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CONTENTS

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STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESES

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

SCOPE FOR FURTHER RESEARCH

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APPENDIX/ANNEXURE

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INSIDER TRADING: GOVERNANCE, ETHICAL AND REGULATORY PERSPECTIVE

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ABSTRACT

The rational of potency along with protection is encouraged in the corporate form of business because of the agency logic. The corporate world of today has witnessed a number of trials where the voracious and malicious intentions of individuals have raised questions over certain corporate entities and actions of individuals who were at the helm. The kind of challenges and demands faced by mangers of this era pushes them to leave their ethics behind and drive them to egg on financial irregularities, misuse confidential information and misrepresentation of facts. Though there are regulations to generate awareness on this issue but crafty managers take advantage of lacunae in the regulation to benefit them. The feebleness of governance mechanisms has created havoc time and again in the corporate world with a lot of financial shams in the past as well as in the present. One fresh instance is proven Insider trading allegations on Mr. Rajat Gupta which has some very useful insights for India to strengthen its regulation and increase the purview of its judiciary to punish the guilty.

KEYWORDS

Corporate Governance, Ethics, Insider Trading, SEBI Regulation.

INTRODUCTION

There is growing evidence that fundamental ethical stances in life stem from underlying emotional capacities. The argument for emotional intelligence hinges on the link between sentiment, character, and moral instincts. All those who lack self control suffer from moral deficiencies of will and character and if there are any two moral stances that our times call for, they are precisely these, self control and compassion.

Daniel Goleman

The corporate form of business is an excellent example of an engineering kind of design were we strengthen the business interests by raising requisite amount of capital required and safeguard the stakeholder interests through corporate governance mechanisms. The rational of potency along with protection is encouraged in this form of business because of the agency logic. Since owners and mangers are different people, the board of directors, who are governed by various rules and regulations, take decisions on behalf of the owners. Though a company is an artificial person but it is governed by people in the board, whose values and thought process affect the decision making of the company. While values are personal in nature, ethics are generalized value system which drifts through an organization structure. Values and ethics are very important for business mangers because they are in a fiduciary relationship with various stakeholders of the company and manage the underlying wealth in it. It is quite a dare for the present day manger to 'prevent his personal values from affecting business strategy formulation and implementation' (Fernando A. C. 2012.) The corporate world of today has witnessed a number of such trials where the voracious and malicious intentions of individuals have raised questions over certain corporate entities and actions of individuals who were at the helm**.**

The kind of challenges and demands faced by mangers of this era drive them to egg on financial irregularities, misuse confidential information and misrepresentation of facts. Such lack of character may deliberate prospects in the short run but it surely leads to debacles in the long run. The various stimulations for wrong doings can be performance pressures, earnings expectations, tax evasions, divergence of funds, concealment of poor financial condition and raising of more funds. The factors which contribute to such possibilities are loopholes in accounting procedures, lacunae in internal controls, and lack of independence of auditors and directors leading to an overall frail governance structure.

The feebleness of governance mechanisms has created havoc time and again in the corporate world with a lot of financial shams in the past as well as in the present. One fresh instance is proven Insider trading allegations on Mr. Rajat Gupta; an Indian American whose rags to riches story would once leave corporate whose who awestruck, is now leaving an awful impression about his plight.

