
A CRITICAL ANALYSIS OF THE SECURITIES MARKETS CODE, 2025

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ABSTRACT

The Securities Markets Code, 2025 is a landmark consolidation of the legislation in the financial regulatory history of India with an aim to replace the three decades old capital market laws i.e. the Securities Contracts (Regulation) Act, 1956, the Securities and Exchange Board of India Act, 1992 and the Depositories Act, 1996. In the last 30 years, India's capital markets have undergone a dramatic transformation from being physical, localized exchanges to a highly sophisticated, technology-driven ecosystem with an equity market capitalization of over USD 4.8 trillion. However, beneath this functional maturity, the legislative framework was fragmented, resulting in legal ambiguities, procedural inefficiencies and over-reliance on delegated legislation. This doctrinal research paper is a detailed and critical analysis of the Securities Markets Code, 2025. It systematically analyses the structural problems that lead to the consolidation, the procedural and enforcement safeguards.

Keywords: Securities Market Code, 2025, SEBI, Capital Market Regulations, Regulatory Consolidation, Adjudicatory Reform, Settlement Finality, Investor Protection.

INTRODUCTION AND RESEARCH PROBLEM

India's capital markets have been transformed in an unprecedented manner since the liberalisation reforms of 1991¹². It has evolved from a local, opaque and physical certificate-trading network to a global, high-frequency and highly dematerialised financial ecosystem. The total market capitalisation of the listed equities in India has crossed USD 4.8 trillion in the first half of 2025 making it one of the most dynamic capital allocation platforms across the globe³. The exponential growth in trading volumes, algorithmic trades, derivative structures and retail participation put a huge strain on the state's legal and regulatory machinery⁴. This massive financial edifice was traditionally regulated by three different and parallel legislations enacted in different periods of India's economic history:

1. The Securities Contracts (Regulation) Act, 1956 ("SCRA"): This was enacted when there were physical stock exchanges to control undesirable trading in securities.
2. The Securities and Exchange Board of India Act, 1992 ("SEBI Act"): This Act was enacted to establish a statutory regulator for the capital market, following major scams in the securities markets.
3. Depositories Act, 1996 ("Depositories Act"): To provide for dematerialisation and settlement of securities in electronic form.

This disjointed structure has been gradually adapted over a period of thirty years by a series of piecemeal amendments but has increasingly proved inadequate to meet the administrative, enforcement and technological demands of the modern digital market⁵.

THE RESEARCH PROBLEM

This research aims to address the fundamental legal problem arising from this

¹ *Securities Markets Code, 2025: How It Can Build a Future-Ready Regulatory Framework*, The Economic Times, May 2, 2026,

² *Financial Sector Legislative Reforms Commission (FSLRC) Report, Ministry of Finance, Government of India (2013)*.

³ *Securities Markets Code, 2025, supra* note 1.

⁴ *The Securities Markets Code, 2025*, PRS Legislative Research, <https://prsindia.org/billtrack/the-securities-markets-code-2025> (last visited May 29, 2026).

⁵ 1. *Financial Sector Legislative Reforms Commission (FSLRC) Report, Ministry of Finance, Government of India (2013)*., *supra* note 2; *Analysis of the Proposed Securities Markets Code, 2025 | Article | Chambers and Partners*,

compartmentalised legislative framework, which is the acute systemic friction, operational inefficiency and legal uncertainty⁶. First, the legacy statutory architecture involved an enormous overreliance on subordinate legislation⁷. The core statutes were silent on modern day operational realities and key regulatory aspects such as listing obligations, continuous disclosure norms, algorithmic trading parameters and investor grievance redressal were governed by an endless, scattered array of SEBI circulars, guidelines and stock exchange bye-laws, rather than primary parliamentary legislation⁸. The “circular raj” meant that the compliance environment was highly unpredictable.

