

Jane Street in India: What Really Happened?

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Abstract

Jane Street Capital, a leading global quantitative trading firm whose headquarters is in New York. It's Co-founder, Robert Granieri and his company was involved in the major regulatory scandal in July 2025 in India. For advanced technological infrastructure and data-driven approach to trading, Jane Street Capital is renowned. SEBI Security Exchange Board of India accused Jane Street Capital of manipulating Indian Index. It also states Jane Street Capital has used trading strategies and advanced algorithms for changing Nifty and Bank Nifty.

Jane Street Capital is having high reputation and works on a big scale. It was founded in 2000 and has now grown into global operation across 45 countries with over 3000 employees. Despite all, the firm is found guilty in the scandal.

SEBI with its detailed and keen observations, alleged that Jane Street used two steps of pattern in trading. which involves pushing up index values in the morning by aggressively buying index stocks and futures and the other strategy is depressing the indices in the afternoon by selling off those positions.

This continuous manipulation allowed the firm to gain a profit resulting in 4,843.57 crore. For this reason, Jane Street Capital was banned by SEBI for trading in Indian Markets and SEBI passed order to Jane Street Capital to deposit the profit gained in the Escrow account. While Jane Street Capital complied with this order and resumed its trading with stricter conditions.

This case threw light on the concern about Indian Firm's Integrity, Impact on Retail Investors and the Regulatory bodies responses of SEBI and NSE. This case also triggered many critical questions on -How Jane Street Capital credibility will be re-stored? How will it reinforce ethical form of Trading?

Keywords : Index Strategies, Algorithmic Trading, Regulatory Compliances, SEBI Investigation, Quantitative Trading Firms.

Company Background

Jane Street Capital was Co-Founded by Robert Granieri, Tim Reynolds, Marc Gerstein, and Drew Krichman. World's most influential and technologically advanced quantitative trading firm is Jane Street Capital. ISBN code 978-93-83302-83-3

Street Capital. Initially Susquehanna International Group and a former IBM developer are the former traders who established Jane Street Capital, the firm was built on the principles of data-driven decision-making, technological innovation and deep collaboration,

Over two decades, Jane Street Capital is having high reputation and working in big scale. It was founded in 2000 and now grown into global operation with more than 200 trading venues 45 countries with over 3000 employees.

Proprietary trading across a broad area is the core strength of Jane Street Capital— including equities, ETFs, fixed income, and derivatives. To serve institutional clients, the firm also applies its expertise in liquidity provision and electronic market making.

Investment in Research and Innovative technology are the main source of success and deep profit for Jane Street. It also has a strong emphasis on functional programming, machine learning, and custom-built hardware. The firm's business model is predicated on executing high-frequency, algorithmic trades that leverage price inefficiencies across interconnected financial markets. Jane Street is widely recognized for its role in bringing efficiency and liquidity to global markets, but this same operational complexity also places it under heightened regulatory

scrutiny, especially in emerging markets like India where institutional infrastructure is still evolving.

Company's Market Footprint in India

The first India-based entity of Jane Street Capital was established in December 2020. Jane Street Capital operates in Indian Markets through 4 group entities.

2 are registered in India (e.g. JSI Investments Pvt Ltd, JSI2 Investments Pvt Ltd)

2 are registered in Abroad (in Hong Kong and Singapore) as foreign portfolio investors (FPIs)

Primarily in equity derivatives that is index options, Jane Street Capital is operating in Indian Markets.

Jane Street's group entities continuously made US \$5 billion in profits by trading equity options in India between January 2023 and March 2025. However, in 2025, the Indian market regulator Securities and Exchange Board of India (SEBI) alleged that Jane Street used two steps of pattern in trading. which involves pushing up index values in the morning by aggressively buying index stocks and futures and the other strategy is depressing the indices in the afternoon by selling off those positions.

As a result, in July 2025 SEBI issued an interim order banning Jane Street and related entities from accessing Indian securities markets and impounded roughly US

\$567 million as "unlawful gains". This case has become a major example of regulatory scrutiny on foreign algorithmic/quant trading firms operating in India.

Regulatory Framework – India

The Case Jane Street Capital Index Manipulation falls under the India's regulatory provisions which is controlled and overseen by SEBI. This case especially falls under the regulation of Prohibition of Fraudulent and Unfair Trade Practices (PFUTP).

An Interim Order was issued by SEBI (Securities and Exchange Board of India) under Sections 11(1), 11(4), 11B(1) and 11D of the SEBI Act, 1992 on Jane Street Capital's multiple entities.

