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INVESTOR'S PROTECTION IN STOCK MARKET: EXAMINING THE EFFECTIVENESS OF EXISTING REGULATORY MECHANISMS IN INDIA

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ABSTRACT

The investors-market relationship is a dynamic one with an ever-volatile balance of reward and risk. The market depends on investors and their investment, which affects many internal and external forces and also drives society toward economic progress, innovation, financial stability, and employment opportunities. These investors trust rely on the investment system and to support the system there's THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992, THE SECURITIES CONTRACTS (REGULATION) ACT, 1956 AND CONSUMER PROTECTIONS ACT 1986. In today's modern and technologically advanced world and the immense jurisdiction of cyber networking results in no geographical boundary to commit crimes, such as manipulation, financial misappropriation, money laundering, insider trading etc. The aforementioned statues act as barriers to protect its investors by prevention of fraudulent and unfair trade practices, regulation of market intermediaries, protection against insider trading, complying with corporate governance standards, redressal of investor grievances, etc. which adds in gaining investors trust and also it acts as a safeguard for the investors' money in the market. This paper aims to focus on the Regulatory Effectiveness protecting upon the trades and the money investors invests in the market by the statues, promoting trust and growth. These provisions collectively aim to create a safe and regulated investment environment, protecting investors from fraud, mismanagement and financial loss. The paper aims to study the robust framework of the statutes comprehensively created for the investors and how the statutes safeguard its investors from anything that might distort the environment.

Keywords: Investors Protection, Market, SCRA, SEBI, Consumer Protection

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INTRODUCTION[1]

The Indian Financial market reflects the efficiency, investment and growth of a country and so it is a major component of the financial sector. A common man entering this market faces various apprehensions about what lies ahead. In order to have some knowledge so that he is not affected by the unknown and can take the plunge of investing without fear of suffering financial losses. Constant volatility creates euphoria and despair in the market influencing the mindset of the investor.

The uncertainty the investors face needs to be reassured and this can be accomplished through various measures taken by India's two major stock exchange namely National Stock Exchange and Bombay Stock Exchange, the oldest stock exchange in Asia, established in 1875 which are backed by two very important statutes - THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992, THE SECURITIES CONTRACTS (REGULATION) ACT, 1956 and CONSUMER PROTECTION ACT,1986. The system of stock market is buying and selling of securities making the investor a consumer and The Father of the Nation, M.K. Gandhi, emphasized the importance of customers with his famous quote: *"A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption of our work. He is the purpose of it. He is not an outsider of our business. He is part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us the opportunity to do so."*

To illustrate on this further SEBI has mandated to disclosure of all transactions on investments over 0.5% in order to record and become aware of activities yet there's a risk factor present and to mitigate the same there is an investors protection fund that helps an investor to be compensated. Moreover, this fund compensates the investor to the extent of funds found insufficient to the defaulter's account. Claims up to Rs. 15 lakhs in respect pf the approved claims of any investor against the defaulter trading members of the exchange.

INVESTORS PROTECTION FUND

[1] Angel One, *SEBI Issues Guidelines for Investors Protection Fund in Commodity Market,* Angel One (May. 31, 2024), SEBI Issues Guidelines for Investor Protection Fund in Commodity Market.

The Investors Protection Fund (IPF) provides a safety net that protects the interest of investors in the securities market. This fund is designed to safeguard investors in case of defaults or failure by trading members, and it creates financial security and increases confidence in the market ecosystem. We are about redirect all available resources, in a very cohesive manner, into the fund we are considering.

CONTRIBUTIONS THROUGH EXCHANGES

The Investor Protection Fund is chiefly funded by mandatory revenue contributions from stock exchanges as part of their effort to strengthen investor trust. Stock exchanges are required to contribute 1% of the ongoing quarterly flow of listing fees they've collected, which ensures a steady source of capital going into the protection fund. This mechanism puts in place the contours by way of which with the expansion of market actions, the corpus for investor safety grows in sync. Moreover, the interest earned from a security deposit maintained by the companies with the stock exchange for public issues and rights issues is also transferred to the fund when the stock exchange is de-recognized. It exists to protect investor interests in the event of an exchange transition, or if an exchange closes its doors. This creates a direct connection between the enforcement of market discipline and resources for investor protection in instances of market manipulation or price rigging where proceeds from auctions connected to suspected perpetrators go to the IPF rather than back to the individual perpetrator.