Second, the distribution of regulatory power between parallel laws created large jurisdictional overlaps and uncertainties⁹. For example, in the capital market, a company may have to work through a number of different statutes for one transaction. This can in practice leave room for different interpretations and arbitrage. Third, the quasi-judicial and enforcement machinery under the legacy regime was not functionally distinct¹⁰. It has faced challenges from the constitutional angle on several occasions and has also faced criticism for institutional bias for having investigative and adjudicatory functions vested in the same divisions of SEBI. Fourth, the legacy laws were not final in statutory terms with respect to clearing and settlement processes and were very much dependent on individual bye-laws of clearing corporations¹¹. This rendered the market susceptible to heavy legal liabilities in the event of systemic defaults or corporate insolvencies during the war under the Insolvency and Bankruptcy Code, 2016 (“IBC”). In a major step towards addressing this fragmentation, the Lok Sabha introduced The Securities Markets Code, 2025 (“SMC” or “Code”) on 18th December 2025 through which the three legacy Acts were repealed and the regulation of the capital market was consolidated into a single master code. This research systematically investigates whether the SMC indeed rectifies these structural problems or simply another label for the power concentration.

RESEARCH OBJECTIVES

⁶ 1. Financial Sector Legislative Reforms Commission (FSLRC) Report, Ministry of Finance, Government of India (2013)., *supra* note 2.

⁷ *Id.*

⁸ Analysis of the proposed Securities Markets Code, 2025 | Article | Chambers and Partners, *supra* note 5.

⁹ The Securities Markets Code, 2025, *supra* note 4.

¹⁰ Shruti Rajan, *The Securities Markets Code, 2025 Is Almost Here*, Bar and Bench - Indian Legal news (Dec. 26, 2025),

¹¹ Analysis of the proposed Securities Markets Code, 2025 | Article | Chambers and Partners, *supra* note 5.

The specific, measurable goals of this doctrine research project are:

1. To identify the systemic, legal and operational failures of the pre-code fragmented securities regulatory regime in India.
2. To carry out a comparative structural and statutory analysis of the Securities Markets Code, 2025, vis-à-vis the legacy laws it replaces (SCRA 1956, SEBI Act 1992, and Depositories Act 1996).
3. To evaluate critically the operational impact of the Code's procedural, adjudicatory and investor protection reforms post-enactment (including time-bound investigations, the independent Ombudsperson and restructuring of civil penalties).
4. To study the judicial doctrines laid down by the Supreme Court of India in respect of "consolidating and amending" acts and "self-contained codes" to evaluate the interpretive supremacy of the Code.
5. Identify potential statutory loopholes, drafting ambiguities and structural risks within SMC, 2025 and formulate actionable policy suggestions to strengthen the capital market ecosystem.

RESEARCH QUESTIONS

This paper addresses the following research questions:

1. How much did the fragmented legislative structure of the legacy securities regulatory regime (SCRA, SEBI Act and Depositories Act) impede market efficiency, promote regulatory arbitrage and hinder enforcement?
2. How the Securities Markets Code, 2025 re-structures the institutional, enforcement and quasi-judicial framework of SEBI and does it successfully meet the constitutional requirement of separation of powers?
3. What systemic benefits and operational risks arise from the civil penalty structures, time-bound investigation mandates and the new Securities Market Ombudsperson?
4. What has been the traditional approach of the Supreme Court of India in construing

consolidating economic legislations (as in Ravula Subba Rao, Fuerst Day Lawson, Girnar Traders, Innoventive Industries and Swiss Ribbons) and how do these principles of interpretation apply to the enforcement of the 2025 Code?

RESEARCH HYPOTHESES

The study is guided by the following legal hypotheses:

1. **Hypothesis I:** The consolidation of India's parallel capital market statutes into the Securities Markets Code, 2025, will structurally eliminate regulatory arbitrage and interpretative ambiguities by establishing a single, comprehensive statutory perimeter.
2. **Hypothesis II:** The statutory division of investigative and adjudicatory functions under Section 17 of the Code, combined with fixed timelines, will enhance procedural fairness, but its effectiveness will be limited by the broad delegation of rule-making powers that allow the regulator to define new violations.
3. **Hypothesis III:** Under the Supreme Court's established jurisprudence on "self-contained codes," the Securities Markets Code, 2025, will be legally insulated from the procedural delays of general civil and bankruptcy laws, thereby guaranteeing the speed and finality of market transactions.

RESEARCH METHODOLOGY

In accordance with the guidelines set forth, this project utilizes a **doctrinal and qualitative research design**.

Data Sources and Material Collection

The study is based on secondary and primary qualitative data collected from standard legal databases like Westlaw India, Manupatra, HeinOnline, SCC Online etc. The following materials are studied: 1.

