



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.



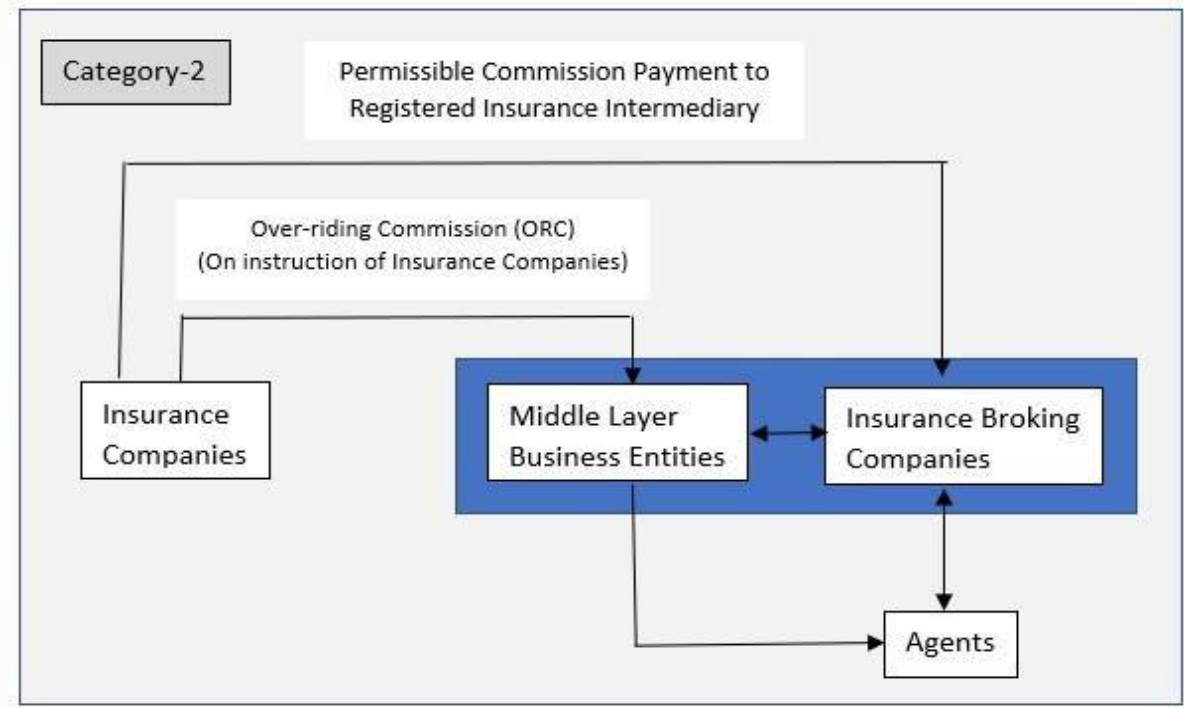
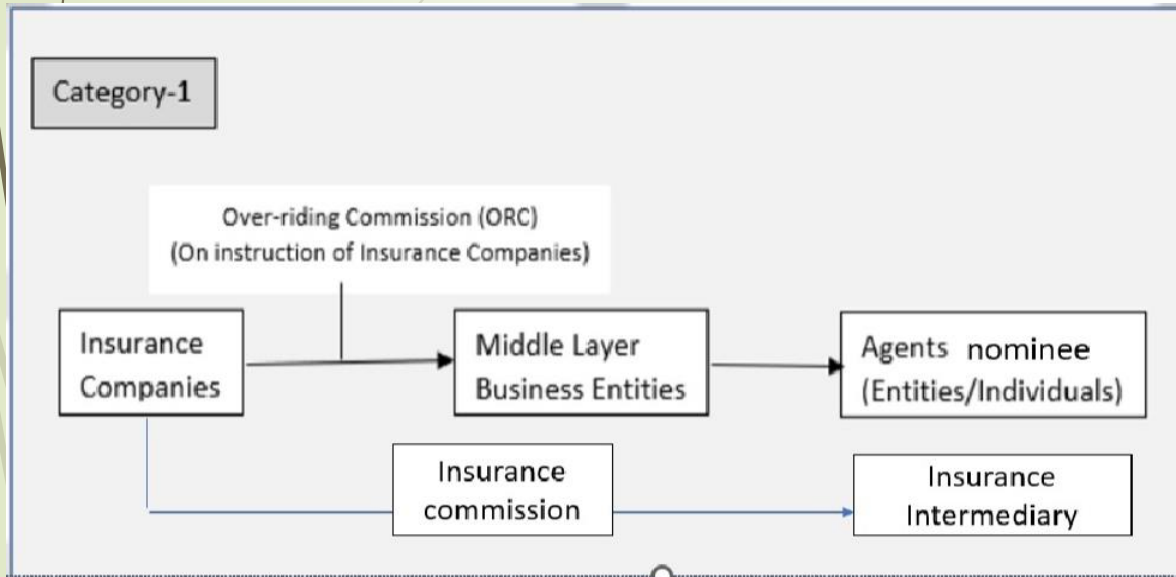
Case Study 2 : Middle Layer Business Entities in Insurance Sector



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





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