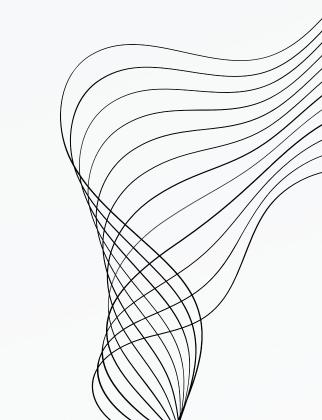


THE DARK SIDE OF THE

# STOCK MARKET: MANIPULATION

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# STOCK MARKET MANIPULATION

Stock market manipulation refers to deliberate actions taken to artificially influence the price or value of securities traded on the stock market. The purpose of manipulation is usually to generate a profit for the manipulator or to achieve some other financial or strategic objective.

# TYPES OF MANIPULATION



### PUMP AND DUMP

This is when a group of investors artificially inflate the price of a stock by spreading false or misleading information, then sell their shares at a profit when the price peaks.



## BEAR RAIDING

This is when a group of investors collude to drive down the price of a stock by selling large amounts of it, then buying it back at a lower price.



## INSIDER TRADING

This is when someone uses confidential or non-public information to buy or sell securities, which is illegal because it gives them an unfair advantage over other investors.



## **SPOOFING**

This is when a trader places fake buy or sell orders to create the illusion of market activity, then cancels the orders before they are executed.

# TYPES OF MANIPULATION



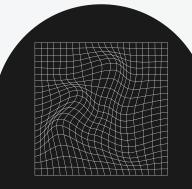
### RUMORS / NEWS

This is when false or misleading information is spread about a company to influence the price of its stock.



#### FRONT RUNNING

This is when a broker or trader buys or sells securities on their own account before executing a large client order, in order to profit from the price movement caused by the client order.



## SHORT AND DISTORT

This is when a short seller spreads false or misleading information about a company to drive down its stock price, then profits by covering their short position at a lower price.

## IMPACTS







## ON THE ECONOMY

Stock market
manipulation can have a
ripple effect on the
wider economy, leading
to lower employment,
reduced consumer
spending, and
decreased economic
activity.

## ON INVESTMENTS

Investors who are
caught up in a
manipulation scheme
may lose significant
amounts of money,
which can have longterm financial
consequences for them.

## ON INVESTOR CONFIDENCE

When investors believe
that the market is
rigged or that they
cannot trust the
information they
receive, they are less
likely to invest, leading
to lower liquidity and
economic growth.

## REGULATORY RESPONSES

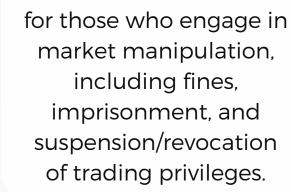
Governments and regulatory bodies may respond to manipulation with increased oversight, regulation, and enforcement, which can be costly and time-consuming for market participants.

# REGULATORY MEASURES

To prevent stock market manipulation, governments and regulatory bodies have implemented various measures, including (but not limited to):

Laws that prohibit the use of non-public information to trade securities, and require insiders to disclose their trades to the public.

INSIDER TRADING REGULATIONS



Penalties and sanctions

ENFORCEMENT ACTIONS

Automatic halts in trading when stock prices rise or fall beyond a certain threshold, to prevent panic selling or buying.

CIRCUIT BREAKERS





The use of technology to monitor trading activity and identify suspicious patterns or behaviors.

MARKET SURVEILLANCE Rules that require companies to disclose relevant information to the public in a timely and accurate manner, to prevent the spread of false information.

TRANSPARENCY REQUIREMENTS

These measures are intended to create a level playing field for investors and ensure the integrity of the stock market. However, they are not foolproof, and market manipulation can still occur. It is important for investors to be vigilant and report any suspicious activity to the appropriate authorities.

Limits on the ability of investors to short-sell stocks, to prevent short-selling attacks on companies.

SHORT-SELLING RESTRICTIONS



Programs to educate investors and market participants about the risks of market manipulation and how to identify and report suspicious activity.

EDUCATION AND AWARENESS



## ENRON

This energy company used creative accounting practices to make its financial performance appear better than it actually was, leading to a massive stock price collapse when the truth was revealed.



# VOLKSWAGEN EMISSIONS SCANDAL

Volkswagen installed software in its diesel engines that allowed them to cheat on emissions tests, leading to a sharp drop in the company's stock price when the scandal was uncovered.



Volkswagen

# MORE CASES

#### **Karvy Demat Scam**

The broking firm transferred shares from the demat accounts of its clients to its own account and used these as securities for loans.



#### **GameStop Stock Surge**

This was a recent example of retail investors banding together to drive up the price of GameStop's stock, causing losses for some hedge funds that had bet against the company.



# CONCLUSION

By being aware about the various forms of stock market manipulation, its regulations, effects and examples, you can reduce your risk of falling vicitm to such incidents. The stock market can be unpredictable and volatile, but by staying informed and making smart decisions, you can achieve long-term success.

