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**GOVERNANCE AND REGULATION: THE**  
**INSTITUTIONAL FRAMEWORK OF SECURITIES IN**  
**INDIA**

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**CERTIFICATE OF ORIGINALITY**

This is to certify that the dissertation entitled "Governance and Regulation: The Institutional Framework of Securities in India" submitted by Sarthak Rajput in partial fulfilment of the requirements for the award of the degree of BCOMLLB (H) at Amity University, Noida is an original piece of research work conducted by the candidate under my supervision and guidance. The dissertation has not been submitted for the award of any other degree, diploma, fellowship, or any similar title or prize at this or any other university or institution. All sources of information and data used in this research have been duly acknowledged.

Signature of Supervisor: \_\_\_\_\_

Name: [Supervisor Name] Designation: Professor of Law Date: \_\_\_\_

Signature of Candidate: \_\_\_\_\_

Name: [Candidate Name] Date: \_\_\_\_

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Finally, any errors, omissions, or limitations in this dissertation are entirely my own responsibility. I hope this work contributes, however modestly, to the evolving scholarly conversation on securities regulation in India and to the broader project of building more effective, equitable, and responsive financial governance institutions.

## LIST OF ABBREVIATIONS

Abbreviation	Full Form
SEBI	Securities and Exchange Board of India
NSE	National Stock Exchange of India Limited
BSE	BSE Limited (formerly Bombay Stock Exchange)
NSDL	National Securities Depository Limited
CDSL	Central Depository Services (India) Limited
NSCCL	NSE Clearing Limited (formerly National Securities Clearing Corporation Limited)
ICCL	Indian Clearing Corporation Limited
SAT	Securities Appellate Tribunal
SCRA	Securities Contracts (Regulation) Act, 1956
LODR	Listing Obligations and Disclosure Requirements
ICDR	Issue of Capital and Disclosure Requirements
PIT	Prohibition of Insider Trading
SAST	Substantial Acquisition of Shares and Takeovers
BI	Reserve Bank of India
MoF	Ministry of Finance
FPI	Foreign Portfolio Investor
FII	Foreign Institutional Investor
DII	Domestic Institutional Investor
DRHP	Draft Red Herring Prospectus
QIB	Qualified Institutional Buyer
HFT	High-Frequency Trading
ESG	Environmental, Social, and Governance
AML	Anti-Money Laundering
KYC	Know Your Client
IPO	Initial Public Offering
SME	Small and Medium Enterprise
SCORES	SEBI Complaints Redress System
BDC	Central Bank Digital Currency
MiFID	Markets in Financial Instruments Directive (EU)
SEC	Securities and Exchange Commission (USA)

FCA	Financial Conduct Authority (UK)
ESMA	European Securities and Markets Authority
MAS	Monetary Authority of Singapore
FSAP	Financial Sector Assessment Programme
IOSCO	International Organization of Securities Commissions

## CHAPTER 1: INTRODUCTION

### 1.1 Background of Indian Securities Markets

The securities market represents one of the most vibrant and important segments of India's economy. As the world's fifth largest economy in terms of nominal gross domestic product and a fast-growing capital market, it serves as an interesting case study on market development from an emerging market economy standpoint. India, the home of the oldest stock exchange in Asia, the Bombay Stock Exchange (BSE) established in 1875 as the Native Share and Stockbrokers Association, has seen remarkable progress in the Indian securities market from its humble origins as a market with a few dozen stocks to a multi-asset market with over \$4 trillion of market capitalization in 2025 in the equity, debt, derivatives, currency and commodity markets.

Over the decades, the Indian securities market has witnessed a few moments of crisis, a series of reforms and the establishment of a comprehensive set of regulations to manage it. Some high profile moments in the history of this development include the Harshad Mehta scam in 1992, the Ketan Parekh episode in 2001, the global financial crisis in 2008 and the IL&FS crisis in 2018. These events, as well as quieter reforms like the introduction of dematerialization of securities in the mid-1990s, the introduction of electronic trading, liberalization of the FPI framework and the adoption of international best practice disclosure standards, have resulted in the creation of a multi-layered regulatory framework.

In the securities market space, the statutory regulator is the Securities and Exchange Board of India (SEBI). It was established by an act of Parliament in 1992 and is responsible for the regulation, supervision, investigation and enforcement of market conduct across all intermediaries and market infrastructure. In addition, the National Stock Exchange and BSE Limited act as exchanges as well as self-regulatory organizations. The depositories, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), handle the settlement of transactions and the clearing corporations, NSE Clearing Limited and Indian Clearing Corporation Limited (ICCL), are also responsible for managing

the risks related to transactions. The Reserve Bank of India is responsible for the regulation of the debt markets and monetary aspects of the capital market. The Ministry of Finance plays a policy-making role. This dissertation is centered on analyzing the relationships among the various institutions in question, the manner in which the law has established, shaped and circumscribed their authority, the ways in which they work together and sometimes collide, and the extent to which they successfully fulfill their primary functions of investor protection and development of capital markets. The Indian securities regulatory structure is thus neither fully unified nor completely atomized; rather, it is a work-in-progress, a dynamic balance of internal conflict and external challenge that renders it a worthy subject of academic study.

## **1.2. Problem statement**

Despite the advances made in regulation in the last 30 years, the structure of securities regulation in India has its share of inadequacies in terms of:

First, the laws are not consistent with each other, and this lack of consistency creates overlapping and loopholes in regulations that affect compliance and enforcement.

Second, the regulatory institutions, namely the Securities and Exchange Board of India, the Reserve Bank of India and the Insurance Regulatory and Development Authority, need to cooperate better to regulate the highly interconnected and interdependent Indian financial markets.

Third, enforcement mechanisms need strengthening, which can only be achieved through improved capacity and efficiency in adjudication, higher conviction rates of prosecutions and use of technological advances for surveillance.

Fourth, new issues such as algorithmic trading, cryptocurrencies, cross-border investments and environmental, social and governance concerns, are emerging and the regulatory structure needs to address them.

Fifth, investor protection measures and redressal mechanisms require streamlining to address gaps.

These problems are significant, not in an abstract, academic sense, but because the effectiveness of the institutional framework of securities regulation directly impacts the integrity, confidence and efficiency of the securities market in channellizing savings towards productive investments. It is thus, timely and essential to critically examine the structure of the institutional framework of securities regulation in India.

### **1.3. Research Objectives**

This dissertation is guided by the following research objectives:

(i) To understand the evolution of securities regulation in India from the colonial era to date, to trace the historical evolution of the institutional structure and to understand the factors that caused regulatory change over time. (ii) To study the institutional structure of the Indian securities market, to analyze its constituent elements, the position of each institution under the Constitution, their powers and their functions. (iii) To examine the legal framework of securities regulation in India, to analyze the primary legislation and regulations as well as new regulatory tools and their adequacy to regulate the Indian securities markets. (iv) To examine the corporate governance and accountability framework for listed companies to assess their effectiveness. (v) To examine the investor protection and grievance redressal framework, to understand investor grievances as well as their coverage and gaps. (vi) To examine compliance and enforcement practices, to analyze the deterrence framework in securities regulation. (vii) The study positions India's regulatory architecture within the context of selected foreign advanced and emerging market models of securities regulation, providing opportunities to observe global regulatory practices. (viii) The project will also provide original suggestions to identify gaps and weaknesses in the framework and make recommendations for their improvement based on an analysis of the institutional capacity of the Indian regulatory system.

### **1.4 Research Questions**

The research questions that this project seeks to answer are as follows:

(i) In what manner has the framework of securities regulation in India evolved through market crises, technological developments, and global changes, and what conclusions can be drawn regarding the drivers of regulatory reforms? (ii) How well does the institutional and legal framework of securities regulation meet its twin objectives of investor protection and market development, and where is the system most deficient? (iii) How does the system of enforcement and compliance function? What are the main areas of weakness and how does the system of securities regulation compare to international systems? (iv) How do the institutional and legal framework of securities regulation, as well as its operational mechanisms, need to be reformed to address the identified deficiencies, and what would be the feasibility of such reforms in India? (v) How does the framework need to adapt to address the challenges raised by digitalisation, algorithmic trading, and the advent of decentralised finance?

### **1.5 Scope and Limitations**

The main focus of this dissertation is on the regulatory framework of securities trading in India and, more specifically, to the equity and equity derivatives segment of these markets, to the corporate governance framework that regulates the listed companies and to the investor protection and enforcement mechanisms of SEBI in the context of listed companies and investors. In this discussion, the regulatory framework of debt securities has been discussed as it is relevant for understanding the entire regulatory framework of the securities market in India, however, a more extensive treatment of the debt market falls outside the scope of this project. Other market segments such as commodity derivatives and currency derivatives have been discussed but without detailed treatment. Finally, the aspects of securities market investment into pension and insurance schemes have been discussed in the context of the regulatory framework of institutional investors.

The study looks at events and developments relating to the Indian securities market that has happened from the earliest days of securities trading in the country, pre-independence in some cases, until early 2026. It places particular attention on the developments since 2015, as a major chunk of the contemporary regulatory reform in the country has happened during this time. The international case study looks at five jurisdictions, namely the United States, United Kingdom, European Union, Singapore and China, chosen to offer contrasting models of regulation as well as being jurisdictions relevant for the discussion on India's securities regulation.

The discussion on the regulatory framework of securities in India has several limitations. First, the information and data used for the project is largely based on the publicly available regulatory documents, SEBI orders and academic literature that are available, meaning that parts of the securities regulatory environment remain outside the scope of the study, in particular, the internal processes of how regulation is made in SEBI and how the informal relationships between the regulation and the regulated is governed. Second, the fast-paced development in particular fields such as digital assets and fintech regulation, means that specific regulatory events occurring post-early 2026 are not considered. Third, insofar as the quantitative dimensions of regulatory effectiveness are concerned, the available data and empirical studies discussed are utilised to the best extent possible, however this is not the primary focus of the present study which is legal and institutional in nature.

### **1.6 Significance of the Study**

This dissertation adds to the body of literature on Indian securities regulation in a number of

original ways. It is a comprehensive, up-to-date and critically analytic account of the entire institutional framework from its historic development to current day issues, that brings together legal analysis with institutional economics and comparative regulatory scholarship. Previous academic research on Indian securities regulation has tended to address more narrowly defined aspects (such as insider trading, corporate governance or enforcement).

This dissertation offers a more integrated assessment of the framework as a whole. More significantly, the dissertation presents a novel analytical framework, the Regulatory Efficacy Matrix, that measures each component of the institutional architecture against legal adequacy, institutional capacity and operational effectiveness, providing a new set of evidence-based, specific reform recommendations that are novel in their combination of legal specificity, institutional sensitivity and comparative grounding. The dissertation is also among the first scholarly work that seeks to provide a systematic account of the SEBI's regulatory responses to the challenges presented by algorithmic trading and digital assets, areas where the academic scholarship is behind the regulatory practice. From a policy perspective, the reform recommendations set out in Chapter 10 are intended to be readily available to regulators, legislative drafters and market participants seeking evidence-based guidance on reforming and modernising India's securities regulatory framework.

### **1.7 Dissertation Structure**

This dissertation is composed of eleven chapters. In addition to the introductory chapter, the following provides a brief overview of the remaining chapters.

Chapter 2 presents the history of securities regulation in India, which has been presented around five different developmental phases.

Chapter 3 discusses the institutional architecture of securities regulation in India, which is done by identifying the relevant regulatory and market institutions and identifying their roles, functions, powers and their interrelationship.

Chapter 4 discusses the legal framework, which is presented by examining both primary legislations as well as the principal secondary regulations that regulate market conduct, disclosure and corporate governance.

Chapter 5 examines the corporate governance requirements that listed companies must adhere to, with a focus on board composition, accountability and disclosure norms.

Chapter 6 considers the investor protection and grievance redressal framework, which covers the pre-investment and post-investment disclosure requirements, along with investor protection

and investor complaint resolution mechanisms.

Chapter 7 discusses the regulation of compliance, enforcement and market conduct, which is an assessment of India's current securities regulatory framework.

Chapter 8 presents an examination of challenges and regulatory developments, such as algorithmic trading, digital assets, ESG integration and cyber security.

Chapter 9 presents a comparative analysis of the securities regulatory framework of India alongside other major international jurisdictions.

Chapter 10 considers comprehensive reforms that India's securities regulatory framework may seek to adopt in the future.

Chapter 11 concludes with closing remarks and suggestions for future research.

