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# THE SEBI ENFORCEMENT ARCHITECTURE: A CASE FOR DOCTRINAL RECALIBRATION UNDER ARTICLE 14 AND PRINCIPLES OF NATURAL JUSTICE

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## ABSTRACT

The Securities and Exchange Board of India (SEBI) has been vested the power to exercise extensive investigatory, regulatory as well as adjudicatory powers within the securities framework. While such concentration of authority is often justified on grounds of regulatory efficiency and technical expertise, it simultaneously raises grave concerns regarding the transparency, arbitrariness, as well as institutional bias, and procedural fairness under Article 14 of the Constitution of India and the principles of Natural Justice as well as audi alteram partem. This paper examines the SEBI's enforcement architecture and analyses whether the fusion of these functions within one single institutional framework causes constitutional lapses. The study argues for doctrinal recalibration through structural safeguards, adjudicatory independence, and enhanced procedural fairness mechanisms.

**Keywords:** SEBI, Article 14, Natural Justice, Regulatory Adjudication, Procedural Fairness

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## I. INTRODUCTION

The French Philosopher Montesquieu in 1798<sup>2</sup> proposed a form of government where the powers were not exceedingly concentrated. The legislature specifies what is prohibited in legislation, whereas the Executive is vested the responsibility to enforce laws, investigates infractions, and prosecutes them. The judiciary assesses if the accused is guilty. Most liberal democracies have separated these three departments of government to provide checks and balances. This very concept of Separation of Powers have been the ethos of the basic structure of our constitution. However, certain bodies inside the Indian state tend to execute all three functions of the Judiciary, the Executive and Legislature, per se which increases the risk of jeopardizing individual rights.

For regulators to properly carry out their responsibilities, the legislative structure that established them must give them sufficiently wide as well as enabling authorities. Such law empowers the regulator to develop sector-specific regulations and monitor compliance in the relevant field. More crucially, the regulator must have the ability to investigate wrongdoing, resolve disputes, and issue penalties or punishments if breaches are found. The availability of specialist appellate processes capable of assessing regulatory acts adds to the regulatory process's legitimacy and credibility. In the framework of SEBI and the securities market, the Securities Appellate Tribunal (SAT) serves this function.

Even within the sphere of its quasi-judicial functions, the securities market regulator has multiple enforcement mechanisms at its disposal and holds the discretion to impose whatever necessary method to tackle and solve the issue in question. SEBI not only looks over and investigates suspected violations in the securities market, but it also starts enforcement processes and issues adjudicatory judgments imposing penalties, restrictions, and market bans. For example, SEBI is authorized to initiate proceedings under Section 11B of the SEBI Act and issue directions that may have serious financial and commercial consequences for the parties concerned. In circumstances where monetary punishments are deemed adequate, SEBI may commence adjudication procedures to impose penalties. Such concentration of investigative, prosecutorial, and adjudicatory powers within a single institutional framework raises significant constitutional and procedural concerns.

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<sup>2</sup> K. P. Krishnan, *Judicial Regulation at SEBI*, Nat'l Council of Applied Econ. Rsch. (Apr. 2021), NCAER

The need for an effective and specialized market regulator is undeniable, but the consolidation of multiple functions into one creates a fear and possibilities of procedural arbitrariness, institutional bias as well as dilution of fairness safeguards. The Constitution of India, under Article 14<sup>3</sup> warrants fairness, reasonableness, and non-arbitrariness in all state action. In addition to the above, the principles of natural justice, especially *nemo iudex in causa sua* and *audi alteram partem*, constitute the grassroot safeguards against overreach of power in administrative and quasi-judicial proceedings.

As the existing literature does not categorically talk on this specific gap and mostly focuses has mostly focused on regulatory efficiency, investor protection, and the actual implementation of SEBI's statutory powers. There has been very little doctrinal emphasis paid to determining whether the structural concentration of duties within SEBI raises constitutional difficulties under Article 14 and natural justice grounds. Therefore, this paper tries to critically examine SEBI's enforcement framework while arguing for a doctrinal recalibration capable of balancing regulatory effectiveness with procedural legitimacy.

