# MANIPULATED MARKETS AND RETAIL VULNERABILITY: A CRITICAL ANALYSIS OF PUMP-AND-DUMP SCHEMES IN INDIA'S SME SECTOR

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## ABSTRACT

*The spread of pump-and-dump scheme(s) in the Indian securities market exposes a significant gap between the strict legal provisions and on-ground realities. Despite the extensive provisions of the Securities and Exchange Board of India Act, 1992 ("**SEBI Act**"), SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 ("**PFUTP**"), and the SEBI (Listing Obligations and Disclosure Requirements) Regulations ("**LODR**"), the issue of manipulative trading remains a concern, undermining investor confidence and corrupting market integrity. This paper critically examines the structural and behavioural facets that enable such schemes, specifically on the Small and Medium Enterprises ("**SME**") platform, where less stringent compliance standards and opaque financial reporting to outsiders create a permissive environment that can be exploited. Based on empirical evidence and the example of Sadhna Broadcast Limited, the paper identifies three key issues, namely poor enforcement of regulations and slowness of prosecution; inadequacy of the broker risk disclosure and prevalence of investor awareness; and post-listing transparency under SME reporting systems. The study suggests a multi-pronged reform agenda that comprises legal, technological, and educational interventions. It supports introducing a Nomad-type sponsor scheme for SMEs, integrating machine-learning-based real-time detection models to detect manipulative trades, and implementing a whistleblower reward system similar to the United States of America ("**USA/US**") Dodd-Frank Act to enhance enforcement. These proposals are designed to close the law-practice gap to provide proactive protection for investors and market governance resilience. Finally, the paper highlights that the future of securities regulation in India does not lie in formulating new regulations but in strengthening the linking network between disclosure, detection, and deterrence.*

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## INTRODUCTION

Between April 2020 and March 2025, the Securities and Exchange Board of India ("**SEBI**"), under the PFUTP, imposed penalties of over ₹1,860.03 crore and ordered disgorgement of unlawful gains for ₹452.60 crore.[435] These figures are not mere statistics; they highlight the massive scale of manipulative practices in the marketplace and the losses retail investors must bear as a consequence.

One prominent example of such a manipulative practice is the Pump and Dump Scheme, which is a type of securities fraud where the price of the security is artificially pumped through false, misleading, or exaggerated statements regarding the value of the security.[436] Once the price rises, the fraudsters sell their holdings and the stock price declines, causing significant losses to the retail investor.[437] Such practices are performed mainly in SME, i.e. stocks that trade at very low prices, have a limited market capitalisation, and are mostly illiquid and highly speculative.[438]

The inherently unstable and speculative nature of SMEs makes them highly vulnerable to a wide range of risks, and one of the foremost concerns is the high risk of price manipulation. Since the market capitalisation ("**market cap**") of these stocks is very small, they can be easily tampered with and artificially inflated through aggressive marketing.[439] However, once the manipulation ends, the share price often falls to the lower circuit, a situation marked by overwhelming selling pressure and limited buyers. In such circumstances, the retail investors are trapped with no option but to bear the

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[435] Ministry of Finance, Department of Economic Affairs, *Fraudulent Schemes in the Securities Market*, Unstarred Question No. 3938, Lok Sabha (Aug. 18, 2025), https://sansad.in/getFile/loksabhaquestions/annex/185/AU3938_k5kiON.pdf?source=pqals&utm (last visited Aug. 28, 2025).

[436] Chainalysis Team, *Crypto Patterns That May Suggest Pump and Dump Schemes*, Chainalysis (Feb. 1, 2024), https://www.chainalysis.com/blog/crypto-crime-2024-pump-and-dump/ .

[437] CFI Team, *Pump and Dump – Definition, How It Works, and Types*, Corporate Finance Institute (Mar. 31, 2019), https://corporatefinanceinstitute.com/resources/career-map/sell-side/capital-markets/pump-and-dump/ (last visited Sept. 15, 2025).

[438] Comptroller and Auditor General of India, *Long Term Capital Gain on Penny Stocks*, Report No. 11 of 2020 (Direct Taxes), ch. VI (CAG 2020), https://cag.gov.in/uploads/download_audit_report/2020/10%20Chapter%206-05f91199416ae32.64957357.pdf (last visited Sept. 5, 2025).

[439] S. Imisiker & B.K.O. Tas, *Which Firms are More Prone to Stock Market Manipulation?*, 16 Emerging Mkts. Rev. 119 (2013), https://doi.org/10.1016/j.ememar.2013.04.003 .

losses.[440] Another attribute of these stocks is their high bid-ask spread, i.e., the significant gap between the buyer's willingness to pay and the price sellers are willing to accept. This not only creates low liquidity but also increases investor risk.

Despite the inherent risky and illiquid nature of SME stocks, many Indian investors choose to invest in them without thoroughly examining the financial reports, relying solely on speculation. While the Indian population is considered to be one of the most price-conscious populations globally, it is ironic that a huge number of individuals allocate all of their savings to one high-risk SME stock.[441] This paradox raises a serious question about the investor's conduct and the factors that attract them towards such practices.

The answer to this paradox is found in the characteristics of SME shares. They are low-priced, easily available, and have a strong presence in markets.[442] Their market prominence is largely the result of aggressive advertising on social media sites like Instagram and Telegram groups, where such stocks are marketed through ads, chats, etc., and investors are promised exponential returns on the stock value.[443] Such claims generate significant retail attention, leading investors to treat promotional content as a credible signal in a particular stock and therefore buy it. In addition to social media promotions, recommendations on these stocks are also readily available on the most popular financial platforms, where they are presented as extremely profitable and easy investments. The risk profile of such investments is considerable, yet no dedicated regulatory instrument currently governs social media-based stock promotions. Many investors, influenced by the marketing techniques and the easy accessibility of low

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[440] S.C. Att'y Gen., *Fraudulent Penny Stocks/Microcap Stocks* (2025), https://scattorneygeneral.org/securities/penny.html? (last visited Sept. 8, 2025).
[441] PwC India, *63% Indian Consumers to Cut Back Non-Essential Spending: PwC Survey*, (Apr. 6, 2023), https://www.pwc.in/press-releases/2023/indian-consumers-to-cut-back-non-essential-spending-pwc-survey.html.
[442] Equirus Wealth, *SME Stocks* (2025), https://www.equiruswealth.com/glossary/sme-stocks (last visited Sept. 8, 2025).
[443] Marketfeed Team, *Uncovering the Truth About Penny Stocks in India*, (Sept. 10, 2024), https://www.marketfeed.com/read/en/uncovering-the-truth-about-penny-stocks-in-india .

capital stocks, buy them and later get caught in manipulative schemes such as pump-and-dump.