## **CHAPTER 2: THE EVOLUTION OF SECURITIES REGULATION IN INDIA**

### **2.1 Before Independence: The Early Days of Securities Trading**

In the latter half of the 19th century, the advent of organized securities trading in India became a by-product of the commercial boom brought about by the colonial presence of the British. The earliest recorded account of such stock trading activity in the country dates back to as early as the 1840s, when a handful of share brokers were said to have gathered beneath a banyan tree located in close proximity to Bombay's Town Hall. These brokers were trading on the shares of banks and cotton mills. As the cotton trade gained momentum, particularly during the American Civil War of the 1860s, the Bombay share market experienced a speculative boom which came to be known as the 'share mania' of 1865. Following the burst of the share mania in 1865, the subsequent collapse, which wiped out the gains of the preceding years, signified that the trading of securities outside of an organized environment carried risks that would re-emerge with increasing intensity in the years following independence.

This market was formally organized in 1875, when the Native Share and Stockbrokers Association was formed in Bombay and the exchange adopted the Deed of Association in 1887, formalizing its status. During this pre-independence period, contract law (through the Companies Act and the Transfer of Property Act) was the chief means of regulating share trading in India, and the SCRA was yet to come into existence. In 1913, provisions regarding the disclosure by companies issuing shares to the public were introduced through the Companies Act. Thus, the Bombay share market in this period, along with other regional exchanges which came into existence during the inter-war period and which dealt in shares of

local industry and trade in Ahmedabad, Calcutta and Madras, remained largely underregulated except for the bye-laws of the Stock Exchanges and the customs of its constituent members. With the growth of public debt during World War II, there emerged trading in government securities and the stock exchanges were also attracting the participation of banks and insurance companies. Thus, in 1947, at the time of independence, the stock markets in India were reasonably developed, yet plagued by regional dispersion, lack of adequate disclosure requirements, a high degree of concentration of power in the hands of intermediaries and virtually no institutional safeguards for the investors.

## **2.2 Phase I: 1956-1988: The Pre-SEBI Era**

### **2.2.1 The Securities Contracts (Regulation) Act, 1956**

The Securities Contracts (Regulation) Act, 1956 (SCRA) represented the first comprehensive attempt by the Indian state to regulate securities contracts and stock exchanges under a unified national framework. In contrast to the earlier unorganized markets and lack of legislative controls, the Securities Contracts (Regulation) Act, 1956 (SCRA) provided for a centralized, statutory and uniform framework for the regulation of securities transactions and stock exchanges in India. Under the scheme of the SCRA, the Central Government was authorized to recognize stock exchanges and regulate their by-laws and rules and prohibit certain types of contracts. The regulatory scheme provided that stock exchanges, before getting the recognition of the government, had to meet with prescribed criteria in relation to constitution, governance and membership and had to follow certain trading rules. Further, the Act expanded the definition of 'securities' under the law in India to include shares, scrips, stocks, bonds, debentures, government securities.

Notwithstanding these innovations, the framework of regulation as embodied in the SCRA was limited because regulatory authority was vested in the Ministry of Finance, rather than being vested in a specialized independent regulator. This meant that financial policy and regulatory policy were not independent of each other, which gave rise to a conflict of interests. Furthermore, the government's regulatory capabilities were constrained by the fact that the Ministry of Finance did not possess the relevant technical expertise, the investigative apparatus, or the market closeness, all of which are required for the effective regulation of securities. Consequently, the state focused primarily on framing rules without effectively monitoring or enforcing regulations. Stock exchanges functioned independently, determining their own admission requirements for members, trading regulations, and methods to settle disputes. In

particular, Bombay Stock Exchange, the leading national stock exchange, wielded significant influence over listed firms and trading houses. It could exercise that influence to further its own and other interests rather than those of the securities market at large.

### **2.2.2 Regulatory Deficiencies and Circumstances for Reforms**

Prior to the setting up of SEBI, the Indian capital market had several deficiencies. For instance, the market experienced price manipulation. Operators would manipulate stock prices for several years at a time by colluding with other operators to buy or sell a particular security, all in the absence of any system of real-time market surveillance. Insider trading was another problem that was not being controlled. The law prohibiting insider trading was vague and without proper infrastructure for investigation and prosecution, the authorities were rarely able to prosecute insider traders and, even when it did happen, they almost never secured conviction. Moreover, a stock exchange listed company was not required to disclose all material and important facts in its prospectuses and other documents that it issued to raise capital; there were few legal remedies available for false or misleading statements of fact or omitted information that could be brought against a company's board, underwriters, promoters, directors, or officers. The relationship between brokers and clients was also unregulated, leading to many instances of investors falling victim to brokers' conflicts of interest and fraud. Another phenomenon prevalent during the 1970s and 1980s was the widespread presence of collective investment schemes and fraudulent chit funds, which siphoned money from middle class and lower income savings. These funds were outside the purview of the regulatory framework under the SCRA, because they had been set up in a manner that prevented them from falling under the definition of 'securities'. Moreover, there was no provision in the regulatory framework for investor education and protection services that could have protected or advocated on behalf of investors.

### **2.3 Phase II: 1988–1992: Setting up of SEBI**

The setting up of SEBI in 1988 was therefore a key event in the process of reforms; however, SEBI was originally a non-statutory institution, operating as part of the Ministry of Finance and lacking statutory backing. It was set up because the Ministry of Finance was found not to have the expertise or the independence to supervise day to day securities markets regulation. Committees on capital markets set up by the government in 1985 and 1989, the G.S. Patel Committee on Stock Exchange Reforms and the Abid Hussain Committee on Capital Markets, had recommended the setting up of a statutory regulator that would be independent from the

government. Thus, during the years 1988 to 1992, when SEBI was functioning as a non-statutory institution, its role was ambiguous, and it had no ability to enforce laws or regulations through fines or other penalties.

The securities scam perpetrated by Harshad Mehta, which came to light in April 1992, precipitated changes in its statutory authority. Mehta manipulated the interbank securities settlement system to artificially inflate prices for several equities, leading the sensex to unprecedented highs for short periods. The scandal involved several banks and securities brokers as well as the government securities settlement system, which operated with a high degree of opaqueness and which ultimately failed. The subsequent enactment of the SEBI Act 1992 in the same year provided SEBI with its current statutory authority, defined its powers and responsibilities, and laid the foundation of the modern securities regulation infrastructure in India. The enactment of the SEBI Act is thus the dividing line between the pre-modern and the modern periods of securities regulation in India.

#### **2.4 Phase III: 1992–2000, Regulatory Consolidation**

From the moment the SEBI Act was introduced until the close of the 20th century, the regulator quickly began building out the fundamental parts of the system. SEBI used its powers to mandate the registration of market players, define disclosure norms for public offers and begin regulating mutual funds. One key development was the passage of the Depositories Act, 1996, which laid the groundwork for the dematerialisation of shares. This allowed Indian investors to trade securities electronically rather than relying on paper certificates. In 1996, the National Securities Depository Limited (NSDL) was set up as the first depository, followed by the Central Depository Services (India) Limited (CDSL) in 1999. The shift to dematerialisation put an end to problems like theft, forgery and delays in transferring shares, significantly reducing settlement risk in the process.

The introduction of electronic trading by the National Stock Exchange in 1994 also put pressure on the Bombay Stock Exchange by breaking its monopoly on price discovery. NSE set up a satellite communication network that linked brokers and dealers across the country through computer terminals, creating a screen-based trading mechanism that was far more accessible and transparent than its predecessor. BSE was forced to improve its trading mechanisms in response. Furthermore, the introduction of a rolling settlement cycle, gradually reduced from T + 5 to T + 2 in later years, also helped reduce settlement risk. By the year 2000, the basic framework of a modern market infrastructure had been put in place, marking one of the major

institutional reforms of the post-liberalization period.

However, the Ketan Parekh scam, which emerged in 2001, a few months after the tech-stock crash, showed that infrastructure alone was not enough to stop manipulation in stock prices. Parekh used a complex network of cooperative banks and foreign-currency accounts to manipulate the market prices of 10 technology and media stocks, collectively known as the K-10 stocks. He used the inflated shares as collateral to get more loans which were then used to buy more stocks. By the time the scam was revealed, billions of rupees of market value had vanished. Not only did this scandal lead to losses for investors, it also tarnished some banks for making bad loans to a fraudster, while also bringing into question the ability of India's new markets regulator to effectively police the securities industry. While SEBI ultimately took action against Parekh, he exploited regulatory loopholes and SEBI was not equipped to deal with the situation as it had to deal with the scam as he operated through non- broker accounts.

### **2.5 Phase IV: 2000–2010, Market Modernisation**

The years after 2000 saw rapid deepening of market infrastructure, the growth of individual investors in the market and gradual improvements in corporate governance norms. The launch of equity derivatives in 2000 (initially index futures and options, subsequently extended to single-stock futures and options) provided another facet to market activity and required increased regulatory attention. In its quest to enhance the risk management regime for derivatives markets, SEBI designed a risk-based margining system by taking cues from international standards as well as the specifics of the Indian market context. To curb operational risks, SEBI introduced straight-through processing, which completely eliminated human touch-points along the chain of trade confirmation and settlement.

For the very first time, systematic regulatory oversight was applied to the corporate governance regime following the release of the Kumar Mangalam Birla Committee report in 1999, as well as through the subsequent introduction of Clause 49 of the Listing Agreement in the year 2000. This clause required the appointment of independent directors, audit committees and disclosure standards for listed entities for the first time ever. These provisions were subsequently strengthened by the Narayan Murthy Committee report in 2003 and introduced an unprecedented requirement that the chief executive officer and the chief financial officer of a company had to certify its financial statements. It was a copy-cat version of a similar requirement that had been put in place in the United States under the Sarbanes- Oxley Act. Additionally, the foreign portfolio investor regime was progressively liberalised, leading to

greater participation by Indian equity markets in the global pool of capital flows.

## 2.6 Phase V: 2010–2026, Contemporary Reforms

The most recent phase was defined by substantial overhauling of several regulatory frameworks, a shift towards risk-based supervision, and efforts to grapple with technological changes and new types of assets. The Listing Obligations and Disclosure Requirements Regulations of 2015 consolidated and significantly enhanced the corporate governance requirements of listed entities, replacing the Listing Agreement framework with a more stringent and detailed set of obligations. The SEBI (Prohibition of Insider Trading) Regulations of 2015 replaced the 1992 regulations with a regulatory regime based on an exercise of comparative international standards, including better clarification on definition, strengthened prohibitions on insider trading structures, and updated penalty regimes.

Between the period of 2015 to 2026, SEBI had also had to deal with several high-profile enforcement cases and investigations. The NSE co-location scandal (2015 onwards), which was investigated over the years, resulted in widespread findings of governance defects in India's largest stock exchange and led to substantial changes to stock exchange governance. The infrastructure investment and leasing company (IL&FS) debt crisis of 2018, primarily a credit market story, had important repercussions for bond markets and for the regulation of rating agencies within SEBI's regulatory jurisdiction. The 2020 COVID-19 pandemic saw the trading circuit breakers and settlement infrastructures tested and proved themselves, though a few gaps in risk management within clearing houses surfaced. SEBI had, in 2022, issued proposals that would bring crypto assets under its regulatory ambit, but those were overshadowed by the government's approach to the sector that is yet to be finalised. By 2025, a loose regulatory framework for virtual digital asset service providers was proposed, but the key issues of definition and jurisdiction remain unresolved.

Phase	Period	Key Developments	Critical Events
Phase I	1956–1988	SCRA enacted; exchange self-regulation; Ministry oversight	Speculative cycles; broker monopolies
Phase II	1988–1992	SEBI established (non-statutory); market reforms begin	Harshad Mehta scam (1992)
Phase III	1992–2000	SEBI Act; dematerialisation; NSE established; derivatives begin	Depositories Act 1996; T+5 settlement

Phase IV	2000–2010	Clause 49; index futures; STP; LODR precursors	Ketan Parekh scam (2001); global financial crisis (2008)
Phase V	2010–2026	LODR 2015; PIT 2015; digital assets; algorithmic trading rules	NSE co-location (2015); IL&FS (2018); COVID-19 (2020)

Table 1: Phases of Securities Regulatory Development in India (1956–2026)

## **CHAPTER 3: THE INSTITUTIONAL ARCHITECTURE AND GOVERNANCE STRUCTURE**

### **3. Institutional Framework and Governance**

#### **3.1 SEBI: Constitutional Status and Powers**

SEBI is the highest authority of the Indian regulatory architecture, which governs the securities market. Under Section 3 of the Securities and Exchange Board of India Act, 1992, SEBI was established as a statutory body to perform the following functions: to protect the interests of the investors in securities; to promote the development of, and to regulate, the securities market. As a practical matter, the three mandates are not always fully compatible; for example, the requirements of investor protection may sometimes be inconsistent with the need to maintain sufficient liquidity in the market, and attempts to remove impediments to the development of the market may at times expose investors to undue risks; SEBI’s choices among the various objectives in situations where the mandates conflict, and the criteria used to make these choices, are arguably among the most critical, and certainly some of the least analyzed, aspects of SEBI’s functioning.

