



Front Running and Insider Trading

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Recently, a mutual fund in India has been under investigation by the [Securities and Exchange Board of India \(SEBI\)](#) for suspected [front-running](#).

- **Front-running or tailgating** is an **illegal practice** under the [Securities and Exchange Board of India \(Mutual Funds\) Regulations, 1996](#) where fund managers place their orders ahead of large trades to profit from expected price changes.
 - This occurs when **someone (an insider or broker) trades ahead of others using privileged information**.
- **Insider trading** occurs when someone with a vested interest in a company uses **non-public information** to make a trading decision.
 - **Insider trading** usually **involves company executives or employees** leveraging confidential company information to gain an advantage in the stock market.
 - On the other hand, **front-running typically involves brokers or fund managers** exploiting knowledge of their clients' upcoming trades.
- In India, insider trading is prohibited under the [SEBI Act, 1992](#). **SEBI** has established the [SEBI \(Prohibition of Insider Trading\) Regulations, 2015](#), which outline the rules for prohibiting and restricting insider trading.
- These practices undermine **investor confidence** in the **fairness** and **transparency of financial markets**.

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