

LEGAL UPDATES

SEBI: SEBI SHUTS DOWN SIX PEOPLE FOR STOCK MANIPULATION THROUGH SOCIAL MEDIA BY SENDING UNSOLICITED STOCK TIPS

SEBI, on 12th January 2022 while acting upon two undated complaints, debarred six individuals ("Noticees") for running a stock manipulation scam on popular social media platforms such as Twitter and Telegram. SEBI noted that Noticees were not registered as a market intermediary and prima facie found them influencing stock prices of specific firms, in order to make illegal profits. The Noticees first would take a position in small-cap companies by buying their stocks in bulk. Thereafter, Noticees induced others by sending out messages in WhatsApp and Telegram to hold bullish positions in those scrips by posting false and fraudulent messages on social media platforms that strongly implied an impending price increase in those scrips. Finally, after the prices spiked, they would take the opposite positions (selling the shares they had previously bought), profiteering from these deceitful trades. SEBI observed that the Noticees positively and knowingly devised a scheme to defraud ingenuous retail investors by adding them to their Telegram channel and, in the process, persuading other general investors to trade securities based solely on false, fictitious, and unsolicited stock tips that lacked any necessary analysis. The market regulator held that Noticees abused their position of Administrator of said Telegram group with malafide intent to wrongfully gain off their influencing position and hence it prima facie appeared that Noticees contravened the provisions of SEBI Act and PFUTP Regulations. SEBI further noted that there exists a strong case for directing against notices for confiscating the alleged illegal earnings that the Noticees are said to have acquired via their dishonest and unjust activities.