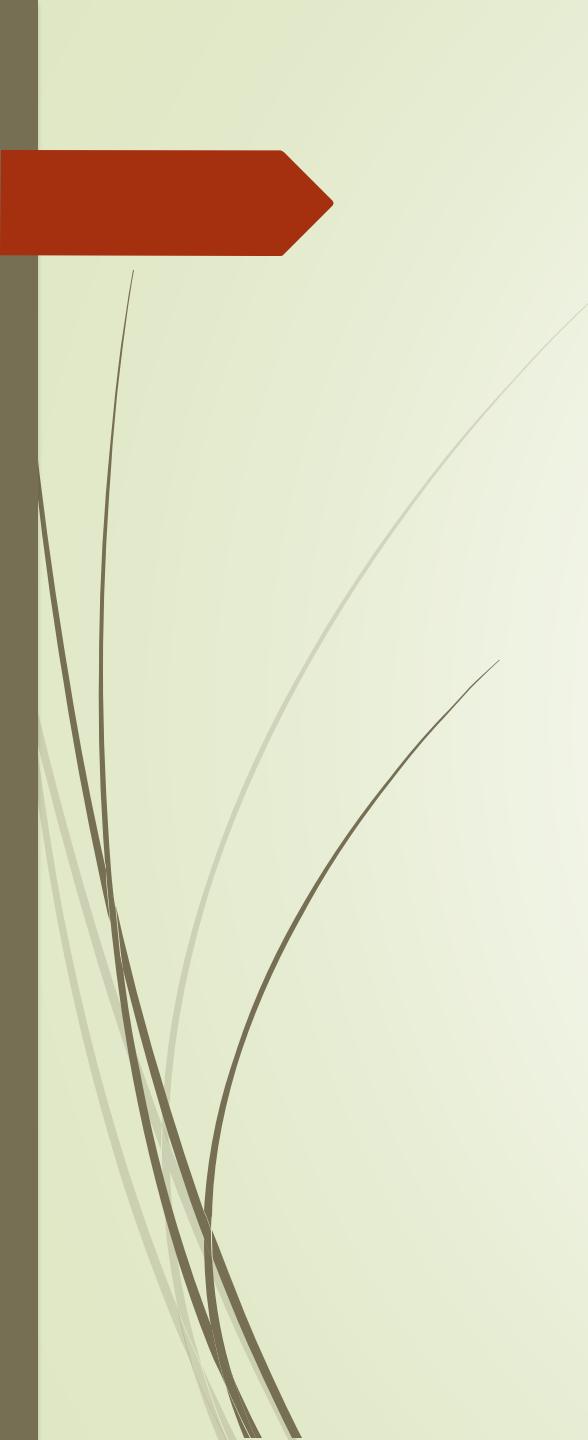


# Unregulated Digital Trading Platforms

*Suman Kumar,  
India*



# **Case Study 1 :** **Dabba Trading**



# Overview

- ▶ Definition: Illegal off-the-books trading bypassing official exchanges and regulations.
- ▶ Impact: Financial fraud, tax evasion, market instability.
- ▶ Traditional vs. Sophisticated Approach:
  - ▶ Traditional: Manual record-keeping via unregistered brokers.
  - ▶ Digital: Sub-ID manipulations, software exploitation, offshore servers.



