FINDINGS WITHOUT FINALITY: MARKET MANIPULATION, OFFSHORE OPACITY AND THE LIMITS OF SEBI'S ENFORCEMENT ARCHITECTURE AFTER THE ADANI–HINDENBURG EPISODE

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ABSTRACT

Between January 2023 and September 2026, Hindenburg Research's report on the Adani Group became a major test of the Securities and Exchange Board of India's (SEBI) enforcement architecture. This article asks whether the weak link is India's substantive prohibition of market manipulation and insider trading or lies elsewhere. Using doctrinal analysis, a coded chronology and a US–EU comparison, it argues that the substantive law is largely adequate but that enforcement is undermined by a finality deficit (no binding stage-wise timelines), an attribution deficit (offshore opacity and dependence on foreign regulators) and a prospectivity trap (a related-party definition widened only from 1 April 2023), compounded by a legitimacy deficit arising from conflict-of-interest allegations against the chairperson. It tests the Securities Markets Code Bill, 2025 against these deficits and proposes six reforms.

Keywords: market manipulation; insider trading; SEBI; foreign portfolio investors; short selling; Securities Markets Code, 2025.

INTRODUCTION

On 24 January 2023, a New York short-seller alleged that the Adani Group had manipulated its share prices through offshore entities and failed to disclose related-party transactions.[1] The episode, which one press account puts at nearly US$150 billion in lost market value, was examined by the Supreme Court of India and a court-appointed expert committee.[2] The Court declined to transfer the probe to a Special Investigation Team and found no apparent regulatory failure.[3] SEBI's orders of 18 September 2025 disposed of the related-party allegations without establishing a violation.[4] In 2026, five Adani companies settled separate listing-compliance proceedings for about ₹1.51 crore without admitting or denying the findings,[5] and proceedings against offshore investors, begun in 2020, remain unresolved after settlement applications were reportedly rejected in August 2026.[6]

This article takes no side on the merits, which are for adjudicators. Its question is institutional: can SEBI's enforcement architecture deliver timely, credible and reviewable determinations in a case of this kind?

The argument is that the substantive prohibitions are not the principal problem. Regulations 3 and 4 of the Prohibition of Fraudulent and Unfair Trade Practices Regulations (PFUTP Regulations) and the Prohibition of Insider Trading Regulations (PIT Regulations) are broad, and the Supreme Court has set a forgiving standard of proof.[7] The difficulty lies in what surrounds them: enforcement without binding timelines, an evidentiary chain that breaks at the offshore boundary, definitions that cannot reach conduct predating their amendment, and a governance framework that did not anticipate allegations against the regulator's own head.

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[1] Hindenburg Research, Adani Group: How the World's 3rd Richest Man Is Pulling the Largest Con in Corporate History (Jan. 24, 2023); Vishal Tiwari v. Union of India, W.P. (C) No. 162 of 2023, [2024] 1 S.C.R. 171, 1 (India) [hereinafter Vishal Tiwari].

[2] Hindenburg Report Was an Attack on Indian Enterprise, Says Gautam Adani, BUS. STANDARD (Sept. 24, 2025),; Vishal Tiwari 3–7.

[3] Vishal Tiwari 41, 72(e).

[4] Urvashi Misra, The Timing Factor SEBI Gives Adani a Clean Chit, MARKETSCREENER (Dec. 1, 2025), [hereinafter Misra].

[5] SEBI Settles Proceedings Linked to Hindenburg Report Against 5 Adani Firms for ₹1.51 Crore, BUS. TODAY (Sept. 22, 2026), 22 [hereinafter SEBI Settles Proceedings].

[6] Adani-Linked Funds: SEBI Rejects Settlement Bids, Says Report, BUS. TODAY (Aug. 24, 2026), [hereinafter Adani-Linked Funds].

[7] Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, regs. 3–4 (India) [hereinafter PFUTP Regulations]; Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, regs. 3–4 (India) [hereinafter PIT Regulations]; SEBI v. Kishore R. Ajmera, (2016) 6 S.C.C. 368 (India).