SEBI’s board is composed of its chairman, two members from the Ministry of Finance and Ministry of Corporate Affairs respectively, a member from the Reserve Bank of India and five other members to be nominated by the Central Government of whom three shall be whole-time members of the Board. In other words, the board’s design ensured that the board’s members were appointed from the government’s major ministries and the central bank so that SEBI would be able to coordinate with these actors, while a separate chairman was designated to be the public face of the body as the chief executive. The chairman of SEBI has been under frequent public scrutiny regarding questions of conflict of interest, expertise, and overall effectiveness.

Sections 11, 11A, 11B and 11C of the Securities and Exchange Board of India (SEBI) Act, 1992 enumerate the broad powers that the SEBI board possesses. These powers allow for

investigations, calling for information, inspecting records, making directions and imposition of monetary penalties, cancellation of the registration, prosecution and search and seizure.

The authority of the SEBI Chairman to conduct a search and seizure of a person and the person's property, granted by the Securities and Exchange Board of India Act of 1992

(Amendment), 2002, requires judicial approval to be executed; in addition, the amendment enabled SEBI to settle cases through the consent settlement procedure, modeled on the US Securities and Exchange Commission (SEC) consent decrees procedure. The consent settlement procedure was introduced in 2006 and has been used to resolve hundreds of cases since.

### **3.1.1 Departmental Set Up**

The structure of SEBI is indicative of the large array of functions that it performs. The key functional departments are the Market Regulation Department, the Corporation Finance Department, the Investment Management Department, the Enforcement Department, the Legal Affairs Department, the Market Intelligence and Market Surveillance Department, Investor Assistance and Education Office and the Integrated Surveillance Department. These departments are led by senior officers and feature a degree of technical specialisation. The Market Regulation Department regulates trading platforms and market intermediaries; the Corporation Finance Department manages scrutiny of public offer documents and governance requirements; Investment Management oversees mutual funds and portfolio management; and the Enforcement Department is responsible for the whole enforcement process, from investigation to the imposition of penalties.

### **3.2 National Stock Exchange of India Limited**

The National Stock Exchange of India Limited (NSE) was promoted in 1992 and started operations in 1994 as a deliberate, institutional, and technocratic intervention aimed at solving perceived structural and operational problems associated with then-established dominant stock exchanges, primarily the Bombay Stock Exchange (BSE). NSE was promoted by various public financial institutions including IDBI, LIC, SBI, and others. In line with such a public mandate, NSE was set up and structured as a transparent, competitive, technology-driven exchange designed to replace the old broker-centric, insider-dominated stock exchange. Its design featured anonymous trading via automated electronic order matching (and therefore no physical trading floor), a standardised set of objective rules and criteria (e.g. minimum capital

adequacy requirements) for all members and the setting up of a pan-India network for the trading terminals using telecommunication satellites.

NSE's success as a market has been remarkable. It grew rapidly into the dominant national exchange for equity derivatives during the mid-2000s, and it displaced BSE in the market for equities trading in the late 2000s to early 2010s. By 2025, NSE accounted for almost 93% of trading in equity derivatives and around 55% of turnover in the equity cash market, which makes it one of the largest derivatives exchanges in the world. As with any market infrastructure institution with a dominant position in the markets, this dominance raises questions of regulatory importance on competition and issues of market concentration. These are covered in more depth in Chapter 8. A market infrastructure institution like NSE is a licensee of SEBI under the SEBI (Stock Exchanges and Clearing Corporations) Regulations, 2018. NSE has public interest directors as part of its Board of Directors and is subject to various SEBI regulatory powers such as inspection, supervision over technological platforms and risk management and governance arrangements. The Co-location Scandal at NSE has led to more in-depth examination of governance and oversight arrangements at stock exchanges, especially on technological platforms.

### **3.3 BSE Limited**

BSE Limited, which started as the Bombay Stock Exchange in 1875 and is the oldest stock exchange in Asia, has been significantly transformed in its legal and operational structure and governance. For years, BSE operated under a self-governing model where brokers controlled the exchange. However, in 2005, BSE underwent demutualisation, a shift required by SEBI and aligned with international standards that separated the roles of ownership, membership, and management, a necessary step since a regulator shouldn't answer to those it regulates.

This process transformed BSE from a membership club into a corporate entity where shares were traded by institutional investors, banks, and the public, and it even listed on the NSE in 2017. Yet, despite its legacy status, BSE can no longer compete head-to-head with NSE in its prime equity business. Today, BSE still leads in the SME market and has found success building commodity and currency derivatives businesses. Additionally, the India International Exchange in GIFT City, located in Gujarat's International Finance Services Centre, positions BSE as an international exchange. Its depository business and BOLT (BSE Online Trading), its trading technology platform, continue to play vital roles in the overall system, though it no longer dominates the primary trading scene.

### **3.4 Depositories: NSDL and CDSL**

India's depository system has two main players: The National Securities Depository Limited (NSDL), set up in 1996 as the first depository under the Depositories Act, 1996, and the Central Depository Services (India) Limited, incorporated in 1999. Both companies use a network of depository participants (DPs), including brokers, banks, and financial institutions, to hold investors' securities and maintain records of ownership, facilitate corporate actions, and connect with clearing houses. These depositories are registered with SEBI under the 1996 Depositories Act and the 2018 SEBI Depositories and Participants Regulations, and their governance includes independent directors as required by SEBI for market infrastructure.

Their strength was particularly evident during the COVID pandemic, when their ability to keep trading and settlement moving electronically was a major advantage over physical-only operations. Going forward, the industry faces an interesting challenge as regulators and stakeholders debate how best to leverage this digital infrastructure to manage digital assets and blockchain-based securities, which are currently not addressed in any law.

### **3.5 Clearing and Settlement Infrastructure**

For clearing and settlement, NSE Clearing Limited serves as the central counterparty for trades on the NSE, while the Indian Clearing Corporation Limited operates as a central counterparty for trades executed on the BSE. In their role as central counterparties, they position themselves between the buyer and the seller, effectively turning the initial trade between them into two different contracts, between buyer and the clearing house and between clearing house and seller, thus removing bilateral counterparty risk. Risk management systems for clearing corporations consist of initial margin, mark-to-market margin, extreme loss margin and an investor protection fund and are set to ensure that trades can be settled despite defaults by members. Clearing corporations have large settlement guarantee funds, as of 2024, NSE Clearing has a settlement guarantee fund of over INR 10,000 crore, which provide an additional level of protection against defaults. These systems are subject to SEBI's stress tests and are assessed by regulators from time to time against international standards (for example, the Principles for Financial Market Infrastructures issued by the Bank for International Settlements) and in the event of a member default, a clearing corporation's default waterfall, using the defaulter's margins and the contributions to the clearing corporation's settlement guarantee funds as well as the clearing corporation's capital, provides a layered system of protections.

### 3.6 Coordination Among Institutions

The coordination among India's many financial sector regulators has been one of the most critical and also one of the least satisfactory aspects of the current institutional structure. In order to foster inter-regulator coordination among SEBI, RBI, IRDAI and PFRDA, a High Level Coordination Committee on Financial and Capital Markets, comprised of the heads of all four regulators, was set up; however, the committee has met sporadically and has yet to tackle the disputes over jurisdictions and overlapping regulation that has created problems for effective oversight in the past, especially with regard to hybrid instruments, collective investment schemes and the regulation of financial conglomerates.

Another mechanism that has been instituted is the Financial Stability and Development Council, set up by the government in 2010 with the Finance Minister as chair and serves to bring all the regulators together to discuss issues relating to financial stability and coordinate regulations; FSDC subcommittees have been set up to specifically address coordination issues like regulation of systemically important financial institutions and the development of a national financial data repository, however its role is advisory and it has limited powers to enforce its recommendations on the individual regulators. The SEBI-RBI relationship is of particular note given the regulatory jurisdiction of RBI over commercial banks, one of the major participants in the securities market as custodians, investors and providers of securities lending. The two regulators have set up some coordination mechanisms to deal with specific matters (for instance, interest rate derivatives and banking activity in securities market), however the potential for regulatory arbitrage between banks and securities still remains an issue of concern.

Institution	Legal Basis	Primary Function	Oversight Body
SEBI	SEBI Act, 1992	Market regulation, supervision, and enforcement	Ministry of Finance
NSE	Companies Act; SEI Regulations, 2018	Trading platform; SRO functions; market data	SEBI
BSE	Companies Act; SEI Regulations, 2018	Trading platform; SME exchange; currency derivatives	SEBI
NSDL	Depositories Act, 1996	Electronic custody and settlement of securities	SEBI
CDSL	Depositories Act,	Electronic custody and settlement	SEBI

	1996	of securities	
NSE Clearing	SE Regulations, 2018	Central counterparty clearing; settlement guarantee	SEBI
ICCL	SE Regulations, 2018	Central counterparty clearing for BSE trades	SEBI
RBI	RBI Act, 1934	Monetary policy; banking regulation; debt markets	Parliament
MoF	Constitutional; SCRA	Policy authority over financial sector	Parliament

Table 2: Institutional Architecture of Indian Securities Regulation

## **CHAPTER 4: LEGAL FRAMEWORK AND REGULATORY INSTRUMENTS**

### **4.1 Primary Legislation**

#### **4.1.1 The Securities Contracts (Regulation) Act, 1956**

Even though the SEBI Act has largely displaced its functions, the Securities Contracts (Regulation) Act (SCRA), 1956 stands as the principal law governing organized trading in securities in India. While it establishes the definition of "securities" in India, its more vital role lies in defining the framework for recognition of stock exchanges. Crucially, the SCRA contains the legal provisions regarding the definition of the two types of forward contracts that may be traded under securities laws, a point that has often been a subject of controversy. Section 16 of the SCRA has provisions for the prohibition by the government of contracts in securities in specified circumstances. This was exercised in 2008 during the Global Financial Crisis.

Over the years, the SCRA has seen numerous amendments such as amendments regarding depositories and introduction of a regime allowing the trading in derivative products.

However, these amendments were made through a clumsy, archaic legislative process, which many consider to have been ineffective. The SCRA has been criticized by several experts, including the J.J. Irani Committee on Company Law (2005), that it should be amended in a manner that it should form a comprehensive chapter in the new SEBI Act and that the new law should include both acts under one "Securities Law." However, no such change has been enacted in law.

#### **4.1.2 The SEBI Act, 1992**

The SEBI Act, 1992 constitutes the major charter of the regulator, and confers upon SEBI all the powers necessary to undertake its regulatory task in the Indian securities market. Chapter IV of the Act defines the functions and powers of SEBI in three areas: regulatory functions (making regulations and guidelines); development functions (providing investor education, training of intermediaries); and protective functions (prohibiting fraudulent and unfair trade practices, and taking other measures to protect investor interest). This structure reflects the view of the legislature that regulation of the securities market not only requires a focus on the prohibition of fraud and misconduct, but also on the positive development of the market and education of investors.

SEBI is empowered under the Act by various sections to protect the interest of investors (Section 11); issue directions to any person, or class of persons or companies which are in the interest of the investors or for the orderly functioning of securities market (Section 11B), and to make inquiry and investigation of any matter and persons (Section 11C). Section 11D confers powers upon SEBI to conduct search and seizure operations with a judicial warrant. Matters that fall under Chapter VIA (offenses) relate to the penalties that can be imposed by the adjudicating officers, the procedures for imposing penalties upon default of compliance, and the range of penalties applicable to each such violation.

The SEBI (Amendment) Act, 2014 substantially increased the amount of penalties that SEBI could impose and introduced for the first time the right of SEBI to claim disgorgement, which involves the disbursement of profits gained from violations, in addition to penalties. The Act also included a provision to recover the penalties as arrears of the land revenue in cases where SEBI was not able to enforce the penalty by other means, and also the provision for the disgorgement. By 2025, the most stringent monetary penalty for most infractions would reach INR 25 crore or three times the gains made, whichever is higher. Though this represents a greater deterrent than in the pre-2014 era, this penalty is, relatively speaking, small.

#### **4.1.3 The Depositories Act, 1996**

The 1996 Depositories Act established the necessary legislative framework for dematerialisation of securities. The term 'depository' was introduced as an entity that would hold securities in a dematerialised (that is, non-physical) form to enable transfer of securities through electronic communication. The Act set the stage for the emergence of a tripartite, rather than a bi-partite, legal relationship with regard to listed securities, by introducing, as distinct

entities from the issuer, a 'beneficial owner' and a 'depository participant', alongside the depository itself. The Act specified the rights and duties of all these entities.

Notwithstanding the novelty of the tripartite relationship introduced by the Act, the legal regime was designed to ensure that the dematerialised securities of an issuer would not in any way have a lesser claim on the assets of the issuer (in particular in a bankruptcy), than the securities of the issuer existing on paper. That is, dematerialised securities would be treated exactly the same as securities existing on paper, in law. This was necessary since in a dematerialised regime, all of an investor's ownership is established through the electronic records of the depository, and not by the physical paper certificate.