1. Important Statute: The Securities Markets Code Bill, 2025 (Bill No. 200 of 2025 as passed in Lok Sabha) along with Statement of Objects and Reasons and Notes on Clauses.

2. Laws Repealed The Securities Contracts (Regulation) Act, 1956 The Securities and Exchange Board of India Act, 1992 The Depositories Act, 1996
3. Judicial Precedents: Landmark judgements of Supreme Court of India on statutory interpretation, consolidating Acts and complete codes.
4. Secondary Literature: Academic articles in peer reviewed journals, parliamentary debates, reports of expert committees (including Financial Sector Legislative Reforms Commission Report, 2013) and commentaries by legal and financial institutions

Analytical Framework

The qualitative data is analyzed through textual and contextual analysis. Structural deviations are determined by comparing the provisions of the Code with legacy provisions. At the same time, the identified Supreme Court judgments are examined using case-analysis frameworks (to examine the ratio decidendi, obiter dicta, and applicability to the 2025 Code) for the purpose of determining the legal hierarchy and interpretive boundary of the Code.

LITERATURE REVIEW

A critical examination of juristic literature shows a historical trend towards the codification and simplification of the commercial laws of India¹². The need for harmonizing financial laws was first clearly articulated by the Financial Sector Legislative Reforms Commission (FSLRC), constituted in 2011, under the chairmanship of Justice B.N. Srikrishna¹³. In its 2013 report, the Commission had pointed out that India's financial legal framework was "byzantine, fragmented and inconsistent" and had strongly recommended the drafting of a single Indian Financial Code (IFC)¹⁴.

As Kapp (1999) and others have noted, legitimate legal writing requires the legal writer to analyse the primary legislation, rather than merely paraphrasing secondary commentary. Legal commentators have noted that the structure of the Bill, in the preliminary draft of the Securities Markets Code, 2025, is consistent with the FSLRC's vision of creating a principle-based

¹² Financial Sector Legislative Reforms Commission (FSLRC) Report, Ministry of Finance, Government of India (2013).

¹³ *Id.*

¹⁴ *Id.*

legislative framework to reduce compliance burdens and streamline regulatory governance¹⁵.

However, the literature also displays a division of opinion on the merits of the Code. Supporters within the Union Ministry of Finance say a single coherent code will immensely improve the ease of doing business and make Indian markets very attractive for global capital¹⁶. Critics say the Code has the potential to create a “omnipotent” administrative authority¹⁷.

Recent commentary in the corporate law blogs (e.g. The Leap Blog, 2026) cautions that the Code retains government nominee directors on the SEBI board, which could compromise the independence of the regulator.

RESEARCH & ANALYSIS

The Securities Markets Code, 2025 is a landmark departure from a fragmented statute-driven regulatory regime to a consolidated principle based regulatory architecture. This section will conduct a detailed doctrinal analysis of the main changes introduced by the Code, organised under the relevant subheadings.

1: Comparative Structural Analysis and Definitions Expansion

1. Under the legacy securities regime, market participants had to understand three separate Acts, each with its own definitions, rules of compliance and enforcement measures. This division was very wasteful. The SMC, 2025, has consolidated these into a single “One Rulebook”. Section 2 of the Code makes important additions to and updates of key definitions in the statute to keep the Code technology neutral and fit for the future¹⁸.
2. Meaning of “Securities” (Section 2(zi)) The definition of securities in the SCRA has been amended from time to time to include new instruments with retrospective effect. To tackle this, the Code has one master definition which is exhaustive and specifically covers hybrid instruments, convertible instruments, Electronic Gold

¹⁵ Analysis of the proposed Securities Markets Code, 2025 | Article | Chambers and Partners, *supra* note 5.

¹⁶ Securities Markets Code, 2025, *supra* note 1.

¹⁷ *Comments on the Securities Market Code Bill, 2025*, <https://blog.theleapjournal.org/2026/04/comments-on-securities-market-code-bill.html> (last visited May 29, 2026).

¹⁸ Financial Sector Legislative Reforms Commission (FSLRC) Report, Ministry of Finance, Government of India (2013). - Google Search, *supra* note 2.

Receipts, zero coupon zero principal instruments and onshore rupee bonds issued by multilateral institutions. It excludes insurance policies linked to units regulated under the Insurance Act, 1938 to avoid jurisdictional conflict with the insurance regulator.