Given these risks, it is essential to examine the legal framework in India that deals with the interest and protection of investors against such manipulative practices. The framework operates on two dimensions: first, it deals with penalising any manipulative practice that persists in the market, and second, it promotes investor education, awareness, and protection to prevent such exploitation. The first dimension is governed by 12A and 15HA of the SEBI Act, 1992,[444] read with Regulations 3 and 4 of the PFUTP, which collectively prohibit any fraudulent and manipulative practice in the securities market and impose stringent punishment on the offenders.[445] Further, the second dimension includes SEBI's investor education circulars, mandatory disclosure requirements by the companies under various SEBI regulations, such as the LODR.[446] Together, these measures are taken by SEBI to deter offenders, inform and protect investors at the same time.

Against this backdrop, the scope of this paper is to critically examine the growing prevalence of pump-and-dump scheme(s) in India and to propose policy recommendations to curb their existence. In particular, the study focuses on three issues. First, the low conviction rate of the complaints related to pump-and-dump scheme(s) and weak enforcement, coupled with a low number of complaints filed as compared to the considerable number of scams committed, highlights the need for stronger enforcement and enhanced investor awareness. Second, the lack of credible financial data and reports on SME stocks hinders retail investors from making informed decisions. This issue underscores the importance of stricter disclosure and listing obligations. Third, brokers often fail to provide adequate information regarding risks associated with penny stocks to the investors, highlighting the need for stricter

[444] Securities and Exchange Board of India Act, 1992, §§ 12A, 15HA (India).
[445] Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, Regulation 3, 4.
[446] Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

regulations on their conduct. By addressing these three concerns, this paper aims to evaluate the effectiveness of the current legal framework and suggest reforms that can strengthen market integrity and protect retail investors.

## UNRAVELLING THE PUMP-AND-DUMP SCHEME: MECHANISMS AND EXECUTION

### The Anatomy of a Pump-and-Dump Scheme: Participants and Risks

Pump-and-dump schemes are carried out in a mutually coordinated nexus and not in a unilateral part. The "Organisers" are at its centre, and they are the brains who, in most cases, in cooperation with the company promoters, obtain the shares at lower prices and create the illusion of demand to sell them later at higher prices.[447] Followed by "Early Participants", who increase the volumes of trade and create momentum. The catalysts causing the effect are the "influencers and Tipsters" who advertise such stocks on social media for financial rewards, thus justifying manipulation. Lastly, the last to come in and thus the sufferers of the downfall of prices are the retail investors who are optimistic through speculation and are financially illiterate.[448] Such schemes, regardless of whether organised networks or digital communities carried them out, exploit the information asymmetry, damage the confidence of investors, and corrupt the integrity of the market.[449]

### Phases Of Pump and Dump

A Pump and Dump Scheme is a multi-staged process in which stocks are intentionally manipulated to secure profits for the organisers, while leaving innocent investors with huge losses. To better understand how this process unfolds in practice, it is useful to

[447] CFI Team, *supra* note 437.
[448] Christian Leuz, Steffen Meyer, Maximilian Muhn & Eugene Soltes, *Who Falls Prey to the Wolf of Wall Street? Investor Participation in Market Manipulation*, ECGI Law Working Paper No. 446/2019 (Apr. 2022), https://www.ecgi.global/sites/default/files/working_papers/documents/preyfinal_0.pdf.
[449] FINRA, *Avoiding Pump-and-Dump Scams* (Apr. 24, 2025), https://www.finra.org/investors/insights/pump-and-dump-scams .

examine a real-world example. Dabba stands out as a striking case study, which clearly demonstrates the different phases of the aforementioned scheme in action.

### *(i) Pre-Examination Period*

The initial phase of pump-and-dump scheme(s) is characterised by minimal trading activity in the scrip, as the targeted companies are usually penny stocks with very low liquidity. Amidst this phase, the innocent investors are lured by fake stock-related tips often circulated through online platforms such as Telegram or WhatsApp Channels, which are advertised as "multi-bagger opportunities", hence misleading the investors into believing they are making a safe and profitable choice.[450] To place this in context, let us examine this through a real-life case, which is popularly known as the Sadhna Broadcast Scam[451], where a similar pattern was observed.[452] This hook phase in the scam began from point A on January 1, 2022, and continued until point B on 26th April 2022, as illustrated through the graphical illustration below.[453] "The graph clearly shows that stock prices displayed only a slow and gradual movement during this period, masking the groundwork that was being laid for the upcoming pump. This silent buildup ultimately set the stage for the aggressive price escalation that followed in the next phase.

[450] Securities and Exchange Board of India, *Pump and Dump Scam*, SEBI Investor Education, https://investor.sebi.gov.in/pump-and-dump-scam.html (last visited Sept. 5, 2025).
[451] *In re Sadhna Broadcast Limited*, Final Order, MANU/SB/4688/2023 (Issued on May 29, 2025)https://www.sebi.gov.in/enforcement/orders/may-2025/final-order-in-the-matter-of-sadhna-broadcast-limited_94294.html.
[452] *Id.*
[453] National Stock Exchange of India, *SEBI Confirmatory Order in the Matter of Stock Recommendations Using YouTube in the Scrip of Sadhna Broadcast Limited*, Circular INVG/59190, Ref. No. 227/2023 (Issued on Nov. 1, 2023) , https://archives.nseindia.com/content/circulars/INVG59190.pdf .