## II. RESEARCH QUESTIONS

1. Whether the concentration of investigative, prosecutorial, and adjudicatory powers within SEBI's enforcement framework raises concerns under Article 14 of the Constitution of India?
2. Whether the existing enforcement architecture of SEBI is compatible with the principles of natural justice, particularly *nemo iudex in causa sua* and *audi alteram partem*?
3. Whether the institutional fusion of functions within SEBI creates risks of structural bias and procedural arbitrariness in regulatory adjudication?
4. Whether the present appellate and judicial review mechanisms, including the Securities Appellate Tribunal (SAT), sufficiently safeguard procedural fairness and constitutional accountability?
5. Whether doctrinal recalibration of SEBI's enforcement framework is necessary to

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<sup>3</sup> INDIA CONST. art. 14.

reconcile regulatory efficiency with constitutional principles of fairness and due process?

### **III. METHODOLOGY**

The current study is intended to be doctrinal in nature, and is based upon both primary and secondary sources to establish its efficacy. The primary sources include the Securities and Exchange Board of India Act, 1992, the Securities Exchange Act of 1934, and the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. The secondary sources comprise scholarly articles, research papers, textbooks, journal publications, reports, and other academic materials relevant to the subject matter of the study.

### **IV. SCOPE AND LIMITATION**

The current study focuses on the constitutional and procedural elements of SEBI's enforcement framework, with a special emphasis on Article 14 and the principles of natural justice. It explores SEBI's concentration of investigative and adjudicatory powers, as well as the consequences for procedural fairness and institutional accountability. The research is doctrinal in character, focusing on the analysis of legislation, court judgments, and related scholarly literature. The empirical and economic elements of securities regulation are outside the scope of this research.

### **V. CONCEPTUAL AND STATUTORY FRAMEWORK OF SEBI ENFORCEMENT**

The origin of SEBI can be traced back to the Article 53 of the Indian Constitution which confers the power on parliament to delegate the executive powers to any such regulatory authorities or bodies.<sup>4</sup> SEBI has increasingly been referred to be a "mini-state" as its powers have gradually expanded via continual legal modifications. What began as an administrative regulatory body with minimal legislative jurisdiction has grown into an organization with broad regulatory, investigative, quasi-judicial, and enforcement capabilities. Such concentration of authority has frequently been defended on the basis that securities regulation includes highly specialist and technical subjects that need professional oversight and prompt regulatory

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<sup>4</sup> INDIA CONST. art. 53(3)(b)

intervention. However, the consolidation of broad governmental activities inside a single organization demands strict oversight and strong checks and balances.<sup>5</sup>

The quasi-judicial powers are vested in the statutory body as the courts lack the basic technical expertise to understand and provide a solution whatsoever, but this also violates the principles of natural justice that “No person shall be the judge for its own cause”. The powers of SEBI are scattered all over the place but there is no clear distinction between the set of sections which enact the powers like chapter four (4) which generally speaks of the executive activities but in another few sections talk about the judicial powers of SEBI like Section 11(3), 11(4), 11(b), 11(d), 12(3), 15 and 24 which deals with the adjudicating power and the other functions of the court like summoning and finding the evidence and exercising it.<sup>6</sup>

The 1995 amendment to the SEBI Act significantly expanded SEBI's jurisdiction, introducing significant changes to the enforcement framework which controlled securities regulation in India. One of the most important amendment was the inclusion of Chapter VIA, which allowed designated senior SEBI personnel to act as Adjudicating Officers, competent to conduct investigations and issue monetary penalties in cases involving regulatory infractions.<sup>7</sup> Simultaneously, the amendment gave SEBI the authority to make directives after doing due diligence in concerns of investor protection, appropriate management of market intermediaries, and the orderly growth of the securities market.

