudulent motive or intention to gain improper advantage. This judgment introduced a contested element into insider trading jurisprudence, motive of profit. While neither the old regulation nor the current regulations explicitly require proof of

motive as an essential element. The Court brought this requirement while establishing the charge of insider trading. The practical effect is that SEBI has to now prove not merely that an insider possessed UPSI and traded on that, but has to prove motive of profit and cutting the loss as well.

These two decisions have asked SEBI to dig more. The *Balram Garg* judgment raised the evidentiary bar for proving communication of UPSI. The *Abhijit Rajan* judgment introduced uncertainty regarding the necessity of proving motive. Together, they say about state of Indian judiciary on appellate oversight that demands higher standards of proof from market regulator. These raised standards undoubtedly enhance due process protections for accused persons but at same time they limit SEBI's ability to enforce the regulation through civil administrative action.

#### **The Franklin Templeton Episode: Extending Insider Trading Regulation to Mutual Funds**

In 2019-20 Franklin Templeton's debt schemes faced a liquidity crisis and subsequently the fund suspended all redemptions. Due to the ensuing liquidity crisis, SEBI launched an investigation into whether senior executives who had access to confidential information (non-public) about the schemes' liquidity status had redeemed personal investments prior to announcing the suspension to investors at large. This episode effectively expanded the prohibition on insider trading provisions into the mutual fund sector in a manner not seen before. Through the course of their investigation, SEBI found that Vivek Kudva, President of Franklin Templeton India, used confidential, non-public information regarding the schemes' liquidity position to redeem his personal and family investments totalling ₹40 Crores between March-April 2020. The time period just prior to when the schemes were about to be suspended. SEBI determined that this was an insider trading violation. As a result, SEBI issued penalties to Franklin Templeton and its senior executives. Specifically, SEBI imposed the maximum penalty of ₹5 crores on the fund house for multiple categories of violations. The Franklin Templeton case caused regulators to evolve. Realising that the current regulations surrounding mutual fund insider trading were lacking, SEBI amended the 2015 regulation and added an entirely new chapter on insider trading related to mutual fund units, in particular, Regulation 5D now prohibits an individual with UPSI from trading in mutual fund units when such information could impact the net asset value of schemes.

#### **Regulatory Evolution: The 2025 Amendment**

The Securities and Exchange Board of India (SEBI) revised its 2015 Regulation with amendments that incorporate insights gained from years of practice and regulatory enforcement. In December 2024, SEBI updated the definition of 'Connected Persons,' closing regulatory gaps and increasing the compliance obligations on firms and individuals. The amendment changes the connected Persons definition by replacing the term 'Immediate Relatives' with the broader definition involving an individual's 'Relatives', which includes their spouse, parents, siblings, children, and

spouse of their children. Additionally, the previous requirement for an immediate relative to establish an involvement in trading decisions is no longer needed. The amendment added two more categories. Individuals Sharing a Residence and Firms or organizations in which a connected Person is a Partner or is an employee are considered connected Persons. This change directly responds to enforcement gaps that courts have identified, most notably the Balram Garg ruling where Courts required a foundation for evidence of sharing information through family relationships. By removing this criterion for financial dependency and the expanded definition, SEBI has transferred the regulatory burdens to a much larger network of familial associations and household members and has created a compliance framework that operates with the presumptive liability of proximate associations with family and household relationships regardless of the actual relationship to UPSI, thus creating a compliance framework that anticipates potential access to UPSI based on proximity through Relationships without requiring actual evidence of information sharing access.

In March 2025, amended the UPSI definition. The amendment widened the net by expanding the UPSI by allowing for number of events to be classified as price sensitive. This increased the number of events to 16 from 5 listed originally. The amendment incorporated all material events specified in SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. These events are, changes in credit ratings, government approvals, and change in structure of corporations also constitute a new classification for UPSI. The amended regulations also provide a clear materiality guideline for how materiality should be determined by a listed entity and create a uniform principle of establishing what qualifies as UPSI, therefore eliminating the occurrence of reasonable disagreement as to whether a piece of information qualifies as UPSI. The inclusion of all events as UPSI is still a debateable issue. The 2025 amendment also amended the trading window closure requirement for UPSI originating from external sources. The amendment permits the trading window to remain open when UPSI originates outside the company, on the principle that the company itself does not possess asymmetric information advantage regarding such external events. This flexibility is inserted to acknowledge the market realities.