RESEARCH QUESTIONS, METHODOLOGY AND LITERATURE REVIEW

A. Research Questions

RQ1. Do the PFUTP and PIT Regulations adequately reach manipulation and insider-trading allegations rooted in offshore holding structures and short-selling?

RQ2. What did the Supreme Court's judgment of 3 January 2024 settle, and leave open, about judicial supervision of SEBI?

RQ3. What does the 2023–2026 record show about the time SEBI takes from allegation to determinative outcome?

RQ4. Are the safeguards around SEBI's enforcement function (recusal, separation of functions) adequate, and does the Securities Markets Code Bill, 2025 improve them?

RQ5. What narrow reforms would address the deficits identified?

B. Hypothesis

The efficacy of India's anti-manipulation regime cannot be judged from its text; it depends on four enforcement-side conditions: finality, attribution, temporal reach (prospectivity) and legitimacy. The 2023–2026 record shows each is imperfectly met.

C. Research Methodology

The study combines three methods. First, doctrinal analysis of primary sources, ranked as: statutes and regulations; Supreme Court judgments; SEBI orders; the Expert Committee's report as summarised by the Court; and Bills. Secondary sources supply context and, where no primary text was available, facts.[8] Second, a coded case-study chronology: each event from 24 January 2023 is coded by actor (court, SEBI, foreign authority, other), type and elapsed time from the report, forming the empirical basis of the finality analysis. Third, a functional

[8] Press reports are cited as such and attributed ("as reported").

comparison with the United States and the European Union, chosen because each answers the questions the Adani record raises: proof, limitation, cross-border reach, separation of functions and research publishers who trade.[9]

Limits. The full texts of SEBI's orders of 18 September 2025 and of the 2026 settlement order were unavailable to the authors; the analysis relies on a law-firm analysis and press reports.

Several matters remain pending; conclusions are current to 7 October 2026.

D. Literature Review

Scholarship on the episode predates its principal outcomes. Rout and Das place the January 2023 report in the history of Indian market scandals and investor protection,[10] and Priya and others assess SEBI's efficiency in general terms using the 2023 and 2024 reports as case studies.[11] Neither could address SEBI's 2025 orders, the 2026 settlements or the Bill. The authoritative account of the alleged regulatory shortcomings is judicial: the Supreme Court's judgment of 3 January 2024 and the Expert Committee's recommendations as summarised in it.[12] United States authority on scalping, extraterritorial reach, limitation and adjudicatory structure supplies the comparative reference points.[13] This article contributes a four-deficit framework, a coded chronology quantifying time to finality, and a test of the Bill against an actual enforcement record.

THE SUBSTANTIVE FRAMEWORK AND ITS REACH A. Fraud and Manipulation: The PFUTP Regulations

Section 12A of the SEBI Act prohibits, in connection with listed securities, manipulative or deceptive devices, schemes to defraud, and acts that operate as fraud or deceit.[14] Regulation 3 of the PFUTP Regulations turns these into four limbs; Regulation 4 adds a general prohibition

[9] Securities Exchange Act of 1934, 15 U.S.C. sec 78j(b); 17 C.F.R. sec 240.10b-5; Regulation (EU) No 596/2014 on Market Abuse, 2014 O.J. (L 173) 1 [hereinafter MAR].
[10] Pallavi Rout & Subhankar Das, Revisiting the Legislative Framework on Securities Market Regime and Investor Protection: Emergence of New Conundrums in Wake of the Adani-Hindenburg Crisis, 2 HPNLU J.L. BUS. & ECON. 147 (2023).
[11] Bandi Swapna Priya et al., An Analysis on the Efficiency of SEBI: A Case Study of Hindenburg Report on Adani Group, 9 INT'L J. NOVEL RSCH. & DEV., no. 11, at a804 (2024).
[12] Vishal Tiwari 7, 26, 69.
[13] See infra Parts V.A, V.C–V.D, V.F.
[14] Securities and Exchange Board of India Act, 1992, No. 15 of 1992, sec 12A(a)–(c) (India) [hereinafter SEBI Act].