3. Definition of “Intermediary” (Section 2(q)): The Code brings twenty-one different types of intermediaries (including asset management companies, credit rating agencies, investment advisers and stock brokers) under one statutory umbrella as opposed to the scatter categorisation in legacy regulations.
4. Definition of “Investment Scheme” and “Pooled Investment Vehicle” (Sections 2(r), 2(zc), 32 and 33) Under the old regime, promoters of unauthorised collective investment schemes exploited regulatory loopholes. The Code has accordingly provided for tight, integrated definitions so that any scheme that pools investor funds where the participants do not have day-to-day control falls within the regulatory perimeter of SEBI, irrespective of its legal form.

Statutory Parameter	Pre-2025 Legacy Regime	Securities Markets Code, 2025
Primary Statutes	SEBI Act 1992, SCRA 1956, and Depositories Act 1996	Consolidated into a single statutory Code (Bill No. 200 of 2025)
MII Regulation	Scattered across SCRA and Depositories Act, creating administrative overlap	Unified under Chapter V, establishing stock exchanges, clearing corps, and depositories under common rules
Investment Scheme Perimeter	Governed under Section 11AA of the SEBI Act with historical loopholes	Broadly defined under Section 32 to capture all asset-pooling schemes lacking day-to-day investor control
Private Equity Contracts	Friction and litigation surrounding options and forward contract validity under Section 18A SCRA	Statutory protection for options, drag-along, and tag-along rights under Section 48

2: Adjudication Overhaul and the Unified Adjudicating Officer

Before the 2025 regime, SEBI's enforcement and quasi-judicial procedures were heavily compartmentalised. The adjudication was done through a complex system of “trifecta”:

1. Directions and disgorgement adjudications against Whole-Time Members (WTMs) on show cause notices under sections 11 and 11B of the SEBI Act.
2. Under Chapter VIA of the SEBI Act, monetary penalties adjudicated by designated Adjudicating Officers (AOs).
3. Cases of intermediary registration violations handled by designated authorities.

This structure resulted in overlapping show cause notices, inconsistent legal precedent and procedural delays. The Securities Markets Code, 2025, turns all this on its head by introducing a unified concept of “Adjudicating Officer” (AO) under Section 17. SEBI can appoint its Chairperson, WTMs or senior officers not below the rank of Division Chief to serve as AOs. The designated AO shall exercise full powers to deal with all enforcement, disgorgement and penalty imposition in one proceeding. This brings down the procedural friction making the quasi-judicial process simpler and the subsequent appeal to the Securities Appellate Tribunal (SAT) easier¹⁹.

3: Procedural Timelines, Limitation Periods, and Enforcement Safeguards

The Code imposes strict legally enforceable time limits to avoid the delay in enforcement actions which had been the hallmark of the earlier SEBI regime:

1. Investigations timelines (Section 13(2)) Investigations under the legacy acts took years. The Code provides for a strict time limit for completion of investigations (section 13(2)) of 180 days. Any extension shall be formally recorded by the Investigating Officer giving reasons for delay and written approval of a WTM under exigent circumstances.
2. Statutory Limitation Period (Section 16): The Code provides for a limitation period of eight years from the date of default or contravention for which no inspection or

¹⁹ *Securities Contracts (Regulation) Act, 1956*, An Act to prevent undesirable transactions in securities by regulating the business of dealing therein, by providing for certain other matters connected therewith. (1956), <http://indiacode.nic.in/handle/123456789/1644>; Rajan, *supra* note 10.

investigation shall be initiated. So this gives market participants important legal certainty. The only exception is where there is a referral of coordinate investigative agencies, or in cases of direct systemic impact.”

3. Interim Order Limitations (Section 27): Section 27 provides that interim orders shall be in force for a period not exceeding 180 days. Extension (maximum up to two years) shall be granted only after a formal review by a specialised panel of upto three members including the SEBI Chairperson and WTMs. Further, ex parte interim orders are limited to urgent matters and parties affected by such orders are entitled to a post-decisional hearing as soon as possible.

