

Protect investors from unfair trading, says SC

The Supreme Court on Thursday asked the Centre to frame a more comprehensive legal framework to govern the securities market where ingenious means of manipulation affect gullible investors.

“Fairness, integrity and transparency are the hallmarks of the stock market in India. The Securities and Exchange Board of India (SEBI) is the vigilant watchdog... As the market grows, ingenious means of manipulation are also employed.

“In such a scenario, it is essential that SEBI keeps up with changing times and develops principles for good governance in the stock market which ensure free and fair trading,” a Bench of Justices Kurian Joseph and R. Banumathi observed in separate but concurring judgments spanning 90 pages.

Justice Kurian observed that there is an imminent need to prevent instances of “synchronised trading” as they are fundamentally violative of transparent norms of securities trading.

“The stock market is not a platform for any fraudulent or unfair trade practice. The field is open to all the investors. By synchronization and rapid reverse trade, as has been carried out by the traders in the instant case, the price discovery system itself is affected,” Justice Kurian observed.

“Unfair trade practices affect the integrity and efficiency of the securities market and the confidence of the investors,” Justice Banumathi noted in her judgment.

The court upheld SEBI’s plea to proceed against a group of traders, Rakhi Trading and others, for unfair trade practice in the market.

END

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