### *(ii) Accumulation Period*

This is followed by the hook phase, where scammers attempt to create a facade of legitimacy by aggressively accumulating shares of the targeted company. The intent is to generate a sharp increase in trading volumes, thereby sparking market interest.[454] In the Sadhna Broadcast Scam,[455] the accumulation phase began on April 27, 2022, at point C and lasted until point D on July 14, 2022. During this period, the share price surged by an astonishing 360% (from INR 2.6 to INR 12.68), while the daily average trading volume rose by 493% (from 43,740 shares to 2,59,561 shares) as illustrated below.[456] The notable increase in the share's price and trading volume, even without new corporate announcements or news, caught the public's attention and drew the stock into the spotlight for a while. This contrived momentum naturally set the stage for the

[454] *In re*, Final Order, MANU/SB/4688/2023 (SEBI May 29, 2025).
[455] SEBI, *Pump and Dump Scam*, *supra* note 450.
[456] *In re Sadhna Broadcast Limited*, Final Order, MANU/SB/4688/2023 (SEBI May 29, 2025).

next phase, "The Pump", where the stock was driven into a frenzy of unethical publicity and stock speculation.


### *(iii) The Hype + The Pump Phase*

After successfully creating curiosity and inquisitiveness in the general public, the organisers now try to spread and ramp up their channels by sharing exciting messages like "Buy Now!", "To the Moon", and "This is HUGE!", with fake and optimistic rumours, with the intent to convince investors that buying the stock will guarantee extraordinary profits.[457] This marks the onset of "The Pump". Scammers and their followers (who might be accomplices) create a frenzy of buying activity, artificially inflating the stock price, the core of the scam. A striking example of this unfolded in the Sadhna Broadcast Scam, wherein two YouTube channels, namely "The Advisor"

[457] FINRA, *Avoiding Pump-and-Dump Scams*, *supra* note 449.

and "Moneywise," were spreading fake optimistic claims about the company, claiming that they had some inside information about an imminent development that would lead to a dramatic upswing in the share price.[458] This gathered the interest of investors in the targeted scrip, but later it was discovered that both the YouTube channels were owned by a single person, named "Manish Mishra" (the organiser), who had spent a hefty amount of 4.72 crores to execute the scheme.[459] The strategy proved to be effective, as between point E (15th July 2022) and point F (16th August 2022), the average daily trading volume of the scrip surged by 629%, while its closing price skyrocketed by 161%, rising from INR 12.68 to INR 33.15.[460] This rapid escalation firmly established the stock in the spotlight, drawing in unsuspecting retail investors at inflated prices; however, this inflated euphoria was never meant to last, as the stage was now set for the final and most devastating phase, The Dump.

*(Continued on next page)*

[458] Harsh Goela, *Arshad Warsi Scam Explained: The Shocking YouTube Pump & Dump Scheme Exposed*, GoelaSF (Nov. 10, 2024), https://goelasf.in/blog/arshad-warsi-scam-explained-youtube/.
[459] *In re Stock Recommendations Using YouTube in the Scrip of Sadhna Broadcast Limited*, Interim Order, WTM/GM/IVD-ID3/7/2023-24 (SEBI Mar. 2, 2023) , https://www.sebi.gov.in/enforcement/orders/mar-2023/interim-order-in-the-matter-of-stock-recommendations-using-youtube-in-the-scrip-of-sadhna-broadcast-limited_68595.html.
[460] *In re Sadhna Broadcast Limited*, Final Order, MANU/SB/4688/2023 (SEBI May 29, 2025).


### *(iv) The Dump and the Aftermath*

Once the price reaches its peak or after successful inflation of the stocks, the scammers and their involved accomplices will begin offloading their previously acquired shares onto the innocent investors who were lured by the finfluencers and Telegram channels. This mass selling leads to a sharp decline, causing the stock to plummet.[461] Consequently, unsuspecting investors are unable to escape even after realising it is a scam, as the organisers dump such large volumes that the scrip frequently hits the lower circuit, halting trading for the entire day, and this might continue for days. By the time retail participants manage to consider an exit, the stock has already collapsed to its original value, inflicting devastating financial losses and shattering investor confidence.[462] The dump not only marks the collapse of the stock's inflated value but

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[461] *Id.*
[462] Leuz et al., *Who Falls Prey to the Wolf of Wall Street?*, *supra* note 448.

also unleashes devastating consequences for retail investors, setting the stage for the aftermath of the scam and the regulatory response that follows.

Such dumping of shares by organisers causes a sharp and prolonged decrease in the price of the stock, which leaves the retail investors with next to no options but to dispose of their holdings at prices far below their acquisition cost and hence, make huge losses. In the Sadhna Broadcast Scam, the inquiry conducted by SEBI proved that a group of 31 participants had jointly earned illegal profits of 41.85 crore.[463]

### *(v) Conclusion*

Pump-and-dump schemes illustrate, with empirical precision, how coordinated information asymmetry and artificial volume signals can systematically disadvantage retail participants who enter at inflated price levels. In the Sadhna Broadcast case, the SEBI investigation found that thirty-one coordinated participants jointly made unlawful gains amounting to ₹41.85 crore from retail investors who were unaware of the underlying coordination. The case shifts the phenomenon out of theoretical interest: it shows that the structural attributes of the SME segment: thin liquidity, low disclosure, and the excessive role of social media promotion, put the circumstances in which the existing regulatory environment can easily abuse them. This is sufficient to allow a systematic investigation into the legal framework in which such behaviour is attempted to be banned and punished.

## REGULATORY FRAMEWORK AND ENFORCEMENT GAPS IN PUMP AND DUMP SCHEMES

In the case of *N. Narayanan v. SEBI,*[464] the Hon'ble Supreme Court held that, "if market abuse is not properly curbed, then it would result in defeating the very object and purpose of the SEBI Act. Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law". The above-mentioned Supreme Court

[463] *In reSadhna Broadcast Limited,* Final Order, MANU/SB/4688/2023 (SEBI May 29, 2025).
[464] N. Narayanan v. SEBI, (2013) 12 SCC 152.

observation highlights that investor protection against deceitful practices is not merely a regulatory duty under securities law, but the very foundation of a fair marketplace, as market abuse erodes trust, distorts price discovery, and discourages genuine participation. Taking this observation further and building on the previous chapter's discussion of investor behaviour and market vulnerabilities, pump-and-dump scheme(s) emerge as among the most destructive forms of manipulation, feeding on fabricated assurances and deceit. These schemes disproportionately target retail investors, who are often lured by misleading narratives and left bearing heavy losses once the operators exit, and hence, their legality must therefore be examined through the lens of securities law and regulatory enforcement.