4: Netting, Settlement Finality, and Systemic Safeguards

One of the most important architectural achievement of the Code is the recognition of netting and settlement finality in section 68. Under the legacy regime such protections were governed by the bye-laws of the respective clearing corporations and were susceptible to insolvency proceedings under the Insolvency and Bankruptcy Code, 2016 (IBC). Section 68(1)(b) of the Code is very clear that once the money or security obligations are determined, the settlement (gross or net) is final and irrevocable irrespective of actual physical payment. Section 68(2) provides that in the event of insolvency of a trading or clearing member, settlement shall not be affected and the clearing corporation shall have absolute right to appropriate collaterals and margins. Section 70 also provides that clearing corporations shall have preference over any other attachments in the recovery of dues from clearing members. This statutory ring-fencing puts Indian market infrastructure at par with the global standards for systemic financial stability.

5: Critical Analysis of Power Concentration and Separation of Powers

The Code exhibits some notable administrative efficiencies. But a serious doctrinal critique reveals a disturbing concentration of power in the regulatory body. A common criticism of SEBI under the legacy regime was that it was the investigator, prosecutor and judge all in one. The Code does provide a welcome statutory disqualification under section 17(2) that no person involved in or authorising an investigation can be the adjudicating officer in that same matter, but the functional separation is not complete. SEBI continues to work within a single administrative hierarchy.

More importantly, the Code permits an undue delegation of key legislative functions:

1. Section 93(g) read with Section 96: It is a criminal offence under Section 96 to commit or abet “market abuse” and is punishable by up to ten years imprisonment. However, Section 93(g) empowers SEBI to make regulations for the purpose of defining new, unspecified activities as “market abuse”. This means that the executive agency is de facto put in a position to create new criminal offences by way of subsidiary legislation, a power that has traditionally been the exclusive preserve of Parliament.
2. Section 146(2)(j) read with Section 17(4): The Code permits SEBI to frame regulations prescribing the way its own adjudication proceedings are to be conducted. This creates a natural incentive for the regulator to expand its own administrative powers without adequate external checks.

6: Board Composition, Nominee Directors, and Competitive Non-Neutrality

The institutional governance of the regulator has also been changed. The SEBI Board will be expanded from nine members to fifteen members to include more domain specific technical experts to deal with complex algorithmic trading and financial technology (Section 4 of the Code). But the Code does retain government nominee directors on the board. As corporate governance commentators have observed, nominee directors from the Ministry of Finance and Corporate Affairs tend to favour the fiscal and political agendas of their parent departments rather than objective market efficiency. Inter-agency coordination is better done through external agencies such as Financial Stability and Development Council (FSDC). In addition, Section 65(2) of the Code deals a serious blow to corporate governance and market equity. The Central Government has the power to issue notifications exempting the listed public sector undertakings (PSUs) from the corporate governance, disclosure and public shareholding requirements. This statutory provision institutionalises a double-track regulatory system that is inconsistent with the principle of competitive neutrality and seriously undermines the rights of minority shareholders in state-owned enterprises.

7: Judicial Jurisprudence on Consolidating Statutes and Self-Contained Codes

The legal survival, operational autonomy and interpretive supremacy of the Securities Markets Code, 2025 relies heavily on the rich constitutional and administrative jurisprudence of the

Supreme Court of India. When the legislature combines a number of disparate laws into one “complete code,” specific judicial canons of construction come into play, giving priority to the consolidated code over general or prior statutes.

1. The Rule of Natural Meaning in Consolidating Statutes

The first principle of statutory construction of consolidating acts in India was laid down by the Supreme Court in **RAVULA SUBBA RAO AND ANOTHER V. THE COMMISSIONER OF INCOME TAX, MADRAS**²⁰. The Court adopted the classic rule of **LORD HERSCHELL IN BANK OF ENGLAND V. VAGLIANO BROS**²¹ that the proper course is to look at the language of the statute itself to find out its natural meaning, uninfluenced by considerations of the prior law. The Court observed that: *We must, therefore, interpret the provisions of the... Act as constituting a code complete in itself and exhaustive of the matters dealt with therein, and find out what is their true scope.* This binding precedent mandates that the provisions of the Securities Markets Code, 2025, are to be construed only on the basis of their plain and contemporary language and are not to be subject to the limitation of the judicial interpretations of the erstwhile 1992 SEBI Act, 1956 SCRA or 1996 Depositories Act.