LITERATURE REVIEW

"Given the competitiveness in the world today, many people are tempted to go outside of the rules and regulations of society in order to get ahead. Although many would argue that traits such as honesty and credibility are valued, temptations have lured some to act irresponsibly" (Gould M., 2008). The whole concept of Insider trading rests in the 'information', the possession of it and the use of it. If information is treated like an asset and it is used by the owner of such asset there is not much debate about the legality of it but if it is used by a non owner without permission the legal and ethical stances come inside the frame (Mc Gee, 2004). The three good reasons to study reported insider trading are science, profit and policy. While science point out towards the market efficiency, profit positions formation of optimal trading strategies, the policy helps to gauge the effectiveness of regulatory provisions to avoid unfair advantage to insiders and its effects on market performance (jeng et al 1999). The focus of my paper is more on the policy side and how ethics certain times lead to the breakdown of even the stringent policies. But it will not be fair to totally exclude the efficiency aspect because efficient markets are important from investor protection point of view. The focus of policy is not just to prohibit but also is to protect. Unfair ethical stances by insiders certain times leave an unreasonable ground for outside traders, proving the regulatory provisions inadequate to arrest unfair trading practices. In order to enhance Effectiveness of corporate boards strict regulations are needed to control insider trading. There has been an evidence of positive association between Hong Kong executives managing reported earnings to maximize their private benefits from insider selling. The suggested recourse to this problem can be higher proportion of independent directors on corporate boards and limitation on the appointment of family members with majority ownership on board (Jaggi and Tusi, 2007). To further broaden the ambit of policy, the regulation prohibits insider trading not just by insiders i.e. directors, officials etc. but also by outsiders who execute trades on the tips provided by corporate insiders. It is also to be seen whether the insider is benefited directly, indirectly and in what form he is getting the benefit. Even the intangible gains should qualify for insider trading (Bainbridge 2004). In order to put some light on market efficiency with respect to Insider trading and to know the extent to which insider trading is connected to corporate governance Cruces and kawamura (2003) have tried to answer such questions like whether markets pay or charge premium for quality of governance or not in Latin America. Moreover when insider trading "acts as a replacement for public disclosure of the information" it harms the investor interest by duping them to buy or sell securities at wrong prices (Bainbridge 2000). It is not about any individual stakeholder getting affected such acts also increase the volatility of the overall stock market. Du and wei (2003) through their study found that "countries with more insider trading have more volatile markets" which may effect the economic fundamentals. Hence, this makes 'policing' of Insider trading all the more necessary to keep the faith of not just the domestic investors but also the international investors. In the year 1998 alone many countries such as Hong Kong, Malaysia, Vietnam, India, Egypt and Netherlands either came out with new measures to arrest insider trading or did additions/amendments to existing legislations (Newkirk & Robertson, 1998). Thus it is very important to have Insider Trading regulations to be in place because of increased capital flow across the borders due to foreign direct & institutional investments, mergers, cross border trading in securities. Though the regulations vary in scope and coverage of the issues in insider trading in different countries but their presence acts as a confidence booster for investors (Yoe, Victor CS, 2011).

OBJECTIVES

The study has been undertaken in order to fulfill the following objectives:

1. To study the policy regulation with respect to Insider Trading in India.
2. To analyze a recent case of Insider trading charges on Rajat Gupta in U.S.A. and the two such past cases in India.
3. To suggest measures how the Indian regulation can be strengthened by learning lessons from the past and a recent Insider Trading case outside India.

THE INSIDER TRADING DEBATE AND STUDY OF POLICY REGULATION IN INDIA

Before we discuss India's Regulation and for that matter regulation of any country the reference of U S regulations come by default, reason being the SEC's regulations keep influencing the development of regulations in other countries e.g. China (Shen, 2009 c).The Securities and Exchange Commission has highlighted two aspects of Insider Trading one is legal and the other one is illegal. "The legal version is when corporate insiders –officers, directors, and employees – buy and sell stock in their own companies. When corporate insiders trade in their own securities, they must report their trades to the SEC. Illegal insider trading refers generally to buying or selling a security, in breach of a fiduciary duty or other relationship of trust and confidence, while in possession of material, nonpublic information about the security. Insider trading Violations may also include "tipping" such information, securities trading by the person "tipped," and securities trading by those who misappropriate such Information. (U. S. Securities and Exchange Commission*)*

In order to understand the various aspects of Insider trading and to know the regulation with respect to it, SEBI's (Securities and Exchange Board of India) Prohibition of Insider Trading Regulations, 1992 as amended in 2002, 2004, 2008 and 2011 are there. These regulations as amended from time to time show that how SEBI has been trying to prohibit this evil by on one hand generating awareness about who the insiders are, what is inside information, who has power to inquire, inspect and investigate and on the other hand how to prevent misuse of sensitive information by adoption of voluntary codes of self compliance. The various terms used in the act as amended from time to time are:

INSIDERS

An insider is a person 'connected' or 'deemed to be connected'; who is expected to have, has received or has had access to unpublished price sensitive information with respect to the securities of a company.

CONNECTED PERSON

The meaning of connected person is divided into two parts:

1. "Connected person" means any person who is a director, officer, employee, a holder of professional and business relationship position (temporary or permanent) and who is expected to have an access to the unpublished price sensitive information with respect to the company. For all practical purposes connected person means connected for six months prior to act of insider trading.
2. "Person is deemed to be a connected person", if such person— is a company under the same management or group, any subsidiary, an intermediary, Investment company, trustee, company, Asset management company or an employee or director thereof, an official of a stock exchange or clearing house or corporation, merchant banker, registrar to an issue, debenture trustee, broker, portfolio manager, Investment Advisor, sub-broker, Investment Company or an employee thereof, or a member of the Board of Trustees of a mutual fund or a member of the Board of Directors of the Asset Management Company of a mutual fund or is an employee thereof who has a fiduciary relationship with the company; member of the Board of Directors or an employee of a public financial institution, an official or an employee of a Self-regulatory Organization recognized or authorized by the Board of a regulatory body, a relative of any of the aforementioned persons, banker of the company, relatives of the connected person, a concern, firm, trust, Hindu undivided family, company or association of persons.

