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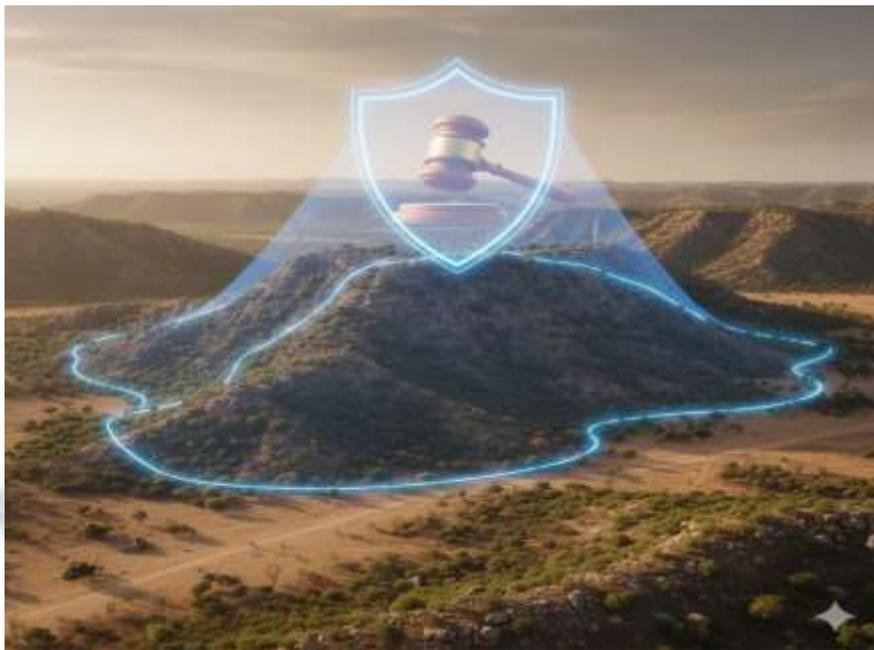
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THE SECURITIES MARKETS CODE, 2025: TOWARDS A UNIFIED AND PRINCIPLE-BASED FRAMEWORK FOR SECURITIES REGULATION IN INDIA

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ABSTRACT

The regulation of securities markets in India has evolved through a complex web of statutes, subordinate legislation, and regulatory guidelines, administered primarily by the Securities and Exchange Board of India (SEBI). While this framework has played a crucial role in developing India's capital markets, it has also resulted in regulatory fragmentation, overlapping provisions, and excessive reliance on rule-based compliance. In this context, the proposed Securities Markets Code, 2025 represents a significant legislative initiative aimed at consolidating existing securities laws into a unified, coherent, and principle-based regulatory framework.

This research paper examines the Securities Markets Code, 2025 as a step towards modernising securities regulation in India by shifting from a predominantly rule-based model

to a principle-based approach. The Code seeks to subsume multiple statutes governing securities markets—such as laws relating to securities contracts, depositories, and market intermediaries—into a single comprehensive legislation. By doing so, it aims to enhance regulatory clarity, reduce compliance complexity, and improve enforcement efficiency in an increasingly dynamic and technology-driven financial ecosystem.

The paper analyses the rationale behind adopting a principle-based regulatory framework, particularly in light of rapid financial innovation, emergence of complex financial instruments, and growing integration of Indian markets with global capital flows. A rule-heavy regulatory regime often struggles to keep pace with market innovation, leading to regulatory arbitrage and delayed responses to systemic risks. In contrast, principle-based regulation emphasises regulatory objectives such as market integrity, transparency, fairness, and investor protection, allowing regulators greater flexibility to respond to evolving market conditions.

A central focus of the study is the enhanced role envisaged for SEBI under the Securities Markets Code, 2025. The Code seeks to strengthen SEBI's supervisory, enforcement, and remedial powers while simultaneously imposing greater accountability through procedural safeguards and transparency requirements. This recalibration of regulatory power raises important questions regarding delegation, regulatory discretion, and judicial oversight, which are critically examined in the paper.

Methodologically, the research adopts a doctrinal and analytical approach, drawing upon statutory materials, committee reports, judicial precedents, and comparative regulatory practices from jurisdictions such as the United Kingdom and Australia, where principle-based regulation has been successfully implemented. The study evaluates whether the proposed Code achieves an appropriate balance between regulatory flexibility and legal certainty.

The paper concludes that the Securities Markets Code, 2025 has the potential to significantly strengthen India's securities regulatory framework by promoting coherence, adaptability, and investor confidence. However, its success will depend on careful drafting, consistent regulatory practice, and restrained judicial interpretation to ensure that principle-based regulation does not result in regulatory uncertainty or excessive discretion.

