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Investor Protection and Enforcement under India's Securities Markets Code Bill, 2025: Deep Analysis and Comparative Study

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ABSTRACT

The Securities Markets Code Bill, 2025 (SMC), represents a big change in India's financial regulatory landscape, as it seeks to consolidate the SEBI Act, 1992, the Securities Contracts (Regulation) Act, 1956, and the Depositories Act, 1996 into a unified framework. This research paper will examine the bill's impact on investor protection. It will also provide a detailed analysis of its provisions and practical implications on enforcement. Moreover, the study highlights the bill's focus on structured disclosure obligations. Along with these come the rights of retail and institutional investors and grievance redressal mechanisms. All of these aspects are connected. Concepts like protections against fraud and market manipulation are also of deep concern for the bill. Whenever we talk about investor regulation, a special focus is necessary to be placed on SEBI's enhanced powers and procedures.

A comparative analysis with the United States and European Union frameworks underscores how the bill aligns with global practices. The paper further identifies implementation challenges like regulatory capacity constraints, investor awareness gaps and cross-border coordination issues. In response to these issues, practical policy recommendations such as AI based market surveillance and digital investor education platforms are proposed.

Overall, the bill represents a major step towards modernising India's capital markets. Part of the reason is the aim to enhance transparency and accountability. But how would we actually implement the bill effectively? It will require continuous policy refinement to support sustainable capital formation.

KEYWORDS: Securities Markets Code Bill, 2025, Investor protection, SEBI enforcement, Disclosure requirements, Market manipulation, Insider trading, Grievance redressal, Capital market regulation, Comparative analysis (U.S. & EU) and corporate governance.

INTRODUCTION

Why is the regulation of securities markets important? How is it related to investor confidence? How exactly is it beneficial for the country's economy? All these questions can be answered with the features of our modern financial systems that exist today. In India, the securities regulatory framework has evolved increasingly since the early post-independence era, but it has also faced growing challenges over time due to regulatory fragmentation and overlapping statutes. Such fragmentation and overlapping stand as a limitation to any code that is created for securities' protection. Nevertheless, if we talk about the past, then the legislative architecture governing capital markets was built mainly around three distinct laws: the Securities Contracts (Regulation) Act, 1956 (SCRA), the Securities and Exchange Board of India (SEBI) Act, 1992, and the Depositories Act, 1996.[1] While each has played an integral role in shaping today's market discipline, their separate and sometimes contradictory provisions continue to strain clarity on interpretation. Indeed, this has led to complex enforcement challenges in the country. Therefore, the need for a unified and modern regulatory framework became more urgent as investor participation was increasing constantly.

Against this backdrop, the Securities Markets Code Bill, 2025 ('The Bill' hereinafter)[2] was introduced in the Lok Sabha on 18 December 2025 as a statutory code with an objective to consolidate and replace all of these acts into a single framework that has some coherency.[3]

Additionally, it was formally tabled as part of the Government of India's broader effort to rationalise such regulation and foster both investor protection and ease of doing business.[4] It is suitable for the 21st-century capital market environment, as such a milestone legislative effort.[5]

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[1] *How proposed Securities Markets Code Bill 2025 sets to consolidate securities laws, Indian Express (Feb. 2, 2026), https://indianexpress.com/article/explained/explained-economics/securities-markets-code-smc-bill202510430118/.*

[2] *The Securities Market Code bill, 2025.*

[3] *Securities Markets Code Bill 2025: All you need to know about FM Sitharaman's proposal, The Economic Times (Dec. 2, 2026), https://economictimes.indiatimes.com/markets/stocks/news/fm-sitharaman-presentssecuritiesmarkets-code-bill-2025-heres-everything-you-need-to-know/articleshow/126054670.cms.*

[4] *"Securities Markets Code Bill 2025 introduced in Lok Sabha," Business Standard (Dec. 18, 2025), https://www.business-standard.com/markets/capital-market-news/securities-markets-code-bill-2025introducedin-lok-sabha-125121800649_1.html.*

[5] *Id.*

At its core, the Bill seeks to tackle two perennial issues that have shaped securities law globally: investor protection and effective enforcement. Investor protection is a fundamental objective of all the countries, not just India. Part of the reason is that weak safeguards can undermine the oneness of the whole market chain.[67] Also, impact of falling capital in the market is not difficult to imagine. Research in financial regulation suggests that investor protection tools play a central role in reducing information asymmetry as well.[8] This further allows the reduction of risks of fraud and ensures a stable market.[9] Traditionally, India's SEBI (Securities and Exchange Board of India) has been entrusted with protecting investors' interests through means.[10] This is reflected majorly, for instance, in company law.

We have observed the regulation of intermediaries and promotion of fair market practices being initiated by SEBI.[11] The SEBI Act was enacted in response to systemic market frauds and institutionalised SEBI's investor-protection mandate.[12] However, distributed authority across multiple Acts meant that investor protection norms and enforcement tools remained spread across different sections of law.[13] Unfortunately, this led to complex interpretations and enforcement challenges for investors and organisations.

At the same time, the Bill addresses these issues by embedding investor protection within the statutory code itself, which includes provisions for an investor charter.[14] Does the market know that even an ombudsperson framework is empowered to redress investor complaints in a time-bound manner? Such statutory features did not exist in the same manner in the previous regime.[15] These measures signal a recognition that protecting investors requires not just

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[6] *International Organization of Securities Commissions, Objectives and Principles of Securities Regulation 4 (Apr.*

[7] *), https://www.iosco.org/library/pubdocs/pdf/ioscopd265.pdf.*

[8] *Rafael La Porta et al., Law and Finance, 106 J. Pol. Econ. 1113, 1115–16 (1998).*

[9] *Id.*

[10] *Securities and Exchange Board of India Act, 1992, § 11(1).*

[11] *Securities and Exchange Board of India Act, No. 15 of 1992, §§ 11(2)(b), 11(2)(e).*

[12] *Id.*

[13] *Fin. Sector Legis. Reforms Comm'n, Report, Volume I: Analysis and Recommendations 23–28 (Mar. 2013).*

[14] *Securities Markets Code Bill, 2025, Statement of Objects and Reasons, Lok Sabha Bill No. 200 of 2025 (India).*

[15] *Securities Markets Code Bill, 2025; Securities and Exchange Board of India Act, No. 15 of 1992, § 11; Sec. & Exch. Bd. of India, SEBI Complaints Redress System (SCORES).*

regulatory guidance but clear legal backing. According to Indian financial commentators, integrating explicit investor-centric provisions into primary legislation enhances the rights and remedies above administrative directions.[16] Therefore, such a step by the government is to be appreciated in light of the advantages and convenience.