The amendments vested SEBI with powers analogous to those held by civil courts, including the authority to compel appearance/summon individuals before it, examine records, inspect documents etc. However, the use of broad and undefined expressions such as “interest of investors” and “persons associated with the securities market” significantly widened the discretionary ambit of the regulator. The subsequent amendments in 2002 and 2014 further expanded the regulator’s jurisdiction by enabling action even against individuals who were not formally recognized as market intermediaries and by allowing issuance of ex parte orders in various cases. SEBI, as a result evolved into a regulator who had the authority to exercise extensive legislative, executive, investigative, and quasi-judicial powers within a single regulatory framework. While such concentration of authority has frequently been justified on

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<sup>5</sup> Pallabi Das, *Powers of Securities Exchange Board of India in Respect of Judicial Power*, 8 Int’l J.L. Mgmt. & Human. 1 (2021), IJLMH PDF

<sup>6</sup> The Securities and Exchange Board of India Act, No. 15 of 1992, INDIA CODE (1992).

<sup>7</sup> K. P. Krishnan, *Judicial Regulation at SEBI*, Nat’l Council of Applied Econ. Rsch. (Apr. 2021).

the basis of technical knowledge and the specialized nature of securities regulation, it poses significant constitutional and procedural issues.

SEBI also derives extensive preventative and regulatory authority from Sections 11 and 11B of the Securities and Exchange Board of India Act, 1992, which enables them to take measures necessary for the protection of investors and the orderly development of the securities market. These powers authorize SEBI to issue directions restraining entities from accessing the securities market, prohibit trading activities and suspend intermediaries in matters involving suspected violations or practices detrimental to market integrity. The preventative character of these directions allow SEBI to intervene proactively, even before substantial harm is caused. However, the broad language inscribed within the act, particularly expressions such as “interest of investors” and “orderly development of the securities market,” has raised serious concerns regarding the possibility of arbitrary exercise of power and the absence of categorically defined procedural safeguards.

In addition to the above, SEBI also exercises extensive adjudicatory and enforcement powers through the penalty mechanisms incorporated under Chapter VIA of the SEBI Act. Designated Adjudicatory Officers are empowered to conduct enquiries and investigation upon which they can impose monetary penalties in cases involving insider trading, fraudulent and unfair trade practices, violation of disclosure obligations and other legal violations. In addition to this, SEBI may also impose market restrictions on the violative organization/individual as well as suspend registration, and initiate enforcement proceedings carrying out substantial commercial consequences on whom such penalty has been imposed.<sup>8</sup>

Another important wing of SEBI as an adjudicatory authority is the Securities Appellate Tribunal (SAT) which is the principle appellate authority responsible for providing relief and review the orders passed by the Securities and Exchange Board of India (SEBI). It has been established under Section 15K of the SEBI Act and serves as an institutional mechanism intended to ensure accountability, procedural fairness and judicial oversight within the securities framework. Any person who has been aggrieved by the order of SEBI shall prefer an appeal before the SAT, which is empowered to examine the legality, propriety, and procedural validity of the impugned order.

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<sup>8</sup> K. P. Krishnan, *Judicial Regulation at SEBI*, Nat'l Council of Applied Econ. Rsch. (Apr. 2021), NCAER

This structure plays a significant role in maintaining the check and balance within the regulatory authority and process by providing independent forum for review of SEBI's enforcement actions. SAT possesses the authority to confirm, onfirm, modify, or set aside orders passed by SEBI and is expected to adjudicate disputes through a fair and reasoned process. SAT has thereby become an important safeguard against the structural concentration of investigative and adjudicatory powers within SEBI itself.