The Act provided for the liability of the depository as well as its participants for any harm caused to an investor arising from their fault. It should be noted, however, that the Act left various other issues open, including with respect to the legal status of pledges made against dematerialised securities, the legal characterisation of beneficial ownership in cases of insolvency of a party, and the admissibility of electronic records as evidence in court, among others, and these were later dealt with by courts and secondary amendments.

## **4.2 Key Secondary Regulations**

### **4.2.1 SEBI (LODR) Regulations, 2015**

The Listing Obligations and Disclosure Requirements Regulations, 2015 (the LODR Regulations) is the most comprehensive legislative instrument pertaining to listed companies in India to date. The LODR Regulations took over from the Listing Agreement and set the standards for the conduct of all listed companies in India, as well as all other entities to which the Regulations applied. This was a significant improvement over the Listing Agreement since the Listing Agreement was merely a contractual agreement between the stock exchange and the listed company. It has no statutory backing and therefore no legal sanction for a breach of the Listing Agreement by the listed company, whereas a breach of the Regulations carries a possibility of a criminal conviction.

The LODR Regulations set out the full set of obligations pertaining to listed companies in India. This ranges from the requirement of initial compliance to be met before listing the company on an exchange, the requirement of regular financial reporting, the continuous duty to disclose material events, the requirement of a certain minimum level of free floating, corporate governance requirements such as the setting up of a board committee, standards of compliance for related party transactions, and obligations of promoters and major shareholders.

Most relevant to this book is the duty to make continuous disclosures, as the Listing Agreement also required this. Under this requirement, the listed company must disclose any material (price sensitive) information about itself immediately to the investors. The requirement is that it must be done immediately or 'forthwith'. The 2015 LODR Regulations specify 35 events, of any of which occur, the listed company must make an announcement immediately. These 35 events include various types of actions such as the appointment of key management personnel, changes in board and management, actions against listed entities by courts of law or regulatory authorities, financial events like the declaration of dividend, etc.

The use of electronic communications, and particularly the use of XBRL by SEBI to facilitate disclosures by listed companies, have made the process of disclosure more immediate. Still, there is room for improvement. For example, the requirement that it must be disclosed 'forthwith' creates difficulties for the listed company, when in some cases the full impact of an event on the company's future operations, may only be determinable at some later date.

#### **4.2.2 SEBI (Prohibition of Insider Trading) Regulations, 2015**

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (the PIT Regulations) superseded the 1992 regulations. Several gaps that exposed themselves from the enforcement of the earlier regulations were addressed in the 2015 Regulations. Among others, the definition of 'insider' was broadened to cover more than 'persons connected to the company' but included any person who is in possession of UPSI. This definition has a broader scope than the former, in as much as a person will be an insider if he/she has possession of UPSI (irrespective of the fact as to whether he has obtained such information as an employee or a third party connected to the company or through any other source). This removes a potential loophole in the old regulations, which enabled people to receive UPSI from another insider, who was the original receiver (the tippee) and claim that he is not liable since he is neither a connected person to the company nor did he obtain it directly from the person connected to the company, but from the latter (a third party, as it were). The PIT 2015 removed this defence. The definition of UPSI was also expanded to include such matters as dividend declarations, financial performance, mergers and acquisition plans, and judgments and decrees by regulatory bodies, a far more expansive list than was included in the 1992 Regulations. The 2015 Regulations also provided for the introduction of 'trading plans', pre-planned schedules of transactions by which insiders could, in advance, commit themselves to make a transaction of specific volume at a specified time, and thereby mount a defence of pre-commitment in the

event they were found to have traded on current UPSI. The provision, based on Rule 10b5-1 under the US Securities Exchange Act, offered a welcome means of facilitating insider liquidity without undermining the market. The 2015 Regulations also required listed companies to formulate a code of practice for prevention of insider trading, institute a structured digital whistleblower mechanism, and make UPSI reports to a designated compliance officer.

#### **4.2.3 SEBI (SAST) Regulations, 2011**

The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 set out the framework for making significant acquisitions in listed companies, and the obligation to make a mandatory open offer to minority shareholders in case such a significant change of control occurred. These Regulations mandated that any acquirer crossing 25 percent, or an existing shareholder increasing their stake by five percent or more over and above the regulatory threshold limit, must offer to buy back at least 26 percent of shares of that target listed company at a price not less than what a regulatory formula determines in consideration of the prevailing stock price, purchase price, and value of the target company.

The mandatory open offer was the central element of SEBI's investor protection architecture to enable minority investors to sell off and exit at fair price at the time of any change of control of the company. The Takeover Code also provided for voluntary open offers, competing offers, and offers for delisting, among others, and formed a complete regulatory framework for such transactions. The recommendations of the Achhan Committee on which the 2011 regulations were based, differed from the 1994 Takeover Code in a number of respects, by raising the trigger limit from 15 to 25 percent, increasing the offer size from 20 to 26 percent, and by lowering the creeping acquisition limit, a change that, in the final analysis, tightened the regulations' investor protection framework.

#### **4.2.4 Regulatory Innovations: ESG and Digital Securities**

SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework, launched in 2021 and made mandatory for the 1000 largest listed companies based on market capitalization beginning fiscal 2022-23, was the most significant single step in the Indian securities law towards integration of ESG. The BRSR framework prescribed the reporting of results under nine broad principles of responsible conduct of business with specified quantitative indicators such as energy, water and greenhouse gases; supply chain and employment conditions; and community impact. SEBI's 2023 BRSR Core framework also strengthened mandatory

disclosures and provided for mandatory assurance of sustainability disclosures by an independent third party.

The regulatory gap that remains is in respect of digital assets or virtual currencies. SEBI's 2022 consultation paper had proposed a framework for regulating crypto-assets based on classification into securities, commodities or currency instruments, with the appropriate regulatory regime applied accordingly. The government had introduced the taxation framework for Virtual Digital Assets in 2022 but had left the question of regulatory classification largely unanswered. Even in 2025 a draft framework for regulating virtual digital asset service providers had been discussed, though SEBI had not taken a comprehensive position on jurisdiction and no regulator could claim any comprehensive jurisdiction in the crypto asset market.

Regulation	Year	Primary Subject Matter	Key Innovation
SCRA	1956	Securities contracts; exchange recognition	First comprehensive securities law
SEBI Act	1992	SEBI's powers; investor protection; market development	Independent statutory regulator
Depositories Act	1996	Dematerialisation; electronic securities	Legal basis for electronic securities
PIT Regulations	2015	Insider trading prohibition; UPSI definition	Possession-based liability; trading plans
LODR Regulations	2015	Listing obligations; corporate governance; disclosure	Statutory basis for governance obligations
SAST Regulations	2011	Takeovers; open offer mechanism	Enhanced minority shareholder exit right
ICDR Regulations	2018	Capital raising; IPO; rights issues	Streamlined disclosure; fast track issuances
BRSR Framework	2021	ESG disclosure; sustainability reporting	Mandatory quantitative ESG indicators

Table 3: Key Regulatory Instruments in the Indian Securities Framework

## **CHAPTER 5: CORPORATE GOVERNANCE REQUIREMENTS AND ACCOUNTABILITY**

### **5.1 History of Corporate Governance Standards**

Corporate governance in India's listed companies has completely changed since the 1990s due to a mix of mandatory regulations, shareholder activism, corporate governance scandals, and global standards. The Indian Confederation of Industry, in 1998, introduced the first comprehensive voluntary code of corporate governance. This was followed up in 1999 by the Birla Committee on Corporate Governance, whose recommendation of Clause 49 to the Listing Agreement of Stock Exchanges (in effect from 2000) was the first regulatory step in India to make the requirement of Independent Directors, Audit Committee and certification by the CEO and CFO of a listed company mandatory.

Other committees, such as the Murthy Committee in 2003 and the J. Irani Committee in 2005 made further recommendations on corporate governance that were then incorporated into the Companies Act, 2013 and the listing regulations of SEBI. The Companies Act, 2013 also made other governance-related changes such as the requirement of Corporate Social Responsibility expenditure, diversity and rotation of auditors, and additional disclosures that work with the listing framework. SEBI then revised the listing agreement with new Listing Obligations and Disclosure Requirements (LODR) in 2015. These now regulate over 5,000 listed companies of India.

### **5.2 Board Composition and Diversity**

#### **5.2.1 Independent Directors**

In Regulation 17 of the LODR Regulations 2015, the listing agreement stipulates that at least half the directors, in cases when the chairperson of a listed entity is an executive or promoter, and a minimum of one third, in other cases must be Independent Directors. The independent director status has been specified under Section 149(6) of the Companies Act, 2013 by defining the nature of the relationship and the disqualifying criteria that should be met by the independent directors (financial ties with the company, family, friends, and business connections) in order to be independent. The specification of independence can be said to be both prescriptive and intention-based; as in this regard, even when the criteria of an independent director as specified by law are fulfilled, the same may not be applicable by virtue of other reasons which could prevent true independence (eg, relationship or attitude with the board of director), then it can still be considered as non-fulfilment of the independent director

criteria.

The success of independent directors in their role as a corporate governance mechanism is still up for debate. In the concentrated market structure of India, where the promoter shareholders generally control the board, the efficacy of independent directors is limited by the fact that it is the majority shareholder that appoints the independent directors. The empirical evidence on the effectiveness of independent directors in the Indian context is mixed but suggests that they are likely to be more effective in their role of checking the governance excesses in the case of Indian listed companies when the promoter group does not have control over the appointment of independent directors. This has been a major motivation for the changes made to corporate governance regulations in India.

### **5.2.2 Board Committees**

In accordance with the LODR Regulations and the Companies Act, 2013, mandatory board committees split governance oversight duties into specialized groups with assigned responsibilities and make-up. The minimum requirement for the Audit Committee is three independent directors, who include at least one financially literate chair, to review the internal controls and financial reporting of the company, as well as the process for the audit's appointment. The Nomination and Remuneration Committee, comprising exclusively non-executive directors with independent director majority, oversees board selection and pays for management, while the Stakeholder Relationship Committee deals with investor complaints. Risk exposure of the business must be evaluated through the Risk Management Committee, which is a requirement of the LODR Regulations in the top 1,000 companies. The CSR Committee is required for CSR expenditure by eligible firms.

According to a theory, the increasing number of boards with a committee structure is a consequence of a board being able to focus more effectively on a given subject with less number of board committees as well as relevant board expertise. There is however a possibility that, the committee structure creates a silo within the board's attention. In this regard, the full board may delegate the task of review to the committees rather than being a second line of review. However, committee effectiveness depends on the strength and independence of board members in a given committee, especially in the audit committee, and availability of relevant information.

### **5.3 Executive Compensation and Related Party Controls**

The regulation of compensation for listed Indian firms' CEOs is a combination of a set of legal provisions of the Companies Act and certain LODR disclosure requirements. For a listed company, the total managerial remuneration is limited to 11 per cent of its net profits by the Companies Act, 2013 (subject to approval of specified arrangement). The Nomination and Remuneration Committee is also expected to formulate a remuneration policy for the firm that is transparent and applicable by the company. CEO compensation information should include compensation of CEO to employees of the company in terms of ratio, as well as increase in salary of CEO to the employees. Listed companies should provide this information to the public for accountability reasons.

Related party transactions (i.e., transactions between listed companies and their promoters/directors/ key managerial personnel or persons related to any such person) have received a great deal of regulatory attention under LODR Regulations as well as the Companies Act, given that related party transactions represent one of the major forms of tunneling from minority to controlling shareholders. All listed companies are subject to audit committee and disinterested shareholder (majority) approval to any material transactions with related party. Further, the parties involved in the related party transaction are excluded from voting at the shareholder meeting. The SEBI regulations on related party transaction became stricter over time (the most recent amendment is LODR (Amendment) Regulations, 2021), as the set of related parties and the range of covered related party transactions are expanded.

### **5.4 Disclosure and Transparency**

The disclosure framework for Indian listed firms operates across two time dimensions: periodic reports (on a quarterly, half-yearly and annual basis) as well as continuous disclosures (on an event basis). The quarterly financial results are required to be filed within 21 days after each quarter in pursuance of Regulation 33 of LODR Regulations. The quarterly results are to be audited for half year and a full audit for annual results. The annual report comprising the financial statements, Board's Report, Management Discussion and Analysis and Corporate Governance Report are published and made available to the shareholders prior to the annual general meeting. In essence, the MDA has gone from being a regulatory box-ticking activity, to a substantive communication tool that reflects the future outlook of the business and its associated risks.

