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## Jane Street Under SEBI Scrutiny Over Alleged Bank Nifty Manipulation

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New York-based proprietary trading firm Jane Street Group is facing allegations from the Securities and Exchange Board of India (SEBI) over alleged manipulation of the Bank Nifty index. The market regulator, in an interim order, accused the firm of using coordinated trading strategies to influence index prices while profiting from related positions. Jane Street has denied wrongdoing and placed USD 567 million in escrow, leading SEBI to lift its interim trading ban while investigations continue.

According to SEBI's findings, the alleged manipulation took place on January 17, 2024. The regulator claims that Jane Street purchased significant quantities of Bank Nifty constituent stocks in both cash and futures markets while simultaneously shorting options on the index. This, SEBI alleges, pushed the index price higher, allowing the firm to benefit from downstream trades.

Jane Street is expected to argue that its trading activity was driven by high retail investor demand and that it employed a "distributed hedging strategy" to minimise market impact. Bloomberg reported that the firm's trades were spread over several hours to avoid abrupt price movements. The company has also pointed out that India's trading volumes are relatively smaller compared to global markets, suggesting this may have influenced price sensitivity.

The placement of USD 567 million into escrow was seen as a goodwill measure to cooperate with the regulator, allowing Jane Street to resume trading on Indian exchanges pending a final decision. The firm has not yet issued an official public statement, but sources familiar with the matter indicate it will contest SEBI's interpretation of events.

The case has drawn significant attention in financial and regulatory circles, as it highlights both the growing role of foreign institutional investors in India's derivatives markets and the challenges of monitoring complex cross-market trading strategies. Market experts note that the outcome could set an important precedent for how SEBI handles allegations of market manipulation involving global trading firms.

Investor protection advocates have welcomed SEBI's proactive approach, while others caution that overregulation could deter foreign investment. The case underscores the delicate balance between maintaining market integrity and encouraging international participation in India's capital markets.

With hearings and regulatory reviews still underway, the matter remains unresolved. The final ruling is expected to shape the framework for surveillance and compliance in India's increasingly globalised financial landscape.