## VI. ARTICLE 14 AND CONSTITUTIONAL LIMITS ON REGULATORY DISCRETION

**"We hold these truths to be self-evident, that all men are created equal."** Quoted from the Declaration of Independence<sup>9</sup>, which serves as the foundational text for U.S. civil rights law and the basis for various historic equal rights disputes<sup>10</sup> Article 14 of the Constitution of India, guarantees equality before law and equal protection of laws for all citizens whatsoever, thereby operating as a constitutional safeguard against the arbitrary scope of state action. Judicial interpretation has significantly expanded the scope of Article 14 beyond formal equality to include broader doctrine of non-arbitrariness in executive action. In *E.P. Royappa v. State of Tamil Nadu*, the Supreme Court observed that arbitrariness and equality are antithetical concepts, it quoted that "equality and arbitrariness are sworn enemies" thereby establishing that arbitrary state action itself constitutes a violation of Article 14. It also enshrined that all State actions must be fair, reasonable, and non-arbitrary.<sup>11</sup> This doctrine was strengthened in *State of West Bengal vs. Anwar Ali Sarkar*, where the Supreme Court examined the constitutional validity of the West Bengal Special Courts Act, 1950, which empowered the State Government to refer certain offences to Special Courts for speedy trial under Section 5 of the Act.<sup>12</sup> The legislation was challenged on the ground that it conferred excessively broad discretionary powers upon the executive to classify offences without prescribing any clear standards or intelligible differentia. The Court emphasised that legislative and executive discretion must not remain uncontrolled or unfettered, particularly where such powers affect rights and liberties.

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<sup>9</sup> The Declaration of Independence (U.S. 1776).

<sup>10</sup> Bill Muehlenberg, *25 Key Quotes on Equality*, CULTUREWATCH (July 19, 2025), <https://billmuehlenberg.com/2025/07/19/25-key-quotes-on-equality/>.

<sup>11</sup> *E.P. Royappa v. State of Tamil Nadu*, (1974) 4 SCC 3.

<sup>12</sup> *State of West Bengal v. Anwar Ali Sarkar*, AIR 1952 SC 75.

This was further strengthened in *Maneka Gandhi v. Union of India*,<sup>13</sup> wherein the Supreme Court held that State action affecting the rights and liberties must satisfy the basic requirements of fairness, reasonableness and non-arbitrariness. This judgement paved the way for Article 14 being a substantive guarantee against the unfair administrative action and introduced the principle that procedural fairness forms an essential component of constitutional governance. Article 14 now serves not just as a guarantee of equality, but also as a constitutional check on excessive discretionary authority wielded by regulatory and administrative bodies.

In *Bachan Singh vs Union of India*, the Hon'ble Supreme Court declared that the rule of law, which is central to the Indian Constitution, forbids arbitrariness. Any incident of arbitrariness or unreasonableness represents a violation of the rule of law. Article 14 primarily provides a protection against arbitrariness and limits governmental activities, whether legislative or executive, that show symptoms of arbitrariness. Every decision conducted by the state must follow the criteria of non-arbitrariness and reasonableness. Failure to do so allows the court to nullify such acts.

Administrative authorities are often vested with discretionary powers which ensure pro-efficient governance and extremely specialized decision making process. However, constitutional jurisprudence maintains that discretionary authority cannot be absolute or unguided. All state action must remain subject to standards of fairness, transparency and accountability as per rule of law.<sup>14</sup> Discretionary powers are therefore constrained by constitutional principles preventing arbitrary exercise of authority. The Doctrine against authoritative arbitrariness has particularly been significant where regulatory authorities exercise extensive quasi-judicial powers and are capable of producing serious civil and commercial after effects. Broad statutory expressions such as “interest of investors” and “orderly development of the securities market” confer substantial interpretative discretion upon SEBI. While such flexibility may be necessary in regulating complex financial markets, unchecked discretion may increase the risk of procedural unfairness and inconsistent application of regulatory power.

The current architecture at SEBI presents a significant constitutional concern owing to the concentration of investigative, prosecutorial and adjudicatory powers within a single

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<sup>13</sup> *Maneka Gandhi v. Union of India*, (1978) 1 SCC 248.