## Regulatory Framework under the SEBI Act and PFUTP Regulations

The primary regulatory framework to combat the manipulative schemes in India is provided under the SEBI Act, read jointly with the PFUTP. Section 12A of the SEBI Act is the umbrella section that prohibits any sort of manipulative practices.[465] This section deliberately covers the scope of deceptive practices, ensuring that no fraudster can exploit loopholes in the law. Further, the penalties are enshrined under Section 15HA, where these fraudsters and violators face fines that can range from 25 crores to three times the scammed amount.[466]

To further enhance the practical applicability of the above sections, Regulations 3 & 4 of PFUTP outlaw any fraudulent trades and explicitly list and enumerate practices akin to the classic pump-and-dump scheme(s).[467] The Regulations employ wording such as "manipulative or deceptive device or contrivance", "an act which creates a false or misleading appearance of trading in the securities market", and "any act, practice, or course of business which operates or would operate as fraud or deceit", thereby

[465] Securities and Exchange Board of India Act, 1992, § 12A.
[466] Securities and Exchange Board of India Act, 1992, § 15HA.
[467] Securities & Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, Regulation 3, 4.

harmoniously covering a wide spectrum of fraudulent activities.[468] This clearly underscores that such schemes are prohibited by law, and SEBI has constantly tried to curb this through notices and guidelines. Furthermore, the enforcement power SEBI extends beyond this framework through the Investment Advisers Regulations, 2013, and Research Analyst Regulation, 2014, which aim at curbing these fraudulent Schemes, and it mandates that anyone engaged in distributing stock tips or price targets is required to be registered, make appropriate disclosures of conflicts while complying with the fiduciary standards.[469] This even extends to financial influencers on YouTube or Telegram; further, SEBI has the authority to invoke PFUTP rules and impose PFUTP charges against these influencers for non-compliance.

## Disclosure and Compliance Framework for SMEs

Capital markets demand transparency, as information asymmetry weakens investor trust. SMEs, though vital to economic growth, operate under lighter compliance norms.[470] This creates regulatory gaps, making them susceptible to manipulation like pump-and-dump scheme(s), warranting a stricter yet balanced framework for accountability and investor protection.

### *(i) Differential Disclosure under the Companies Act, 2013*

The contours of this regulatory distinction first emerge under the Companies Act, 2013, which prescribes differentiated disclosure obligations for companies based on their size under Schedule III.[471] The larger companies falling under Division II are required to comply with the Ind AS, which demands detailed disclosures, like cash flow statements, auditor reports, etc., whereas, in contrast, the Small and Medium Enterprise (paid-up capital ≈ ₹4 crore/turnover ≈ ₹40 crore) falling under Division I, complies with the

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[468] *Id.*
[469] Securities and Exchange Board of India (Investment Advisers) Regulations, 2013 ; Securities and Exchange Board of India (Research Analysts) Regulations, 2014 .
[470] Paul M. Healy & Krishna G. Palepu, *Information Asymmetry, Corporate Disclosure, and the Capital Markets: A Review of the Empirical Disclosure Literature*, 31 J. Acct. & Econ. 405 (2001).
[471] Companies Act, 2013, sched. III (India).

older Accounting Standard (AS), which reduces the compliance burdens, like fewer required board meetings and less stringent financial reporting requirements, encouraging business growth and ease of doing business.[472] However, this lighter compliance regime creates vulnerabilities, as due to limited liability in providing financial papers and comparatively less oversight, many SME's may use this opportunity to manipulate their financial reports by artificially inflating profits. This issue was even highlighted by the Supreme Court in the case of *N. Narayanan v. Adjudicating Officer, SEBI (2013)*[473], wherein Narayanan, the then chairman of a company, was held liable for fabricating financial statements and misleading investors by presenting a distorted picture of profitability. The Supreme Court observed that such deceptive disclosures strike at the heart of market integrity and amount to abuse of investor trust, warranting strict action to preserve the fairness of securities markets. This distinction in disclosure obligations under the Companies Act, 2013, extends into the securities market framework as well, where the differential compliance burden between large companies and SMEs becomes even more evident. The prelisting phase of both categories (Large Companies and SMEs) requires a submission of the Draft Prospectus ("**DRHP**"), which includes information about the business model, promoter background, audited financials of the last three years, risk factors, etc., to SEBI and the stock exchange. The difference between the SMEs and Large companies emerges in the post-disclosure time, where the Large-cap companies are required to provide quarterly financial statements, detailed shareholding patterns, continuous corporate governance reports, and real-time event-based disclosures such as defaults, related-party dealings, or regulatory actions, etc. to SEBI, enabling the investors to make a reasoned judgement about the company's financial health and credibility. However, when it comes to SMEs, Regulation 33(5) of LODR exempts them by allowing them to disclose their financial reports half-yearly[474],

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[472] Companies Act, 2013, sched. III, Divisions I & II (India), read with Companies (Accounting Standards) Rules, 2006, and Companies (Indian Accounting Standards) Rules, 2015.
[473] N. Narayanan v. SEBI, (2013) 12 SCC 152.
[474] Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Regulation 33(5).

unlike large companies. Further Regulation 34 (f) of the same excuses the SMEs from filing the Business Responsibility and Sustainability Reporting ("**BSBR**") reports[475], also Regulation 31 rules that these securities reports are to be updated half-yearly, which is in contrast to the quarterly reporting by the large companies.[476]

### *(ii) Listing Eligibility and ICDR Requirements for SMEs*

Building upon the broader regulatory framework, it is essential to examine the specific listing requirements that govern SMEs in India's capital markets. In furtherance of this regulatory structure, SMEs seeking to be listed on the exchange must comply with the strict eligibility criteria mentioned under Sections 228 and 229 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations ("**ICDR**"). Section 228 of the above rules states that entities like wilful defaulters, fraudulent borrowers, or fugitive economic offenders, etc., who are barred from the capital market are not eligible to make an IPO; however, past debarments are dismissed only if the period has expired.[477] Furthermore, Regulation 229 sets capital and track record criteria like SMEs with post-issue paid-up capital up to ₹10 crore are eligible for IPOs, while those up to ₹25 crore can issue specified securities under SME rules.[478] And, the track records of prior partnerships, LLPs, or merged entities are considered only if financial statements comply with the Companies Act, 2013, and are certified by ICAI-peer-reviewed auditors.[479] This structured framework ensures transparency, accountability and reduces the risk of market abuse in SME listings.