KEYWORDS: - *Securities Markets Code, 2025; Securities Regulation; Principle-Based Regulation; SEBI; Investor Protection; Market Integrity; Capital Markets; Regulatory Consolidation; Enforcement; Financial Innovation*

INTRODUCTION

India's securities markets have witnessed remarkable growth over the past three decades, evolving from a relatively closed and fragmented system into one of the world's most dynamic emerging capital markets. This transformation has been accompanied by the development of a regulatory framework aimed at ensuring investor protection, market integrity, and orderly growth. The Securities and Exchange Board of India (SEBI), established under the SEBI Act, 1992, has played a central role in regulating securities markets through a combination of statutory powers, delegated legislation, and detailed regulatory guidelines. While this framework has contributed significantly to market development, it has also given rise to regulatory complexity and fragmentation.

At present, securities regulation in India is governed by multiple statutes, including the SEBI Act, 1992, the Securities Contracts (Regulation) Act, 1956, and the Depositories Act, 1996, along with an extensive body of regulations, circulars, and directions issued by SEBI. Over time, this layered regulatory structure has become increasingly difficult to navigate for market participants, resulting in compliance burdens, interpretative uncertainty, and overlapping regulatory provisions. The rule-heavy nature of the existing framework has also limited regulatory agility in responding to rapid market innovation, particularly in areas such as algorithmic trading, derivatives, fintech platforms, and digital securities.

In response to these challenges, the proposal for a Securities Markets Code, 2025 represents a significant shift in India's approach to securities regulation. The Code seeks to consolidate existing securities laws into a single, unified statute and to transition from a predominantly rule-based regime to a principle-based regulatory framework. This shift reflects a growing recognition that modern financial markets, characterised by innovation and complexity, require flexible regulation grounded in core principles rather than exhaustive prescriptive rules. Principle-based regulation emphasises outcomes such as fairness, transparency, and market integrity, allowing regulators to adapt regulatory responses to evolving circumstances without frequent legislative amendment.

The move towards a unified Securities Markets Code is also informed by international regulatory experience. Jurisdictions such as the United Kingdom and Australia have successfully adopted principle-based frameworks that provide regulators with discretion to address emerging risks while maintaining clear regulatory objectives. In the Indian context, such an approach is particularly relevant given the increasing integration of Indian capital markets with global financial systems and the growing participation of retail investors. A fragmented and rigid regulatory framework may undermine investor confidence and impede market efficiency in this environment.

However, the transition to a principle-based framework raises important legal and institutional questions. Greater regulatory discretion, while enhancing flexibility, may also increase the risk of uncertainty and arbitrary enforcement if not accompanied by clear safeguards. The Securities Markets Code, 2025 therefore envisages a recalibrated role for SEBI one that strengthens its supervisory and enforcement powers while imposing corresponding obligations of transparency, proportionality, and accountability. This balance between regulatory autonomy and legal certainty is central to the success of the proposed Code.

This research paper examines the Securities Markets Code, 2025 as a step towards modernising securities regulation in India. It analyses the rationale for consolidation and principle-based regulation, evaluates the implications of enhanced regulatory discretion, and assesses whether the proposed framework effectively addresses the limitations of the existing regime. By situating the Code within the broader evolution of Indian securities regulation, the study seeks to contribute to the discourse on regulatory reform, market governance, and investor protection in India.

RESEARCH METHODOLOGY

The present research adopts a doctrinal and analytical methodology to examine the Securities Markets Code, 2025 and its implications for securities regulation in India. Given that the study focuses on legislative consolidation, regulatory philosophy, and institutional restructuring, a qualitative legal research approach is most appropriate. The methodology is designed to assess whether the proposed Code succeeds in creating a unified and principle-based regulatory framework while addressing the limitations of the existing securities law regime.

The doctrinal method forms the foundation of this research. It involves a detailed examination of existing securities legislation in India, including the Securities and Exchange Board of India Act, 1992, the Securities Contracts (Regulation) Act, 1956, and the Depositories Act, 1996. These statutes are analysed to identify areas of overlap, fragmentation, and regulatory inconsistency that have prompted calls for consolidation. The provisions of the proposed Securities Markets Code, 2025 are then examined comparatively to assess how far the Code simplifies and harmonises the existing legal framework.

Judicial interpretation constitutes an important component of the methodology. The research analyses landmark judgments of the Supreme Court of India and the Securities Appellate Tribunal that have shaped securities regulation, particularly in relation to SEBI's regulatory powers, rule-making authority, and enforcement discretion. Judicial decisions are examined to understand how courts have historically balanced regulatory autonomy with principles of legality, proportionality, and natural justice.¹ This analysis is crucial in evaluating how a principle-based regulatory framework may be interpreted and applied by adjudicatory bodies. The analytical aspect of the methodology focuses on the regulatory philosophy underpinning the Securities Markets Code, 2025. The study evaluates the shift from a rule-based to a principle-based regulatory model, assessing its potential advantages and risks. This includes analysing how principle-based regulation can enhance flexibility and responsiveness in dynamic markets, while also considering concerns relating to regulatory uncertainty and discretionary overreach. The research examines whether the Code incorporates sufficient safeguards such as clear objectives, procedural transparency, and accountability mechanisms to mitigate these risks.