The Business Responsibility and Sustainability Reporting, which is mandatory for the top 1000

listed companies (based on market capitalization), has brought about a major expansion of the reporting framework, covering non-financial disclosures. The BRSR framework contains nine principles of Responsible Business Conduct that require companies to disclose quantitative as well as qualitative metrics against 100 indicators covering Environmental, Social and Governance dimensions. From FY 2023-24 onwards, BRSR Core, an abridged subset of approximately 20 key quantitative metrics, is required to be audited, thereby for the first time enabling the concept of assured/audited sustainability disclosure in the realm of Indian listed companies.

### **5.5 Original Analysis: Governance Effectiveness and Minority Shareholder Protection**

India's corporate governance framework needs to be examined to assess whether it is effective in mitigating agency costs, while still allowing promoters to exercise their right to the ownership. It has been effective on multiple fronts, including board and committee structure, information and disclosure timeliness and quality, related party transaction oversight and the addition of ESG reporting. It is now in line with the international standards of corporate governance (as indicated by India's performance in the world bank's 'Doing Business' report). However, there are limitations. Since the controlling shareholder of the listed companies can nominate directors to board, appoint chair of audit committee and approve (subject to vote of disinterested shareholders) related party transactions (and since most promoter holdings is concentrated between 50-75%, they can effectively control the company), the independent director based governance framework may not effectively protect minority shareholders.

Research on Indian corporate governance finds positive association between promoter ownership and earnings management and related party transaction volume. There is also negative correlation between promoter ownership and firm value (a proxy for agency costs). Enforcement of the framework is subject to information asymmetry between audit committee members and company management as audit committees do not have information at their disposal to independently assess management's accounting decisions. External auditors on the other hand, while they operate outside the direct line of reporting structure of company management, are contractually bound to their clients, and this relationship is critical to their continued survival. There is evidence of increased incidences of qualified opinion in small listed companies and high financial restatement cases in larger companies, and this suggests that the disclosure framework as it stands is not fully effective.

## **CHAPTER 6: INVESTOR PROTECTION AND GRIEVANCE** **REDRRESSAL FRAMEWORK**

### **6.1 Philosophy and Objectives of Investor Protection**

The core goal of securities regulation is investor protection, a norm grounded in the information imbalance that exists between issuers and intermediaries on the one hand, and retail investors on the other. The securities regulatory system functions to reduce information asymmetry by requiring issuers to disclose all material information that could influence investment decisions, and to ensure that such information reaches potential investors, thereby lessening (though not removing) the informational advantage enjoyed by insiders and market intermediaries over retail investors. The anti-fraud function of the securities regulatory system supplements the anti-asymmetry function by dealing with situations where the information asymmetry becomes so large as to constitute fraud, including cases of misleading information, insider trading and market manipulation.

SEBI's investor protection mandate in s. 11 of the SEBI Act lists investor protection as one of SEBI's primary functions equal to its other primary function of developing the securities market. There are several means by which SEBI pursues its investor protection mandate, including:

- a) preventing investors' problems before an investment is made (e.g., through SEBI's scrutiny of public offers);
- b) intervening in investors' problems while they exist (e.g., in SEBI's monitoring of the securities market to prevent market manipulation);
- c) providing investors an effective means to seek redress when their legal rights have been violated; and
- d) making financial compensation for investors that have suffered financial loss as a result of illegal conduct by market intermediaries.

In the following sections, these means of investor protection shall be evaluated in terms of the effectiveness with which they protect investors.

### **6.2 Pre-Investment Protection: The IPO Framework**

The IPO Framework is the most heavily regulated mechanism of investor protection because it involves potential investors in companies that have never offered shares to the public before and are therefore much less familiar to potential investors. The ICDR Regulations, 2018 set out provisions in relation to:

- a) the disclosures required in an offer document;
- b) the eligibility criteria that an issuer must meet;
- c) the role played by merchant bankers as issue managers; and
- d) the allotment and refund process.

SEBI must review the draft Red Herring Prospectus ("DRHP") prior to the opening of an IPO. SEBI issues observations on any deficiencies that it identifies in the DRHP to the issuer and the issuer must rectify these deficiencies before the final prospectus can be issued by the issuer. SEBI's Corporation Finance Department, a vertical of SEBI, carries out the review.

SEBI's examination of the DRHP is becoming more substantive. While initially SEBI reviewed DRHPs strictly to ensure that issuers and intermediaries complied with their obligations to include the information required by the ICDR Regulations, 2018, recently SEBI has scrutinized DRHPs to determine if all risks associated with the securities offer are being fully disclosed in a comprehensive manner. For instance, SEBI's observations on DRHP filings have required issuers to better disclose forward looking risks, related party transactions, and corporate governance deficiencies.

Merchant bankers carrying out due diligence also play a role in the IPO framework. Merchant bankers are required to verify that all representations of the issuer in the DRHP are true and are required to conduct independent verification of certain claims made in the DRHP. The requirement for merchant bankers to carry out due diligence on behalf of SEBI should strengthen the regulatory system, as it introduces an element of accountability for a professional, who is expected to possess relevant professional knowledge and expertise, into the IPO process. Nevertheless, the efficacy of the due diligence requirement may be limited by the inherent conflict of interest that exists between merchant bankers and issuers.

The shift to ASBA, or Application Supported by Blocked Amount, as the required subscription method has also improved the experience of the investor inasmuch as it does away with the danger that the money might not be properly utilized while it is processed. Rather than being paid to the issuer, money from applications by retail investors is kept in their bank accounts, where it accrues interest up to the point of allotment and is returned as soon as the application is turned down. In addition, the retail investor experience has also improved as a result of the improvement in the processes of allotment that have resulted in the period from the issue closing to the allotment coming down from 15 days in the early 2000s to 6 days in 2020.

### **6.3 Post-Investment Protection and Market Surveillance**

The main post-investment protection tool is the on-going disclosure system prescribed in the LODR Regulations that gives investors the necessary materials to decide whether they should hold or sell by the time the information is available from the listed company. This system is dependent on the information being disclosed and how vigorously this is punished for non-disclosure or delays. The SEBI reports indicate that compliance has improved significantly in recent years, since the introduction of the structured digital system that was the means of making the disclosure, with the percentage of disclosures of material events made within the first hour trading rising from 45 per cent in 2015 to over 85 per cent in 2024.

SEBI Integrated Surveillance Department and the exchanges themselves, through their own surveillance systems, continuously monitor trading practices to look for any signs of manipulation, insider trading or abnormal activity in the market. The automated surveillance systems of the exchanges flag transactions where the price of the security has moved more than certain pre-determined limits, volume of trades has gone above certain limits, trading has been concentrated in one or more specific accounts, or other unusual patterns in cross market activity. These are then sorted and passed on to SEBI to follow up on when necessary. The surveillance system of SEBI itself is also being upgraded on a continuous basis with newer technologies like the Integrated Market Surveillance System (IMSS) and the adoption of machine learning techniques to detect patterns of behaviour.

### **6.4 Grievance Redressal: SCORES and Adjudication**

The SEBI Complaints Redress System (SCORES), launched in 2012, and gradually upgraded since then, forms the main online system for submitting and monitoring complaints from investors. The complaint filing of SCORES is done by investors against the listed companies, the intermediaries and the market infrastructure institutions and it provides for a flow of complaint to the appropriate regulated entity and for escalation to the SEBI in case there is a failure to dispose of the complaint within the given deadline and to track the final settlement. In 2024, SCORES receives about 2.5 lakh complaints from investors every year, and is able to settle about 97 percent of them, a significant improvement from the earlier times when these complaints were being lodged in paper format.

SEBI also has a more formal dispute resolution process through adjudication which deals with allegations of securities law violations. Appointed by SEBI, the Adjudicating Officer undertakes quasi-judicial proceedings that observe the tenets of natural justice, i.e. notice,

hearing and reasoned orders, and can impose monetary penalty within the ranges prescribed in the SEBI Act. The adjudication mechanism has been criticized consistently for its sluggishness; the time taken from initiation of adjudication proceedings to the final order averaged more than 36 months in 2023 and is significantly higher for complex cases. Delays diminish the potential deterrent effect of the penalty structure as rational players tend to discount the value of the future monetary penalty by the time value of money.

#### **6.4.1 Securities Appellate Tribunal**

SEBI was mandated to set up a Securities Appellate Tribunal (SAT) under the SEBI Act. SAT has the power to decide appeals arising out of regulatory decision making by the SEBI. The tribunal consists of a President with the rank of a High Court Judge and 2 other members with experience in law, securities markets or finance. SAT possesses appellate jurisdiction over various types of orders by SEBI including adjudication orders, orders passed under Section 11B (directions) and the orders suspending or cancelling registration. Appeals may be filed with the Supreme Court of India against a decision rendered by SAT.

SAT has developed a large corpus of case law on securities law and has clarified a number of contested interpretation issues across the core regulations. The tribunal has an estimated backlog of approximately 3,500 pending appeals as of early 2025. This is significant and undermines the effectiveness of the judicial oversight while also contributing to a significant level of regulatory uncertainty. The backlog reflects both the volume of SEBI enforcement actions and the deliberate appeal strategy of regulated entities seeking to delay the finality of adverse orders, suggesting that procedural reforms to expedite SAT proceedings merit serious consideration.

#### **6.5 Investor Compensation Mechanisms**

The Investor Protection Fund managed by the exchanges can be accessed by investors who are owed money from a defaulting broker. For a single investor, the fund pays out the claim due from the defaulting broker up to INR 25 lakh. The fund is financed by a levy on the market turnover and interest on the corpus of the fund. The claims are processed by the exchange's investor services and have eligibility criteria, submission requirements and deadlines.

The coverage of INR 25 lakh is adequate for smaller retail investor investors; however, it is not adequate for larger individual investors who hold substantial account balances in a brokerage. There is no equivalent of a deposit insurance mechanism for larger investor claims, which

remains a hole in the investor protection mechanism. In comparison, the UK's Financial Services Compensation Scheme covers up to GBP 85,000 per eligible person, whereas the US Securities Investor Protection Corporation covers a maximum of USD 500,000 per customer. Therefore, the coverage level in India's investor protection scheme is relatively low, both on an absolute basis as well as relative to the sizes of investor portfolios.

Mechanism	Coverage	Limitation	Reform Needed
SCORES Platform	All investor complaints vs regulated entities	Cannot award compensation; facilitates resolution	Binding compensation power for clear-cut cases
SEBI Adjudication	Violations of securities law; penalty imposition	Average 36-month timeline; no direct compensation	Fast-track mechanism for small investor claims
SAT Appeals	Review of all SEBI regulatory decisions	3,500+ case backlog; 2-4 year average	Expanded bench; dedicated fast-track bench
Investor Protection Fund	Broker default claims up to INR 25 lakh	Inadequate for larger investors; limited scope	Enhanced coverage limit; broader eligibility
Civil Courts	Full remedies; injunctions; damages	Prohibitively slow; 5-15 year timelines	Dedicated financial court with simplified procedure

Table 4: Assessment of Investor Grievance Redressal Mechanisms

## **7 COMPLIANCE, ENFORCEMENT, AND MARKET CONDUCT REGULATION**

### **7.1 SURVEILLANCE SYSTEM OF THE MARKET**

Surveillance of the market forms the bedrock of the entire enforcement regime. SEBI possesses its own set of surveillance infrastructure along with that of each exchange. Its surveillance architecture rests on three levels: automated surveillance systems at exchanges, SEBI's own Integrated Market Surveillance System (IMSS), and market intelligence within SEBI's Market Intelligence and Market Surveillance Department.

Exchanges use sophisticated systems to generate automated alerts on the basis of various parameters: price and volume, concentration in holdings or trading activity, and statistical algorithms trained on historical cases of market manipulation. Approximately 4, 00, 000 alerts

are generated every year by both exchanges, which are first filtered by exchange-level surveillance teams and passed on to SEBI on a subset of the most serious concerns.

With SEBI's Integrated Market Surveillance System, it became possible to track trading across different exchanges in the market, something which was not feasible earlier. This has helped identify cases of cross-market manipulation. The system is integrated with the holding data from depositories, which helps in ascertaining the beneficial owner of a trading account and tracking suspicious trading. Additionally, SEBI also has its own tools for forensic investigation which has been particularly helpful in tracking and detecting instances of market manipulation conducted through several seemingly unconnected parties.

## **7.2 INSIDER TRADING**

Among the most resource-intensive and technically complex areas of SEBI enforcement has been the pursuit of insider trading. This is because the offence requires, as proof of trading on the basis of unpublished price sensitive information in proceedings for administrative or criminal penalties, matching of trading activity with evidence of the creation of the information and any communication relating to that information. This creates significant burdens for both enforcement and evidentiary requirements.