<sup>14</sup> A.V. Dicey, *Introduction to the Study of the Law of the Constitution* 188 (10th ed. 1959).

institution. Under SEBI Act, the regulator possesses the power to investigate alleged violations, initiate enforcement proceedings and conduct enquiries as well as impose penalties and restrictions upon market participants<sup>15</sup> which has been justified as a technically efficient and expertise holding authority. However, the structural fusion of these functions raises an important flag of concern as the possibility of one institution acting as the maker, executor and protector can often result in misconduct or bias which creates an apprehension thereby attracting the constitutional doctrine of non-arbitrariness under Article 14. In *A.K. Kraipak v. Union of India*, the Supreme Court recognized that the dividing line between administrative and quasi-judicial powers has become increasingly blurred and that principles of natural justice must apply wherever state action affects rights and interests.<sup>16</sup>

One of the major concerns that arise from the fact that SEBI exercises multiple roles within a single institutional framework. It's concentration of powers creates the possibility of arbitrary exercise of authority, unequal treatment and procedural unfairness, which directly engage the constitutional doctrine of non-arbitrariness under Article 14. One of such concerns is the risk of institutional bias. Since SEBI investigates alleged violations and subsequently adjudicates upon them through its own internal mechanisms, there exists a reasonable apprehension that neutrality may be compromised. Despite of having no actual bias, the appearance of having a bias is extremely high as it often result in severe financial, commercial or reputational consequences for market participants. Another concern is the breadth of discretionary powers conferred upon SEBI through broadly worded statutory expressions such as "interest of investors" and "orderly development of the securities market. The absence of narrowly defined statutory standards may permit inconsistent application of regulatory powers across similarly situated entities. The fusion of executive and quasi-judicial roles within SEBI may dilute procedural safeguards ordinarily associated with independent adjudication. Where the same institutional framework is empowered to investigate, prosecute and determine liability, concerns of corruption, concerns of genuinity as well as concern of receiving an independent and impartial hearing remains constant. SEBI's existence as a regulator is under a constitutional challenge and currently operates under a grey area which is a structural concentration of powers capable of undermining procedural equality and fairness guaranteed under Article 14 of the Constitution of India.

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<sup>15</sup> The Securities and Exchange Board of India Act, No. 15 of 1992, §§ 11, 11B, 11C, INDIA CODE (1992).

<sup>16</sup> *A.K. Kraipak v. Union of India*, (1969) 2 SCC 262

## VII. PRINCIPLES OF NATURAL JUSTICE AND STRUCTURAL BIAS IN SEBI PROCEEDINGS

While Article 14 provides constitutional protection against arbitrariness, the principles of natural justice operate as procedural safeguards ensuring fairness within administrative and quasi-judicial proceedings. The principles of Natural Justice is the foundational pillar in administrative law and procedural fairness as these principles have evolved to ensure that the authorities and quasi-judicial bodies exercise their powers in a fair, transparent as well as in an unbiased manner. Natural Justice is a jurisprudential opinion and not a codified statute, thereby it has developed through doctrinal assessment, opinion juris and juristic articles. This doctrine primarily aims to secure fairness in decision making processes which affects rights, liberties and interests of individuals. Natural Justice has been defined in various cases, like In *Drew V. Drew and Lebura* (1855 (2) Macg. 1.8, Lord Cranworth defined it as “universal Justice”. In *Maclean vs. The Workers Union* (1929) 1 Ch. 602, 624 it has been stated as “The truth is that justice is a very elaborate conception, the growth of many centuries of civilization; and even now the conception differs widely in countries usually described as civilized”, In *Geoffrey Lane, LJ in Regina vs. Secretary of State for Home Affairs Ex Parte Hosenball* (1977 (1) WLR 766) preferred the homely phrase ‘common fairness’.

In administrative jurisprudence, natural justice operates as a limitation upon the discretionary authority exercised by the state and regulatory bodies. Over time, Indian Constitutional jurisprudence has expanded the ambit of procedural fairness by integrating principles of natural justice within Articles 14 and 21 of the Constitution of India. Again, in *A.K. Kraipak vs Union of India*, the apex court has observed that the line dividing the administrative and quasi-judicial functions has become increasingly blurred as well as the principles of Natural Justice must apply wherever state action adversely affects rights or interests.<sup>17</sup>

One of the core principles of this concept is inscribed in the maxim *nemo iudex in causa sua*, meaning that no person shall be a judge in their own cause. The rule is against bias and seeks to ensure impartiality and institutional neutrality in adjudicatory proceedings. Bias may arise not only out of personal interest or prejudice, but can also from the institutional structure, conformation to the established law as well as other such reasonable apprehension of bias to

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<sup>17</sup> *A.K. Kraipak v. Union of India*, (1969) 2 SCC 262.

undermine the legitimacy of such proceedings.