EXTERNAL FUNDING SOURCES-[2]

In addition to contributions from the exchange, the Investors Protection Fund also benefits from a variety of external sources that further bolster its financial foundation. The Central Government, State Government and other bodies, approved by the Central Government, provide grants and donations to the fund, which means that the investor safety mechanism has a government backing. This widespread support resonates with the importance of preserving national investor confidence in our capital markets. In cases where market participants default on their obligations, the amounts they forfeit in penalties become part of the IPF, ensuring that there is a tangible incentive for market participants to avoid non-compliance which ultimately serves the broader investor base. This regulatory board also directly contributes to the fund

[2] National Securities Depository Limited, *SEBI Circular on Comprehensive Guidelines for Investor Protection Fund and Investor Services Fund at Stock Exchanges and Depositories* (Jan. 2023), 2023-0062-Policy-SEBI_Circular_on_Comprehensive_guidelines_for_Investor_Protection_Fund_and_Investor_Services_Fund_at_Stock_Exchanges_and_Depositories..pdf.

reinforcing that regulatory oversight is accompanied by a financial commitment to protecting investors. Together, these diversified sources of funds help the IPF to always have enough capital to fulfil its diverse requirements to protect investors in a market environment.

ADMINISTRATION AND SIGNIFICANCE-[3]

The existence of an Investors Protection Fund, established by under section 8(4)(o) of the Investment Code, is crucial to preserve the integrity of the markets and investor confidence in the securities ecosystem. The fund is usually managed by a committee that examines and pays claims submitted by investors who have lost money because of the defaults or bankruptcies of members. The possibility of earning reliable compensation through the IPF significantly alleviates the risk perception among retail investors and fosters market inclusivity. The overall model achieves a broad safety net through multi-source funding, requiring each contributor to play a specific role in bolstering the safety net for investors even in periods of market stress. This mechanism with comprehensive protection allows the fund to not only serve as a compensation vehicle but to actually work to provide the basis for a well-functioning securities market emphasizing investor protection.

INVESTORS PROTECTION[4][5]

The securities markets are seen as essential elements of growth and economic development. They provide various investment opportunities to issuers as well as investors. Strong and efficient securities regulation, on the other hand, is vital for market confidence and development of securities markets.

They not only determine the level of activity in the securities market but also the level of activity in the economy. The growth in the numbers of investors in India is encouraging. The trends reveal that in addition to Flls and Institutional Investors, small investors were also gradually beginning to regain the confidence in the capital markets that had been shaken consequent to the stock market scams during the past decade.

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[3] Moneycontrol, *SEBI Issues Guidelines on setting Up Investor-Protection Funds for Exchanges with Commodity Derivatives,* MONEYCONTROL (Jan. 30, 2024), Sebi issues guidelines on setting up investor-protection funds for exchanges with commodity derivatives.

[4] Abhilipsa Kar & Yashoswini Mishra*, SEBI on investor Protection, 4 Indian J. Integrated Res. L. 339.*

[5] Rajiv kumar Agarwal, *Invetor Protection and regulations in Derivative market,1.*

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Investor confidence is necessary for corporate expansion, yet millions do not have expertise in securities investment—they cannot ascertain risk-return profiles, or understand how market mechanisms work. This creates a breeding ground for ignorance and at the same time makes one susceptible. Robust and transparent corporate governance is critical to making informed decisions and to ensuring an equitable exit.

The Securities and Exchange Board of India (SEBI) protects the interests of investors in securities and promotes the development of, and regulates, the securities market. The Board is established with a view to facilitating the growth and regulation of the securities market, thereby also promoting the development of the capital market in India. Confirming to the mention, SEBI fills the gap of knowledge with the right & sufficient information to resolve issues concerning investors and to make sure that there is no blind investment being done by any of the retail investors.

