

Difficulties in tacking Insider Leaks

Why in news?

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- Loan default disclosure information has been leaked by insiders.

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- SEBI faces many challenges to pin down the original company insiders responsible for these leaks.

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What is SEBI's Loan default disclosure?

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- SEBI required listed firms to inform exchanges if they default on loan payments to banks and financial institutions.

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- By new definition SEBI made it clear, even a delay of one day from the due payment of loans will be considered as default.

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- The move came against the backdrop of the government and the Reserve Bank of India (RBI) stepping up efforts to tackle the menace of bad loans amounting to over Rs. 8 lakh crore.

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What was leak about?

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- Many price sensitive information relating to defaults of major companies listed in Indian stock exchange were been circulated in WhatsApp groups.

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- This leak was happened prior to the public announcement of quarterly results.

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- According to Indian laws mere sharing of unpublished information is illegal and anyone possessing it is an 'insider'.
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- Many insider analysts shared prescient tip-offs about upcoming results for top listed companies.
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- On this regard SEBI has interrogated analysts, conducted raids on stock brokers and deployed search-and-seizure powers to confiscate laptops and mobile phones.
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What are the difficulties in addressing insider leaks?

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- In this case, the leaks were already a few months old, and the WhatsApp messages were encrypted, which is tedious for the regulator to track.
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- In India, this means breaking the cosy nexus between managements of listed companies and analysts who track them.
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- It is a common practice for companies to host exclusive analyst conference calls immediately after key actions, where the management shares a detailed break-down of numbers and fields one-to-one questions.
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- Going strictly by insider trading laws, the transcripts of all such interactions should be placed immediately in the public domain.
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- But in practice, companies inordinately delay or even skip the filing, resulting in significant information asymmetry between the selected analysts and other public investors.
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- India's premier stock exchanges are yet to deploy their tech and data-mining capabilities to address such leaks.
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Source: Business Line, Indian Express

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