PRICE SENSITIVE INFORMATION

Price sensitive information is any information which is related directly or indirectly to a company and which if published is likely to materially affect the price of securities of company. Information regarding periodical financial results of the company, intended declaration of dividends (both interim and final), issue of securities or buy-back of securities, any major expansion plans or execution of new projects, amalgamation, mergers or takeovers, disposal of the whole or substantial part of the undertaking, and significant changes in policies, plans or operations of the company comes under the purview of Price sensitive information.

PROHIBITION ON DEALING, COMMUNICATING OR COUNSELING

As per the regulation 3 and 3A with respect to Prohibition on dealing, communicating or counseling of unpublished price sensitive information, no insider shall deal either on his own or on behalf of any other person while in possession of such information. As per regulation 4 any person who contravenes the above regulation is guilty of inside trading while regulation 3B talks about the cases where 3A is not applicable.

INVESTIGATION

The regulation 4A gives power to the board to make inquiries and inspection of the books and records of the insiders if it suspects violation of any of provisions of regulation 3 and 3A. The regulation 5 gives right to the board to investigate on the basis of complaints of insider trading received from investors, intermediaries or any other person and also suo-motu in order to protect the interests of investors. As per regulation 6 either a suitable notice may be given to the insider or if the board is satisfied that in the interest of stakeholders no such notice be given, direct investigation can be conducted. Under regulation 7 it is the duty of every insider to produce and give access to all kinds of information for investigation purposes including recording of the statements. The investigating authority shall furnish the investigation report to the board and the board shall communicate the findings to the person suspected of Insider trading. Such person is supposed to reply within 21 days. After receiving the reply if any, the board may take such measures as it considers fit to protect the interests of investors.

POLICY ON DISCLOSURES AND INTERNAL PROCEDURE FOR PREVENTION OF INSIDER TRADING

Under chapter IV of the regulation the code for internal procedure and conduct for listed companies and other entities is provided and it is expected that a code as near to the Model code in schedule I will be framed by such entities and they shall abide by the code of corporate Disclosure practices as mentioned in Schedule II. The schedule III of the Act deals with the various forms for disclosures.

MODEL CODE OF CONDUCT AND CODE OF CORPORATE DISCLOSURE PRACTICES FOR PREVENTION OF INSIDER TRADING

Some of the highlights of voluntary code of self compliance adopted by a large number of corporates and other entities are:

1. To ensure least insider trading violation not just prompt disclosure of price sensitive information is required to be done but also a designation of specific senior official to act as compliance officer.
2. Trading to be done by directors only when the trading window is open.
3. Pre clearance of transactions before actual execution and signing of the undertaking that there is no price sensitive information and also all directors/officers/designated employees cannot hold any position in derivatives.
4. A separated code for analysis of institutional investors is also there.
5. A code restricting employees especially at top two levels to do trading at price sensitive periods. Price sensitive periods are the quarterly, half yearly and annual results. Also designation of limited trading window or closure of trading window during this period.
6. To create China walls within the company in order to prevent information leakage from sensitive (finance Department) to other departments at the time of public issues and new issues.
7. Responding to market rumors by designated officers to verify or deny certain information.
8. In time disclosure of share holding or ownership changes by major shareholders.
9. Prompt dissemination of price sensitive information to stock exchanges.

10. Quick and efficient dissemination of disclosures to investors by stock exchanges.
(SEBI Prohibition of Insider Trading Regulations, 1992)

INSIGHTS FROM CASES

The second part of the study focuses on the cases which help us to delve deeper into the various issues and perspectives attributed to corporate governance, ethics and regulation attributed to individual cases.