### **Challenges and Limitations**

By its nature, insider trading involves concealing. Contemporary methods of insider trading by intermediaries, familial connections, trusted colleagues, or complex financial instruments make insider trading difficult to detect. While SEBI has deployed advanced surveillance systems and pattern recognition algorithms, these instruments are faced with inherent limitations associated with detecting sophisticated schemes that rely on informal channels of communication.

### **Evidentiary Standards and Proof**

The Balram Garg judgment provides an example of the vast challenges of investigation related

to proving the UPSI communication. Demands for affirmative evidence of communication chains go a long way in enhancing SEBI's task, especially if such communication may have been communicated verbally or through personal meetings. Although the records of telephone calls and email metadata can be used to infer the frequency of contact, it is difficult to know that specific UPSI were transmitted during the course of these interactions in the absence of direct admissions.

### **Capacity and Resource Limitations**

SEBI operates under limited resources of investigation and prosecution. The complexity of modern insider trading investigations, and high evidentiary standards, are consuming significant institutional resources. Consequently, the SEBI is faced with having to conduct more exhaustive investigations to meet the expectations of the courts alongside managing a plethora of other regulatory duties in an expanded market landscape.

### **Sophistication of Markets and Financial Innovation**

The growth of derivative instruments, structured products and complex trading strategies opens up new ways in which insider trading might be conducted. Traditional enforcement of insider trading presumed to have worked relatively straightforward securities transactions. Insiders in modern times may make use of UPSI through currency derivatives, commodity derivatives, or credit derivatives. While regulatory definitions have been expanded, regulatory enforcement capacity has not proportionately kept up.

### **Impact Assessment: 2015-2025**

The statutory framework of the SEBI does not give the powers of wiretapping. This limitation was openly admitted by former SEBI Chairperson U.K. Sinha in 2015, wherein he has indicated that prosecution of Rajat Gupta wouldn't have been prosecuted in India because SEBI lack the power of wiretapping. Consequently, there is a critical two-tier evidentiary problem. Courts have required evidence of the actual transfer of UPSI using direct evidence of communication, and not on the basis of circumstantial evidence. The absence of fact evidence helps in a systematic defence strategy, exemplified best in the case of the SAT WhatsApp case, where the tribunal had rejected the charges of SEBI against employees of a stock broking agency who were forwarding quarterly earnings data, which the tribunal held SEBI was unable to trace back to its origin and proved that the information was UPSI and not "heard on the street" estimates. SEBI has made several requests to the ministry for such powers but has been rejected. Accordingly, the prosecution of insider trading in India is still fundamentally limited by a lack of institutional capacity as opposed to a lack of legal principle. This evidentiary gap separates the Indian enforcement from United States federal prosecutions, where wiretaps by the Department of Justice provide the basis and underlying communication substance for Indian courts that now demand as proof of UPSI transfer.

### **Developing a Culture of Compliance**

The 2015 regulation has considerably improved compliance consciousness of listed companies and market intermediaries. By requiring compliance with formal codes of behaviour, formal appointment of designated compliance officers, trading-window systems, and structured disclosure database, insider-trading prevention has been institutionalised. Numerous companies now keep precise records of UPSI information and they have very strict access limits. The professionalisation of compliance functions is a major step forward from the Schedule I & II era of 1992.

### **Investor Protection and Confidence**

Market participants increasingly appreciate that trading windows regulate insider behaviour and that major corporate events attract disclosure obligations. Such awareness ostensibly enhances perceptions of fairness between both retail and institutional investors. Although measurement of the enhancement of confidence is difficult, the increase of market participation during the decade suggests that investors have maintained confidence in the integrity of the markets.