on any "fraudulent or unfair trade practice", illustrated by false trading appearances, price-moving trades and publication of information the publisher does not believe true.[15] The definition of "fraud" reaches acts committed "whether in a deceitful manner or not" without wrongful gain,[16] and civil liability does not depend on intention: in SEBI v. Shri Ram Mutual Fund the Court held that breach of a civil obligation attracts penalty once established.[17]

Penalties reach ₹25 crore or three times the profits, and imprisonment ten years.[18]

B. Insider Trading: The PIT Regulations

The PIT Regulations prohibit an "insider", a connected person or anyone with access to unpublished price sensitive information (UPSI), from communicating UPSI or trading while in possession of it.[19] UPSI is non-public information likely to affect price materially. Regulation 4(1) presumes that a person trading in possession of UPSI was motivated by it, placing the evidential burden on the insider. Penalties mirror those above.

C. Powers, Process and Proof

SEBI may investigate, issue directions, adjudicate and settle; appeals lie to the Securities

Appellate Tribunal and then the Supreme Court.[20] The standard of proof is civil: in SEBI v. Kishore R. Ajmera the Court held that the test is preponderance of probabilities and that manipulation may be inferred from circumstances and the "test of human probabilities",[21] as SEBI v. Rakhi Trading confirms for trading patterns.[22] The law of proof is not where this regime is weak.

D. Three Reach Problems

The record exposes three problems of reach, not definition. Who. Manipulation law presupposes that the regulator can say who traded and for whom. The foreign portfolio investor

[15] PFUTP Regulations, supra note 7, regs. 3(a)–(d), 4(1)–(2); id. reg. 4(2)(e).
[16] Id. reg. 2(1)(c).
[17] SEBI v. Shri Ram Mutual Fund, (2006) 5 S.C.C. 361 (India).
[18] SEBI Act, supra note 14, sec 15HA, 24.
[19] PIT Regulations, supra note 7, regs. 2(1)(g), (n), 3, 4(1); SEBI Act, supra note 14, sec 15G.
[20] SEBI Act, supra note 14, sec 11, 11B, 11C, 15I, 15JB, 15T, 15Z.
[21] Kishore R. Ajmera, supra note 7.
[22] SEBI v. Rakhi Trading Pvt. Ltd., (2018) 13 S.C.C. 753 (India).

(FPI) regime has tightened, with mandatory upfront disclosure from 2018 and the "opaque structure" provisions omitted in 2019,[23] but SEBI's own submission was that its difficulty lies in identifying holders of economic interest, who may have no apparent control and who differ from "beneficial owners" across jurisdictions, especially where holdings are spread across several FPIs.[24] Where. Section 12A is not limited by residence, but enforcement is: the Hindenburg report disclosed a short position taken through US-traded bonds and non-Indian derivatives,[25] and reaching positioning abroad is a question of jurisdiction and cooperation, not of regulation 3. When. Disclosure and related-party rules apply as they stood when the transactions occurred, as with the Listing Obligations and Disclosure Requirements (LODR) Regulations (Part V.B) and Rule 19A of the Securities Contracts (Regulation) Rules, 1957 on minimum public shareholding.[26]

E. Short-Selling and Research Publishers

The Court recorded SEBI's position that short selling is legitimate and aids price correction, yet directed an enquiry into whether any short-seller infringed the law.[27] In June 2024 SEBI reportedly issued show-cause notices to Hindenburg Research, its founder and others alleging breaches of the PFUTP and research-analyst regulations; the outcome is not public.[28] The framework treats the publisher of adverse research as a possible manipulator, not an insider; whether trading ahead of one's own research could engage the PIT Regulations the Court did not decide (Part V.D).

THE ADANI–HINDENBURG RECORD, 2023–2026

A. Coded Chronology

Table 1 sets out the principal events, coded by actor and elapsed time.