In addition to this, the Bill regulates enforcement by simplifying procedural pathways. It has also introduced clear timelines for investigations and interim orders.[17] The Bill reclassifies minor procedural violations as civil contraventions subject to monetary penalties.[18] However, it has retained strict punitive instruments for serious offences such as market abuse and insider trading.[19] These procedural aspects are examined in detail in subsequent sections.

Concludingly, the cascading effects of technological change and cross-border capital flows have made it imperative for regulators to ensure that domestic laws are not only internally coherent but also globally aligned. Understanding these dimensions is vital not only for academics and policymakers but also for market participants who are seeking clarity. Thus, this paper has an objective of determining the suitability of the Bill through comparison and compliance.

This paper argues that while the Securities Markets Code Bill represents a significant reform, its success will depend less on statutory architecture and more on institutional enforcement capacity and coordination.

LITERATURE REVIEW AND BACKGROUND

Academic inquiry never left the topic of securities and its regulation. The question remains the same: Why are robust legal frameworks essential for investor protection and capital markets? At a foundational level, securities laws serve to reduce information asymmetry or inconsistency that fosters investor confidence.[20] Behera's work on capital markets underscores these core

[16] *Fin. Sector Legis. Reforms Comm'n, Report, Volume I: Analysis and Recommendations 41–45, 63–66 (Mar. 2013).*
[17] *The Bill, Chapter III.*
[18] *The Bill, Chapter XIII.*
[19] *Id.*

[20] *George A. Akerlof, The Market for "Lemons": Quality Uncertainty and the Market Mechanism, 84 Q.J. Econ. 488, 488–500 (1970).*

objectives as it notes that securities regulation "promotes fair practices, safeguards investor interests, and maintains market integrity" by setting disclosure obligations and standards of conduct for market participants.[21]

Historically, the Securities Contracts (Regulation) Act, 1956 (SCRA) was among the country's earliest statutes designed to curb undesirable transactions and regulate the trading activities of stock exchanges.[22] Subsequently, the Securities and Exchange Board of India (SEBI) Act, 1992[23], established SEBI as the primary regulator of Indian securities markets in the aftermath of the Harshad Mehta scam.[22] This situation explicitly empowers it "to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market."[24] Furthermore, the Depositories Act, 1996, modernised the regime by legalising electronic maintenance of ownership records.[25] Many economists consider it a critical step towards dematerialisation and efficient post-trade processes.[26] Although each statute contributed to regulatory development, scholars and practitioners have long pointed out that fragmentation across multiple laws created redundancies and interpretative challenges.[27]

A frequently cited example of this fragmentation can be seen in the regulation of market manipulation and fraudulent trading practices. Overlapping provisions across statutes often led to interpretative uncertainty in understanding such criminal tendencies. For instance, while the SEBI Act empowered the regulator to prohibit fraudulent and unfair trade practices, the SCRA simultaneously governed the validity and regulation of contracts in securities traded on

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[21] *Samriddha Krishna Behera, An Overview of Capital Markets and Securities Laws: Understanding the Fundamentals, Journal of Capital Market and Securities Law, Vol. 6 No. 1 (2023).*

[22] *The Securities Contracts (Regulation) Act, 1956, No. 42 of 1956, Acts of Parliament, 1956 (India).*
[23] *The Securities and Exchange Board of India Act, 1992, No. 15 of 1992, § 3, Acts of Parliament, 1992 (India).*
22 Sahara India Real Estate Corp. Ltd. v. SEBI, (2013) 1 S.C.C. 1, ¶¶ 9–13 (India).

[24] *The Securities and Exchange Board of India Act, 1992, No. 15 of 1992, § 11(1), Acts of Parliament, 1992 (India).*
[25] *The Depositories Act, 1996, No. 22 of 1996, §§ 9–10, Acts of Parliament, 1996 (India).*

[26] *Umakanth Varottil, The Evolution of Securities Regulation in India, 33 Nw. J. Int'l L. & Bus. 1 (2012).*
[27] *Id.*

recognised stock exchanges.[282930] This contradiction caused multiple confusions in the market. In practice, this resulted in situations where similar misconduct, such as price rigging or circular trading, could be addressed under multiple statutory routes.[29]

Furthermore, questions about the appropriate source of regulatory authority and the extent of SEBI's powers were raised. Judicial decisions in cases such as SEBI v. Rakhi Trading Pvt. Ltd. illustrate how courts were repeatedly required to harmonise provisions from different statutes to uphold enforcement actions.[30] This multiplicity not only complicated compliance for market participants but also prolonged enforcement proceedings, as entities frequently challenged SEBI's jurisdiction on technical statutory grounds rather than on the merits of the misconduct itself.

The literature on legal consolidation done by the Bill suggests that unified frameworks can enhance legal certainty, especially in jurisdictions experiencing rapid market growth and technological change. In India's case, the Bill not only repeals the earlier statutes but also restructures regulatory functions.

The Bill highlights its dual emphasis on investor protection and streamlined compliance. For instance, the incorporation of an investor charter and enhanced grievance redressal mechanisms within the Bill reflects a growing consensus in regulatory scholarship that investor rights must be embedded in primary legislation, rather than subsisting solely in subordinate rules or regulatory guidelines. [31] Additionally, the move to classify contraventions into distinct categories like civil violations and market abuse with elevated penalties aligns with global trends.[32]

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[28] *The Securities and Exchange Board of India Act, 1992, No. 15 of 1992, §§ 11, 11B, 12A, Acts of Parliament,*
[29] *(India); The Securities Contracts (Regulation) Act, 1956, No. 42 of 1956, §§ 13, 16–17, Acts of Parliament,*

[30] *(India); Sahara India Real Est. Corp. Ltd. v. Sec. & Exch. Bd. of India, (2013) 1 S.C.C. 1, ¶¶ 292 –303 (India).*
[29] *The Securities and Exchange Board of India Act, 1992, No. 15 of 1992, § 12A, Acts of Parliament, 1992 (India).*
[30] *Sec. & Exch. Bd. of India v. Rakhi Trading Pvt. Ltd., (2018) 13 S.C.C. 753 (India).*
[31] *Rafael La Porta et al., Law and Finance, 106 J. Pol. Econ. 1113 (1998); Int'l Org. of Sec. Comm'ns, Objectives and Principles of Securities Regulation (2017).*

[32] *Julia Black, The Rise, Fall and Fate of Principles Based Regulation, LSE Law, Society & Economy Working Papers 17/2008.*

Research in international contexts, like the analysis of EU directives aimed at reducing market abuse, suggests that effective enforcement enhances compliance and market confidence by signalling regulatory resolve.[33] Similarly, scholarly work like that done by Rafael La Porta on investor protection shows that stronger legal safeguards can influence the risk-taking behaviour of financial intermediaries.[34] All these insights are useful.