### **Deterrence Effectiveness**

The deterrence effect however, is less conclusive. The relatively small size of punishments in many cases, and the high evidentiary burdens required by appellate courts, may create a sense of uncertainty about what, in fact, happens to insider traders. Seasoned insiders who are able to arrange their conduct to circumvent conspicuous circumstantial evidence may well consider detection risk as real and manageable. The judgments in Balram Garg Vs. SEBI and Abhijit Rajan v. SEBI, though protecting due process, has in the process of ensuring due process, may have inadvertently reduced deterrence by limiting the factual bases on which SEBI may establish violations.

### **Conclusions and Recommendations**

The SEBI (Prohibition of Insider Trading) Regulation, 2015, is a major step in evolution, compared to its predecessor of 1992. By bringing more clarity, developing more improved institutional mechanisms and incorporating accumulated international best practices in insider trading regulation, the regulation has in its first decade contributed meaningfully to the strengthening of compliance culture and enhancement of market integrity. However, at the same time, it shows the inherent tensions that are associated with regulatory enforcement in capital markets. The regulation is needed for balancing deterrence and due process, addressing novel market structures in an established legal structure, and meeting enforcement objectives in an environment of limited resources. Supreme Court judgments in Balram Garg and Abhijit Rajan show that appellate oversight, while necessary to ensure due process, is a major factor in undermining regulatory enforcement capacity. The regulatory regime is still being challenged by market complexity, ingenious evasion methods, and increased judicial standards for

evidentiary proof. The problems of detecting communication-based insider trading, the burden of proof for establishing intent as well as resource considerations together create implementation challenges that will consume regulatory focus in the years to come. The regulation has demonstrated its ability to evolve as seen in the amendment prompted by Franklin Templeton extending coverage to mutual funds as well as the amendment of 2025 to clarify the definition of UPSI. This adaptive capacity spells well for the continued relevance of the regulation as market structures continue their evolution. Nevertheless, continuing investment in regulatory capacity, technological capability and strategic prioritization of enforcement will be indispensable to ensuring that the regulation retains its deterrent force and protective efficacy in safeguarding India's securities markets and investor interests in the next decade of market development.

### **Acknowledgment**

The author wishes to express sincere gratitude to Dr. P. K. Das, Professor, School of Law and Governance, Central University of South Bihar, for his invaluable guidance, constant encouragement, and insightful suggestions throughout the course of this research. His scholarly inputs and critical observations greatly enriched the quality and depth of the study.

### **Financial support and sponsorship**

Nil.

### **Conflicts of interest**

The authors declare that there are no conflicts of interest regarding the publication of this paper.

### **References**

1. Hindustan Lever Ltd. v. SEBI (1998) 18 SCL 311 MOF
2. Rakesh Agarwal v. SEBI (2004) 49 SCL 351 (SAT)
3. Repaka Pavan Aditya, Biggest Stock Market Crashes in India: History, Causes & Impact, Clear Tax
4. Rita Sharma, The Impact of COVID-19 on the Financial Markets in India: An Empirical Analysis
5. B Hari Prasad Rao, The Fintech Revolution: How Digital Trading Platforms Reshape Retail Investment, J. Marketing & Soc. Rsch. Vol. 2, No. 6 at 114 (2025)
6. Bhavya Bhandari, Why SEBI is Failing at Regulating Insider Trading in India, India Corp. L.
7. A fresh perspective on India's securities market laws, Econ. Times,
8. Why you should 'Know your Regulator'? Policy Engagement and blogs, Centre for Policy Research
9. Evolution of the Indian Securities market Regulator
10. SEBI (Prohibition of Insider Trading) Regulations 1992
11. SEBI (Prohibition of Insider Trading) Regulations 2015

12. Securities and Exchange Board of India (Prohibition of Insider Trading) Amendment Regulations, 2024
13. Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2025
14. Rajat Sethi, Sudip Mahapatra, Jinaly Dani, Insider Trading Regulations: Implications for M&A Transactions, SEBI's Investigative Powers and Penalties Imposed, National Law School Business Law Review
15. Vivek Kaul, Rajat Gupta may never have got convicted in India, Firstpost