This case was filled under the title of "*Index Manipulation by Jane Street Group*".

Under the *Violations of the SEBI Act and PFUTP Regulations, and Computation of Illegal Gains* this order is structured through several chapters such as *Explainer on*

Cash and F&O Markets, Background Entities Involved, Manipulative Strategies and Methodology for Analysis.

SEBI began its preliminary examination on April 2024 based on the media reports regarding disputes in Indian markets over proprietary strategies usage. The regulator suspected that the Group was influencing index levels by using aggressive trades in Bank Nifty constituent stocks and observed unusual volatility during weekly expiry sessions.

The investigation involved

NSE – As first-line regulator.

SEBI's Market Regulation Department.

Special Internal Team -Constituted by SEBI for deeper analysis.

The NSE was given permission to examine Jane Street's trades and NSE issued a caution letter and submitted a detailed report. "Intra-day Index Manipulation" and "Extended Marking the Close" strategies used by Jane Street Capital was revealed from SEBI Analysis.

The Group allegedly built large short positions in index options by purchasing large quantities in cash and futures to artificially push the index upward.

This method misled the market and made huge gains by Index Manipulation.

Hence the firm violated PFUTP (Prohibition of Fraudulent and Unfair Trade Practices) Regulations. SEBI made justification by issuing interim directions and concluded the case that firm created artificial market conditions. The investigation also revealed that surveillance tools and NSE (National Stock Exchange) identified insufficient escalation of warnings are identified as gaps. The case also revealed audit limitations and broader compliance in monitoring high-frequency, foreign portfolio investor-driven strategies in India.

SEBI (Security Exchange Board of India) Order for the Issue

SEBI alleged that Jane Street used two steps of pattern in trading and Index Manipulation. which involves

Pushing up index values in the morning by aggressively buying index stocks and futures.

Depressing the indices in the afternoon by selling off those positions.

SEBI also claimed that Jane Street Capital had made a short time earnings of ₹4,843.57 crore.

On July 3, 2025, SEBI Issued an Ex-parte Interim Order on Jane Street Capital.

Participation in Indian Markets were banned for Jane Street Capital.

SEBI also Ordered the firm to deposit ₹4,843.57 crore in an escrow account.

Lifting the ban once the firm complied with the disgorgement and placed it under strict trading conditions.

Claiming the strategy was a “sinister scheme” continuing despite prior warnings.

Defence Made by Jane Street

Standard Arbitrage and Hedging Strategies were used by Jane Street Capital for trading. This was used globally and intended to enhance liquidity.

Jane street also argued that their actions of trading was to correct inefficiencies and not to distort the markets.

Jane Street Capital also asserted that the gains were legitimate returns from risk-managed derivative strategies, not unlawful gains.

Jane Street also claimed that SEBI misunderstood the interlinkages between index-based trading, cash and derivative trading.

They also suggested that a U.S. lawsuit involving proprietary strategy theft inadvertently drew attention to their Indian trades.

Jane Street also stated that it would give full cooperation with SEBI and reiterated its commitment to compliance.

Global Regulatory Framework

For Global Regulatory Framework, the Comparative Analysis of U.S and Europe was done.

U.S. vs Europe Regulatory Framework for Index Manipulation

U.S Regulatory Framework:

In United States the regulatory framework for index manipulation is primarily overseen by two bodies:

U.S. Securities and Exchange Commission, which regulates securities markets.

Commodity Futures Trading Commission, which supervises derivatives and commodity.

In major legislations, the U. S rule is widely spread. Few such as the Securities Exchange Act of 1934, the Dodd–Frank Act of 2010, and the CFTC’s Anti- Manipulation Rules (Rule 180.1 and 180.2).

There is no unified benchmark law which U.S system follows. Instead, based on different acts and enforcement guidelines the U.S Regulations work. The American model majorly focuses on enforcement-driven which largely focuses on detecting, investigating, and penalising manipulation after it occurs. The regulatory scope covers securities indices, commodity indices, futures, options, swaps, and benchmark submissions. A key distinguishing feature of the U.S. system is its strong whistleblower program, where individuals are financially rewarded for reporting manipulative practices. Penalties in the U.S. can include large fines, criminal prosecution, trading bans, and disgorgement of profits.