### *(iii) Post-Listing Obligations and SEBI Circulars*

To complement the above, SEBI's circular CIR/CFD/DIL/6/2010 dated May 17, 2010, further affirms the above claims as it mandates compliance with SEBI norms, continuous disclosure of material events and financial information, adherence to

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[475] *Id.*, Regulation 34(f).
[476] *Id.*, Regulation 31.
[477] Securities and Exchange Board of India (ICDR) Regulations, 2018, Regulation 228.
[478] *Id.*, Regulation 229.
[479] *Id.*

corporate governance principles, and maintenance of investor grievance mechanisms.[480] It regulates shareholding patterns, corporate actions, and the appointment of a compliance officer. Non-compliance may result in penalties, suspension, or delisting. The framework thereby institutionalises transparency, accountability, and investor protection within the SME capital market.

## Broker Obligations and Investor Protection Framework under SEBI Regulations

According to a Lok Sabha report, the Indian share market saw an exponential growth in the number of new demat accounts from 3.88 crores in 2020 to 11.82 crores in 2024.[481] This 200% increase in the account holders highlights the rise of a huge population of novice investors who lack the expertise to understand the risks associated with their stock purchases fully. Therefore, it became crucial for the regulatory bodies and market intermediaries to provide the investors, especially the new entrants, with an integrated support system.

To address this issue, SEBI has imposed several obligations on stock brokers to promote investor awareness and risk disclosures associated with the transactions. SEBI, through its master circular dated June 17, 2025 (Annexure 10), mandates that the stock brokers must provide their clients with a risk disclosure document, which aims to inform the investor about the uncertainties present in the share market, such as volatility, leveraging, and liquidity, etc.[482] It also seeks to inform the investor about their responsibility for the decisions that they make in the marketplace. Furthermore, Annexure 9 of the circular reinforces this idea and outlines the due diligence obligations

[480] Securities and Exchange Board of India, *Conditions of Listing for Issuers Seeking Listing on SME Exchange – Model SME Equity Listing Agreement*, Circular No. CIR/CFD/DIL/6/2010 (Issued on May 17, 2010), https://www.sebi.gov.in/legal/circulars/may-2010/conditions-of-listing-for-issuers-seeking-listing-on-sme-exchange-model-sme-equity-listing-agreement_1477.html .

[481] Ministry of Finance, Department of Economic Affairs, *Stock Market Investment Education*, Unstarred Question No. 1026, Lok Sabha (Dec. 2, 2024), https://sansad.in/getFile/loksabhaquestions/annex/183/AU1026_ConbyL.pdf .

[482] Securities and Exchange Board of India, *Master Circular for Stock Brokers*, Circular No. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/0000001 (Issued on June 17, 2025) , https://www.sebi.gov.in/legal/master-circulars/jun-2025/master-circular-for-stock-brokers_94623.html.

of the broker as well as the investor while engaging in a securities transaction, particularly covering concerns like margin requirements, brokerage charges, and settlement procedures.[483] Continuing with the same circular, SEBI has also introduced a mandate requiring stockbrokers to include a pop-up screen displaying the Risk Disclosures for equity Futures & Options. These pop-up notifications are mandated to cover at least 50% of the terminal screen, and the investor must acknowledge the pop-up before closing it.[484] This measure highlights a significant step towards strengthening investor education and awareness. Similarly, the risk disclosure cautionary message regarding the buying and selling of equity stocks is addressed by the National Stock Exchange ("**NSE**") through its Surveillance Circular SURV67801, which mandates the brokers to display cautionary pop-ups to the investors in securities that fall under Additional Surveillance Measures ("**ASM**"), Graded Surveillance Measures ("**GSM**"), or Enhanced Surveillance Measures ("**ESM**").[485] These measures address unexpected price and volume movements, underperforming securities, and companies with small market capitalisation that exhibit volatile prices. This system ensures that the investors are aware of the nature of their transaction.[486]

To supplement the aforementioned, the SEBI circular on Investor Charter for Stock Brokers further enhances investor awareness by directing the stock brokers to bring the charter to the notice of their clients through their respective websites.[487] The charter outlines the rights of the investor, DOs and DON'Ts, Grievance Redressal Mechanism, and timelines for complaint resolution. Alongside these investor protection measures, NSE, through its NSE/SURV/63146 dated July 30, 2024, also regulates the market makers in order to ensure market liquidity.[488] Market Makers are brokers or financial

[483] *Id.*
[484] *Id.*
[485] National Stock Exchange of India, *Surveillance and Investigation Consolidated Circular*, Circular Ref. No. NSE/SURV/67801 (Issued on Apr. 30, 2025),https://nsearchives.nseindia.com/content/circulars/SURV67801.pdf.
[486] *Id.*
[487] Securities and Exchange Board of India, *Publishing Investor Charter and Disclosure of Investor Complaints by Stock Brokers on Their Websites*, Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2021/676 (Issued on Dec. 2, 2021), https://www.sebi.gov.in/legal/circulars/dec-2021/publishing-investor-charter-and-disclosure-of-investor-complaints-by-stock-brokers-on-their-websites_54402.html (last visited Sept. 8, 2025).
[488] NSE Surveillance and Investigation Consolidated Circular, *supra* note 485.

institutions registered with stock exchanges who are obligated to buy or sell a particular stock during the market hours to maintain the liquidity of the scrip. Through the circular, the market makers are obligated to inform the exchange when their inventory is exhausted and continue to provide one-way 'Buy' quotes for at least 75% of the time in a day, and upon acquiring the new inventory, the Market Maker shall resume providing two-way quotes for at least 75% of the time in a day.[489]

## Persistent Regulatory Challenges and Enforcement Gaps

Although the architecture of the SEBI Act, PFUTP, or LODR has multiple layers, the persistence of pump-and-dump schemes is not due to loopholes in the legislative text but rather to structural limitations on SEBI's investigative and deterrent powers. There are three constraints that can be analysed.