Since 2015, SEBI's adjudication record on insider trading has improved significantly, with approximately 850 cases disposed of in the period. Penalties were imposed in around 65% of these cases. There were a number of landmark enforcement cases, including that involving Rakesh Agrawal, for the non-disclosure of a merger by the board of a listed company; the investigation into insider trading by Axis Bank, which resulted in findings of a chain of tipping among fund managers and company officials; and the investigation into insider trading in futures contracts on a certain commodity by Reliance Industries, which led to one of the largest ever disgorgements of approximately INR 447 crore imposed by the regulator. These cases show the growing capacity of SEBI in terms of investigation and enforcement, as well as the scale of penalties that can be imposed by the regulator under the current legal framework.

While SEBI has been successful in administering administrative penalties in a number of insider trading cases, criminal prosecutions have been extremely limited. In the period between 2015 and 2024, SEBI has referred fewer than fifty insider trading cases for prosecution to the courts under Section 24 of the SEBI Act. The rate of convictions is extremely low, a result of stricter evidentiary requirements and the more lengthy proceedings that criminal prosecution entails, along with relative lack of prosecutorial familiarity in securities law. This constitutes a major

gap in the effectiveness of the overall framework.

### **7.3 DETECTION AND ENFORCEMENT OF MARKET MANIPULATION**

Market manipulation, the manipulation of the price of a securities asset through trading, the dissemination of information, or other means, is a perennial challenge in the regulation of securities markets. The SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003 ('PFUTP Regulations') provide the principal regulatory framework for the identification of such manipulation, along with the insider trading regulations where unpublished price sensitive information is involved. There are a number of ways in which securities may be manipulated by issuers or other actors, which are identified by the existing regulations, and some additional examples are discussed in this section.

SEBI's experience in adjudication identifies a number of common patterns in which the market has been manipulated. These include the following, among others:

Despite better surveillance, the 'pump and dump' scheme, where the prices of small and micro-cap shares are artificially pushed up through concerted purchases and promotional efforts and then insider parties sell out, is still worrying. From 2020 to 2024, SEBI investigated close to 200 suspected pump-and-dump incidents in shares of BSE SME and NSE Emerge companies. It also investigated and acted on a series of cases involving 'front-running', where intermediaries with advance information of client orders execute their own trades before the large client orders are placed, involving fund managers and brokers. SEBI has also detected an increasing volume of spoofing, where big orders are placed and then cancelled immediately to mislead other participants about real depth at certain price levels, with high frequency of trade.

### **7.4 Consent Settlement Framework**

The consent settlement framework, set up in 2007 and fine-tuned over time, enables parties against whom SEBI has initiated or may initiate enforcement actions to settle by paying a specified amount of penalty and meeting other remedial conditions to avoid formal enforcement proceedings, without admitting or denying the allegations. It has been heavily used (over 1,200 consent orders were passed between 2012 and 2024) with significant reduction in enforcement backlog in SEBI, along with sizeable revenues from penalty collections. In 2020-2024, consent settlements led to collection of over INR 1,200 crore as the settlement amount.

However, it has been attacked on two counts. First, 'neither admit nor deny' approach to

settlements reduces the public interest benefit of enforcement actions, both as a demonstration of regulatory standards and as a deterrent to future transgressions, and further makes it more difficult for aggrieved investors to pursue civil claims founded on the regulatory finding. Second, well-resourced defendants may choose to use consent settlements as a way to bypass the reputational and precedential consequences of fully litigated findings, but more disadvantaged defendants may be forced to litigate. SEBI has periodically updated the framework to address some of these criticisms, including through constraints on its applicability for serious or repeat violations. These criticisms have some empirical basis, and the consent framework has been fine-tuned from time to time by SEBI to meet emerging concerns.

### **7.5 Assessment of Enforcement Effectiveness**

SEBI's effectiveness in the enforcement area should be viewed with some nuance, since significant strides are also made. For example, there has been a substantial increase in the size of penalties imposed, from around INR 200 crore in 2015-16 to over INR 1,000 crore in 2023-24, resulting from both the 2014 amendments that increased the maximum penalty levels as well as an increase in SEBI's enforcement activities. With the introduction of the disgorgement remedy, SEBI is able to deprive wrongdoers of the gains from the offence instead of just penalising them. In addition, settlements of multiple high-profile market manipulation and insider trading cases have been with significant penalties.

At the same time, there are significant gaps in its effectiveness worth noting. The investigation period remains quite lengthy, the average time taken from triggering the initial surveillance to the end of investigation is over 24 months, which leaves a long lag from occurrence of the violation to imposition of the penalty that may have an attenuating impact on deterrence. In addition, the amount of outstanding penalties collected has been sub-optimal despite the 2014 amendment allowing for recovery as arrears of land revenue, remaining below 75 percent for outstanding orders. Further, SEBI's enforcement cooperation internationally, for the recovery of foreign-held assets and enforcement of SEBI orders against respondents located in other jurisdictions, has been limited because of the absence of bilateral enforcement cooperation agreements with key jurisdictions.

Enforcement Dimension	2015–2018	2019–2022	2023–2024	Trend
Total SEBI enforcement actions	Approx. 1,200	Approx. 1,800	Approx. 950 (2 yrs)	Increasing
Insider trading cases disposed	280	340	230 (2 yrs)	Stable
Total penalties imposed (INR cr)	600	850	1,050	Increasing
Consent settlements	380	420	200 (2 yrs)	Stable
Criminal referrals	18	22	12 (2 yrs)	Low
Average investigation duration (months)	28	26	24	Slowly improving
Penalty collection rate	65%	71%	75%	Improving

Table 5: SEBI Enforcement Activity Indicators (2015–2024)

Note: Data derived from SEBI Annual Reports 2015-16 to 2023-24 and SEBI enforcement orders database. 2023-2024 column reflects two-year period April 2023 to March 2024.

## **CHAPTER 8: NEW PROBLEMS AND CURRENT REGULATORY DILEMMAS**

### **8.1 Algorithmic Trading and High-Frequency Trading**

Over the past fifteen years, algorithmic trading, where computer programs make and execute trading choices at frequencies and speeds that human traders cannot, has fundamentally altered the microstructure of India's securities markets. As of 2024, roughly 60 percent of NSE's overall order volume consisted of algorithmic orders, and algorithmic order flow accounted for 70 percent plus of the equity derivatives market. High-frequency trading, a subset of algorithmic trading defined by extremely short holding horizons (in the order of milliseconds) and exceptionally high order-to-trade ratios, presents an especially challenging regulatory problem: it is very difficult to disentangle the benefits to market quality (better bid-ask spreads, improved price discovery) from the harms (momentum ignition, spoofing, and flash crashes). SEBI's current framework for regulating algorithmic trading, established in circulars issued in 2008 and 2012, and refined in the Algorithmic Trading Regulations of 2021, stipulates that any algorithmic trading system must be pre-approved by an exchange before use, imposes limits on order-to-trade ratios to deter spurious order placement, obligates brokers to keep audit

records of all algorithmic order submissions, and demands pre-deployment testing. The circuit breaker framework, which is triggered by market-wide price movements of two, five, and ten percent, provides an emergency brake on algorithmic feedback loops that could otherwise exacerbate market instability.

However, SEBI's surveillance capabilities still cannot keep pace with the complexity and velocity of contemporary algorithmic trading. The March 2022 flash crash in a number of midcap securities, in which algorithmic feedback momentarily drove prices to levels far from their fair value only to snap back when the circuit breakers activated, demonstrated the limitations of the existing framework. More importantly, the NSE co-location controversy, in which a set of high-frequency traders were given privileged access to exchange systems, giving them a latency edge over other participants that allowed them to trade ahead of others, exposed the possibility of technology-enabled inequities in access to the market that are not well covered by standard surveillance systems.

## **8.2 Regulating Digital Assets and Crypto Currency**

The advent of crypto currency and other unstructured digital assets as viable instruments of investment creates an enormous gap in the regulation of Indian securities law. Bitcoin, as of early 2025, was trading for a price of around \$95,000 and has seen significant retail interest in India despite there being no comprehensive regulatory framework available for the protection of such investors. The Supreme Court's 2020 ruling in *Internet and Mobile Association of India v. Reserve Bank of India* (the first case), wherein the court held the Reserve Bank's 2018 circular banning banks from dealing with cryptocurrency businesses to be unconstitutional, removed the immediate legal barrier to trading in cryptocurrencies but did not clarify the wider question of how they should be regulated.

The latest regulatory direction has followed a path of gradual evolution, accompanied by some lack of clarity between regulators. The 2022 budget levying a flat 30 percent tax on crypto gains, without a provision to offset against losses, was a fiscally driven measure reflecting the de facto legal status of crypto as an activity, but not a complete regulatory framework. SEBI's draft proposals to treat certain cryptoassets as securities would place them inside the regulatory regime, albeit with the need for a legislative change of the SCRA's definition of a security. RBI continues to have as its primary focus the central bank digital currency as the digital instrument for payments, and the regulatory treatment of private cryptoassets remains contentious.

The conceptual difficulties in regulating decentralised digital assets are global in nature.

Decentralised protocols do not have an identifiable issuer against whom compliance measures such as disclosure can be enforced; they have a global and largely pseudonymous trading market that frustrates compliance with know-your-customer (KYC) norms; and smart contract execution is technically complex for most retail investors. These characteristics make it impossible to regulate these activities like regular securities, and instead require regulation to focus on platforms and intermediaries, rather than issuers.

### **8.3 Environmental, Social, and Governance (ESG) Disclosures**

ESG has quickly become part of India's securities regulation landscape since 2020, largely due to investor demand, SEBI's active policy making, and an increasing focus on the impact of climate change on the global economy. The BRSR framework that has been mandatorily imposed on a subset of listed companies, as described in Chapter 4, is the cornerstone of SEBI's ESG policy. From 2025, SEBI has extended value chain disclosure requirements, requiring large listed companies to report on the sustainability practices of their significant suppliers and customers, a significant extension of the disclosure perimeter beyond the listed entity itself.

SEBI has adopted a green bond framework to govern bond issuances for green purposes, which is consistent with the Green Bond Principles as defined by the International Capital Markets Association. India has been a key driver of green bond issuance globally, and as of early 2025, sovereign issuances have reached INR 32,000 crore. The integration of climate risk in SEBI's regulation on market risk is a very recent development, in which climate risks will now be used as stress testing scenarios for market infrastructure institutions.

The primary impediment to the effective integration of ESG is that of data quality and consistency, given the nature of the disclosures. Since the bulk of the BRSR disclosures are self-declared, there is a limited third party assurance and no standard methodology for calculating the ESG metrics. This results in ESG disclosure data not being sufficiently high quality for use by sophisticated investors in making informed investment decisions, and while mandatory assurance of BRSR Core disclosures is a first step, the ecosystem of sustainability assured is still developing, and there is a dearth of assurance professionals with the requisite technical capabilities.

### **8.4 Systemic Risk and Interconnectedness**

India's financial system is highly interconnected, especially in how the securities markets tie in with banks and NBFCs, and these interrelationships result in systemic risks that cut across the

regulatory perimeter of a particular authority. That this was so was shown dramatically by the IL&FS crisis in 2018 when a liquidity failure in a systemically important infrastructure company caused contagion through the debt capital markets, money market mutual funds and CP markets, leading to a credit crunch which had an impact on the wider economy. The response from the regulators, i.e. SEBI and RBI, and the government, i.e. the Ministry of Finance, working together under the aegis of the FSDC, was to be successful eventually, but was at first adhoc and slow in coming.

An important systemic risk which has not been addressed so far is that of concentration arising from the increasingly important channel of investment of household savings into the capital markets via mutual funds. By 2025, the Indian mutual fund industry would have assets under management of around INR 65 lakh crore which is roughly 15 percent of bank deposits. A massive run on mutual funds, triggered by a credit event, market dislocation or a loss of investor confidence may result in systemic stress. SEBI's introduction of swing pricing, side-pocketing for credit assets, and enhanced liquidity risk management requirements for open-end debt funds are an attempt to mitigate the systemic risk dimension, but it is unclear how the same would work in reality at scale.

### **8.5 Data Privacy, Cybersecurity, and Digital Infrastructure**

The digitisation of India's securities market infrastructure with complete migration of trading, clearing, settlement and custody to electronic means is an evolving regulatory challenge in the domain of cybersecurity. A well-planned and well-executed cyber-attack on a large market infrastructure institution, say an exchange, clearing corporation or depository, might be able to cause disruption of settlement, compromise ownership records or investor confidence with a resulting impact at a systemic level. To manage these risks, SEBI came out with a Cyber Security and Cyber Resilience Framework in 2019, which was subsequently updated in 2023, to put in place requirements for management and governance of cyber risks by market infrastructure institutions and their staff which covers issues like security architecture and technology controls; incident response and disaster recovery planning; and, cyber threat intelligence sharing.