Secondary sources form a significant part of the research methodology. Scholarly articles published in securities law and financial regulation journals, books on capital markets regulation, reports of expert committees, and policy papers issued by regulatory bodies are reviewed to contextualise the proposed reforms. These sources provide theoretical grounding as well as comparative insights from jurisdictions that have adopted principle-based regulatory frameworks, such as the United Kingdom and Australia.²

¹ *Sahara India Real Estate Corp. Ltd. v. SEBI*, (2013) 1 SCC 1

² Julia Black, 'Forms and Paradoxes of Principles-Based Regulation' (2008) 3 *Capital Markets Law Journal* 425.

The research is limited to doctrinal and institutional analysis and does not involve empirical or quantitative assessment of market outcomes. Nevertheless, the methodology allows for a comprehensive evaluation of the Securities Markets Code, 2025 by integrating statutory analysis, judicial interpretation, and regulatory theory. By adopting this approach, the study aims to assess whether the proposed Code is likely to enhance regulatory coherence, market integrity, and investor protection within India's evolving securities market ecosystem.

RESEARCH QUESTIONS

1. What are the limitations of the existing fragmented securities regulatory framework in India?
2. What objectives does the Securities Markets Code, 2025 seek to achieve through legislative consolidation?
3. How does the proposed Code embody a shift towards principle-based securities regulation?
4. What are the implications of enhanced regulatory discretion for SEBI under the Securities Markets Code, 2025?
5. Does the proposed Code strike an appropriate balance between regulatory flexibility, investor protection, and legal certainty?

HYPOTHESIS

The central hypothesis of this research is that the Securities Markets Code, 2025 marks a significant and necessary shift towards a unified and principle-based framework for securities regulation in India, which has the potential to enhance regulatory coherence, market integrity, and investor protection; however, the success of this transition will depend on the careful calibration of regulatory discretion and the development of robust accountability mechanisms. This hypothesis is grounded in the premise that while legislative consolidation and principle-based regulation can modernise regulatory frameworks, they also introduce new challenges relating to certainty, consistency, and institutional restraint.

India's existing securities regulatory regime is characterised by multiplicity of statutes and extensive subordinate legislation, resulting in regulatory fragmentation and compliance complexity. The hypothesis assumes that consolidation under a single Securities Markets Code will reduce overlap, eliminate inconsistencies, and provide a clearer statutory foundation for

securities regulation. By harmonising regulatory objectives and enforcement powers, the Code is expected to improve legal certainty for market participants and enhance the overall efficiency of regulatory compliance.

The hypothesis further posits that the shift from a rule-based to a principle-based regulatory model is particularly well suited to contemporary securities markets, which are marked by rapid innovation, technological disruption, and evolving financial products. Rule-based frameworks often struggle to keep pace with such developments, leading to regulatory arbitrage and delayed responses to systemic risk. A principle-based approach, by contrast, allows regulators to focus on regulatory outcomes—such as fairness, transparency, and market integrity—rather than rigid compliance with prescriptive rules. The hypothesis therefore assumes that the Securities Markets Code, 2025 will enhance regulatory adaptability and responsiveness.

At the same time, the hypothesis recognises that principle-based regulation necessarily expands regulatory discretion, particularly for SEBI as the primary securities market regulator. While enhanced discretion may improve supervisory effectiveness, it also raises concerns regarding arbitrariness, inconsistency, and potential overreach. The hypothesis assumes that without clearly articulated principles, procedural safeguards, and effective judicial oversight, a principle-based framework may generate uncertainty and undermine investor confidence. Accordingly, the hypothesis anticipates that the effectiveness of the Securities Markets Code will depend on the extent to which it balances regulatory flexibility with transparency, proportionality, and accountability.

Another dimension of the hypothesis relates to enforcement and investor protection. It assumes that a unified Code, coupled with principle-based enforcement powers, will strengthen SEBI's ability to address complex forms of market misconduct that may not be explicitly covered by detailed rules. This may enhance deterrence and reinforce investor trust in market institutions. However, the hypothesis also anticipates that inconsistent enforcement or lack of clear guidance could dilute these benefits.

Ultimately, this hypothesis anticipates that the Securities Markets Code, 2025 will represent a progressive reform in Indian securities regulation by aligning the legal framework with global best practices. Nevertheless, the research expects to demonstrate that legislative reform alone is insufficient; sustained regulatory competence, institutional accountability, and restrained

judicial interpretation are essential to ensure that principle-based regulation achieves its intended objectives without compromising legal certainty or market stability.