### *(i) Institutional Capacity and Resource Constraints*

To start with, SEBI does its enforcement with some serious resource and jurisdictional constraints. As compared to the USA's Securities and Exchange Commission ("**SEC**"), which has a special Office of Market Intelligence with staff to process large numbers of whistleblower tips and monitor real-time trading activity across the exchanges, SEBI has an investigation department that also covers market abuse and a wide variety of other regulatory issues. SEBI data itself shows that just twenty-five to forty-three cases of market manipulation are formally pursued each year- a figure which, by any relative standard, is significantly below the reality of the level of manipulation in the SME sector alone.

### *(ii) Structural Delays in Investigation and Prosecution*

Second, the investigative process of SEBI is slow in its structure. Market manipulation investigations are habitually five- to six-year-long, providing a delay in prosecution that reduces the integrity of evidence and minimises a realistic chance of conviction. Before

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[489] *Id.*

an order is passed, the affected participants have usually unravelled their positions and the electronic history of coordination or off-market arranging has vanished or is legally hard to assign. This time delay between the manipulation and regulatory resolution significantly undermines deterrence.

### *(iii) Inadequacy of Deterrence under the Penalty Framework*

Thirdly, the fines that can be imposed on an offender under Section 15HA have nominally high maximums, such as 25 crore or three times the illegal gain, but have failed to send a plausible deterrence message in the SME space. The fact that it is clearly not easy to be caught, and short-cycle manipulation is very profitable in scrip with low liquidity, implies that the cost of the offence is expected to be significantly less than the reward. Deterrence theory necessitates more than just high nominal punishment but a reasonable assurance of its enforcement; the Indian system is presently meeting the former and not the latter.

### *(iv) Disclosure-Driven Information Asymmetry in the SME Segment*

Structural relaxations in SME-specific disclosure further complicate these restrictions on enforcement. Regulation 33(5) of LODR, the exemption of Business Responsibility and Sustainability Reporting, Regulation 34(f), the lack of event-driven continuous disclosure obligations and similar to those of main-board issuers all mean that there is a gap in the information between disclosure periods that can be exploited by manipulators. The warning by the Supreme Court in *N. Narayanan v. SEBI* on the market-distorting effects of manipulated financial disclosures is especially strong here, as the SME segment relies on promoter-controlled information flows.

### *(v) Comparative Enforcement Landscape*

A comparative perspective underscores the depth of India's enforcement gap. The SEC's Division of Enforcement resolved 784 enforcement actions in the fiscal year 2023 alone, a figure that includes a significant proportion of market manipulation cases. By contrast, SEBI formally pursued manipulation cases numbering in the range of 25-

43 annually. a disparity that cannot be fully explained by the relative size of the two markets or the volume of retail participation. The Australian Securities and Investments Commission ("**ASIC**") and the United Kingdom's Financial Conduct Authority ("**FCA**") have, in recent years, adopted conduct-risk-based surveillance models that combine real-time trade data analysis with proactive thematic reviews of high-risk market segments, including small-cap equities. India's current framework, by contrast, remains primarily reactive; investigations are typically triggered by complaints or price anomalies already visible to the market, rather than by predictive surveillance. This structural orientation toward ex-post enforcement, rather than ex-ante detection, is a foundational weakness that the reforms proposed in the following chapter seek to address.

Overall, the enforcement gap can be described as not an issue of regulatory intent, but of investigation power, institutional design, and the structural incentive mismatch that arises due to low detection rates and slow prosecution rates.[490]

## BRIDGING REGULATORY GAPS IN PUMP AND DUMP SCHEMES

Having analysed the existing regulatory framework regarding the pump-and-dump scheme(s) in India, ranging from the SEBI Act and PFUTP to SME listing norms and broker disclosure mandates, it becomes clear that manipulative practices like pump-and-dump scheme(s) still persist in the country despite the presence of a strict legal framework. The persistence of such practices highlights a significant gap between the law and its enforcement and underscores an urgent need for robust and comprehensive mechanisms to protect the retail investor. This chapter, therefore, aims to analyse these gaps and propose reforms that can effectively curb the ongoing price-manipulative practices. In particular, it addresses three critical problems, i.e., weak enforcement of anti-manipulation laws, which can be resolved with a two-tiered approach, followed by

[490] Ministry of Finance, *Fraudulent Schemes in the Securities Market*, *supra* note 435.

the inadequacy of broker risk communication, and finally the issue of opacity of the SME disclosures.

**Strengthening Enforcement through Whistleblower Reforms**

To begin with, the problem of weak enforcement forms the foundation of these regulatory shortcomings. One of the most crucial hurdles in regulating the Indian securities market lies in the weak enforcement by the SEBI and the PFUTP against the anti-manipulation practices,[491] and to strengthen the enforcement, the government should adopt a programme modelled on the whistleblower framework , widely practised in the USA.

Drawing lessons from the USA, which resolved this issue by implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Section 922 of this Act stipulates that the Whistleblowers who deliver true information against any securities fraud or malpractice are entitled to about 10-30% of the money collected upon successful enforcement action by the SEC with monetary sanctions exceeding $1 million.[492] The rate of complaints of market manipulation in India is structurally depressed, and a Dodd-Frank-type whistleblower incentive system would significantly enhance voluntary reporting. Nevertheless, when attempting to transplant such a model into the Indian regulatory framework, one must give specific attention to three design constraints that, according to the current literature on whistleblower programmes, are vital in determining effectiveness. First, the danger of bad-faith or frivolous complaints has to be dealt with, structurally. The U.S. system solves this in part by insisting that the tips must be original information, which means that they must have been based on the independent knowledge of the whistleblower as opposed to being based on public disclosure, and by the power of SEBI to refuse awards when the complaint is frivolous,

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[491] Cyril Amarchand Mangaldas & Co., *India: A Deep Dive into SEBI and Related Legislation Amid Insider Trading and Market Manipulation Investigations*, Global Investigations Review -The Guide to International Enforcement of the Securities Laws 3d ed. (2024), 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.
[492] Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010).

false, or made in bad faith. An Indian analogue would have to internalise a prior screening system in which the enforcement arm of SEBI screens actionable facts and information against opportunistic filings, but does not impose procedural hurdles that could scare off bona fide complainants. Second, the conflict-of-interest risks in reward-based reporting should be addressed through structural protections. The financial motive to complain may not coincide with the interest of the people in the enforcement where the whistleblower is a market participant with an unfavourable position in the reported scrip. An effective structure would entail reporting of any form of financial interest the whistleblower would have in the securities to which the complaint is related, so that SEBI may determine the independence of such information and its reliability. Third, successful deterrence must entail quicker investigation schedules. The average SEBI investigation now takes 5–6 years. A regime of whistleblower incentives without procedural changes to reduce the length of investigation cycles can lead to a backlog of unresolved tips failing to yield timely enforcement results that produce the deterrence effect. In this regard, a special fast-track bench or time-limited investigation protocol of cases that have a genesis with whistleblower referrals would be required to render the programme operationally viable.