RAJAT GUPTA: CLEAVE IN THE VENEER

On 16th June 2012 almost all the news dailies posted on their front page the 'fall from grace' (Raj, 2012 p1) of Rajat Gupta – an Indian –American business icon. A Manhattan jury convicted Gupta – a former director at Goldman Sachs and Procter and Gamble Co. (P&G) (Raj, 2012 p1) – on four out of six counts – three for securities fraud and one of conspiracy (Rajghatta, 2012 p1) of passing along confidential boardroom information about both companies to his hedge fund manager friend Raj Rajaratnam, enabling the later's Galleon funds to make multi-million dollar profits and avoid losses. "The four week trial had as its backdrop the financial crisis that exploded in the fall of 2008, when Gupta was accused of giving Rajaratnam inside information on two issues crucial to Gold man's financial health: a $5 billion investment by Warren Buffett's Berkshire Hathaway Inc. and the bank's first quarter loss as a public firm (Bray, Rothfeld, Albergotti, 2012 p1&3).Thus, proving the statement that very often time and again, increased attention on corporate governance is the result of financial crisis (Report of the SEBI Committee on Corporate Governance, 2003). Prosecutors said Gupta, who invested with Rajaratnam at Galleon in various ventures, tipped him because of their friendship and business interests" (Bray, Rothfeld, Albergotti, 2012 p1&3).

In order to defend and steer himself away from the wrong doings of his friend, Gupta contemplated about his law suit against Rajaratnam with respect to their failed venture Voyager Capital Partners. Although the Government agreed that Gupta never personally traded on the sensitive information but he turned out to be a tipper (a person who discloses information) who tipped Rajaratnam (Rajaratnam in this case is a tippy, the one who receives the disclosed information). The government further argued that Gupta did benefit indirectly from his stake in voyager, which invested in Galleon funds (Bray, Rothfeld, Albergotti, 2012 p1&3). Several other corporate managers of Indian-origin were also involved in the case and received lighter sentences in exchange for testimony. The two leading co-accused who testified against Rajaratnam were Anil Kumar, the one who co founded Indian School of business with Gupta and Rajiv Goel, Wharton classmate of Rajaratnam and MD at Intel when he passed tips to him. Anil Kumar once again a Wharton Classmate of Rajaratnam who became a partner at McKinsey & co, testified against him last year and on June 5 this year he took witness stand against Gupta (Times of India, 16 June 2012, p 21).

Mr Pratip Kar member, advisory council- India, Global Corporate governance Forum and Consultant, IFC and World Bank who responded to TOI's request for comments on Gupta's Conviction said, "When people with the stature of Rajat Gupta get involved in such cases, it brings to fore the question as to where the much professed ethical values of today are headed. When you have everything at your feet, why do you need to do all these?" The question raised by him is very apt and forces a person to try to find an answer to this dilemma that you have everything because you want more or you want more and more because you have everything (Times of India, 16 June 2012, p 21).

Though the Rajat Gupta's case comes under the issue of Insider trading but when its roots are followed we reach the mother root i.e. the ethical conduct of business. The ethical conduct of business in the corporate form of business to a great extent is exercised through corporate governance norms. Corporate governance as it is sometimes believed to be a legalese is rather a mechanism which is constituted in the light of business ethics and is implemented through its structures and processes. As a structure the main responsibility of governing a company lies with board of directors (BOD) who are in turn appointed by shareholders – the real owners of a corporate entity. Structurally the board appoints one or more than one of the BOD as the managing director/ whole time directors/ executive directors who are to be approved by the shareholders of the company. The board structure distinguishes between executive (one who occupy management positions) and non executive directors (those who don't occupy management positions). Further there are two variants of non executive directors the ones who are genuinely independent of company's affairs and the ones whose positions might bring their independence into question (Das, 2010). The moot point in order to answer the question raised above and that can be linked to the person in case is not the independence or non independence of a director but the formal or social independence of a director within the agency logic of corporate governance (Bednar, 2012).

Taking inference from the point of social independence the Rajat Gupta story becomes very critical because he has fallen from America's most respected corporate directors to an information abuser because of lack of social independence as a director. He was motivated not by quick profits but rather a lifestyle where inside tips were the currency of friendships and elite business relation ships (Bray, Rothfeld, Albergotti, 2012). To add to this the statement in Times of India (16 June 2012, p 21) by Ranjit Shahani VC & MD, Novartis India turns out to be very apt he said, "We are saddened by the turn of events. This has many lessons for all of us on corporate sobriety and conduct in both public and private life." Although it can be very much argued that whether Rajat Gupta's current situation is a product of a director's intention to manipulate the prevailing institutional logic to his advantage, or just a natural outcome of him trying to respond to multiple external pressures (Bednar, 2012).