STATUTORY SUPPORT FOR INVESTORS PROTECTION

The SEBI Act, 1992: an exhaustive study

1992 - The SEBI Act, 1992 is the cornerstone of India's capital market regulation, providing a strong legal framework to safeguard investors, maintain market integrity, and promote transparency. In response to systemic weaknesses and to equip a dedicated regulatory body to oversee and manage market participants, the Act bestows SEBI with sweeping powers of enforcement, while also introducing mechanisms to tackle fraud, regulate intermediaries, and proactively address new and emerging challenges in the marketplace. Despite its extensive framework, the implementation of the Act faces significant hurdles, such as jurisdictional intricacies, interpretational disagreements, and minimizing regulatory powers with procedural safeguards.

ENFORCEMENT MECHANISMS AND REGULATORY ARCHITECTURE

11B — Expansion of the enforcement authority[6]

Requisite independence is ensured under Section 11B of the SEBI Act wherein broad and discretionary powers are provided to SEBI to protect investors and promote the stability of the securities market. The amendment in 2018 strengthened SEBI by empowering it to not only pass

[6] Manal Singh, *Deep Dive #1: Section 11B of SEBI Act, 1992, The Sec. Blawg (Mar.15, 2025, 10.00 AM),* Deep Dive 1 – Section 11B of SEBI Act, 1992.

remedial orders but also impose penalties thus making enforcement more effective. However this consolidation raises fears of excessive power, the open-ended language empowering SEBI with "such measures as it deems fit."

Section 15-I, on the other hand, is not designed for immediate responses to market crises, as shown in the case of SEBI's actions, such as freezing assets and suspending trading licenses. Who's to say they will actually show restraint in what may be an overreach? Critics say there should be legal safeguards to make sure the proceedings are fair and judicial oversight.

MARKET INTERMEDIARIES —REGISTRATION AND OVERSIGHT

Licensing Framework & Compliance Standards

All market intermediaries, including brokers, mutual funds, and credit rating agencies, are also mandated to register with SEBI under the SEBI Act, and this high barrier to entry acts as an efficient gatekeeping mechanism. This entails rigorous evaluation of eligibility, evaluation of net worth, and continuous monitoring of performance to retain compliance with SEBI code of conduct. Entities foregoing registration are required to keep clear records, report on conflicts of interest, and establish protocols for risk management, ensuring accountability in India's financial ecosystem.

The SEBI keeps updating the operational guidelines for intermediaries including in the aftermath of changing risk scenarios. For example, portfolio managers are subject to greater requirements for disclosure on fee structures and investment strategies, and brokers must segregate client assets to prevent misuse. These steps ensure ethical standards but also discourage poor practice by threatening professional conduct or sanctions through loss of license or monetary penalties.

MARKET ABUSE AND FRAUD PREVENTION

Forms of Surveillance and Examples of Cases[7]

SEBI has deployed state-of-the-art surveillance systems which leverage on the latest in terms of algorithmic pattern detection and real-time monitoring of trades, etc. SEBI's efforts are well illustrated by one prominent example, the SFL Ltd case, in which entities were found to have

[7] Shreedhar Manek, *SEBI Thinks Trading a Shady Stock, Boring Money (Mar. 6, 2025, 02:00 PM), (2023),* https://boringmoney.in/p/sebi-thinks-trading-a-shady-stock?utm_source=reddit&utm_medium=social&utm_campaign=sebi,

executed isolated trades of 10 shares, thus triggering SEBI to impose penalty for creating artificial price movement. Yet that ruling was reversed by the Securities Appellate Tribunal (SAT), which held that low-volume trades alone are insufficient to demonstrate manipulative intent, exposing divergent interpretations of what constitutes fraudulent activity.

Enforcement Challenges Across Borders[8]

The issue of jurisdiction emerged front and centre as SEBI pursued its investigation of Hindenburg Research, following its damning report on the Adani Group. SEBI claimed that Hindenburg's offshore derivatives positions related to Indian securities breached disclosure norms although the research company operated outside the territorial jurisdiction of India. This case highlights the challenges of regulating global players that have an effect on domestic markets and shows how important global partnerships are in securities regulation.