The literature also identifies challenges associated with such sweeping reforms. What about those jurisdictions where legacy statutes have generated established case law and interpretative norms? Critics have noted that implementation will require extensive subordinate legislation and capacity building within regulatory institutions.[35] Therefore, this paper covers challenges posed by the bill.

OVERVIEW OF THE SECURITIES MARKETS CODE BILL, 2025

Introduced by the Finance Minister, the Bill aims to simplify compliance and bring India's securities regulation more in line with global best practices.[36] Global practices reflect different strategies and structure to secure the investors.

One of the most striking features of the Bill is its emphasis on strengthening the governance and operational capacity of SEBI, as it still remains the principal regulator under the new Bill.[37] The Bill proposes to expand SEBI's Board from the current nine members to a maximum of fifteen.[38] Analysis would also prompt that this is to allow for broader expertise and stronger oversight of regulatory functions. Moreover, board members will be required to disclose any direct or indirect financial interests and recuse themselves from deliberations where conflicts arise.[39] The interests would also include family members.[36] Furthermore, the government is empowered to remove a Board member if their interests undermine public confidence or

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[33] *Regulation (EU) No 596/2014, 2014 O.J. (L 173) 1, recs. 2–3.*
[34] *Rafael La Porta, Supra Note 31.*
[35] *Howell E. Jackson & Mark J. Roe, Public and Private Enforcement of Securities Laws: Resource-Based Evidence, 93 J. Fin. Econ. 207 (2009).*

[36] *The Code, Supra Note 13.*
[37] *Int'l Org. of Sec. Comm'ns, Supra Note 31.*
[38] *Securities Markets Code Bill, 2025, Bill No. 200 of 2025, § 4 (India).*

[39] *Id.*

compromise official functions. It may be so to reinforce accountability and integrity in regulatory decision-making or not.[40] Such compliance-related regulations go in the favour of the investors.

The Bill also introduces transparent and consultative rule-making processes. This is pursued by requiring regulatory proposals and subordinate rules.[41] Moreover, guidelines subjected to public consultations with clear statements of objectives and expected impacts would also be better. In a way, this shift also reflects a commitment to predictability as it reduces uncertainty for market participants.

Nevertheless, the Bill adopts a calibrated enforcement structure by distinguishing between civil contraventions and criminal offences. The procedural and technical non-compliances are largely subject to monetary penalties through adjudication.[42] At the same time, serious misconduct like market abuse and insider trading continues to attract stringent sanctions like criminal liability.[40]

Under the Bill, there is an outer limitation period of eight years for initiating enforcement proceedings in respect of contraventions.[43] This is a statutory limitation intended to prevent indefinite regulatory overhang on market participants.

However, while the introduction of an eight-year limitation period enhances legal certainty and prevents perpetual regulatory exposure, it may also generate complex enforcement trade-offs in cases involving sophisticated financial misconduct. Large-scale securities fraud or layered cross-border manipulations often unfold gradually and are detected only after extended forensic investigation. In such cases, artificial price inflation or offshore fund routing may not become evident within a conventional limitation window.

The concern is particularly acute for “long-tail” financial crimes, where the economic harm manifests years after the original misconduct. If the limitation period begins running from the date of the contravention rather than from the date of discovery, sophisticated actors may

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[40] *Securities Markets Code Bill, 2025, Bill No. 200 of 2025, [Removal clause].*

[41] *Securities Markets Code Bill, 2025, Bill No. 200 of 2025, [Power to make regulations – consultation clause].*

[42] *Securities Markets Code Bill, 2025, Bill No. 200 of 2025, [Penalties and Adjudication provisions]. 40 Id.*

[43] *Securities Markets Code Bill, 2025, Bill No. 200 of 2025, [Limitation provision].*

strategically delay detection through complex structuring. This could risk shielding serious violations that surface beyond the statutory window.

Comparative experience also illustrates this tension. In the United States, the Securities Exchange Act allows certain enforcement actions within five years under federal limitation principles, yet courts have distinguished between civil penalties and equitable remedies such as disgorgement, with ongoing judicial debate about discovery rules and continuing violations. Similarly, European enforcement under the Market Abuse Regulation permits Member States to structure limitation regimes that account for delayed detection in complex cases.

Accordingly, the effectiveness of the Bill's limitation framework will depend on how "cause of action" is interpreted. This is tested either rigidly from the date of violation or flexibly from the date of discovery in cases involving concealment. Without doctrinal clarity, the limitation provision may inadvertently weaken deterrence in precisely those cases that pose systemic risk.

Anyhow, the Bill introduces greater procedural structuring of investigative and interim powers, including requirements that regulatory action be reasoned and subject to temporal safeguards. This reduces the risk of prolonged uncertainty for market participants. The Bill maintains a functional separation between investigative functions and adjudicatory authority by assigning inspections and investigations to designated officers, while vesting penalty determination in an Adjudicating Officer.[44] This structural separation is intended to reduce risks of adjudicatory bias.

Nonetheless, we should not forget that the core objective of the Bill, i.e., investor protection, has been significantly strengthened through legislative backing of mechanisms that were previously embodied mainly in regulatory norms. For instance, the Bill mandates that SEBI specify an Investor Charter.[47] What is an Investor Charter? It simply refers to a formal document that outlines the core investor rights and the standards of service expected of regulated entities.[45] It also introduces a comprehensive grievance redressal framework: investors will first seek satisfaction through the internal processes of market service providers

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[44] *Securities Markets Code Bill, 2025, Bill No. 200 of 2025, [Investigation provisions], [Adjudication provisions].* [47] *Securities Markets Code Bill, 2025, Bill No. 200 of 2025, § 71.*

[45] *Securities & Exchange Board of India, Circular No. SEBI/HO/OIAE/IGRD/CIR/P/2021/601, Investor Charter for Stock Brokers (July 23, 2021).*

or the issuer. The ombudsperson framework is also valuable. Consider, for example, a retail investor who does not receive allotted shares despite successful payment during an initial public offering due to an intermediary's operational error. Under traditional mechanisms, the investor might have to approach multiple entities like the broker, registrar, stock exchange, and potentially the Securities Appellate Tribunal. This would, unfortunately, result in delays. At the same time, an Ombudsperson framework will provide a single window empowered to not only examine documentation followed by hearing both parties, but also issue binding directions within a prescribed timeline.

The Bill also gives statutory recognition to an Investor Protection and Education Fund, which can be used for restitution as well as financial literacy initiatives.[46] Additionally, SEBI is empowered to establish a Regulatory Sandbox that enables innovative financial products and services to be tested in a controlled and time-bound environment under regulatory supervision.[47] It is beneficial as this encourages responsible innovation while managing systemic risks. The Bill also provides a framework for inter-regulatory cooperation. This strategy facilitates clearer roles and enhanced coordination between SEBI and other financial regulators when instruments or activities span multiple regulatory domains.[51] Profitably, such coordination could also ease processes like listing of cross-regulated instruments and improve oversight of market infrastructure institutions (e.g., exchanges, depositories, and clearing corporations).

