



Pump and Dump Scheme

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Recently, the [Securities Exchange Board of India \(SEBI\)](#) has slapped a fine on 11 individuals for allegedly operating a '**pump and dump**' scheme.

- A pump-and-dump scheme is a **type of [manipulation activity](#)** that involves **artificially inflating** the price of a stock through false and misleading information, only to sell the stock at the **inflated price** and leave investors with significant losses.
- This manipulative tactic is particularly prevalent in the **micro-cap and small-cap sectors**, where companies often have **limited public information** and trading volumes are lower.
- Under the SEBI guidelines, pump-and-dump schemes are **completely banned**.
- Participants in pump-and-dump manipulation can face **severe legal penalties**, including fines, disgorgement of profits, and imprisonment.
- These schemes **undermine confidence** in the [financial markets](#) making legitimate investors wary of potential fraud.
- **Pump and Dump scheme is different from Insider trading** as there is no misuse of confidential information of company in pump and dump scheme.
 - While, [Insider trading](#) is **buying or selling** a publicly traded company's stock by someone with information that could **substantially impact an investor's decision** to buy or sell a security that has not been made available to the public.

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