INFLUENCE AND PUBLIC PERCEPTION OF REGULATIONS

Reforms and Criticisms

These measures along with others such as compulsory disclosures of ESG metrics for listed companies, stricter controls on insider trading, as well as common resolution portals for grievances, are some of the latest reforms put in place by SEBI to boost confidence among its investors. These generation initiatives are indicative of greater efforts to increase transparency, as shown by settlement times moved from T+2 to T+1 to eliminate counterparty risk.

Yet, these gestures have not helped win over the public. Critics, lamenting the tardy responses in high-profile scams, also accuse SEBI of regulatory capture and a lenient approach toward institutional transgressors. Proponents, on the other hand, emphasize SEBI's market stabilizing role during volatility, including this publication's circuit breaker interventions during the COVID-19 pandemic, which helped avoid panic selling.

CHALLENGES IN IMPLEMENTATION

Interpretation Games with Appellate Bodies[9][10]

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[8] Dev Chatterjee, *Sebi has a Strong Case Against US-Based Hindenburg Research, Say Lawyers,* BUSINESS STANDARD (Mar. 5, 2025), Sebi has a strong case against US-based Hindenburg Research, say lawyers | News on Markets - Business Standard.

[9] *Not all 'Self- trades" Are Manipulative: Tribunal to SEBI,* REGSTREET LAW ADVISORS (Feb. 8, 2019), Not all 'self-trades' are manipulative: Tribunal to SEBI - Regstreet Law Advisors.

[10] Securities and Exchange Board of India, *Order in the matter of self-Trades by Market Participants* (Aug. 7, 2018), 1533810314407.pdf.

This intermittent tussle between SEBI and SAT, as seen in the case of SFL Ltd, leads to legal uncertainty. SAT's insistence on having ascertained or meeting certain quantitative thresholds in relation to making out a case for manipulation runs counter to SEBI's position that manipulation can also be determined based on the qualitative assessments which makes it challenging for enforcement strategies. Such interpretative gaps will only be filled with clearer statutory definitions of market abuse or specialized tribunals with securities market expertise.

Limitation of Jurisdiction in Globalized Markets[11]

The Hindenburg case highlights SEBI's limited power over foreign entities, 100% of whose actions can vitiate Indian markets. Though SEBI can enter MOUs with foreign regulators, enforcement is difficult without bilateral mutual trade agreements. Given this, bolstering cross-border information-sharing mechanisms as well as investing in implementing extraterritorial jurisdiction clauses could help fill such gaps.

Facilitating regulatory efficiency due to 2018 amendment of the Section 11B, however, such mixing application of investigative, adjudicatory and punitive powers can morale the concept of due process. Critics believe that the answer lies in structural overhaul, including the separation of SEBI's enforcement and quasi-judicial arms, to preclude conflict of interest and ensure neutrality.

The SEBI Act, 1992, has flourished into a living, breathing regulatory tool, allowing for timely market management with the seeming onslaught of 21st-century issues, from algorithmic trading to cross-border fraud. But it seems to miss the mark on interpretative ambiguities, jurisdictional reach, and accountability mechanisms. Further revisions must aim to balance enforcement discretion with investor rights so that India's capital markets remain resilient and equitable in an interconnected global economy.

SECURITIES CONTRACTS (REGULATION) ACT, 1956 [SC(R)A]: A DETAILED INTRODUCTION

The Act is the apex legislation governing the securities market in India, establishing investor protection, market integrity, and institutional accountability mechanisms. This robust legislation lays out the regulatory framework for stock exchanges, ensures financial protections, mandates compliance with listing requirements, provides specialized adjudicative institutions, and imposes

[11] Manas Rohilla & Smruti Kulkarni, *SC's Verdict Upholding SEBI's Regulatory Competence in the Adani case,* IRCCL (Feb. 7, 2024), SC's Verdict Upholding SEBI's Regulatory Competence in the Adani Case.

transparency obligations and requirements for marketplace fairness and efficiency in securities activities. The Act has certainly laid down a strong groundwork for the burgeoning capital markets in India, but there remain areas such as multiparty jurisdictional redundancy, compensatory assure of investors and the efficiency of appeals processes that require further legislative attention.