As we have seen multiple advantageous features of the Bill, let us not ignore the structural simplification aspect. It is another central benefit. By eliminating redundant provisions and harmonising statutory definitions, the Bill addresses interpretative conflicts that frequently arose under the legacy mix of laws.[4847] For example, compliance obligations that previously differed between trading rules and listing requirements will now be interpreted consistently within the single statutory spine. Therefore, there are multiple advantages of the Bill, that come along with some inevitable limitations.

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[46] *Securities Markets Code Bill, 2025, Bill No. 200 of 2025, § [Investor Protection and Education Fund provision].*
[47] *Securities Markets Code Bill, 2025, Bill No. 200 of 2025, § [Innovation / Regulatory Sandbox provision].* [51] *Securities Markets Code Bill, 2025, Bill No. 200 of 2025, § [Inter-regulatory cooperation provision].*

[48] *Securities Markets Code Bill, 2025, Bill No. 200 of 2025, § [Repeal and Savings clause].* 47 *Louis Loss, Joel Seligman & Troy Paredes, Securities Regulation 33–36 (6th ed. 2019).*

INVESTOR PROTECTION MECHANISMS UNDER THE BILL

A. Disclosure requirements for issuers

Why is disclosure necessary? Disclosure requirements enable investors to make informed decisions and assess risks accurately.[53] Disclosure protects retail investors who lack informational access.[49] The Bill seeks to reinforce this critical protection by anchoring issuer disclosure obligations.[50]

Under Clause 65 of the Bill, SEBI is explicitly empowered to specify listing and disclosure requirements for issuers.[51] This provision marks a shift from the earlier regime, where disclosure norms were scattered across multiple statutes and subordinate regulations.

Although the Bill itself does not list every specific disclosure item, it provides a statutory canvas on which SEBI's detailed regulations will operate.[51] This regulatory layering is similar to international practice, where core statutory mandates are fleshed out through rules and regulations.[52] Therefore, this aspect is of no great worry for now.

Furthermore, in the context of initial offerings and rights issues, SEBI's existing Issue of Capital and Disclosure Requirements (ICDR) Regulations, 2018, illustrate how detailed disclosure regimes operate in practice.[53] The latest amendments require issuers to disclose pre-IPO placements and all securities transactions by promoters and promoter groups within 24 hours.[54] Beyond offer documents, ongoing and continuous disclosures are typically governed by SEBI's Listing Obligations and Disclosure Requirements (LODR) regulations.[55] It imposes obligations

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[49] *Id.*

[50] *Securities Markets Code Bill, 2025, Bill No. 200 of 2025, §§ [Public Issue provisions], [Listing and Disclosure provisions].*

[51] *Securities Markets Code Bill, 2025, Bill No. 200 of 2025, cl. 65. 51*
Id.

[52] *Securities Regulation, Supra Note 53.*

[53] *Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, No. SEBI/LAD-NRO/GN/2018/32 (Sept. 11, 2018), Gazette of India, Extraordinary, Part III, Section 4.*

[54] *Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2025, Regulation 54.*

[55] *Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Gazette of India, Extraordinary, Part III, Section 4 (Sept. 2, 2015).*

on listed entities to promptly disclose material events and other information related to shareholding patterns.[56]

The Bill's approach also encompasses governance-related disclosures. While the primary statutory text is broad, it mandates SEBI to specify norms for issuer disclosures that include not only financial data but also data related to governance practices like board composition, conflicts of interest, etc.[57]

Prior studies in securities regulation suggest that when disclosure obligations have strong statutory backing, regulatory enforcement becomes more effective because courts and tribunals can interpret compliance failures directly against the primary law rather than through a patchwork of regulations.[58] This legal clarity is likely to contribute to faster adjudication of disputes.

B. Rights of retail and institutional investors

Another vital aspect is the rights of retail and institutional investors. The Bill places heavy focus on recognising that the functioning of capital markets depend on the confidence of all participants.

For retail investors, the Bill codifies rights that promote transparency in an effective manner. The statutory requirement for an Investor Charter ensures that all retail participants are informed of their rights and of intermediaries' obligations.[59] In addition, grievance redressal mechanisms and complaint-resolution timelines are also included in the same list.[60] Retail investors are entitled to receive pre-offer disclosures in initial public offerings, rights issues, or other capital-raising instruments like detailed financial statements, risk factors, promoter commitments, and any ongoing litigation that may affect investment outcomes.[61] These rights are complemented by continuous disclosure obligations for listed entities. It also requires

[56] *Id.*

[57] *The bill, cl. 65.*

[58] *Rafael La Porta, Supra Note 31.*

[59] *The bill, cl. 71.*

[60] *The bill, cls. 72-74. 61*

The bill, cl. 65.

prompt notification of material events such as corporate actions and financial performance.[61] By embedding these protections in the Bill, retail investors gain legal recourse in cases where issuers or intermediaries fail to provide timely or accurate information.

For institutional investors, the Bill ensures that they receive detailed disclosures on governance practices, as this will enable them to fulfil fiduciary duties toward their beneficiaries.[62] The Bill mandates that issuers provide timely access to financial statements and related party transactions as well. Additionally, the Bill facilitates institutional investors' participation in shareholder meetings with proxy voting and engagement with issuers on issues of strategic importance. In addition, this also aligns with global norms such as the U.S. Securities Exchange Act and the EU Shareholder Rights Directive.[63]

It is known that SEBI is required to act on complaints of market abuse and fraudulent activities in a time-bound manner.[64] So, investors are further protected through limitations on enforcement timelines and procedural safeguards.

C. Protection against fraud, market manipulation, and insider trading

India's capital market history, including episodes such as the Harshad Mehta scam of the early 1990s, has marked the importance of robust legal and regulatory safeguards against various kinds of malpractices.[65] Under the Bill, fraudulent and manipulative activities are broadly defined.[66] These definitions encompass acts that deceive investors or create artificial market prices. Even misrepresentation of financial conditions and impairment of fair market functioning are covered. The Bill empowers SEBI to initiate investigations and impose civil and administrative penalties. In severe cases, it may refer matters for criminal prosecution.[67] When scholars talk about insider trading, they always label it as a critical concern. Insider

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[61] *Id.*

[62] *Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, regs. 17–27, SEBI (Sept. 2, 2015).*

[63] *Securities Exchange Act of 1934 § 13(a), 15 U.S.C. § 78m(a); Directive 2007/36/EC of the European Parliament and of the Council, 11 July 2007.*

[64] *Securities and Exchange Board of India Act, 1992, §§ 11(1), 11(4), 11C, No. 15 of 1992.*

[65] *Vijay C. Bhatt, Indian Securities Market: Regulation and Development (Sage Publications 1996).*

[66] *The bill, Chapter XII.*

[67] *The bill, Chapter XIII.*

trading is defined as the use of unpublished price-sensitive information (UPSI) by insiders or connected persons to gain an unfair advantage in trading.[68] The Bill prohibits the same. It also establishes liability for both individuals and corporate entities.