For example, X has been vested with the power to investigate, to enact the law and to adjudicate Y. Y does an act which is not under the current law, but X introduces a law in retrospective character which brings Y under the ambit of such penal provisions. This is against the concept of Natural Justice as the bending and manipulation of the jurisprudence to one's own likings is a violation of the very fundamental rights that are enshrined under the ethos of our constitution.

SEBI, has become a concern as institutional and structural bias emerge from the concentration of investigative and adjudicatory powers within the same regulatory framework. SEBI possesses authority to investigate such alleged violations, initiate enforcement proceedings as well as adjudicate upon such matters through its quasi-judicial mechanisms. The concentration of powers is often justified on ground of technical expertise and regulatory efficiency, still it raises concerns regarding its impartiality. Bias can stem not just from human interests or prejudices, but also from institutional institutions that might influence independent decision-making.

Another of such fundamental principle of natural justice is encapsulated in the maxim *audi alteram partem*, which means that no person should be condemned unheard. The principle guarantees that every affected party has a right to receive notice of allegations as well as an adequate opportunity to present their case, to access a fair trial before a neutral court of law and transparency in adjudicatory matters shall be present. In *Maneka Gandhi v. Union of India*, the Supreme Court transformed administrative law by determining that fair procedure is an essential component of Article 21. Even if a legislation does not expressly require a hearing, the right to be heard is strictly incorporated into it to avoid arbitrary governmental action. In *State Bank of India v. Rajesh Agarwal (2023)*, The Supreme Court held that the *audi alteram partem* rule applies before a bank classifies an account as "fraud," as such a listing has massive civil and penal consequences for borrowers. In *A.K. Kraipak v. Union of India (1969)*, The Court ruled that the line between quasi-judicial and administrative activities is narrow. Principles of natural justice apply to administrative acts as well to ensure fairness and prevent arbitrariness.

In *Mohinder Singh Gill v. Chief Election Commissioner (1978)*, the Supreme Court ruled that *audi alteram partem* applies to all administrative actions, including those taken by the Election Commission that have "civil consequences." Krishna Iyer, J., famously stated that the

responsibility to behave fairly is universal, requiring even a constitutional authority to offer an opportunity to be heard before issuing an order affecting a citizen's rights or interests.

SEBI's enforcement proceedings generally involve issuance of notices, replies as well as oral hearings, followed by reasoned orders. However, concerns arise regarding the adequacy of procedural safeguards within such proceedings. Since, SEBI exercises extensive investigative powers and often relies upon internally generated materials and reports, questions emerge regarding complete disclosure of evidence, effective opportunity to rebut allegations, and the practical independence of adjudicatory determination.

The enforcement architecture of SEBI reflects a substantial overlap between the investigative, executive, and adjudicatory functions. These markets necessarily demands speed, expertise and effective enforcement mechanisms thereby protecting investor interests and safeguarding market integrity. SEBI therefore requires to broaden its horizons and respond promptly to market abuse, the necessity of regulatory efficiency cannot justify dilution of constitutional safeguards. The challenge therefore is the balance between two objectives, effective market regulation on one hand and protection of individual rights on the other. The excessive procedural rigidity may curtail regulatory functions and excess emphasis on regulatory functionality may undermine public confidence on legitimacy of the organizations. The principles of natural justice must operate not as obstacles to regulation but as constitutional safeguards ensuring that regulatory enforcement remains fair, accountable, and consistent with the rule of law.