## Tech-Driven Surveillance against Fraudulent Trading

In addition to institutional reforms, technological innovation can serve as a powerful complement to enforcement efforts. SEBI and NSE can consider adopting a real-time detection model similar to what was developed by La Morgia et al. (2023) in *"The Doge of Wall Street: Analysis and Detection of Pump and Dump Cryptocurrency Manipulations"*.[493] This offers a technological framework that the Indian regulators can easily adopt to strengthen their surveillance against the pump-and-dump scheme(s). This model functions by continuously analysing the live trading, which identifies the sudden surges in "rush orders", which are the rapid, large-scale buys or sells of market orders, which

[493] Massimo La Morgia, et al.,a, *The Doge of Wall Street: Analysis and Detection of Pump and Dump Cryptocurrency Manipulations* (2021), https://arxiv.org/pdf/2105.00733 (last visited Sept. 8, 2025).

are often the manipulative or fraudulent activity. By adopting advanced machine learning algorithms like Random Forest or AdaBoost, the system can then evaluate numerous real-time indicators of manipulative activities like abrupt changes in trade volumes, price volatility, etc. Upon application, once these indicators or the parameters deviate from their natural behaviour, the model flags these events within 25 seconds of initiation, achieving an accuracy rate of more than 94%.[494] When integrated into SEBI's Integrated Market Surveillance System ("**IMSS**") and NSE's algorithmic monitoring architecture, the model can detect trades exhibiting artificial volume spikes or price movements indicative of off-exchange manipulative practices. Real-time alerts would allow early intervention, suspension, or focused investigation of such manipulation before it unfolds among associated broker networks. Adoption of this framework would elevate SEBI's capability to ensure market integrity, prevent illicit parallel trading and create a transparent technology-driven surveillance ecosystem following global best practices of financial fraud detection.

Thus, an integrated framework combining robust whistleblower protections, faster investigation mechanisms, and stringent penalties would close the enforcement gap. Through timely detection and prosecution, SEBI can bring back investor confidence and enhance the integrity of India's securities market.

The implementation of such algorithmic surveillance tools raises questions of model governance that any implementation proposal must address. Namely, a machine-learning-driven detection model that would be incorporated into the IMSS developed by SEBI would need a well-defined validation procedure, such as back-testing with known instances of manipulation occurrences, open benchmarking of the performance, and a review process to retrain the model as the patterns of manipulation change. The absence of such governance would expose a high false-positive rate to the risk of creating an unmanageable influx of alerts and could lead to unnecessary trading suspensions, which are damaging to legitimate market participants. On the other hand,

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494 *Id.*

a model trained on past data and not dynamically retrained can be inaccurate in signalling new methods of manipulation. SEBI would then have to create a model risk committee or similar control mechanism that would have to certify the outputs of the algorithms prior to any enforcement action being taken based on these outputs. The experience of other countries, such as the FINRA Market Regulation program and the Consolidated Audit Trail analytics provided by the SEC, indicates that algorithmic surveillance is best employed in conjunction with the human-reviewed escalation prerequisites, where human judgment is still part of the enforcement chain.

**Broker-Level Risk Disclosures and Investor Education**

However, technological measures alone cannot safeguard investors unless accompanied by strong disclosure norms at the broker level, as it is essential for safeguarding the retail investors in the SME market. Although SEBI and NSE, through various advisories and mandates, have constantly sought to protect the investor's interest, weak enforcement and discretionary compliance by the brokers remains a major impediment to their objective. Many brokers either fail to strictly abide by the advisories and circulars of the regulatory authorities and provide risk disclosures that are vague and incomplete, or provide no disclosures at all.[495] Moreover, such disclosures exert little to no impact on the actions of the investors due to the phenomenon known as consent fatigue. This basically refers to a situation where individuals are repeatedly exposed to disclosures or consent requests, and as a result, they start ignoring or mechanically agreeing to them without understanding the content. As a result, the retail investors are left seriously exposed, often making critical decisions without truly understanding the associated risks.

Therefore, a strict and clear risk disclosure mentioning the risks associated with the purchase of SME stock should be prominently provided. A mechanism similar to equity derivative disclosure can be adopted where the user has to voluntarily read and accept

[495] Securities and Exchange Board of India, *Annual Report 2023–24*, ch. 4 (Regulation of Market Intermediaries) (2024), https://www.sebi.gov.in/reports-and-statistics/publications/sep-2024/sebi-annual-report-2023-24_87222.html.

the terms. This will ensure that the investors are at least aware of their investment and risk associated with their purchase. Additionally, the SME stocks present under the ASM, GSM, and ESM are considered highly risky and demand enhanced caution from the investor.[496] Therefore, these risk disclosures become even more crucial with respect to these stocks.

Furthermore, to enhance investors' awareness, educational initiatives such as free online tutorials, explanatory videos, and government- and broker-run awareness campaigns should be adopted. The brokers and investors share a unique bond in India, which is an evolutionary result of ancient market practices. In earlier times, the investors were largely dependent on their brokers for the investments they made. Drawing on these practices, the retail investors continue to place significant reliance on broker guidance, a relationship that can serve as an effective channel for financial literacy interventions. Hence, awareness and education by the brokers can have a lot of positive impact on the investors. Accordingly, in general, broker-level risk disclosures and investor education must stand strong alongside other safeguards for retail investors in the SME market, particularly for high-risk stocks under protective surveillance measures, as transparent disclosures and awareness generally serve as effective checks against decision-making in ignorance and sustained investor-broker relations.