In contrast, Europe Regulatory Framework: Prevention-driven and harmonised regulatory model which is coordinated by the European Securities and Markets Authority is followed by Europe. With national regulators such as BaFin and AMF implementing rules at the member-state level. The EU Benchmarks Regulation (BMR) a dedicated and comprehensive law was introduced by European Union. This established high transparency, strict governance and administrator registration

requirements for all. This also includes interest rate benchmarks like EURIBOR, commodity indices, equity indices, and other critical benchmarks. Unlike the U.S., Europe does not rely on monetary whistleblower incentives; instead, it emphasises strict compliance systems and governance controls to minimise the chances of manipulation. EU penalties generally take the form of heavy administrative fines, regulatory suspensions, or restrictions on benchmark administrators.

Overall, the U.S. framework is centred on strong enforcement and legal action, whereas the European framework is designed around structural safeguards and preventive controls.

Implications

Implications are discussed in 2 ways. Below are the listed implications

Societal Implication.

Stock Market Implication.

Societal Implications

Elimination of Trust in Financial Systems.

Reduce confidence in market fairness.

Misplaced Regulatory Pressure.

Overregulation could stifle innovation.

Reduce market liquidity.

Distraction from Real Threats.

Stock Market Implications

Risks of Misinformation.

Market Overreactions.

False claims.

Deepening institutional dominance.

Systemic Vulnerabilities.

Conclusion

The Jane Street Capital Case study highlights how serious concerns or issues are raised if the advanced trading strategies are not governed and monitored regularly and properly about market fairness and investor trust. The importance of strong regulatory oversight in India's growing financial markets is strongly shown from the SEBI's swift action and decisions.

While Jane Street defended its actions as normal global trading practices, this case also underlined the need for stronger and clearer rules, better surveillance, and responsible use of technology. Overall, the incident serves as an important lesson for both regulators and trading firms in ensuring ethical and transparent market operations.

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Appendix:

Appendix 1: Timeline of Key Events and Case Facts

Date	Event
2000	Jane Street is founded in New York City by Rob Granieri, Tim Reynolds, Marc Gerstein, and Drew Krichman.
2000–2022	Jane Street expands globally, opens offices in London, Hong Kong, Singapore, and Amsterdam; grows to 3,000+ employees.
Jan 2023 – May 2025	SEBI identifies multiple instances of alleged index manipulation by Jane Street on expiry days of Nifty and Bank Nifty options.

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July 3, 2025	SEBI issues ex-parte interim order against Jane Street, citing prima facie evidence of index manipulation.
July 4–8, 2025	SEBI bars Jane Street from participating in Indian securities markets; directs the firm to disgorge ₹4,843.57 crore in alleged profits.
Mid-July 2025	Reports emerge that the SEBI probe may have been triggered by Jane Street’s lawsuit in the U.S. involving proprietary strategies.
July 21, 2025	Jane Street complies with SEBI’s directive by depositing ₹4,843.57 crore in an escrow account; SEBI lifts the trading ban under strict conditions.

Appendix 2: SEBI’s Allegations vs. Jane Street’s Defense

SEBI’s Allegations	Jane Street’s Defense
<p>Jane Street engaged in index manipulation through a two-phase strategy:</p> <p>Pushing up index values in the morning by aggressively buying index stocks and futures.</p> <p>Depressing the indices in the afternoon by selling off those positions.</p>	<p>Jane Street defended that Standard Arbitrage and Hedging Strategies were used by Jane Street Capital for trading. This was used globally and intended to enhance liquidity.</p>
<p>SEBI argued jane street capital misled other market participants.</p>	<p>Jane street also argued that their actions of trading was to correct</p>

	inefficiencies and not to distort the markets.
SEBI stated that profits were made from bearish options positions, amounting to ₹4,843.57 crore in allegedly unlawful gains.	Jane Street Capital also asserted that the gains were legitimate returns from risk-managed derivative strategies, not unlawful gains.
SEBI called the strategy as Claiming a “sinister scheme” continuing despite prior warnings.	Jane Street also claimed that SEBI misunderstood the interlinkages between index-based trading, cash and derivative trading.
Investigation was triggered by suspicious profits and patterns in Jane Street’s Indian options activity.	Jane Street believes the U.S. lawsuit it filed (against former employees) unintentionally drew attention.
The case damaged investor trust and highlighted weaknesses in regulatory oversight by SEBI and NSE.	Jane Street stresses its commitment to regulatory compliance and has cooperated fully with SEBI’s demands.

Disclaimer

This case study has been prepared solely for academic and educational purposes. The information presented is based on publicly available sources, and no part of this work is intended to defame, criticize, or harm any individual or organization. The analysis, interpretations, and discussions are meant only for classroom learning, research, and scholarly use.