LITERATURE REVIEW

The regulation of securities markets has been a sustained subject of academic and policy discourse, particularly in jurisdictions with rapidly expanding capital markets such as India. Existing literature on Indian securities regulation largely focuses on the role of the Securities and Exchange Board of India (SEBI) as a specialised regulator tasked with balancing market development and investor protection. Scholars generally acknowledge that the statutory framework established under the SEBI Act, 1992, coupled with subordinate legislation, played a pivotal role in restoring market confidence after the securities scams of the early 1990s. However, they also note that the incremental and statute-specific evolution of securities law has resulted in fragmentation and regulatory complexity over time.³

A significant body of scholarship critiques the rule-based nature of India's securities regulation. Authors argue that excessive reliance on detailed rules and circulars has created compliance-heavy regimes that are difficult to navigate and enforce consistently. Armour, Moloney, and others observe that rigid rule-based frameworks often lag behind market innovation, creating regulatory gaps that sophisticated market participants can exploit.⁴ In the Indian context, scholars such as Umakanth Varottil highlight how overlapping statutory provisions and frequent regulatory amendments have increased uncertainty for issuers, intermediaries, and investors alike.

The concept of principle-based regulation has been extensively discussed in comparative regulatory literature. Julia Black's seminal work on principles-based regulation explains how such frameworks focus on desired regulatory outcomes rather than prescriptive conduct, enabling regulators to respond flexibly to market developments.⁵ Studies examining the United Kingdom's Financial Services and Markets Act, 2000 and Australia's Corporations Act demonstrate that principle-based systems can enhance regulatory responsiveness and reduce regulatory arbitrage when supported by strong institutional capacity and guidance mechanisms.

³ Nidhi Gupta, 'Securities Regulation in India: Evolution and Challenges' (2018) 30 NLSIR 45.

⁴ John Armour, Jeffrey Gordon and Luca Enriques, 'The Globalisation of Corporate Governance' (2009) 38 JLS 169.

⁵ Julia Black, 'Forms and Paradoxes of Principles-Based Regulation' (2008) 3 Capital Markets Law Journal 425.

These comparative insights are frequently invoked to argue in favour of regulatory consolidation and principle-based approaches in emerging markets.

Indian scholarship on securities law reform has increasingly engaged with the idea of consolidation through a securities markets code. Policy-oriented literature, including reports of expert committees and think tanks, emphasises that a unified securities code could improve coherence, reduce duplication, and strengthen enforcement by providing a single statutory anchor for securities regulation.⁶ These studies argue that consolidation would also enhance legislative clarity by clearly defining regulatory objectives, powers, and accountability mechanisms within one comprehensive framework.

Judicial decisions have also attracted scholarly analysis, particularly in relation to SEBI's regulatory and enforcement powers. The Supreme Court's decisions in cases such as *Sahara India Real Estate Corp. Ltd. v. SEBI* have been examined for affirming SEBI's wide remedial authority while simultaneously emphasising adherence to principles of natural justice.⁷ Scholars note that judicial interpretation has played a crucial role in legitimising SEBI's expansive role, but also caution that increased regulatory discretion must be accompanied by judicial restraint and clear statutory guidance.

Critical literature raises concerns about the risks associated with principle-based regulation, particularly in jurisdictions with evolving regulatory institutions. Some scholars argue that broad principles, if not adequately defined, may lead to inconsistent enforcement and unpredictability. Others highlight the potential for regulatory overreach, especially when enforcement discretion is exercised without transparent standards.⁸ These critiques underscore the importance of embedding accountability, guidance, and review mechanisms within a principle-based framework.

Overall, the literature reflects broad support for regulatory consolidation and modernisation, while emphasising the need for careful design and implementation. This research seeks to contribute to the existing scholarship by critically evaluating the Securities Markets Code, 2025 as a legislative response to fragmentation and regulatory rigidity, and by assessing whether its

⁶ Ministry of Finance, *Report of the Financial Sector Legislative Reforms Commission* (2013).

⁷ *Sahara India Real Estate Corp. Ltd. v. SEBI*, (2013) 1 SCC 1.

⁸ Dan Awrey, 'Principles-Based Regulation and Financial Crisis' (2012) 7 *Brook J Corp Fin & Com L* 285.

principle-based framework adequately addresses concerns relating to discretion, certainty, and investor protection.

EVOLUTION OF SECURITIES REGULATION IN INDIA

The evolution of securities regulation in India reflects the country's broader economic transformation from a controlled economy to a market-oriented financial system. In the pre-liberalisation era, securities markets were characterised by limited participation, weak disclosure norms, and minimal regulatory oversight. Regulation was largely fragmented and reactive, with the primary objective of maintaining orderly trading rather than fostering market development or investor protection. The absence of a strong, specialised regulator contributed to widespread market manipulation and erosion of investor confidence.