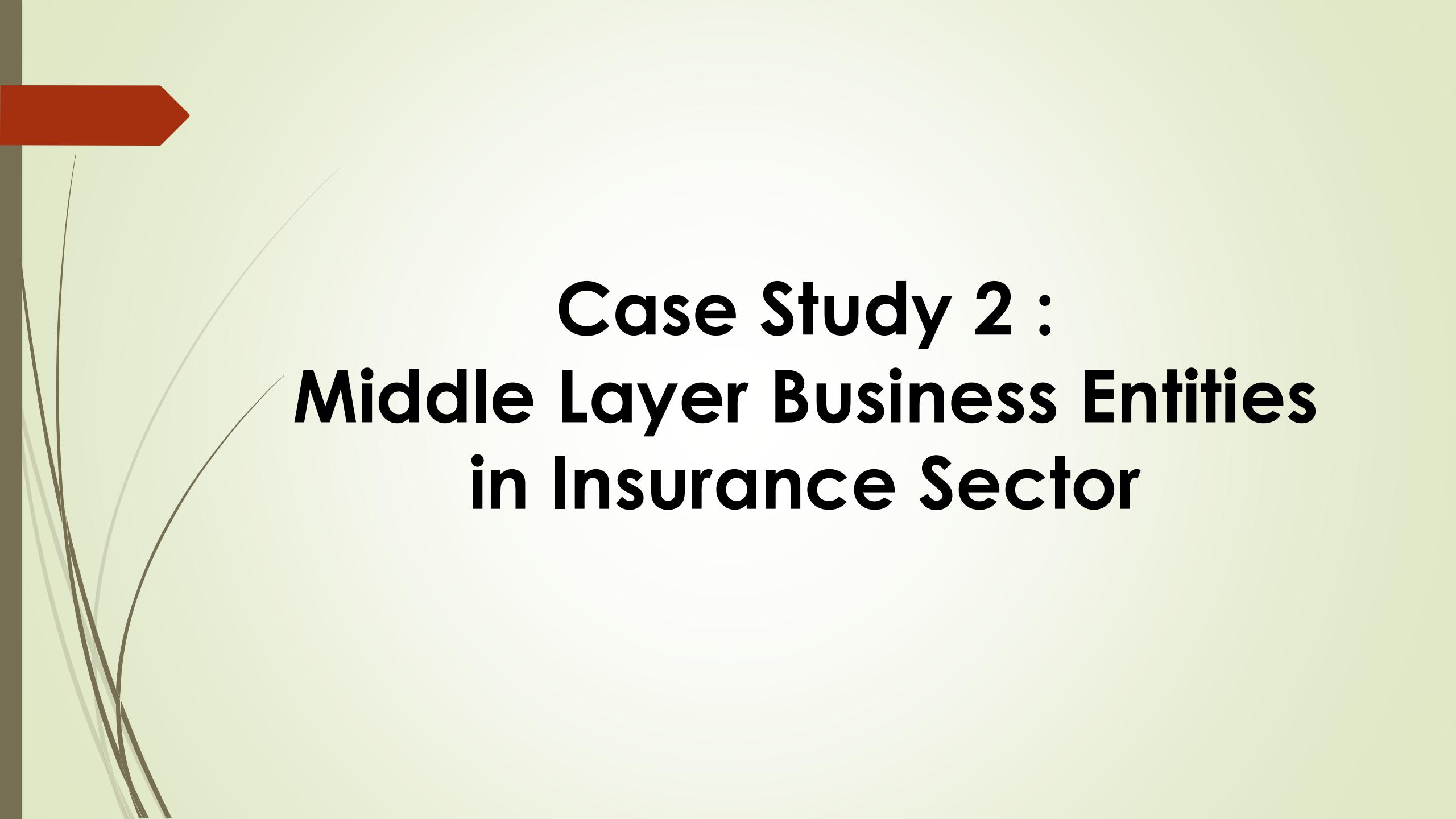
# Modus - Operandi

- ▶ Unauthorized Sub-ID creation using ODIN software.
- ▶ Trades executed under main UCC but hidden sub-clients.
- ▶ Profit-sharing and margin money transactions done in cash.
- ▶ Offshore servers (Dubai) used to store trade records, avoiding regulatory scrutiny.



# Detection & Action Taken

- ▶ Surveillance by market regulators (MCX, NSE).
- ▶ Official statements confirming Sub-ID trading as digital 'dabba trading'.
- ▶ Circulars issued:
  - ▶ May 2023: Restriction on unauthorized terminals.
  - ▶ June 2023: Stricter access control measures.
- ▶ Technology in Investigation: Forensic analysis of trading patterns and digital footprints.



## **Case Study 2 : Middle Layer Business Entities in Insurance Sector**



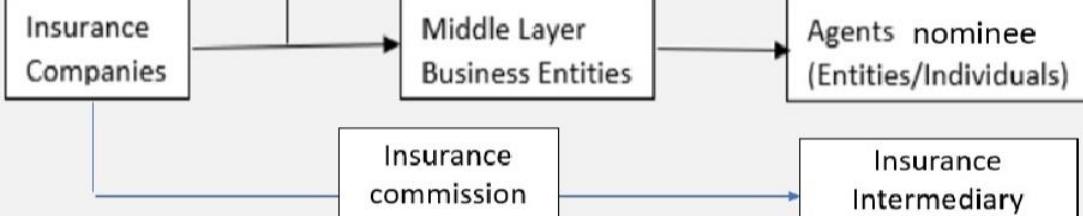
# Overview

- ▶ Definition: Middle-layer business entities (MLBEs) used to route illegal commissions.
- ▶ Objective: Circumventing IRDAI commission limits via disguised transactions.
- ▶ Actors: Insurance companies, MLBEs, intermediaries.

# Modus - Operandi

Category-1

Over-riding Commission (ORC)  
(On instruction of Insurance Companies)



Category-2

Permissible Commission Payment to  
Registered Insurance Intermediary

Over-riding Commission (ORC)  
(On instruction of Insurance Companies)

Insurance  
Companies

Middle Layer  
Business Entities

Insurance Broking  
Companies

Agents



# Detection & Action Taken

- Specialized software used to track emails and excel logs.
- Search operations revealed falsified records and nominee payments.
- Statements from key actors established fraudulent commission flow.
- Email trails and excel-based tracking for illicit payments.
- Statements reveal Rs. 10,000+ Cr. routed illegally.



# Recommendations

- ▶ Strengthening software security. E.g. to prevent Sub-ID fraud.
- ▶ Enhanced surveillance and AI-based anomaly detection for trading patterns.
- ▶ Regulatory bodies to proactively monitor digital financial eco-systems.
- ▶ International cooperation to track cross-border digital transactions.



**THANK YOU**