ENFORCEMENT FRAMEWORK UNDER THE BILL

A. Powers of SEBI under the Bill

As already covered, SEBI is empowered to conduct market-wide surveillance and inspections of various parties (like issuers, intermediaries, stock exchanges, and depositories). Its powers extend to not only accessing records and accounts but also the electronic data that is maintained by intermediaries on behalf of clients.[69]

SEBI is also empowered to issue directions for interim measures such as freezing assets or suspending trading.[71] It can also restrain market participants from undertaking specified activities. Interestingly, these directions can be issued on prima facie findings of violations.[70] Additionally, SEBI may coordinate with other domestic regulators and enforcement agencies (like the Reserve Bank of India, the Ministry of Corporate Affairs, and the Enforcement Directorate) in cases involving complex and cross-domain violations.[71] This is the wide ambit of powers provided to SEBI.

B. Comparison with pre-2025 enforcement provisions

Before the Bill, SEBI had powers to investigate and issue orders. However, the lack of consolidation led to overlapping authority and procedural ambiguities. For example, inspection powers under SCRA could extend indefinitely for certain cases, while SEBI Act provisions were sometimes interpreted differently across intermediaries and listed companies.[72]

Adjudication under the pre-2025 system was similarly fragmented. Minor infractions and fraudulent practices were governed under different statutes with inconsistent penalties and

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[68] *Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, reg. 2(1)(i), 2(1)(g).*
[69] *Supra Note 10. 71*
Id.
[70] *Securities and Exchange Board of India Act, 1992, § 11(4), No. 15 of 1992.*

[71] *Supra Note 10, 78.*
[72] *Securities Contracts (Regulation) Act, 1956, § 18; Securities and Exchange Board of India Act, 1992, § 11C.*

processes.[73] Investigative officers often served dual roles, both collecting evidence and adjudicating violations.[74] Additionally, appeals were limited to the Securities Appellate Tribunal or the courts.[75]

In contrast, the Bill has solved this major issue. Civil penalties are clearly distinguished from criminal sanctions now, and interim measures are statutorily sanctioned. Moreover, appellate processes are clarified, with a structured path from SEBI adjudication to the Appellate Tribunal and finally, the Supreme Court on questions of law.

COMPARATIVE ANALYSIS (U.S. FRAMEWORK)

The United States has one of the most developed and sophisticated regulatory frameworks for securities markets. Thus, it is often regarded as a benchmark for investor protection and market integrity worldwide. The U.S. system is anchored in the Securities Act of 1933[76] and the Securities Exchange Act of 1934, which collectively establish comprehensive rules.[77] These rules govern disclosure and enforcement. The Securities and Exchange Commission (SEC) serves as the principal regulator that oversees public offerings and investor protections.[78] Comparing the U.S. framework with the Bill offers insights into global best practices and highlights areas where the Indian system has been modernised to align with international standards.

1. Disclosure Requirements:

The cornerstone of U.S. investor protection is full and fair disclosure. Under the 1933 Act, issuers of securities must file registration statements and prospectuses with the SEC.[79] Within that, they must detail the financial condition and business operations.[80] Continuous disclosure

[73] *Rakhi Trading case, Supra Note 30.*

[74] *Id.*

[75] *Id.*

[76] *Securities Act of 1933, Pub. L. No. 73-22, 48 Stat. 74 (1933).*

[77] *Securities Exchange Act of 1934, Pub. L. No. 73-291, 48 Stat. 881 (1934).*

[78] *U.S. Securities & Exchange Commission, About the SEC, https://www.sec.gov/about.shtml.*

[79] *Securities Act of 1933, Pub. L. No. 73-22, 48 Stat. 74 (1933) (codified as amended at 15 U.S.C. §§ 77a–77aa).*

[80] *Id.*

obligations under the 1934 Act require issuers to submit periodic reports as well.[81] These reports include annual reports (Form 10-K), quarterly reports (Form 10-Q), and current reports (Form 8-K) for material events.[82] This dual-layer disclosure system ensures that investors have access to timely and accurate information to make informed decisions. Similarly, the Bill codifies statutory disclosure obligations for issuers that require pre-offer information and continuous disclosures.[83] Thus, it aligns India's approach with the U.S. emphasis on transparency and information symmetry.

2. Enforcement Powers:

The U.S. SEC has extensive powers to investigate and enforce securities laws.[84] It includes subpoena authority to demand documents and testimony, along with the ability to conduct inspections of brokers and issuers.[85] Also, it has emergency powers to suspend trading or freeze assets.[86] Civil, administrative and criminal penalties are easily available. The Department of Justice handles criminal prosecution.[87] The Bill similarly grants SEBI broad investigatory powers and time-bound inspections. Both frameworks are ensuring proactive and preventive enforcement.

3. Market Abuse and Insider Trading:

In the U.S., insider trading is prohibited under Section 10(b) of the 1934 Act and SEC Rule 10b-5.[88] This targets the use of material non-public information for personal gain.[89] The SEC has consistently pursued civil and administrative enforcement against insider trading. Market

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[81] *Securities Exchange Act of 1934, Pub. L. No. 73-291, 48 Stat. 881 (1934) (codified as amended at 15 U.S.C. §§ 78a–78pp); see 17 C.F.R. §§ 240.13a-1, 240.13a-13, 240.13a-11.*

[82] *Id.*

[83] *The bill, Chapter IV.*

[84] *About the SEC, Supra Note 86.*

[85] *Securities Exchange Act of 1934, Pub. L. No. 73-291, 48 Stat. 881 (1934) (codified as amended at 15 U.S.C. §§ 78a–78pp) §§ 17, 17A, 20(a), 21(a).*

[86] *Id, §§ 12(k), 21C, 21(d), 21(e).*

[87] *U.S. Dep't of Justice, Securities and Commodities Fraud, https://www.justice.gov.*

[88] *Securities Exchange Act of 1934, Pub. L. No. 73-291, 48 Stat. 881 (1934) (codified as amended at 15 U.S.C. §§ 78a–78pp) (§ 10(b)); 17 C.F.R. § 240.10b-5.*

[89] *Id.*

manipulation and fraud are similarly regulated. The Bill codifies these protections by defining insider trading and market manipulation while establishing tiered penalties.[90] By integrating these safeguards into primary legislation, India mirrors the U.S. approach of legally enforceable deterrents.