A significant milestone in the evolution of securities regulation was the enactment of the Securities Contracts (Regulation) Act, 1956 (SCRA). The SCRA sought to regulate stock exchanges and securities trading by providing a statutory framework for recognition of stock exchanges and control over securities contracts. While the Act laid the foundation for formal market regulation, its scope was limited and enforcement mechanisms were weak. Regulatory oversight remained dispersed between the Central Government and stock exchanges, resulting in inconsistent supervision and limited accountability.

The liberalisation of the Indian economy in the early 1990s marked a turning point in securities regulation. The securities scams of 1992 exposed systemic weaknesses in market governance and underscored the need for an independent regulatory authority. In response, the Securities and Exchange Board of India (SEBI) was granted statutory status under the SEBI Act, 1992. SEBI was entrusted with wide-ranging powers to regulate intermediaries, oversee market infrastructure, and protect investor interests. This marked a paradigm shift from fragmented oversight to centralised and specialised regulation.

Following the establishment of SEBI, securities regulation in India expanded rapidly through a combination of statutory provisions and extensive subordinate legislation. The Depositories Act, 1996 introduced dematerialisation of securities, significantly improving market efficiency and transparency. SEBI issued detailed regulations governing public issues, insider trading, takeover bids, mutual funds, and market intermediaries. While this rule-based expansion

strengthened regulatory control, it also resulted in a dense and complex regulatory framework that relied heavily on prescriptive norms and frequent amendments.

Judicial intervention further shaped the evolution of securities regulation. Courts and the Securities Appellate Tribunal played a critical role in interpreting SEBI's powers, particularly in relation to enforcement and remedial action. Landmark judgments affirmed SEBI's authority to issue wide-ranging directions in the interest of investors and market integrity. At the same time, judicial scrutiny ensured that regulatory action remained subject to principles of natural justice and proportionality. This judicial engagement contributed to the maturation of securities regulation but also highlighted tensions between regulatory discretion and legal certainty.

In recent years, the evolution of securities markets has been driven by technological innovation, increased retail participation, and global integration. New instruments, trading platforms, and market practices have challenged the capacity of a rigid rule-based framework to respond effectively. The proliferation of regulations, circulars, and informal guidance has further intensified concerns regarding fragmentation and compliance burden.

This historical trajectory reveals that while India's securities regulation has evolved significantly in scope and sophistication, it has also become increasingly complex and fragmented. The proposed Securities Markets Code, 2025 emerges against this backdrop as an attempt to rationalise and modernise securities regulation by consolidating existing laws and embracing a principle-based approach. Understanding the evolution of securities regulation is therefore essential to appreciating the rationale and objectives of the proposed Code.

RATIONALE FOR A UNIFIED SECURITIES MARKETS CODE

The proposal for a unified Securities Markets Code is rooted in the growing recognition that India's existing securities regulatory framework, though comprehensive, suffers from fragmentation, redundancy, and limited adaptability. The multiplicity of statutes governing securities markets primarily the SEBI Act, 1992, the Securities Contracts (Regulation) Act, 1956, and the Depositories Act, 1996 has resulted in overlapping provisions, inconsistent definitions, and complex compliance obligations. This fragmented structure poses significant challenges for regulators, market participants, and investors alike.

One of the primary rationales for consolidation is regulatory coherence. The coexistence of multiple statutes and extensive subordinate legislation has led to interpretative ambiguity and enforcement inconsistency. Market participants often face uncertainty in determining applicable regulatory provisions, particularly where activities span multiple segments of the securities market. A unified Code can provide a single statutory anchor that harmonises definitions, objectives, and regulatory powers, thereby enhancing legal certainty and predictability.

Another compelling rationale is the need to reduce compliance burden and improve regulatory efficiency. The rule-heavy nature of the existing framework requires frequent amendments and circulars to address emerging market practices. This not only increases compliance costs but also diverts regulatory resources towards managing procedural complexity rather than addressing substantive market risks. A unified Code grounded in broad principles can streamline regulatory requirements and allow SEBI to focus on outcomes such as market integrity, transparency, and investor protection.

The increasing complexity of securities markets further underscores the need for consolidation. Financial innovation, algorithmic trading, digital platforms, and cross-border capital flows have blurred traditional regulatory boundaries. A fragmented legal framework struggles to respond effectively to these developments, often resulting in regulatory gaps or delayed intervention. A unified Securities Markets Code can provide a flexible and forward-looking framework capable of accommodating new instruments and market structures without constant legislative amendment.

