Insider trading

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In news- Recently, SEBI imposed Rs.3 lakh fine on Shilpa Shetty, her husband and businessman Raj Kundra and his firm Viaan Industries for flouting its regulations on insider trading.

What is Insider trading?

- Insider trading refers to **trading of shares by an 'insider' based on unpublished price sensitive information (UPSI)**.
- It involves buying or selling shares of a listed company using information that can materially impact the stock price, but has not been made public yet.

- SEBI regulations define an **'insider'** as someone who is **a connected person or has access to UPSI.**
- A connected person can be **anyone who during the six months preceding the insider trade has been associated with the company** in some way.
- This could be a company director or employee or their close relatives, or a legal counsel or banker to the company or even an official of the stock exchanges or trustees or employees of an asset management company who interacted with the company.

- In India, **Section 11(2)(g) of Securities and Exchange Board of India Act, 1992** provides power to **prohibit insider trading in securities in India.**
- Regulation 3(1) of the SEBI (Prohibition of Insider Trading) Regulations, 2015 lays down the first prohibition on insider trading and states that no insider shall communicate any UPSI relating to a company to any person.
- SEBI can impose fines and debar individuals/entities from trading in the market if found in violation of the

rules.