4. Investor Grievance Redressal:

While the U.S. system emphasises disclosure and enforcement, it also provides mechanisms for investor complaints. The SEC's Office of Investor Education and Advocacy and the Financial Industry Regulatory Authority (FINRA) offer such dispute resolution services.[91] Retail and institutional investors can report misconduct and request assistance.[92] The Bill similarly establishes statutory grievance mechanisms, including the Ombudsperson and Investor Protection Fund.[93]

While the Indian Bill aligns with the U.S. framework in terms of statutory disclosure and enforcement powers, a structural distinction remains in enforcement aggressiveness and private litigation mechanisms. The U.S. system operates within a highly adversarial enforcement culture, where the SEC frequently initiates high-profile actions and where parallel private securities class actions play a central deterrent role. India's framework, by contrast, remains predominantly regulator-driven. The Bill strengthens SEBI's statutory authority, yet it does not create an equivalent ecosystem of private enforcement through investor class actions comparable to those under Rule 10b-5 litigation in U.S. federal courts. This distinction is significant. In the United States, private plaintiffs often supplement regulatory enforcement, increasing deterrence through reputational and financial consequences.

India's reliance on public enforcement may enhance administrative coherence but may also limit the multiplicity of accountability channels that characterise the U.S. model. The question therefore arises whether statutory strengthening alone can replicate the deterrent ecosystem created by combined public and private enforcement.

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[90] *The bill, Chapter XII.*

[91] *U.S. Securities & Exchange Commission, Office of Investor Education and Advocacy, https://www.sec.gov/oiea.*

[92] *Id.*

[93] *The bill, Chapter X.*

COMPARATIVE ANALYSIS (EU FRAMEWORK)

The European Union (EU) has also developed a comprehensive architecture for securities markets. Unlike a single national statute, the EU framework consists of regulations and directives that are implemented across Member States but with uniform application in many areas through directly applicable law.[94] Two core elements of the EU regime are the Market Abuse Regulation (MAR) and the Markets in Financial Instruments Directive II (MiFID II).[95]

The objective to maintain and ensure accountability was especially reinforced after the 2008 financial crisis, when gaps in supervision and cross-border regulation became apparent.[96] As part of this effort, the EU has layered disclosure and enforcement standards that operate across national boundaries.

1. Disclosure and Transparency Requirements

Investor protection in the EU begins with robust disclosure standards embedded in several regulatory instruments. Under the EU Prospectus Regulation, issuers making public offers of securities or seeking admission to trading on regulated markets must prepare a prospectus containing comprehensive financial and business information.[97] This is a prerequisite for investor decision-making. Once a prospectus is approved by a competent authority in one Member State, it is valid across all Member States under the EU's passport mechanism.[98]

Complementing prospectus rules are disclosure and transparency obligations for listed entities that include regular financial reporting and immediate disclosure of material information.[99] The EU's Transparency Directive also harmonises minimum information duties across Member

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[94] *Niamh Moloney, EU Securities and Financial Markets Regulation (4th ed. 2020).*

[95] *Niamh Moloney & Alison Russo, The EU Regulatory Framework for Financial Markets: MAR, MiFID II and Beyond, 29 Eur. Bus. L. Rev. 111 (2018).*

[96] *Niamh Moloney, EU Securities and Financial Markets Regulation 12–15 (4th ed. 2020).*

[97] *European Securities and Markets Authority (ESMA), Prospectus Guidelines for EU Issuers (2023).*

[98] *Id.*

[99] *Directive 2004/109/EC of the European Parliament and of the Council on the Harmonisation of Transparency Requirements, 2004 O.J. (L 390) 38, as amended by Directive 2013/50/EU.*

States, seeking a uniform baseline for periodic reporting.[100] Together, a continuous flow of material information is ensured. This is a principle that aligns well with similar aims under the Bill.

2. Market Integrity and Abuse Regulations

For enforcement against market abuse, the EU relies predominantly on the Market Abuse Regulation.[101] MAR establishes a single rulebook applicable across the entire EU and covers financial instruments traded on regulated markets. The coverage extends to multilateral trading facilities (MTFs) and organised trading facilities (OTFs).[110] Its purpose is to ensure market integrity and protect investors by preventing abusive practices regardless of where within the EU they occur.

Under MAR, insider trading and market manipulation are prohibited and subject to sanctions.[102] It also requires issuers to disclose inside information publicly and promptly, removing information asymmetry that might disadvantage ordinary investors.[103] MAR's broad scope extends to derivative markets and commodities where prices are linked to regulated financial instruments. Here, it reflects the EU's intent to capture newer instruments and complex trading strategies within its anti-abuse regime.

To complement MAR, the Market Abuse Directive (MAD) is now integrated with criminal sanctions. However, it requires Member States to establish criminal penalties for serious abuse offences.[104] In practice, enforcement under MAR and related rules is carried out by National Competent Authorities (NCAs) in each Member State.[105] They get guidance and oversight from the European Securities and Markets Authority (ESMA).

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[100] *Id.*

[101] *European Securities and Markets Authority (ESMA), Market Integrity under the Market Abuse Regulation (MAR) (2026).* [110] *Id.*

[102] *European Securities and Markets Authority (ESMA), Market Abuse Regulation (MAR) Overview.*

[103] *Id.*

[104] *Niamh Moloney, EU Securities and Financial Markets Regulation 115–118 (4th ed. 2020).*

[105] *European Securities and Markets Authority (ESMA), MAR Enforcement and NCA Coordination (2023).* [115] *Niamh Moloney & James Payne, MiFID II: Investor Protection and Transparency in EU Financial Markets, 54 Common Mkt. L. Rev. 1215, 1225–40 (2017).*

3. Investment Services Regulation (MiFID II)

Beyond market abuse, the Markets in Financial Instruments Directive II (MiFID II) plays a pivotal role in protecting investors. This is pursued by regulating investment firms and trading venues. MiFID II extends pre- and post-trade transparency that mandates best execution principles (requiring firms to act in investors' best interests when executing orders).[115] We can conclude that all mechanisms are geared toward reducing conflicts of interest.

4. Enforcement Mechanisms and Investor Remedies

It is well known that EU enforcement is characterised by decentralised implementation with harmonised standards. While NCAs (such as BaFin in Germany, AMF in France, or FCA under UK law historically) take action on violations within their territories, ESMA facilitates coordination to avoid regulatory arbitrage and maintain consistency in sanctions and rulings.[106] A similar kind of method is pursued by the Bill.

5. Comparative Insights

Compared to the Bill, the EU framework is more multi-layered and integrated across multiple jurisdictions. MAR's single rulebook and MiFID II's investor protection principles create a coherent regime that operates across borders. This comes in contrast to India's national Code that applies within a single jurisdiction but integrates similar principles of disclosure. Nevertheless, both frameworks prioritise investor protection and market integrity. However, the EU is characterised by the problem of complex structures of laws.