The rationale for a unified Code is also informed by international experience. Jurisdictions such as the United Kingdom and Australia have adopted consolidated securities legislation that articulates clear regulatory objectives and empowers regulators with flexible enforcement tools. Comparative studies suggest that consolidation enhances regulatory responsiveness and reduces opportunities for regulatory arbitrage. In the Indian context, alignment with global best practices is particularly important given the increasing integration of Indian securities markets with international financial systems.

From an institutional perspective, consolidation can strengthen regulatory accountability. A unified Code can clearly delineate SEBI's powers, functions, and obligations, reducing

ambiguity regarding delegation and oversight. By articulating regulatory objectives within a single statute, the Code can also provide clearer benchmarks for judicial review, ensuring that regulatory discretion is exercised consistently and proportionately.

Finally, investor protection forms a central rationale for the proposed Securities Markets Code. Retail participation in Indian securities markets has increased significantly in recent years, heightening the need for a transparent, coherent, and accessible regulatory framework. Fragmented regulation can undermine investor confidence by creating uncertainty and reducing the effectiveness of enforcement. A unified Code has the potential to enhance investor trust by providing clarity regarding rights, obligations, and remedies within a single legislative framework.

In sum, the rationale for a unified Securities Markets Code lies in the need to modernise securities regulation in response to market complexity, regulatory fragmentation, and evolving investor expectations. By consolidating existing laws and adopting a principle-based approach, the proposed Code aims to create a more coherent, efficient, and adaptive regulatory framework for India's securities markets.

KEY FEATURES OF THE SECURITIES MARKETS CODE, 2025

The Securities Markets Code, 2025 seeks to fundamentally restructure securities regulation in India by introducing a unified, principle-based legislative framework that consolidates existing laws and modernises regulatory practice. Its key features reflect a deliberate shift towards coherence, flexibility, and outcome-oriented regulation, while retaining necessary safeguards to ensure legal certainty and investor protection.

A defining feature of the proposed Code is legislative consolidation. The Code is envisaged to subsume multiple existing statutes governing securities markets into a single comprehensive law. This consolidation aims to harmonise definitions, streamline regulatory objectives, and eliminate overlapping provisions that currently exist across statutes such as the SEBI Act, the Securities Contracts (Regulation) Act, and the Depositories Act. By providing a single statutory foundation, the Code enhances interpretative clarity and reduces fragmentation, making compliance more accessible for issuers, intermediaries, and investors.

Another central feature is the adoption of principle-based regulation. Instead of relying predominantly on detailed prescriptive rules, the Code articulates broad regulatory principles such as market integrity, transparency, fairness, and investor protection. These principles serve as guiding standards against which market conduct is assessed. This approach allows regulation to remain relevant in the face of rapid market innovation, enabling SEBI to address novel practices and products without constant legislative amendment. Principle-based regulation thus shifts the focus from formal compliance to substantive outcomes.

The Code also envisages an enhanced and clarified role for SEBI as the primary securities market regulator. SEBI's supervisory, investigative, and enforcement powers are consolidated and clearly articulated within the Code, reducing ambiguity regarding the scope of its authority. At the same time, the Code seeks to balance enhanced discretion with accountability by embedding procedural safeguards, such as reasoned orders, transparency in enforcement action, and proportionality in penalties. This recalibration aims to strengthen regulatory effectiveness while mitigating concerns of arbitrary or excessive discretion.

A further key feature is the streamlining of enforcement and remedial mechanisms. The Code rationalises enforcement provisions by integrating civil, administrative, and remedial powers within a coherent framework. This includes clearer standards for imposing sanctions, issuing directions, and granting investor remedies. By aligning enforcement tools with regulatory objectives, the Code seeks to improve deterrence and ensure timely redressal of market misconduct.

The Securities Markets Code, 2025 also places emphasis on regulatory flexibility and delegated legislation. While core principles and powers are anchored in the statute, operational details are left to regulations framed by SEBI. This structure allows for adaptability without undermining legislative oversight, provided that delegated powers are exercised within clearly defined statutory boundaries. Such flexibility is essential in regulating technologically driven markets, including algorithmic trading and digital securities platforms.

Finally, the Code incorporates provisions aimed at strengthening investor protection and market confidence. By clearly defining investor rights, disclosure obligations, and enforcement standards within a unified framework, the Code seeks to enhance transparency and trust in market institutions. Simplification of regulatory architecture is expected to improve investor

understanding and participation, particularly among retail investors.

Collectively, these features position the Securities Markets Code, 2025 as a forward-looking reform that seeks to modernise securities regulation in India. Its emphasis on consolidation, principles, and institutional clarity reflects an effort to align domestic regulation with global best practices while addressing the unique challenges of India's rapidly evolving capital markets.