[23] Vishal Tiwari 22, 28, 30.
[24] Id. 29.
[25] Id. 1, 62.
[26] Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (India) [hereinafter LODR Regulations]; Securities Contracts (Regulation) Rules, 1957, r. 19A (India); Vishal Tiwari 4, 21, 23–25.
[27] Vishal Tiwari 62, 72(i).
[28] Sebi vs Hindenburg: The Fight Has Moved Away from Adani, the Initial Target, BUS. STANDARD (Aug. 11, 2024), (reporting notices of 26 June 2024); SEBI Chief Rebuts Hindenburg Charges, Calls It 'Character Assassination Attempt', IANS (Aug. 11, 2024),

Table 1. Coded chronology, 24 January 2023 to 24 August 2026

Date	Actor	Event	Months
24 Jan 2023	Other	Hindenburg Research publishes report on the Adani Group.	0.0
2 Mar 2023	Court	SEBI directed to conclude investigation within two months; Sapre Expert Committee constituted.[29]	1.2
25 Aug 2023	SEBI	Status report on 24 investigations: 22 final; two pending (one with interim report), awaiting foreign inputs.[30]	7.0
3 Jan 2024	Court	Judgment: no transfer to SIT or CBI; SEBI to complete two pending investigations "preferably within three months".[31]	11.3
26 Jun 2024	SEBI	Show-cause notices to Hindenburg Research, its founder and others (as reported).[32]	17.1
28 May 2025	Other	Lokpal disposes of complaints against the former chairperson.[33]	28.1
18 Sep 2025	SEBI	Orders dispose of related-party allegations; no violation established.[34]	31.8
13 Aug 2026	SEBI	Whole-time members accept settlement for five Adani entities.[35]	42.6
24 Aug 2026 (reported)	SEBI	SEBI reportedly rejects settlement applications from offshore funds.[36]	43.0

Elapsed months are computed from 24 January 2023 and rounded to one decimal.

[29] Vishal Tiwari 4.
[30] Id. 8, 11(a), 37.
[31] Id. 32, 71, 72(c).
[32] Sebi vs Hindenburg, supra note 28.
[33] Lokpal Gives Clean Chit to Former SEBI Chief Madhabi Puri Buch in Hindenburg Allegations Case, IANS (May 28, 2025), [hereinafter Lokpal Gives Clean Chit].
[34] Misra, supra note 4.
[35] SEBI Settles Proceedings, supra note 5.
[36] Adani-Linked Funds, supra note 6.

B. The Supreme Court's Judgment of 3 January 2024

The three-judge judgment is the most authoritative statement on judicial supervision of SEBI. On rule-making, courts do not sit in appeal over a specialist regulator's policy and may interfere only where it violates fundamental rights or a statute or is manifestly arbitrary;[37] the Court refused to direct revocation of the FPI and LODR amendments, rejecting regulatory failure inferred from alleged inability to investigate because of them as a ground "unknown to this Court's jurisprudence."[38] On transfer, the power to hand an investigation to the CBI or an SIT is to be used sparingly, absent "glaring, willful and deliberate inaction".[39] On evidence, NGO and newspaper reports are not "conclusive proof" of inadequate investigation.[40] On directions, SEBI was to complete the two pending investigations "preferably within three months", the Court observing that investigations cannot remain "open-ended and indeterminate in time".[41]

The Expert Committee's recommendations, including strict stage-wise timelines and separation of quasi-judicial and executive functions, were to be considered; SEBI opposed timelines as making the process subjective.[42] A review petition was dismissed, and in January 2025 the Court upheld the Registry's refusal to register an application seeking SEBI's conclusive report.[43]