## Nomad-Style Supervision for SME Transparency

Beyond investor-level safeguards, the structural weaknesses in SME platforms themselves demand equal regulatory attention. SME platforms in India have been a significant medium for emerging businesses to collect or access capital, and SEBI has mentioned multiple times that some of these companies misuse these platforms by making exaggerated claims about their operations, followed by corporate actions such as bonus issues, stock splits, etc.[497] These activities often create artificial optimism

[496] NSE Surveillance and Investigation Consolidated Circular, *supra* note 485.
[497] Securities and Exchange Board of India, *Advisory Regarding Investment in Securities of the Companies Listed on the SME Segment of Stock Exchanges*, Press Release No. 37/2024 ( Aug. 28, 2024), https://investor.sebi.gov.in/advisory-investment-in-sme-segment.html .

among investors, inflating stock prices and enabling promoters to offload holdings at a premium. Regardless of the recent SEBI reforms under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2025, which aimed at introducing stricter norms like higher minimum application sizes, promoter lock-in requirements, mandatory monitoring agencies, and real-time cautionary messages on trading terminals, still the instances of manipulation continue due to weaker post-listing oversight and exempted disclosure policies.[498] To address this lacuna, India could adopt a "Nomad-style sponsor system" inspired by the UK's Alternative Investment Market (AIM), and this could act as a potential solution to curb the fraudulent activities in SMEs while strengthening the financial disclosures.[499] As per the AIM framework, every company/ business seeking a to get listed must appoint a Nominated Adviser ("**Nomad**") who is an authorised professional responsible for validating the disclosures, assessing the company in their financial soundness and ensuring that the company complies with the required norms and guidelines even after the listing.[500] This model not only makes sure that there is an extra level of accountability among the issuers and regulators, but also that the Nomads are the long-term gatekeepers, the ones who connect these two worlds. The Indian current SME framework, which is mostly dependent on the intervention of merchant bankers during the IPO stage, and grants the SME-listed companies' exemption from quarterly financial reporting, hence their little monitoring by the UK application of the Nomad's continued supervision. The Nomad's oversight makes it arduous for companies to be involved in the manipulation of accounts and the misuse of public funds after being listed, since the UK regulations are so strict around them. If India were to adopt an equivalent sponsor-driven model, SME financials would be subject to continuous monitoring. Smaller companies would be spared the burden of voluminous direct regulatory filings, as oversight would be channelled through the Sponsor. The

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[498] Ministry of Finance, Department of Economic Affairs, *Market Manipulation Cases*, Unstarred Question No. 3984, Lok Sabha (Aug. 18, 2025), https://sansad.in/getFile/loksabhaquestions/annex/185/AU3984_DcshWt.pdf .

[499] *British Business Bank*, *What Is the Alternative Investment Market (AIM)?*, British Business Bank, ¶¶ 300–303, https://www.british-business-bank.co.uk/business-guidance/guidance-articles/finance/what-is-the-aim (last visited Sept. 8, 2025).

[500] *Id.*

Nomads would be recognised and controlled by SEBI and would take the risk of legal consequences arising from false or misleading disclosures.

A framework of this sort would elevate the Indian SME market to international levels in terms of transparency and corporate governance, whilst simultaneously solving the problem of the very limited frequency of financial disclosure that allows the fraudulent schemes to keep on thriving. Such a framework would simultaneously advance investor protection and SME capital access, contributing to the long-term institutional maturation of India's securities market.

Any Nomad-style sponsor structure applied in India would have to tackle two structural design problems that the AIM experience itself highlights. The first is conflict of interest: Nomads are employed and compensated by the issuers they oversee, which offers an incentive structure to accept instead of question disclosure. The AIM rules in the UK deal with this in part by FCA regulation of Nomad registration and the risk of disciplinary action, including cancelling Nomad status, in the event of due diligence failures. An Indian analogue would have SEBI maintain a list of acceptable Sponsors, impose minimum standards of competence and independence, and a regime of sanctions to ensure that the cost of failure to comply is sufficiently large to offset the commercial incentive to serve issuers. The second issue is calibration: the Nomad-style requirement that is enforced on all of the companies listed on the SMEs, regardless of market capitalisation, industry, or trading volume, will put in place a barrier of compliance costs that will nullify the objective of the SME platform as a capital-access tool to smaller firms. A proportionality principle would then have to be incorporated into the structure, which might involve increasing Sponsor supervision of those SMEs that satisfy certain criteria of trading volatility or which have been subjected to the Enhanced Surveillance Measures by SEBI.

## CONCLUSION

The discussion on the pump-and-dump scheme(s) in India reveals the existence of a high level of tension between the high legal framework and the low enforcement of the same. In spite of the elaborate legislative frameworks that the SEBI implements, such as the SEBI Act, PFUTP, LODR, and the disclosure requirements that regulate the behaviour of brokers, the manipulative activity lives on because of the endemic inefficiency of detection, reporting, and prosecution. The continuation of these schemes underscores not a failure of regulation, but a structural one, based on a fragmented surveillance system, poor investor literacy, and post-listing opaqueness, specifically in the SME platform.

The regulatory spirit in which the SME compliance has been relaxed was aimed at promoting the ease of doing business; however, this laxity has been unintentionally used to create market dumping, misreporting and speculative promotion. The bi-annual disclosure requirements and exemption against reporting on the ESG or corporate governance provide an information asymmetry that is a manipulation on the part of manipulators. It is a contradiction to promote growth while preserving integrity, which necessitates re-evaluating proportional regulation so that small companies are as lenient as possible without compromising transparency standards, which must not be compromised under any circumstances.

In addition, due to the lack of punitive enforcement and sufficient preventive or real-time checks and balances, SEBI's punishment is softened. This enforcement gap would be filled by the introduction of data-driven surveillance models, such as machine learning-based anomaly detection, and bring the monitoring systems in India into the international best practice. According to this, the incentive system based on whistleblowing will improve internal responsibility in the market and accelerate reporting.

Lastly, to designate pump-and-dump scheme(s), regulation, technology and education should be regarded as a unit. The transparency of the broker level, investor awareness campaigns and constant supervision that will be achieved by the suggested Nomad-type of sponsor model must be synergistic. In this triangulated framework, SEBI will be in a position to restore investor confidence and integrity in the market and transform the capital market in India to become proactive protection and not proactive enforcement. The solution, then, is not to create new laws but to make the connective tissue between disclosure, detection, and deterrence stricter.