Also we cannot afford to ignore the fact that there is lack of awareness on this issue pertaining to corporate governance. The level of awareness is so low that almost 50 percent of corporate population in India indulges in insider trading without even knowing the illegality of this (Singhvi, 2004). To further add to the woes, the business environment in India is highly politicized and bureaucratic; a lot of deals are struck under the table and go unreported. Two factors responsible for aggravating the situation are personal aspirations of Indian business community and national aspiration of building an economically powerful country. Some of famous 'rags to riches' stories apparently portray the distorted version of capitalism and growth, where in money power, survival and growth at any cost are considered as epicenter of success (Fernando A. C., 2012). No doubt the Rajat Gupta story is a reflection of this phenomenon only. In the past also we can come across such examples, Satyam being one and most recent of the Indian story where insider trading issues were raised after HLL and BBLIL merger case. While former is a case where certain individual are alleged to have been indulged in insider trading and later is a case where the corporate entity as a whole was charged and penalized for insider trading.

SATYAM SMOKE AND MIRRORS

On 7th January 2009 'India's Enron' – Satyam fraud came to light through a letter written by then Chairman of the board B Ramalinga Raju to the board of Satyam Computer Services Limited. The letter which started with the line "It is with deep regret and tremendous burden that I am carrying on my conscience" brought forward not just the financial irregularities in the company but was also insightful of Raju's apprehensions that something had gone wrong with his values consciously or unconsciously. There is no doubt about the fact that he wasn't aware of the illegality of his actions but beyond the debate of legality there comes the contemplation of intention (which may be to increase the size of business and diversify though by unfair means) and personal values which weighed heavy on the ethical conduct of the business. His own acts forced him to land in a perturbed situation where he himself said, 'it was like riding a tiger, not knowing how to get off without being eaten.'

Ramalinga Raju confessed to the board of directors of the company that he has falsified accounts by way of inflated profits, cash and bank balances, debtors, non existent accrued interest and understated liability. The gap in the balance sheet on account of inflated profits, which started as a marginal one grew to an unmanageable size across several years (Financial Express, 2009). This deliberate attempt to inflate profits was supposed to serve the dual purpose of surging the share prices and investing the money raised through selling such shares at increased prices in land buys. Investigations into this multi billion fraud by SEBI (Securities and Exchange board of India) and SFIO (Serious Fraud Investigation Office) established that promoters had indulged in 'systemic' insider trading. The heavy selling of shares by the Satyam bigwigs was first attributed to economic downturn of 2008 but interestingly later on it was found that none of these promoters purchased shares; it was the FIIs (Foreign Institutional Investors) who were purchasing the shares sold by them. Several Institutional Investors sold shares on large scale two days before Raju's confession. Apart from the Insider trading charges the role of independent directors was also questioned and it came to the fore that 'mere compliance of SEBI's rule of the minimum number of independent directors does not guarantee ethical practices.' Also the so called independent directors who had been allotted significant stakes by way of stock options cannot be called as genuinely independent (Fernando A. C.,2012).

INSIDER TRADING PREDICAMENT IN HLL BBLIL MERGER

In April 1996 there was unison of the two Indian entities of Uniliver to ensure that Uniliver had major stake in it. It is a classic case where SEBI's regulation with respect to Insider trading failed to establish the company guilty of various charges it alleged. Though no individuals were targeted but (the way Hindustan Liver, a subsidiary of parent Uniliver conducted itself in the merger) the whole merged entity was under scanner because of heavy buying of shares from one of its stakeholder i.e. UTI, an institutional investor. SEBI which strives to protect all kinds of investors took the side of UTI and charged HLL of misusing the inside information of merger to buy shares from UTI. SEBI alleged that a few top officials of HLL had information about the crucial swap ratio, on the basis of which they acquired shares before merger and benefited with the increased prices of shares post merger when the share price increased from Rs. 320 to Rs. 410. The regulator was posed with a challenge to prove that HLL was an insider ("connected person" or "deemed connected person") who had access to undisclosed price sensitive information and it acted on the basis of this information to buy shares from UTI (Desai and Allavaru, 1997). After SEBI's ruling of declaring HLL guilty of the charges, it appealed to the Ministry of finance which reversed the SEBI's ruling that it suffered from "procedural lapses" and that it has used powers beyond its jurisdiction. The defense given to the appellate authority by HLL was that it cannot be an insider to itself and the information about the merger was generally known. It also strongly defended that it had no idea about the crucial swap ratio. Though the appellate authority agreed to the SEBI's argument that HLL was an insider and a connected person but the information about the merger was known to the market through various media reports (Jayakar and Chhaya, 1998).