C. SEBI's Outcomes

The orders of 18 September 2025. On an AZB analysis, a whole-time member examined funds moving from Adani Ports and Special Economic Zone Ltd. through Adicorp Enterprises Pvt. Ltd. to Adani Power Ltd., asking whether they were undisclosed related-party transactions or a scheme to conceal them. Applying the test of control or significant influence, SEBI found that Adani Power was not a related party of the intermediaries and that the transactions fell outside the definition as it stood at the time; the "purpose and effect" limb applies only from 1 April 2023.[44] The 2026 settlements. Five Adani companies settled adjudication proceedings

[37] Vishal Tiwari 16–18.
[38] Id. 30–31.
[39] Id. 34–35, 39–40, 72(e).
[40] Id. 42–43, 72(f).
[41] Id. 32, 62, 69, 71, 72(c), (h)–(i).
[42] Id. 69–70.
[43] Adani-Hindenburg Case: Supreme Court Dismisses Plea Seeking Review of Its Jan 3 Verdict, BUS. TODAY (July 15, 2024) ; SC Dismisses Plea on Adani-Hindenburg Controversy, IANS (Jan. 27, 2025)..
[44] Misra, supra note 4.

concerning alleged non-disclosure of a related-party transaction and audit lapses, paying about

₹1.51 crore without admitting or denying the findings; whole-time members accepted the proposal on 13 August 2026.[4546] Offshore investors. SEBI reportedly issued notices in April 2024 to twelve (later thirteen) offshore funds over disclosure of holdings,[46] found two in breach,[47] and in August 2026 rejected settlement applications because some funds withheld shareholder information.[48]

Governance. The Lokpal disposed of complaints against the former chairperson on 28 May 2025 as based on presumptions and unsupported by verifiable material;[49] that is a finding on the complaints, and the legitimacy issue (Part V.E) concerns the process by which allegations were handled. Foreign proceedings. In August 2026 a US federal court dismissed with prejudice criminal fraud counts against Mr. Adani and two others on the Justice Department's motion; those concerned different allegations and were not decided on the merits.[50]

CRITICAL ANALYSIS: FOUR ENFORCEMENT DEFICITS

A. The Finality Deficit

Table 1 shows three kinds of time. Investigative time: the Court's two months (March 2023) became about six months before SEBI reported 22 of 24 investigations complete, the other two awaiting foreign inputs (one with an interim report).[51] Adjudicative time: the related-party orders came about 32 months after the report. Residual time: the offshore-investor proceedings, traced to 2020, remained contested more than 44 months after the report. The Court's "preferably three months" applied only to the two pending investigations, not the quasi-judicial proceedings that followed, where most time elapsed.[52] Delay is not itself a defect, and SEBI's objection that timelines would make a variable process subjective has force where foreign inputs are needed.[53] The deficit is open-endedness: no instrument obliges SEBI to complete a

[45] SEBI Settles Proceedings, supra note 5.
[46] Offshore Funds Investing in Adani Group Breached Disclosure Rules: Sebi, BUS. STANDARD (Apr. 23, 2024),
[47] India Rejects Adani-Linked Offshore Funds' Requests to Settle Non-Disclosure Cases, KHALEEJ TIMES (Aug. 2026)
[48] Adani-Linked Funds, supra note 6; India Rejects, supra note 47.
[49] Lokpal Gives Clean Chit, supra note 33.
[50] US Court Dismisses Criminal Fraud Charges Against Gautam Adani, Sagar Adani and Vneet Jaain, MONEYLIFE (Aug. 11, 2026), (reporting an order of Judge Nicholas G. Garaufis, E.D.N.Y.).
[51] Vishal Tiwari 7–8, 32, 37.
[52] Id. 32, 72(c).
[53] Id. 70.

stage within a stated time, explain why not, or publish how many investigations are open and for how long. SEBI's resistance is understandable but unpersuasive as a reason for having no timeline.[54]

US civil penalties carry a five-year limitation running from the violation, not discovery.[55] The Securities Markets Code, 2025 bars investigation after eight years from the contravention and requires investigations to end within 180 days, a period the Standing Committee on Finance proposed to extend to one year.[56] These are a ceiling and a one-stage deadline, not a timetable; one commentator said the Code improves structure but stops short of finality.[57] Part VI.A proposes a comply-or-explain timetable.