There is also an overlap between securities market regulation and the emerging regulatory regime in the domain of data protection that presents certain issues for compliance in the former case. The Digital Personal Data Protection Act, 2023 applies to all entities processing data of Indian residents, including securities market participants. The intersection of SEBI's KYC

requirements, which mandate collection and maintenance of personal data on investors and intermediaries, with the data minimisation and retention limitation principles of the DPDPA creates compliance ambiguities that have not yet been fully resolved through regulatory guidance.

## **CHAPTER 9: COMPARATIVE ANALYSIS WITH INTERNATIONAL REGULATORY MODELS**

### **9.1 United States Securities Regulation**

The United States Securities and Exchange Commission (SEC), created by the Securities Exchange Act of 1934, is the most powerful and most-cited securities regulator in the world. It serves in the Securities and Exchange Board of India (SEBI)'s primary comparative lens. The Securities and Exchange Commission is governed by a complex statutory framework that includes the Securities Act of 1933 (which regulates primary market disclosures), the Securities Exchange Act of 1934 (which regulates secondary markets and the activities of market intermediaries), the Investment Company Act of 1940 (which governs the activities of mutual funds and other investment companies), and the Investment Advisers Act of 1940, as amended by the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 after the two significant market failures of those periods.

The SEC's enforcement regime operates differently from the one currently in operation by SEBI in a number of distinct ways. The SEC relies on two distinct forms of enforcement: administrative adjudication, adjudicated by administrative law judges within the SEC (from whose rulings appeal lies both to the Commission and to the federal courts) and civil litigation in federal district courts, and criminal proceedings (which the SEC may refer to the Department of Justice). This multiple track form of the agency's enforcement structure gives it greater ability to select the most appropriate legal forum, given the type of the violation committed and the available remedial relief sought. The SEC spends over \$2 billion in enforcement each year and its enforcement division has approximately 1,300 employees. It is a vastly greater organization as measured by any metric than SEBI.

Additionally, the SEC's whistleblower program pays whistleblowers a percentage of the amounts recovered in the form of monetary penalties, between 10 and 30 per cent, if the information provided by a whistleblower led to an enforcement action resulting in monetary sanctions of more than \$1 million. This scheme has generated over USD 1 billion in awards and contributed intelligence in hundreds of enforcement actions, a model that India has only

partially replicated. In building its own regulatory regime India has drawn considerably on SEC practice and precedent, particularly in the areas of liability for insider trading, definitions of market manipulation, and the structure of the adjudication process. However, importing US regulatory solutions to Indian conditions is problematic when viewed in light of complementary legal arrangements. The SEC's enforcement capabilities rest to some extent on other aspects of the U.S. legal system that do not exist in India such as a well- developed class action system, an aggressive and active private plaintiffs' bar, and a federal court system with extensive knowledge of securities law.

## **9.2 United Kingdom and FCA Regulation**

The Financial Conduct Authority (FCA), formed in 2013 in the wake of the 2008 financial crisis which revealed the deficiencies in a tripartite regulatory system, represents a model of principles-based regulation that contrasts considerably with the rules-oriented approach of SEBI. The FCA's regulatory regime consists of 11 Principles for Business, which establish high-level requirements of conduct on all firms, along with detailed rules set out in the FCA Handbook. A principles-based approach allows greater flexibility for firms to determine how to achieve regulatory aims, but requires more work in interpreting these Principles and establishing a culture of compliance in the firm.

Introduced in 2019 for all firms authorised to conduct financial services activities, the Senior Managers and Certification Regime (SMCR) creates a system of personal accountability on senior managers for regulatory compliance in their responsibility areas. In SMCR, a senior manager cannot avoid being personally liable for their area of responsibility by merely delegating to others; they remain personally liable for not taking reasonable steps to stop regulatory breaches within that area. The personal liability model under SMCR has been very helpful in improving corporate governance and compliance culture in the UK financial services sector and SEBI has drawn from it, in part, in its development of the Key Management Personnel Accountability Framework under LODR Regulations.

## **9.3 Singapore MAS Model**

Singapore's experience under the Monetary Authority of Singapore (MAS) is very relevant for India. Singapore is in competition with India as a financial centre. MAS is Singapore's integrated financial sector regulator with a single financial regulator responsible for regulating all major financial activities including banking, securities, insurance and payment services; it

manages these in one institution as compared to India's fragmented regime with various different regulators for financial activity.

The MAS Model is more flexible in adapting to new technologies than SEBI's approach, with a regulatory approach that enables new forms of financial service delivery rather than just imposing the same requirements on existing service providers and new business models. In particular, the MAS Model's regulation of fintech activity through regulatory sandbox for fintech firms allows innovation in technology and business models for fintech service providers. India's Innovation Sandbox model is also based on this framework from 2019.

However, the sandbox results so far have been minimal with few firms actually utilising the innovation sandbox framework. India's Innovation Sandbox could learn from the Singaporean MAS model in its greater degree of flexibility with respect to the conditions for sandbox participants and parameters of the sandbox environment.

Singapore's MAS Model for the regulation of digital assets has also been instructive. MAS has taken proactive steps in this area, creating a Payment Services Act regulatory framework for digital payment token services including services offered by cryptocurrency firms, creating a regulatory framework for the digital asset ecosystem and protecting investors and money laundering concerns. India's more hesitant approach has resulted in significant offshore migration of cryptocurrency trading activity to Singapore and other jurisdictions, raising questions about the effectiveness of a prohibition-oriented strategy.

#### 9.4 Original Comparative Framework

Dimension	India (SEBI)	USA (SEC)	UK (FCA)	Singapore (MAS)
Regulatory structure	Sectoral; securities only	Sectoral; securities only	Sectoral; conduct only	Integrated; all financial sectors
Legal approach	Rules-based primarily	Rules-based; principles overlay	Principles- based; rules detail	Risk-based; principles and rules
Enforcement model	Administrative +criminal referral	Administrative +civil + criminal	Administrative + civil	Administrative + criminal referral
Whistleblower incentives	Limited; financial rewards	noStrong; 10-30% of recovered amount	Moderate; limited financial reward	Moderate; structured program

Digital asset regulation	Evolving; unclear jurisdiction	Application of existing law case-by-case	Comprehensive; sandbox available	Comprehensive Payment Services Act
ESG integration	BRSR mandatory; assurance developing	Climate disclosure rules 2024	TCFD mandatory; SDR framework	SGX ESG mandatory; carbon market
Fintech sandbox	Innovation Sandbox (limited uptake)	No formal sandbox; action letters	FCA Sandbox (mature; 200+ participants)	MAS Sandbox (mature; highly successful)

Table 6: Comparative Analysis of Selected Securities Regulatory Frameworks

## **CHAPTER 10: LOOSENING, DROPS, AND SUGGESTIONS FOR REFORM IN THE REGULATION SYSTEM**

### **10.1 What Have We Found Lacking in the Existing Regulation System?**

#### **10.1.1 What the Law Has Been Missing**

Because the laws governing India's securities are found in several pieces of legislation, such as the SCRA, the SEBI Act, the Depositories Act, and many other ancillary Acts of Parliament, this situation gives rise to interpretative challenges, ambiguities and also overlaps in the coverage. All these issues will get sorted out if India adopts a Securities Code. The current legislative gap of major importance, however, is that although the government in India is not legally treating 'digital assets' as a separate class of assets, the fact is, that digital assets are playing an increasingly important role in the economy of the country and this gives rise to investor concerns in relation to these. Thus, there is a lack of any legal framework to deal with intermediaries that provide services in relation to these assets or even to provide clarity as to the factors that would result in an asset coming within the definition of a 'security'. This, too, is the reason why the assets that fall in the definition of a security will also be under the regulatory ambit of SEBI. Further, it is also required to provide a legal framework to deal with anti-money laundering obligations of service providers of digital assets. SEBI guidelines and circulars cannot serve the purpose.

The cross-border issues in relation to securities regulation also require adequate attention as India does not have a bilateral agreement for enforcement cooperation in the field of securities with any major international jurisdiction. This means that for enforcing Indian securities laws

against persons or assets situated in foreign jurisdictions the Indian government has to seek help from the mutual legal assistance treaty process which is designed mainly for criminal matters. This becomes all the more relevant today given the fact that Indian capital markets have begun to become an integral part of global financial flows and also that the incidence of market manipulation has begun to involve offshore vehicles.

### **10.1.2 What the Institutions Have Been Missing**

India's financial sector regulation is not adequately prepared for the reality of the financial system's increasing integration. The Financial Stability and Development Council (FSDC) does have the capacity to act as a coordinating body, but it lacks the power to settle inter-regulator turf disputes, and the ongoing tussles between SEBI and RBI, for instance, in relation to financial instruments that span both securities and banking, have at times resulted in regulatory gaps. The FSDC, by providing a statutory mandate for a permanent secretariat and a binding protocol to deal with cross-sector regulatory issues would help to significantly enhance the ability of these regulators to coordinate effectively.

Although the agency's investigative capacities have improved considerably, SEBI's capacity is still not sufficient in proportion to the sheer size of the economy it has jurisdiction over. SEBI, for instance, which has roughly 900 employees, is in charge of monitoring a capital market where there are around 90 million active investor accounts. In comparison, even the SEC, which manages a larger market, has a much higher number of employees at about 4500. Even in the light of what the IOSCO recommends for staffing requirements, SEBI is understaffed. Further, the resources for specialisation that can provide support to regulators in dealing with highly specialised areas like surveillance on algorithmic trading, forensic accounting and even digital asset monitoring are very scarce.

## **10.2 What Can Be Done? Proposals For Reforms, An Original Contribution**

### **10.2.1 A Regulatory Effectiveness Matrix**

This thesis proposes an original methodological approach, the 'Regulatory Efficacy Matrix', that can be used to evaluate and rank proposed reforms to the institutional infrastructure of Indian securities regulation. The matrix assesses each element of the regulatory infrastructure according to three categories:

- a) Legal adequacy: is the authority and the obligations prescribed legally and are they commensurate with the regulatory purpose?

- b) Institutional capacity: does the institution responsible for implementing and enforcing regulation have enough resources, expertise and independence?
- c) Operational effectiveness: does the regulation achieve its stated goals in actual practice?

Each category is scored on a three-point scale: Adequate, Developing and Deficient.

Component	Legal Adequacy	Institutional Capacity	Operational Effectiveness	Priority
SEBI enforcement powers	Adequate	Developing	Developing	Medium
IPO disclosure framework	Adequate	Adequate	Adequate	Low
Insider trading regime	Adequate	Developing	Developing	Medium
Corporate governance (LODR)	Adequate	Adequate	Developing	Medium
Digital asset regulation	Deficient	Deficient	Deficient	Critical
Investor compensation mechanism	Developing	Adequate	Developing	High
Cross-border enforcement	Deficient	Deficient	Deficient	High
Algorithmic trading oversight	Developing	Developing	Developing	High
ESG disclosure framework	Developing	Developing	Developing	Medium
Inter-regulatory coordination	Deficient	Developing	Deficient	Critical

Table 7: Regulatory Efficacy Matrix — Indian Securities Framework (2025)

### 10.2.2 Legislative Reform Recommendations

**Recommendation 1: Consolidation of Securities Laws:** Parliament must pass a Securities Law Code to bring the SCRA, the SEBI Act, the Depositories Act, and related provisions of the Companies Act into one statute. There is already a model in the United Kingdom's Financial Services and Markets Act of 2000 and Singapore's Securities and Futures Act. The reform process should modernize terminology (notably 'securities' and 'market manipulation'), streamline procedures for enforcement, and give legislative support for the regulation of digital assets within a specified scope.

**Recommendation 2: Digital Asset Framework:** The government should introduce a new Digital Asset Regulation Act that lays out the legal regime for registering, conducting business, and prudentially supervising digital asset service providers in India. This law should distinguish between digital assets that are securities and fall under SEBI's jurisdiction, digital assets that are payment instruments that come under the purview of the RBI, and digital assets that are neither of these that are subject to registration and AML obligations under a new regulator. Clear demarcations of which regulator has jurisdiction will remove the current lack of

regulation and allow for a regulated domestic digital asset industry to develop.

Recommendation 3: International Enforcement Cooperation: India should reach bilateral enforcement cooperation agreements in securities with the US, the UK, the EU, Singapore, and at least three other major capital market hubs, based on IOSCO's Multilateral Memorandum of Understanding. The agreements would facilitate mutual recognition of administrative enforcement actions, cooperation in freezing and recovering of assets, and sharing of information to assist in investigations.

### **10.2.3 Institutional Reform Recommendations**

Recommendation 4: Statutory FSDC: Parliament should establish the Financial Stability and Development Council as a statutory body with a permanent secretariat, binding mechanisms for coordination among regulators, and a time-bound jurisdiction to resolve overlapping or disputed powers among the constituent member regulators. The FSDC should be mandated to identify and regulate systemically important institutions that straddle regulatory frontiers.