A deeper structural distinction emerges when comparing institutional architecture. The EU framework operates through supervisory convergence mechanisms coordinated by ESMA, which promotes harmonised enforcement standards across Member States. Although enforcement remains decentralised through National Competent Authorities, regulatory consistency is strengthened through peer review. Other processes involve binding technical standards and cross-border supervisory coordination.

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[106] *MAR Enforcement and NCA Coordination, Supra Note 114.*

India's framework, in contrast, is nationally centralised under SEBI. While this avoids the coordination complexities inherent in the EU's multi-jurisdictional system, it also lacks a formal supervisory convergence mechanism equivalent to ESMA's oversight model. In crossborder or foreign portfolio investment contexts, India must rely primarily on bilateral cooperation and multilateral arrangements rather than a structurally embedded supranational supervisor.

Thus, whereas the EU model grapples with coordination complexity, the Indian model faces challenges of unilateral capacity and external coordination in globally integrated markets.

CHALLENGES AND IMPLEMENTATION ISSUES IN INDIA

While the Bill represents a landmark consolidation of India's securities laws, its effective implementation presents several challenges that could impact investor protection and market integrity. The scale of reform and the diversity of market participants create practical and systemic hurdles that policymakers and market actors must navigate.

Regulatory Complexity and Adaptation:

Although the Bill aims to simplify the regulatory landscape, market participants must adapt to the new statutory provisions. The consolidation of multiple statutes into a single Code requires the harmonisation of existing internal policies and technology systems. For smaller intermediaries and emerging startups, this may impose high administrative and compliance costs. Additionally, employees and compliance officers must be trained on the nuances of the new Bill, like its timelines and its procedural requirements.

Enforcement Capacity and Resource Constraints:

The Bill significantly expands SEBI's powers. However, effective enforcement always depends on adequate staffing and technological infrastructure. India's capital markets have grown exponentially in retail participation and transaction volume, and SEBI must scale up surveillance and investigative capabilities to monitor compliance in real time. Without resources, the enhanced enforcement framework may face delays in adjudication. This will reduce the deterrent effect of penalties and erode investor confidence.

Investor Awareness and Education:

The Bill provides statutory rights and grievance redressal mechanisms. However, many retail investors remain unaware of their rights or the procedural avenues to address grievances. Effective implementation will require robust investor education initiatives and campaigns.

Digital tools can guide investors through disclosure documents and complaint mechanisms.

Coordination with Existing Legal and Regulatory Regimes:

Certain areas, like cross-border listings and derivatives trading, interact with other laws. Taxation and corporate insolvency are also inevitable. Overlaps or inconsistencies between SEBI rules under the Bill and other statutes (Companies Act, Insolvency and Bankruptcy Code, or foreign securities regulations) could create regulatory ambiguities and potential litigation.[107] Additionally, modern securities markets rely heavily on algorithmic trading and highfrequency trading.[108] But how can these activities be pursued without digital platforms? The Bill empowers SEBI to regulate such activities, but real-time monitoring of sophisticated market manipulations or cyber risks presents technical challenges. Implementation will require advanced market surveillance systems and AI-driven anomaly detection. Coordination with IT regulators must be done to prevent abuse while maintaining market efficiency.

POLICY IMPLICATIONS AND RECOMMENDATIONS

The comparative analysis reveals that while the Bill aligns with global principles, structural differences remain significant.

First, enforcement aggressiveness differs in institutional culture. The U.S. system combines administrative enforcement, criminal prosecution by the Department of Justice. There is a lot of private litigation. India's model remains primarily administrative, with criminal prosecution available but less frequently deployed in securities matters.

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[107] *Companies Act, 2013, No. 18 of 2013, Acts of Parliament (India); Insolvency and Bankruptcy Code, 2016, No. 31 of 2016, Acts of Parliament (India); Securities Exchange Act of 1934, Pub. L. No. 73-291, 48 Stat. 881 (1934) (codified as amended at 15 U.S.C. §§ 78a-78pp) (U.S. securities regulation); European Union Market Abuse Regulation, Regulation (EU) 596/2014, 2014 O.J. (L 173) 1 (EU securities regulation).*

[108] *Marcel Kühnen & Jean-Philippe Bouchaud, Markets in the Age of Algorithms (2021).*

Second, supervisory architecture diverges. The EU model institutionalises regulatory convergence through ESMA, whereas India centralises authority in SEBI without a supranational layer. This centralisation enhances decisional clarity but may place greater strain on domestic capacity in cross-border cases.

Third, independence dynamics merit attention. The SEC operates as an independent federal agency insulated through staggered commissioner terms and budgetary autonomy mechanisms. SEBI is statutorily independent; however, government appointment and removal powers raise questions about perceived independence in politically sensitive cases. While the Bill enhances governance safeguards, further insulation mechanisms may strengthen institutional credibility.

Finally, private enforcement remains comparatively underdeveloped in India. The absence of a mature securities class action culture limits investor-led deterrence. Although the Companies Act provides certain class action remedies, they have not evolved into a robust parallel enforcement system comparable to U.S. securities litigation. These structural distinctions suggest that the Bill modernises India's regulatory framework but does not fully replicate the multi-layered enforcement ecosystems seen in the U.S. and EU.

The following recommendations are designed to be practical and grounded in India's capital market realities.

Firstly, the Bill considerably enlarges SEBI's powers from conducting deeper investigations and inspections to issuing interim restraint orders and freezing assets. However, the effectiveness of these powers will depend less on what is written in the statute and more on SEBI's actual institutional capacity. In recent years, India has witnessed an elevation in retail participation and derivative transactions.[109] The sheer volume and speed of trades today make traditional, post-facto investigation models insufficient.[110] A regulator cannot realistically rely only on complaints or manual scrutiny when thousands of trades occur within seconds.

To illustrate, consider a scenario where a group of connected entities engages in circular trading in a mid-cap stock to artificially inflate its price ahead of a preferential allotment. Under a

[109] *Securities and Exchange Board of India (SEBI), Annual Report 2024–25.*

[110] *Id.*

conventional monitoring system, the abnormal price movement may only attract attention after substantial investor losses have occurred. By that stage, funds may have been transferred across accounts or layered through complex transactions. This will make recovery difficult. However, SEBI having access to a real-time surveillance platform that integrates stock exchange order data and depository ownership records would make it easy to flag unusual clustering of trades between related accounts within minutes. An alert generated at the surveillance level could trigger an immediate inquiry or even an interim trading suspension before retail investors are drawn into the inflated price cycle.

This is not merely theoretical. The U.S. Securities and Exchange Commission has developed data analytics systems capable of identifying suspicious trading behaviour in high-frequency environments.[111] India's markets are equally data-rich, but the challenge lies in integration. Currently, trading data and depository records may exist in different silos. A unified "market intelligence grid" that is developed in collaboration with fintech firms and data scientists could allow SEBI to overlay these datasets and identify behavioural anomalies rather than only rule based violations.