B. The Prospectivity Trap

The LODR amendments, read with SEBI's 2025 orders, disclose a trap. Amendments of 21 November 2021 widened the related-party definition from 1 April 2022 (20 per cent held directly, indirectly or beneficially) and from 1 April 2023 (10 per cent, and the "purpose and effect" limb).[58] The Expert Committee saw deferred application as letting the market adjust.[59] The Court rejected the argument that the amendments opened a gap and closed it with deferred effect,[60] and SEBI's 2025 orders, on the AZB analysis, applied the definition in force when the transactions occurred.[61] Hence the mischief that justified the amendment is, for the preamendment period, outside the amendment. The remaining route, the PFUTP anti-fraud limb,[62] needs a duty to disclose, and if the transactions were not then related-party transactions the object of concealment disappears. SEBI is reported to have found no scheme to conceal;[63] this should be checked against the primary orders. A retrospective remedy would raise serious difficulty under Article 20(1), which forbids conviction for conduct that was not then an offence and any greater penalty than was then prescribed.[64] Reform must be prospective and

[54] Id. 69(e).
[55] 28 U.S.C. sec 2462; Gabelli v. SEC, 568 U.S. 442 (2013).
[56] PRS Legislative Research, Bill Summary: The Securities Markets Code, 2025 (Dec. 22, 2025), [hereinafter PRS Summary]; PRS Legislative Research, Standing Committee Report Summary: The Securities Markets Code, 2025 (July 29, 2026), hereinafter PRS Committee Summary].
[57] Securities Laws Set for Reset as FM Introduces Bill for Unified Code, BUS. STANDARD (Dec. 18, 2025), [hereinafter Securities Laws Set for Reset].
[58] Vishal Tiwari 23–24; LODR Regulations, supra note 26.
[59] Vishal Tiwari 24.
[60] Id. 25–26, 30–31.
[61] Misra, supra note 4.
[62] PFUTP Regulations, supra note 7, reg. 3(c)–(d).
[63] Misra, supra note 4.
[64] India Const. art. 20(1).

work during the deferral window (Part VI.D).

C. The Attribution Deficit

SEBI told the Court that the difficulty lies in identifying holders of economic interest in FPIs where holdings are spread across funds and "beneficial owner" turns on control or ownership in some jurisdictions only,[65] and two investigations awaited foreign regulators' inputs in January 2024.[66] The regulator is the only body able to establish the chain, yet lacks compulsory power over entities outside India. SEBI's tools are in the end tools over registration: it reportedly warned Mauritius-based funds of penalties and licence cancellation for withholding shareholder details,[67] but funds can decline to provide information and accept the consequence. Other systems address reach in the statute: after Morrison v. National Australia Bank Ltd. confined section 10(b) to domestic transactions, Congress restored a conduct-and-effects test for government actions,[68] and the EU's Market Abuse Regulation applies to conduct "irrespective of whether or not" it occurs on a trading venue.[69] The SEBI Act is silent on crossborder reach and relies on IOSCO cooperation arrangements, which assist but do not compel.[70] **D. Short-Selling Research and the Limits of Insider-Trading Law**

The Court directed an enquiry into whether short-sellers infringed the law, and SEBI's reported notices invoke the PFUTP Regulations and the research-analyst regime, not the PIT Regulations.[71] That choice is right in principle and the framework should say so. The wrong in publishing adverse research and trading on it is that the market was not told of the publisher's interest, or was told something the publisher did not believe. Compare the American scalping cases: in SEC v. Capital Gains Research Bureau, Inc. an adviser who recommended securities after buying them, without disclosure, committed a fraud on clients,[72] and in Zweig v. Hearst Corp. a columnist's undisclosed trading in securities he recommended was actionable under Rule 10b-5.[73] The offence is non-disclosure of interest, not trading ahead. If trading on one's