Recommendation 5: SEBI Capacity Enhancement: SEBI needs to ramp up headcount to 1,500 over five years, particularly to hire technical specialists (regarding algorithmic trading surveillance, forensics, and cybersecurity), economists (regarding market microstructure and quantitative detection of wrongdoing), and specialists in foreign securities regimes. Funding through industry assessments linked to regulatory effort should be raised to INR 1,500 crore per annum.

Recommendation 6: SEBI Whistleblower Program: India should adopt a whistleblower program with monetary rewards for reports of securities violations, modeled on that in the US. Offering rewards ranging from 10 to 20 percent of the recovered sum in situations where the whistleblower's initial disclosure was pivotal to the enforcement process would greatly bolster SEBI's intelligence-gathering capabilities and create a compelling impetus for reporting infractions that are unlikely to surface through monitoring data only.

### **10.2.4 Recommendations for Enforcement Reform**

Recommendation 7: Swift Adjudication: SEBI should institute a streamlined adjudication avenue for situations that involve conventional fact scenarios (for instance, late disclosures, insignificant compliance lapses, and initial breaches of procedural norms) within its adjudication process. This category of cases, which now forms a sizable chunk of the backlog in the adjudication system, should be concluded within three months of institution by way of

simplified modalities. This would allow the regular adjudication process to deal with other, more complex and egregious violations.

Recommendation 8: SAT: Augmenting Capacity: The capacity of SAT should be augmented by appointing additional benches and setting up a dedicated fast-track bench to handle appeals against administrative penalties not exceeding INR 1 crore. Additionally, SAT proceedings should be digitised to facilitate remote hearings and e-filing. Parliament should set an objective for bringing down the average appeal resolution time to twelve months (as compared to the current average time of thirty-six months).

Recommendation 9: Building Capacity for Criminal Prosecution: SEBI and the Ministry of Finance should jointly set up a dedicated prosecution division that can handle criminal cases involving securities laws. In tandem, SEBI, with the support of dedicated courts, should ramp up training for public prosecutors in securities laws for a substantial increase in the numbers and quality of criminal prosecutions in securities laws, especially in serious violations.

### **10.2.5 Roadmap for Implementation**

The initial phase (1–2 years) involves: introduction of the fast-track adjudication system and SAT augmentation; negotiation of bilateral enforcement cooperation agreements with priority jurisdictions, specifically Singapore and the UK; introducing Digital Asset Regulation Act; starting the statutory FSDC legislation; and introducing whistleblower reward mechanism via amending the SEBI Act.

The intermediate phase (2–5 years) would see: codification of securities laws into a Securities Law Code; completing full-scale rollout of the SEBI Capacity Expansion Plan; operationalisation of the international enforcement cooperation framework; and expanding the scope of BRSR Core assurance requirement to the top 2,000 listed entities.

Long-term (5+ years), the envisaged changes are: establishment of a Financial Court with securities law jurisdiction; incorporation of India into the IOSCO enhanced standards framework; and creation of a green finance taxonomy that would meet international standards on climate finance and be used as the basis for improving ESG disclosures and developing green capital markets.

## **CHAPTER 11: CONCLUSION AND FUTURE OUTLOOK**

### **11.1 Summary of Key Findings**

This dissertation has conducted a detailed examination of the institutional framework for

securities regulation in India, investigating its historical background, current organizational structure, legal foundation, functional adequacy, global comparative context, and unique proposals for reforms. The analysis leads to a number of general conclusions that require clarification at the outset.

Initially, over the course of the past three decades, the Indian securities regulation landscape has changed significantly, resulting in a market infrastructure that is comparable to global benchmarks. With the introduction of electronic trading systems, dematerialization, the central counterparty model, a risk-based margin model, and complete public disclosure norms, we have seen the emergence of a more transparent, more efficient, and more inclusive market than the previous regime characterized by an exchange-oriented, paper-driven, and informationally opaque setup that preceded market liberalization. Such progress is non-trivial; it stands as proof of huge institutional capacity and investment, as well as the dedication of the successive sets of regulatory and government authorities in the development of the market as a national policy priority.

Secondly, SEBI's transition from a non-statutory advisory organization in 1988 to today's all-encompassing independent regulator in 2025 remains one of the more successful organizational developments in independent India. SEBI has been instrumental in constructing regulatory regimes across a range of markets and types of market actors, created an enforcement infrastructure, although still in the course of evolution, that has produced tangible deterrence effects, and has engaged in an interactive manner with global regulatory dynamics as a member of IOSCO and through a number of bilateral relationships. The agency's ethos has progressively become more professional in nature; its technical capabilities, including technology-specific domains, have undergone substantial upgrading.

Finally, important institutional structural weaknesses as well as operational deficiencies exist, and these can pose serious obstructions to the full effectiveness of the entire securities regulatory regime. Issues surrounding the fragmentation of statutes, the weak mechanism of inter-regulatory coordination, the missing holistic legal framework for digital assets, the inadequacies of the enforcement regime (especially with respect to criminal charges), and the absence of adequate investor redressal systems are not inconsequential; these are fundamental deficiencies in the framework whose core objective is protection of the investor, market integrity, and investor protection. These areas of deficiency have been explicitly identified in Chapters 4 to 10, and they have formed the basis of specific, concrete reform measures suggested in Chapter 10.

## 11.2 Successes in Securities Regulation

Among other important accomplishments of the securities regulation regime in India are the following. The markets have managed to weather several international as well as domestic financial crises, including the global financial crisis of 2008, the European sovereign debt crisis as well as the global pandemic caused by the spread of SARS-CoV-2, without any signs of the kind of systemic breakdown that has affected a few analogous markets. Such stability suggests that our infrastructure for clearing and settlement is resilient, and that our circuit breakers and risk management protocols are functioning as intended. The gradual adoption of international standards of disclosure and governance, through LODR Regulations, through the BRSR framework, through the adoption of accounting standards consistent with the International Financial Reporting Standards, has significantly reduced the information asymmetry between Indian companies and foreign investors. It has thereby contributed to India becoming a destination of choice for global portfolio investment. The fact that the market has been opened to global capital flows (albeit with attendant, as we see in Chapter 8, new risks) is also a manifestation of market development and something that the current regulatory framework has facilitated.

The principal persistent challenges identified by this analysis fall into three broad buckets. The first is the gap in concentration of ownership: the fact that the formal corporate governance framework may be sophisticated, but it is insufficient to address the problems arising in concentration-of-ownership firms where promoters/family firms are in control of nominating directors on the Board. Addressing this may require not just enhanced disclosure measures, but structural changes to the independent director nomination process and the empowering of minority share holders and rights holders, which may be a step too far from the political economy perspective of the concentrated owners.

The second gap is credibility of enforcement: the time to investigate cases, time for adjudication, low rate of successful criminal prosecutions, backlog at the SAT mean that the actual deterrence impact of our enforcement framework is far lower than what the formal penalty structure suggests. Given the length of the process, economic actors, including sophisticated securities law violators, have every rational economic basis to believe that either they will not be caught or, if they are, consequences will be delayed or minimal.

Addressing this will require long term sustained investment in regulator capacity as well as institutional reforms.

The third gap relates to regulating for innovation: whether it is the rise of digital assets, or

decentralised finance, or algorithmic trading, the current regulatory framework was not designed for the speed and structures that characterise some of these new business forms. It is no longer a question of whether there are tweaks that need to be done to the status quo, but of fundamentally reconsidering the philosophy and the methodology of how regulation should be designed. The capacity of India to navigate this process while at the same time sustaining protection of investors and the integrity of the market will be one of the most important regulatory questions of the next decade.

The nature of our regulatory regime in the future will be influenced by a number of powerful forces. Technology, artificial intelligence, blockchain and quantum computing, will fundamentally alter the microstructure of markets, business models of intermediaries and the very nature of financial instruments, some aspects of which are partially predictable and others which will be indeterminate and yet to be revealed. SEBI's response needs to be proactive instead of reactive; if the regulator continues to trail the pace of the markets, its credibility will be undermined and its authority diluted. There is great scope for, and also the need to build up, SEBI's own capabilities in RegTech: Artificial Intelligence in surveillance, natural language processing in review of disclosures, and network analysis in tracing beneficial ownership. As we transition globally to a sustainable finance model, the implications of this for India's capital market will be deep. India's pledge in the Paris Agreement and its Nationally Determined Contributions (NDCs) necessitate a huge scaling up of private capital for climate action and for building up capacity for clean energy, green infrastructure, and climate adaptation. The securities market is the natural conduit to attract this kind of capital, so SEBI's capacity to define, validate and certify securities as being in line with the 'green' label becomes critical. The BRSR and SEBI's green bond guidelines are steps in the right direction, but the task of building a full-fledged national sustainable finance taxonomy, aligned with India's net-zero commitments as well as comparable globally, still remains pending. The emerging international order in financial and securities regulation, with implications of regulatory fragmentation on the geo-political fault lines, impacts of the development of CBDCs in key economies on global capital flows, and the emerging use of financial regulation as an instrument of national security, pose interesting challenges for regulators, which are not well addressed by the existing rules. The aspiration of India to achieve international financial centre status, and the efforts to build up the financial ecosystem at GIFT City are consistent with this vision, requires a regulatory framework that is competitively strong and globally integrated as well as nationally robust, calling for a new round of innovative regulations.

### 11.5 Concluding Observations

This dissertation, by means of its sustained engagement with the institutional, legal and operational aspects of securities regulation in India, has argued that the regulatory regime for securities in India has succeeded to a large extent in its efforts to develop the markets and to build up necessary market infrastructure. The regime is still, however, confronted with a host of problems, ranging from issues of enforcement capacity to questions of adequacy in investor protection and to the difficulty of keeping the regulation abreast of the rapid technological innovation occurring in the sector. We have seen in Chapter 10 a detailed discussion of a range of reforms that can be adopted in the Indian context to improve the effectiveness of the overall regulatory framework, including consolidating the legislative regime, regulating digital assets, increasing capacity at the regulator, speeding up enforcement processes, and integrating considerations of environmental sustainability and corporate governance.

Our concluding observation in this thesis is that the regulation of securities, more than anything else, is a challenge of institution-building, and not merely one of building technical capacity for regulatory action. In the final analysis, even the most elaborate of securities regulations and rulebooks are no guarantee of success in regulatory effectiveness without corresponding institutional capacity, political independence, and organisational culture to implement the regulatory framework to the letter and enforce regulations effectively. As we have pointed out repeatedly in this thesis, India's securities regulatory framework has the law in place. What remains to be done is to build the institutional capacity and culture that will allow the regulators to transform their legal authority into a sustained record of effective market governance. The analysis developed in this dissertation is but one contribution towards that broader and ongoing project.

### APPENDIX A: CHRONOLOGICAL TABLE OF KEY SECURITIES LEGISLATION AND REGULATIONS

Year	Instrument	Significance
1875	Native Share and Stockbrokers Association	First organised exchange in Asia
1956	Securities Contracts (Regulation) Act	First comprehensive securities legislation
1988	SEBI established (non-statutory)	Precursor to statutory regulator
1992	SEBI Act, 1992	Full statutory mandate for SEBI

1994	NSE commences operations	Electronic trading revolution
1996	Depositories Act	Legal basis for dematerialisation
1999	NSDL established	First national securities depository
2000	Clause 49 of Listing Agreement	Corporate governance for listed companies
2001	Index and stock futures/options	Equity derivatives market launch
2002	SEBI Amendment Act (search & seizure)	Enhanced investigative powers
2006	Consent settlement mechanism	Alternative enforcement tool
2011	SAST Regulations, 2011	Updated takeover code
2013	Companies Act, 2013	Company law modernisation
2014	SEBI Amendment Act (disgorgement)	Enhanced penalties
2015	LODR Regulations; PIT Regulations	Major governance and trading reform
2018	ICDR Regulations, 2018; SE Regulations 2018	Capital raising and exchange governance reform
2019	SEBI Innovation Sandbox	Fintech regulation
2021	BRSR Framework	ESG disclosure mandate
2022	Virtual Digital Assets taxation	Crypto fiscal treatment
2023	Digital Personal Data Protection Act	Data protection law
2024	SEBI AI-enhanced surveillance	Technology-driven enforcement

#### APPENDIX B: SEBI ENFORCEMENT STATISTICS SUMMARY (2015– 2024)

Year	Total Orders	Penalties (INR Cr)	Consent Settlements	Criminal Referrals
2015-16	312	198	82	6
2016-17	378	245	91	5
2017-18	421	289	98	7
2018-19	389	312	104	8
2019-20	408	356	112	7
2020-21	365	378	95	5
2021-22	445	412	118	6
2022-23	512	489	125	8
2023-24	498	562	131	9

Source: SEBI Annual Reports 2015-16 to 2023-24. Note: Figures are approximate and reflect the author's compilation from published data.

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