2. Exclusion of General Law by Self-Contained Codes

In **FUERST DAY LAWSON LTD. V. JINDAL EXPORTS LTD.**²² and later in **FUERST DAY LAWSON LTD. V. JINDAL EXPORTS LTD.**²³ the Supreme Court had to decide whether a Letters Patent Appeal would lie against an order passed by a Single Judge under the Arbitration and Conciliation Act, 1996. The Court held that the 1996 Act was a self-contained consolidating code and excluded the application of general civil procedure and appellate rules (such as those under the Letters Patent or the Code of Civil Procedure, 1908) unless expressly incorporated in the Act. The Court held: "The Arbitration Act is a special act and a self contained code... where the Code is a consolidating and enacting one its completeness must be recognised. In the application of this doctrine to the Securities Markets Code, 2025, the procedures prescribed for investigations by SEBI, AO adjudications and orders of the

²⁰ *Ravula Subba Rao and Another v. The Commissioner of Income Tax, Madras*, 1956 SCR 577 : AIR 1956 SC 604

²¹ *Bank of England v. Vagliano Bros (1891) AC 107*

²² *Fuerst Day Lawson Ltd. v. Jindal Exports Ltd.*, (2001) 6 SCC 356

²³ *Fuerst Day Lawson Ltd. v. Jindal Exports Ltd.*, (2011) 8 SCC 333

Ombudsperson (under the Securities Markets Code, 2025) are independent and protected by law from any external procedural interference.

3. The Principle of Complete Machinery

The question as to whether the acquisition of land under the Maharashtra Regional and Town Planning Act (MRTP Act) was subject to the limitation periods of Section 11-A of the central Land Acquisition Act was examined by the Supreme Court in the landmark judgement of the Constitutional Bench in *GIRNAR TRADERS V. STATE OF MAHARASHTRA AND OTHERS*,²⁴. The Constitution Bench noted that the MRTP Act is a “self-contained code” and provides “complete machinery” for the purpose for which it is enacted. The Court found that to read external timeframes from another statute would undermine the specialised and seamless operation of the state planning law. The Court observed that *A self-contained code is complete in itself... it has the effect of excluding any general rule of civil procedure... reading provisions of other statutes into it would defeat the very legislative intent*. This jurisprudence is of utmost importance for the protection of the Securities Markets Code, 2025. This means that the time limits for external civil or criminal proceedings cannot be used to avoid or delay the specific, fast-track time limits for market defaults under Chapter XIII.

4. Exhaustive Nature of Modern Economic Codes

The Supreme Court has directly applied the “complete code” doctrine to modern economic and financial legislations in *INNOVENTIVE INDUSTRIES LTD. V. ICICI BANK AND ANOTHER*, (2018) 1 SCC 407: AIR 2017 SC 4084²⁵. In evaluating the constitutional superiority of the Insolvency and Bankruptcy Code, 2016 (IBC), the Court had expressly declared: It is a well-settled law that a consolidating and amending Act like the present Central enactment is a code by itself and is exhaustive of the matters dealt with therein. The Court noted that the main purpose of such economic codes is to expedite the proceedings and prevent the defaulting entities from using prior or general legislations to slow down or impede the enforcement. This reasoning was further supported in *SWISS RIBBONS PVT. LTD. AND ANOTHER V. UNION OF INDIA AND OTHERS*,²⁶, where the Supreme Court repelled constitutional challenges to the IBC, upholding strict, time-bound processes on the ground that

²⁴ *Girnar Traders (3) v. State of Maharashtra and Others*, (2011) 3 SCC 1

²⁵ *Innovative Industries Ltd. v. ICICI Bank and Another*, (2018) 1 SCC 407 : AIR 2017 SC 4084

²⁶ *Swiss Ribbons Pvt. Ltd. and Another v. Union of India and Others*, (2019) 4 SCC 17 : AIR 2019 SC 739

the legislature must be given latitude to experiment with economic laws aimed at ensuring market stability. The Court recognised that economic consolidations are beneficial legislations for the protection of the public interest and for the preservation of the value of assets. The decisions in *Innoventive Industries* and *Swiss Ribbons* provide the strongest constitutional support to the Securities Markets Code, 2025. The Supreme Court acknowledges a consolidating financial code as complete and comprehensive. It guarantees that the 180-day investigative period, the 8-year limitation periods and the settlement finality rules under Section 68 will prevail over conflicting general laws. This allows swift and legally binding implementation in India's capital markets.