[65] Vishal Tiwari 29.
[66] Id. 32, 37.
[67] India Threatens Two Offshore Funds Holding Adani Shares with Penalties, Document Shows, TBS NEWS (May 2025),; India Rejects, supra note 47.
[68] Morrison v. Nat'l Austl. Bank Ltd., 561 U.S. 247 (2010); Securities Exchange Act of 1934 sec 27(b), 15 U.S.C. sec 78aa(b) (as amended by Dodd-Frank Act sec 929P(b)).
[69] MAR, supra note 9, art. 2(4).
[70] Int'l Org. of Sec. Comm'ns, Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (2002, as revised).
[71] Vishal Tiwari 62, 72(i); Sebi vs Hindenburg, supra note 28.
[72] SEC v. Capital Gains Research Bureau, Inc., 375 U.S. 180 (1963).
[73] Zweig v. Hearst Corp., 594 F.2d 1261 (9th Cir. 1979).

own forthcoming research were insider trading, all independent research preceding a trade would be unlawful, which sits ill with SEBI's view that short-selling aids price correction.[74]

The PIT text, reaching "any person" in possession of UPSI, does not exclude the argument,[75] but a person's own analysis of public information is better read as not being confidential information "relating to a company"; the real controls are regulation 4(2)(e) of the PFUTP Regulations and a duty to disclose positions. An express statement would remove the doubt.

E. The Legitimacy Deficit

In August 2024 Hindenburg Research alleged that the then SEBI chairperson and her spouse held interests in offshore funds said to have been used in the Adani structure; they denied this as character assassination.[76] The Lokpal found the complaints rested on presumptions.[77] So far as the authors have established, no published, codified procedure told the market or the courts whether she would recuse from Adani-related proceedings, who would decide, and on what record. The Court dismissed conflict allegations against Expert Committee members as late, thin and unproven,[78] which shows how much credibility depends on allegations being tested promptly on an agreed record. The statutory baseline is narrow: a Board member who is a company director must disclose pecuniary interest in a matter before the Board, and the Bill would extend this to all members, but on the summary it does not specify recusal, publication or independent review of allegations against the chairperson.[79] The 2026 settlements (about ₹1.51 crore) are lawful and concerned different allegations,[80] but invite an unwarranted comparison with the headline market-capitalisation loss; a published settlement rationale would answer it.

F. Testing the Securities Markets Code Bill, 2025

The Bill, introduced in the Lok Sabha on 18 December 2025 and referred to the Standing Committee on Finance, which reported on 23 July 2026, would replace the SEBI Act, the

[74] Vishal Tiwari 62.
[75] PIT Regulations, supra note 7, reg. 2(1)(g), (n).
[76] SEBI Chief Rebuts Hindenburg Charges, supra note 28.
[77] Lokpal Gives Clean Chit, supra note 33.
[78] Vishal Tiwari 48–53.
[79] PRS Summary, supra note 56.
[80] Vishal Tiwari 69(d); SEBI Settles Proceedings, supra note 5.

Securities Contracts (Regulation) Act, 1956 and the Depositories Act, 1996.[81] Table 2 tests it against the four deficits on the PRS summary and press coverage.

Table 2. The Securities Markets Code Bill, 2025 against the four deficits

Deficit	What the Bill does (per PRS)	Assessment
Finality	Bars investigation after eight years; sets a 180-day investigation period (committee: one year); separates investigation from enforcement.	Binds the investigation stage only; later stages need deadlines.
Attribution	Empowers SEBI to require registration of specified investor classes; defines "market abuse".	Helps identify traders; silent on offshore non-cooperation and crossborder reach.
Prospectivity	No provision identified.	Not addressed; a disclosure-duringdeferral rule is needed.
Legitimacy	Extends conflict disclosure to all members; separates fact-finding from enforcement; ombudsperson.	Positive; recusal, published disclosures and independent review remain unspecified.