PRINCIPLE-BASED REGULATION AND SEBI'S ENHANCED ROLE

The transition towards a principle-based regulatory framework under the Securities Markets Code, 2025 significantly redefines the role of the Securities and Exchange Board of India (SEBI). Traditionally, SEBI has operated within a predominantly rule-based regime, issuing detailed regulations and circulars to govern market conduct. While this approach ensured clarity and control, it also resulted in rigidity and regulatory lag in responding to innovation. The proposed Code envisages a more strategic and principles-driven role for SEBI, positioning it as a responsive and outcome-oriented regulator.

Principle-based regulation focuses on broad regulatory objectives such as market integrity, fairness, transparency, and investor protection rather than exhaustive prescriptive rules. Under this model, SEBI is expected to interpret and apply these principles in light of evolving market conditions. This approach empowers the regulator to address novel forms of misconduct, complex financial products, and technological developments that may not be explicitly covered by existing rules. In rapidly changing markets, such flexibility is crucial to prevent regulatory arbitrage and systemic risk.

The enhanced role of SEBI under the Code is reflected in its consolidated supervisory and enforcement powers. By unifying regulatory authority within a single statute, the Code reduces ambiguity regarding SEBI's jurisdiction across market segments and intermediaries. This clarity strengthens SEBI's capacity to undertake holistic supervision of securities markets, enabling coordinated oversight of issuers, exchanges, intermediaries, and market infrastructure institutions. A unified mandate also facilitates more consistent enforcement, reducing the risk of regulatory gaps.

However, increased regulatory discretion necessitates robust accountability mechanisms. The Securities Markets Code, 2025 seeks to address this concern by embedding procedural safeguards into SEBI's exercise of power. Requirements for reasoned orders, proportionality in enforcement action, and adherence to principles of natural justice are integral to ensuring that discretion is exercised transparently and fairly. These safeguards are essential to maintaining investor confidence and preventing perceptions of arbitrary regulation.

Judicial oversight will play a critical role in shaping the effectiveness of principle-based regulation. Courts and the Securities Appellate Tribunal are likely to shift from reviewing technical rule compliance to assessing whether SEBI's actions align with statutory principles and regulatory objectives. This evolution in judicial review demands a calibrated approach that respects regulatory expertise while ensuring legality and proportionality. Excessive judicial intervention may undermine regulatory flexibility, while undue deference may risk unchecked discretion.

The principle-based framework also places greater responsibility on market participants. Compliance is no longer limited to mechanical adherence to rules but requires alignment with regulatory objectives. Issuers and intermediaries must internalise principles of fair disclosure, ethical conduct, and risk management. This cultural shift towards substantive compliance may enhance market discipline but also necessitates clearer regulatory guidance to avoid uncertainty.

In sum, the Securities Markets Code, 2025 envisages a transformed role for SEBI one that combines enhanced authority with heightened responsibility. Principle-based regulation offers the promise of adaptive and forward-looking supervision, but its success depends on institutional capacity, transparent enforcement, and balanced judicial oversight. If implemented effectively, this model can strengthen market integrity and investor protection while fostering innovation and growth in India's securities markets.

CRITICAL EVALUATION: MARKET INTEGRITY, INVESTOR PROTECTION AND ENFORCEMENT

The Securities Markets Code, 2025 represents an ambitious attempt to recalibrate India's securities regulatory framework by prioritising market integrity, investor protection, and

effective enforcement within a unified and principle-based structure. A critical evaluation of the proposed Code reveals both its potential strengths in addressing systemic weaknesses and the challenges that may arise in translating regulatory philosophy into consistent practice.

From the perspective of market integrity, the Code's emphasis on overarching principles such as fairness, transparency, and orderly functioning of markets is a significant advancement. By moving away from fragmented and prescriptive regulation, the Code seeks to address complex and evolving forms of market abuse that often escape narrowly framed rules. Principle-based standards empower SEBI to intervene against manipulative practices, misuse of information, and structural vulnerabilities even where specific rules may be absent. This enhances the regulator's ability to maintain market integrity in the face of rapid technological innovation, algorithmic trading, and cross-market linkages. However, the effectiveness of this approach depends on the clarity with which principles are articulated and applied. Vague or inconsistently enforced principles may create uncertainty, potentially undermining the very integrity they seek to protect.

Investor protection lies at the core of the Securities Markets Code, 2025. Consolidation of investor rights, disclosure obligations, and remedial mechanisms within a single statute enhances accessibility and understanding, particularly for retail investors. A principle-based framework can strengthen investor protection by focusing on substantive fairness rather than technical compliance. This allows SEBI to address practices that are formally compliant but materially harmful to investors. Nevertheless, the expansion of regulatory discretion also raises concerns regarding predictability. Investors and market participants rely on clear expectations regarding regulatory standards; excessive reliance on principles without sufficient guidance may create ambiguity regarding permissible conduct.