This decision raised quite a controversy and debate as to how the Regulation of (Prohibition of Insider Trading) 1992 be interpreted and can media reports be taken as concrete and accurate information. Further SEBI and UTI decided to challenge the appellate's decision in both the Mumbai and Delhi High Courts (Frontline, 1998). For next three years the case remained adjourned in the Metropolitan Magistrate Court, Mumbai. When SEBI filed a criminal writ petition in the Bombay High Court, it ordered Metropolitan Magistrate Court to proceed in the case without any further delay. The metropolitan court sent summons to four former directors – S. M. Datta, Keki Dadiseth, A. Lahiri and R. Gopalakrishnan and then current director, M. K. Sharma for criminal prosecution (The Hindu, 2002). The story of India's 'first Insider trading litigation' (The Hindu, 2002) post the Insider trading regulation of 1992 proved to be an eye opener for everyone in the sense that it highlighted the intention and determination of SEBI to bring the wrong to fore. But in addition to that it actually brought the lack of clarity and loopholes in the SEBI's regulation on the subject which required review by the authority.

FINDINGS ON THE BASIS OF STUDY OF SEBI'S REGULATION AND INDIVIDUAL CASES

The Findings of this study has three aspects, first findings from the study of regulation in India, second findings from the study of prominent cases of Insider trading in India (HLL & BBLIL and Satyam) and outside India (Rajat Gupta) and third the specific outcomes from each of the above aspects discussed so that it helps us to approach the issue in a futuristic way.

1. **REGULATION WITH RESPECT TO INDIA:** The regulation as amended from time to time is quite exhaustive in its scope. It talks about mandatory as well as voluntary requirements to be fulfilled by the companies to protect the sensitive and confidential information and speedy disclosure of that so that it is not misused for personal gains by connected person and the interests of the stakeholders are not kept at ransom by them.
2. **LACUNAE IN THE REGULATION IN INDIA WHICH SURFACED IN INDIVIDUAL CASES IN CHRONOLOGICAL ORDER**
   - **(i) HLL BBLIL CASE:** It brought to the fore that though SEBI has all the right intentions to bring guilty to the justice but it got caught in its own cobweb because there was a difference between the way how SEBI intended the regulation of 1992 to work and how it was interpreted by the corporate house under the scanner. It rather highlighted the fact that regulation lacked clarity which led the company to get away with strong arguments such as "a company cannot be insider to itself" and "the information about the merger being generally known through various media reports" (Jayakar and Chhaya, 1998) to defend its case.
   - **(ii) SATYAM CASE:** The Satyam fiasco which inked the Indian corporate firmament almost after a decade of India's first reported case of Insider trading (HLL BBLIL) broke the myth that it is not sufficient to have a tight regulation and its compliance on paper. Rather compliance should be in full spirit based on the ethical standards of people complying with it. The role of independent directors should be protecting the interests of stakeholders and not to promote their own self interests. They should not be ignorant about what is cooking in the organization rather they should be the first ones to blow the whistle if they find anything which is questionable. In this particular case on one hand books were cooked up show the value which wasn't there in the company and on the other hand heavy selling of shares was done by people supposed to be having this price sensitive information. In both the ways the shareholders are being cheated and their wealth destroyed.
3. **USEFUL INSIGHTS FROM RAJAT GUPTA CASE:** This case in particular being the most recent one becomes very important. It has highlighted how a case of insider trading be approached in future and highlighted three factors which led to guilty getting caught and punished.
   - **(i) Role of Media**: Media played an important role to bring the guilty to justice and made sure that corporations today have nowhere to hide.
   - **(ii) Intentions of Judiciary**: The judiciary understood its responsibility to punish the guilty and in order to do that it enlarged its net to allow the use of 'wire taps' (Rajghatta, 2012) and 'phone calls' (Raj, 2012 p23) as evidence.
   - **(iii) Stronger regulations and punishments**: Further there was an exemplary rope tightening by the law when it accepted 'circumstantial evidence' (Raj, 2012 p23) and gave exemplary punishment to deter people form 'white collar crimes' (Rajghatta, 2012).

CONCLUSION AND RECOMMENDATIONS

The overall conclusion of the study is that the issue of insider trading is approached rightly by the regulation in India. As and when the prominent case of insider trading violations surfaced in prominent cases either the regulation was clarified or amended to make it exhaustive. The intent of the regulatory body i.e. SEBI is right but now the time has come to widen its ambit to catch the wrong doers. Further the judiciary should also come forward to make sure that such corporate crimes are not overlooked and guilty are punished appropriately.

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