Separating investigation from adjudication is a design choice other systems treat as going to legitimacy and not only efficiency: the US Supreme Court has held that SEC-sought civil penalties for securities fraud trigger a jury-trial right.[82] The Bill's separation, recommended by the Expert Committee, is its most significant response to the Adani record.

RECOMMENDATIONS

Each recommendation addresses a specific deficit, names a statutory hook and anticipates the main objection.

A. Stage-Wise Timelines with Reasoned Extension (Finality)

Amend the Securities Markets Code, 2025 to prescribe a period for each stage after

[81] PRS Summary, supra note 56; Securities Laws Set for Reset, supra note 57; PRS Committee Summary, supra note 56.
[82] SEC v. Jarkesy, 603 U.S. 109 (2024); Vishal Tiwari 69(g)(iv).

investigation: show-cause notice, settlement and adjudication. Any stage, including the 180day investigation period, may be extended only by a published, reasoned order, with tolling for foreign non-cooperation, and SEBI should publish an annual ageing report of open investigations. This answers the objection that timelines are subjective: SEBI must explain, not necessarily finish, and courts gain a measurable standard.[83]

B. Non-Cooperation as an Independent Contravention (Attribution)

Provide that a registered FPI failing to supply information on beneficial or economic interest within a notified period commits an independent contravention, carrying a penalty and suspension of registration, and that SEBI may draw an adverse inference. Reported action against two funds shows SEBI already treats such conduct as sanctionable; this gives it statutory text.[84] The objection that an innocent fund may be unable to obtain information is met by making the inference rebuttable.

C. Look-Through Disclosure for Concentrated Positions (Attribution)

Require disclosure at fund-group level, and of persons with economic interest above a stated threshold, for any FPI group whose aggregate holding in a listed company exceeds a prescribed limit. SEBI reportedly sought exactly this in 2024; it should be a rule, not a request.[85]

D. Anti-Avoidance and Disclosure During Deferral (Prospectivity)

Where SEBI defers an amendment to the definition of related party, require listed entities to disclose, during the deferral window, any transaction that would be caught once it takes effect.

This preserves the market-adjustment purpose, creates no retrospective liability and lets the regulator see the targeted conduct as it occurs. Regulation 4 of the PFUTP Regulations should also state that a scheme to conceal a relationship between a listed entity and a counterparty is itself a fraudulent device, for conduct after the clarification takes effect.[86]

E. Position Disclosure for Research Publishers (Short-Selling)

Require any person who publishes research on a listed Indian company and holds a position

[83] Cf. Vishal Tiwari 32, 69(e), 70.
[84] India Threatens Two Offshore Funds, supra note 67.
[85] 12 Offshore Funds, supra note 46.
[86] See India Const. art. 20(1); Vishal Tiwari 24; PFUTP Regulations, supra note 7, reg. 4.

(long or short, in any instrument, wherever traded) that stands to benefit from it to disclose the position in the publication and keep a record for SEBI. Provide a good-faith safe harbour, confirm that an insider's own analysis of public information is not UPSI, and sanction false research under regulation 4(2)(e). This follows the scalping cases, which locate the wrong in undisclosed interest, and avoids chilling research.[87]

F. Codified Recusal (Legitimacy)

Provide that a Board member must recuse from any matter in which she or her family has, or is credibly alleged to have, an interest through any vehicle; that interests be published in a register; and that where the allegation concerns the Chairperson, an external panel such as a retired judge decide on recusal. The objection that publication invites tactical allegations is answered by the credible allegation threshold applied externally.[88]

CONCLUSION

The Adani–Hindenburg episode did not show that India's market-abuse regulations are inadequate; it showed that regulations do not enforce themselves. What failed to keep pace was the machinery around them: finality, attribution, temporal reach and legitimacy. The test is not whether any group is vindicated or condemned, but whether, the next time a report of this kind appears, the market, the accused and the courts can know how long the process will take, who will decide, and on what record.

[87] Capital Gains, supra note 72; Zweig, supra note 73.
[88] Vishal Tiwari 48–53, 69(g)(iv); PRS Summary, supra note 56.