The enforcement architecture under the Code reflects a shift towards coherent and proportionate regulatory action. By integrating investigative, remedial, and sanctioning powers within a unified framework, the Code seeks to improve enforcement efficiency and deterrence. Enhanced enforcement tools can strengthen compliance incentives and reinforce confidence in regulatory institutions. At the same time, concentration of enforcement power heightens the importance of procedural safeguards. The legitimacy of enforcement action will depend on transparency, consistency, and adherence to due process. Without these safeguards, robust enforcement powers may be perceived as arbitrary, undermining trust in the regulatory system.

A critical concern in principle-based regulation is the risk of regulatory overreach. Broad principles grant regulators interpretative flexibility, but without clearly defined boundaries, such flexibility may lead to inconsistent application across cases. This risk is particularly relevant in a legal system where judicial review has traditionally relied on statutory text and rules. The success of the Securities Markets Code therefore hinges on the development of clear regulatory guidance, internal decision-making frameworks, and reasoned enforcement orders that translate principles into predictable standards.

Judicial and appellate oversight will be instrumental in shaping enforcement outcomes. Courts must strike a balance between deference to regulatory expertise and protection against arbitrary exercise of power. Overzealous judicial intervention may dilute regulatory effectiveness, while excessive deference may weaken accountability. The evolution of jurisprudence under the Code will thus be critical in determining whether principle-based enforcement strengthens or destabilises market governance.

In conclusion, the Securities Markets Code, 2025 has the potential to significantly enhance market integrity and investor protection through a unified and adaptive enforcement framework. However, realising this potential requires careful calibration of regulatory discretion, transparent enforcement practices, and balanced judicial oversight. Without these elements, the shift towards principle-based regulation may introduce uncertainty that offsets its intended benefits.

CONCLUSION AND SUGGESTIONS

The proposed Securities Markets Code, 2025 represents a significant milestone in the evolution of securities regulation in India, reflecting a conscious shift towards consolidation, coherence, and principle-based governance. This research has demonstrated that the existing securities regulatory framework while instrumental in developing India's capital markets has become increasingly fragmented, rule-heavy, and difficult to navigate. The multiplicity of statutes and extensive subordinate legislation has resulted in compliance complexity, regulatory overlap, and limited adaptability in the face of rapid financial innovation. Against this backdrop, the Securities Markets Code, 2025 emerges as a timely legislative response aimed at modernising securities regulation.

The analysis reveals that consolidation under a unified Code has the potential to enhance regulatory clarity and efficiency by harmonising definitions, objectives, and enforcement powers within a single statute. Such unification can reduce interpretative ambiguity and compliance burden for market participants, thereby strengthening legal certainty and investor confidence. By anchoring securities regulation in a coherent statutory framework, the Code also provides clearer benchmarks for regulatory accountability and judicial review.

A defining feature of the proposed Code is its embrace of principle-based regulation. This shift is particularly relevant in contemporary securities markets characterised by technological disruption, complex financial instruments, and cross-border capital flows. Principle-based regulation allows regulators to focus on regulatory outcomes such as market integrity, transparency, and fairness rather than rigid rule compliance. The research finds that this approach can enhance regulatory responsiveness and reduce regulatory arbitrage, provided that principles are clearly articulated and consistently applied.

At the institutional level, the Securities Markets Code, 2025 significantly recalibrates the role of the Securities and Exchange Board of India. By consolidating SEBI's powers and responsibilities within a single statute, the Code strengthens supervisory and enforcement capacity while simultaneously increasing the importance of transparency, proportionality, and due process. However, expanded regulatory discretion also raises concerns regarding potential overreach and uncertainty. The success of the Code therefore depends on the development of robust internal governance frameworks, detailed regulatory guidance, and reasoned enforcement practices that translate broad principles into predictable standards.

Based on the findings of this study, several suggestions may be advanced. First, the implementation of the Securities Markets Code should be accompanied by comprehensive regulatory guidance and interpretative notes to provide clarity on the application of principles. Second, capacity-building within SEBI through training, institutional strengthening, and technological support is essential to ensure effective and consistent enforcement. Third, judicial and appellate bodies must adopt a calibrated approach to review, respecting regulatory expertise while safeguarding against arbitrary exercise of power. Finally, periodic review mechanisms should be incorporated to assess the functioning of the principle-based framework and allow for iterative refinement.

In conclusion, the Securities Markets Code, 2025 has the potential to usher in a more coherent, adaptive, and investor-centric regulatory regime for India's securities markets. While legislative consolidation and principle-based regulation offer significant advantages, their success ultimately depends on careful implementation, institutional maturity, and balanced oversight. If these conditions are met, the Code can play a transformative role in strengthening market integrity, enhancing investor protection, and supporting the sustainable growth of India's capital markets.

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