SUGGESTIONS AND RECOMMENDATIONS

In this connection, to fill the statutory gaps, ambiguities and possible procedural loopholes revealed in the doctrinal analysis of the Securities Markets Code, 2025, the following legislative and administrative proposals are advanced:

1. **Restrict Excessive Legislative Delegation in Clause 93(g):** Clause 93(g) needs to be amended to take away the power of SEBI to prescribe new activities constituting "market abuse" with criminal sanctions, so that the Code does not get struck down in judicial review. It must remain the sole power of Parliament to define criminal offences. If administrative flexibility is needed SEBI should be restricted to proposing draft amendments to a list of scheduled offences which must be formally approved by Parliament before carrying criminal imprisonment penalties.
2. **Create a separate career track for adjudicatory officers (ALOs):** For a real separation of powers under the Constitution, the Code can be amended to give a separate independent career route for "Administrative Law Officers" (ALOs) in SEBI. These ALOs should be appointed on their own and made to report to some designated "Administrative Law Member" on the SEBI board and strictly barred from reverting back to executive or investigative roles. This will remove any institutional bias, and encourage objective, judicial decision making.
3. **Clause 19(b): Codify Objective Penalty Guidelines** The subjective element of Clause 19(b)(v) concerning the "impact of the default on the integrity of the securities markets" should be removed to prevent arbitrary penalties. The Code should require the formal

publication of binding “Penalty Calculation Regulations” which shall be based on objective, mathematical matrices strictly derived from the quantifiable harm caused to investors or the exact value of unlawful gains made.

4. Implement the Principle of Competitive Neutrality under Clause 65(2): Clause 65(2) should be deleted or heavily qualified so that PSUs do not get arbitrary exemptions from corporate governance, public shareholding and continuous disclosure standards. To protect minority retail investors in state-owned enterprises, PSUs should be subjected to the same regulatory and compliance standards as private listed companies.
5. Resolve the SAT Coram and Technical Member Scenario: Section 80(2)(c) should be amended to clarify the validity of the appellate coram and to avoid procedural paralysis. The Code should also provide a statutory timeline (not exceeding ninety days), within which the Central Government should fill the technical member vacancies. The Code should also provide for the temporary re-appointment of retired judicial or technical members to avoid the backlog build-up.
6. Embed Mechanisms of Contemporary Financial Innovation: The Code should require the establishment of a closely regulated and transparent trading platform for unlisted companies, and statutory provisions for “listing without an offering” (direct listings) by companies, to enable deep capital market expansion. This will facilitate liquidity and transparent price discovery without the onerous ongoing compliance burdens of a full public listing.

CONCLUSION

The Securities Markets Code, 2025 is a milestone in the process of modernisation of the capital market architecture in India. The successful consolidation of three independent, legacy statutes the SCRA 1956, the SEBI Act 1992 and the Depositories Act 1996, into a single legislative code eliminates the statutory fragmentation, jurisdictional conflicts and the unpredictable “circular raj” that was historically a burden on compliance. The structural introduction of time bound investigations, single Adjudicating Officer and the independent Securities Market Ombudsperson is a paradigm shift towards protection of the retail investor and ease of doing business.

Significantly, the Supreme Court jurisprudence strongly supports the doctrinal and interpretive status of the Code. The act of consolidation is a code in itself and has been consistently stated in cases of Ravula Subba Rao, Fuerst Day Lawson, Ginnar Traders and Innoventive Industries. This judicial canon of construction ensures that the specialised machinery of the Code, in particular its settlement finality rules and rigid enforcement timelines, will function with absolute supremacy, unencumbered by procedural interference from general or conflicting legislations.

But the Code is not without its significant structural weaknesses. The concentration of legislative, investigative and quasi-judicial power in the hands of a single administrative regulator combined with the excessive delegation of powers of criminal lawmaking and competitive non-neutrality in favour of state enterprises threatens to undermine public trust and constitutional validity. Parliament must put strong checks and balances in place to guard against this modernisation becoming an unchecked administrative Leviathan. India can secure a safe, transparent and globally competitive capital market ecosystem for decades to come with the targeted legislative reforms proposed in this paper, most importantly, the creation of a separate, independent cadre of Administrative Law Officers, objective penalty rules and the application of corporate governance standards equally to public sector enterprises.

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