Equally important is human capacity. Technology cannot substitute trained investigators who understand derivative structures or cross-border fund flows. SEBI may therefore need specialised technical divisions staffed with data analysts and forensic accountants. Without such parallel investment in manpower and systems, expanded statutory powers risk remaining reactive rather than preventive.

Secondly, one of the quiet risks of the Bill is that its strongest protections may remain underutilised simply because investors do not know they exist. Indian capital markets have expanded dramatically in retail participation over the past decade, particularly through appbased trading platforms. Yet regulatory literacy has not grown at the same pace. Disclosure safeguards and grievance redressal mechanisms are meaningful only when investors are aware of how and when to invoke them. The challenge, therefore, is not merely informational but

[111] *U.S. Securities and Exchange Commission (SEC), Data Analytics and Market Surveillance in High-Frequency Trading (2023).*

structural: investor education must move from being an occasional awareness campaign to becoming a continuous and embedded component of market participation.

A more effective approach would be to institutionalise investor education at the point of market entry. For instance, before activating a new demat or trading account, intermediaries could be required to provide a short digital learning module approved by SEBI. Completion of this module may be mandatory before enabling high-risk segments such as futures and options.

Another important reform would be the creation of a centralised "Investor Rights Dashboard" integrated with trading platforms. Instead of expecting investors to search regulatory websites, information about corporate disclosures and complaint procedures could be embedded directly within brokerage applications.

Thirdly, consolidation does not automatically translate into ease of compliance. In practice, smaller listed companies and start-ups transitioning to public markets often struggle because of procedural complexity. Indian securities jurisprudence demonstrates that even wellintentioned entities can face severe consequences where compliance systems are weak rather than dishonest.

For instance, in SEBI v. Shriram Mutual Fund, the Supreme Court clarified that a penalty under securities law may be attracted once a statutory violation is established, irrespective of mens rea.[112] The judgment reinforced the principle that procedural or technical breaches can also trigger liability. While this strengthens deterrence, it also underscores the need for clarity and capacity-building. This goes especially for smaller entities that may lack sophisticated compliance departments.

A practical reform would be the introduction of mandatory and regulator-approved digital compliance templates. Instead of leaving issuers to interpret disclosure formats independently, SEBI could develop structured and auto-validated digital forms integrated with stock exchange portals. These templates could include built-in prompts for materiality assessment. By embedding compliance logic into digital architecture, regulators reduce interpretative variance and post-facto disputes. Such standardisation would also reduce selective disclosure risks, is

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[112] *SEBI v. Shriram Mutual Fund & Anr., (2006) 5 S.C.C. 361 (India). 114*
Sahara Case, Supra Note 23.

an issue highlighted in cases like Sahara India Real Estate Corp Ltd v. SEBI.[114] In this case, questions of disclosure and public issuance became central to prolonged litigation.[113]
Moreover, smaller issuers with limited market capitalisation or public float should not face identical disclosure intensity as systemically significant listed entities. Proportionality does not mean dilution of investor protection; rather, it ensures regulatory focus is aligned with systemic impact. For example, ESG disclosures and detailed governance certifications could apply mandatorily to top-tier companies. At the same time, smaller entities could follow simplified formats subject to event-based triggers.

There is no debate that capacity-building must also move beyond occasional circulars. SEBI and stock exchanges could establish permanent compliance assistance cells that could offer structured advisory sessions for newly listed companies and first-time intermediaries.

Additionally, a "first-time non-material default correction window" could be institutionalised. Where a procedural lapse is promptly self-reported and rectified without investor harm, entities could be permitted to correct compliance without immediate penalty proceedings.

Fourthly, a significant portion of trading volume comes from foreign portfolio investors (FPIs).[114] Indian companies raise capital overseas through depository receipts, and complex derivatives are often linked to global benchmarks.[115] In such an interconnected environment, misconduct rarely remains confined within one jurisdiction. Insider trading may involve information transmitted across borders. Similarly, market manipulation may be executed through offshore accounts. Shell entities may be incorporated in tax havens while impacting Indian-listed securities. If enforcement remains purely domestic, regulatory action will become reactive and incomplete.

One practical step would be to institutionalise deeper cooperation mechanisms with foreign regulators. Although SEBI is already a signatory to multilateral arrangements under IOSCO, the Bill could mandate structured and time-bound information-sharing agreements with key

[113] *Id.*

[114] *Report, Supra Note 119.*
[115] *Id.*

jurisdictions. This could be especially performed where Indian market exposure is high. These arrangements should go beyond general cooperation and specify operational protocols as well.

How quickly must trade data be shared? How are joint investigations initiated? How can evidence collected abroad be admissible in Indian proceedings? Without clear procedures, these questions remain unanswered.

Lastly, strong enforcement is important, but preventing violations in the first place is even more effective. One practical step would be to require listed companies to conduct an independent audit of their risk management and internal control systems at regular intervals. This would help identify weak compliance processes.

Senior management, especially the CEO and CFO, could be required to formally certify that financial disclosures are accurate and that insider trading controls are functioning properly.

Through this, accountability becomes real rather than symbolic.

CONCLUSION

This paper has argued that the proposed consolidation of India's securities framework is not merely a technical legislative reform, but a structural reconfiguration of enforcement architecture in response to high-velocity capital markets. By centralising regulatory authority and expanding investigative tools, the Bill has attempted to recalibrate the balance between market efficiency and investor protection in an era.

The paper can be concluded by finding certain main criticisms of the bill based on comparison. While consolidation under the proposed framework enhances regulatory coherence, it risks over-centralising authority within SEBI. Excessive concentration of investigative and rulemaking powers in a single regulator may reduce institutional checks and dilute internal accountability mechanisms.

The move toward decriminalisation of certain offences aligns with global trends favouring civil monetary penalties over imprisonment for technical violations. However, critics argue that excessive reliance on monetary sanctions may weaken deterrence against sophisticated market actors for whom penalties become a cost of doing business.

A significant advancement under the Bill is the codification of investor rights. Retail and institutional investors now have legally enforceable rights to accurate disclosures and timely grievance redressal. The creation of the Ombudsperson mechanism and the Investor Protection and Education Fund institutionalises structured remedies. Simultaneously, it strengthens SEBI's regulatory powers.

Three areas merit sustained scholarly attention. First, empirical evaluation of enforcement outcomes under the consolidated regime will be necessary to assess whether expanded powers translate into measurable deterrence. Second, the relationship between regulatory centralisation and procedural fairness requires doctrinal and constitutional analysis, especially in light of evolving principles of proportionality and natural justice. Third, comparative research examining whether India should develop structured private enforcement mechanisms could illuminate alternative pathways to investor protection beyond regulator-driven models.

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