### **VIII. NEED FOR DOCTRINAL RECALIBRATION**

The necessity to recalibrate the SEBI has been undoubtedly become a concern as increasing expansion of SEBI's enforcement powers has strengthened the regulatory framework governing India's securities market, but has also raised questions of transparency. In an era of complex financial transactions, digital trading systems, insider trading tool as well as market manipulation, the presence of a specialist regulatory authority with extensive investigative and enforcement capabilities is both required and inescapable. However, the constitutional legitimacy of the regulatory action cannot be ascertained solely based on technical expertise as all State actions remains subject to the principles of fairness, reasonableness, non-arbitrariness, embodied under the Article 14. While SEBI's broad powers may be justified from a regulatory perspective, the concentration of investigative, prosecutorial, and adjudicatory authority within

a single institutional framework simultaneously necessitates structural safeguards capable of preventing procedural unfairness and institutional bias.

The doctrine of natural justice does not require actual fairness but the appearance of fairness in the decision-making process. Therefore, the constitutional challenge is not directed against the existence of SEBI as a specialized regulator but the possibility of instructional overpower and may compromise the neutrality of SEBI's enforcement architecture. A doctrinal recalibration of SEBI's enforcement architecture thus becomes necessary to reconcile two equally important constitutional objectives: effective securities regulation and protection of individual rights.

In comparison to the SEC (Securities and Exchange Commission), SEBI has no proper constitutional safeguards in place. In USA, the SEC's adjudicatory proceedings are institutionally insulated from investigative divisions, thereby reducing apprehensions of structural bias. The Administrative Procedure Act (APA) expressly mandates the "**Separation of Functions**". It stipulates that an employee engaged in investigative or prosecuting functions for an agency in a case may not, in that or a factually related case, participate or advise in the decision.<sup>18</sup>

Similarly in UK, the emphasis on transparency and independent review mechanism has provided procedural safeguards within financial regulation. Although, regulators are granted substantial powers to supervise the markets and prevent financial misconduct, institutional separation acts as an important safeguard against arbitrary exercise of authority.

One of the most significant reform that is required in the SEBI is the reconstruction of the enforcement architecture by introducing greater functional separation between investigative and adjudicatory processes like the USA. The establishment of institutionally independent adjudicatory mechanisms within the regulatory framework would reduce apprehensions regarding structural bias and strengthen public confidence on the SEBI.

The procedural safeguards required must be strengthened to ensure meaningful compliance with principles of natural justice. This includes transparency in disclosure of investigative markets, adequate opportunity of being heard and reasoned decision making while following procedural standards. Another such reforms is enhancing adjudicatory independence as well as to insulate the executive and investigative influence to preserve neutrality. The SAT may be

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<sup>18</sup> 5 U.S.C. § 554(d);

strengthened through procedural shifts for faster disposal of appeals and broader scrutiny of procedural fairness concerns.

## IX. CONCLUSION

The study examined the constitutional and procedural implications that arose from the enforcement architecture of SEBI. The research has identified that concentration of investigative, prosecutorial, and adjudicatory powers within a single institutional framework raises significant concerns relating to procedural fairness, institutional bias, and constitutional accountability under Article 14 of the Constitution of India. SEBI's powers cannot be justified merely on grounds of technical expertise and faster disposal. Even the court of law in criminal cases, deduce that an expert witness may effectively be challenged, discredited, or even excluded where there is lack of transparency, bias, procedural irregularity, or absence of reliability in the expert opinion. Thus, to impose the same jurisprudence in this regard, the SEBI needs to become a reliable and transparent wing rather than a consolidated market regulator. The study also discovered that the principles of natural justice, including *nemo iudex in causa sua* and *audi alteram partem*, are critical to guaranteeing fairness in regulatory adjudication. Although the Securities Appellate Tribunal (SAT) serves as an appellate safeguard, post-facto review alone may not adequately address concerns about structural overlap between inquiry and adjudication.

In conclusion, the legitimacy of financial regulations in a constitutional democracy depends not merely upon effective enforcement, but equally upon adherence to principles of fairness and accountability. The structural recalibration of the SEBI is essential at this juncture and therefore it shall strengthen the institutional reputation as well as democracy depends not merely upon effective enforcement, but equally upon adherence to principles of fairness and accountability.

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