INTRODUCTION TO SECURITIES CONTRACTS (REGULATION) ACT, 1956[12][13]

Holding a prime position in the legislative framework, the Act provides the foundation of India's securities market regulation. This legislation made under Act serves not only to curb undesirable transactions in securities, but also to regulate the working of stock exchanges and has been evolved over decades. Through a structured framework of rules and procedures, the Act enables regulatory bodies to manage market infrastructure, ensure compliance, and safeguard investor interests.

The SCRA is an act of Indian parliament, a fundamental law set up for the protection of investors acting in Indian securities market. The Act provides a wide range of provisions that includes establishing stringent oversight mechanisms and procedural safeguards to ensure a regulated environment that fosters fair trading practices. The SCRA lays out a detailed regulatory framework intended to maintain order in the market and make sure every market participant conforms with standardized procedures, which helps ensure transparency and accountability constructed within the securities ecosystem.

CREATING THE REGULATORY ARCHITECTURE FOR MARKET INFRASTRUCTURE

Grant of recognition and governance of stock exchanges[14][15]

SCRA's Section 4(B) led to the corporatization and demutualization of stock exchanges, ensuring at least 51% public equity to disengage trading from management rights, eliminating conflicts of

[12] Securities Contracts (Regulation) Act, 1956, § 28E1, Securities Contracts Regulation Act, 1956, India-legitquest.
[13] Institute of Company secretaries of India, *Securities laws* (2018), Final_SecuritiesLaw.pdf.
[14] Taxmann, *FAQs on Securities Contracts Regulation Act (SCRA),* TAXMANN (Feb. 16, 2024), [FAQs] on Securities Contracts Regulation Act (SCRA) – Objects | Applicability | Definitions.
[15] Corporate Law Reporter, *Corporatisation and Demutualisation of Stock Exchanges,* CORPORATE LAW REPORTER (Mar. 1, 2024), Corporatisation and Demutualisation of stock exchanges - Corporate Law Reporter.

interest and promoting market integrity. Section 9 also sets forth the power of exchanges to establish binding self-regulatory by-laws, governing their internal operations, dispute resolution and the conduct of their members. This allows for punitive actions and stabilizes the market. This self-regulatory framework, combined with exchange-level enforcement, results in a layered governance system with regulatory oversight and enhancing transparency and accountability.

PROTECTING INVESTORS THROUGH FINANCIAL SAFEGUARDS[16][17]

Compensation Mechanisms[18]

The SCRA creates important financial protection measures for investors through special funds created for reimbursing investors in the event of default or wrongdoing. Perhaps the most notable of such protections is the Investor Protection Fund (IPF), which is supported financially by contributions from both the exchanges and their respective members. The fund to which stock exchanges generally pay 2.5% of their listing fee and trading members pay 1 paisa for every ₹1 lakh of turnover. This is a collective fund that compensates investors, in case of defaults committed by the trading members, up to ₹15 lakh with the intention of providing investors a financial buffer against potential losses resulting from broker insolvency or any other defaults. This fund serves to significantly boost overall investor confidence, as it assures that market participants have an avenue to compensation should a member fail to meet their obligations.

In addition to the IPF, the Investor Education and Protection Fund (IEPF) is aligned with the mandate of the Companies Act, 1956, Section 205C(3). This fund uses such unclaimed dividends and deposits for various investor awareness programs, aiding in better utilization of dormant financial resources for public good. The IEPF serves both a significant and dual purpose in the investor protection ecosystem from providing financial literacy and education for such informed decisions, as well as creating awareness about rights and remedies under the securities

[16] Enterslice, *Investor Education and Protection Fund (IEPF) for share recovery,* ENTERSLICE (Jan. 5, 2024), Grasping the Investor Education and Protection Fund (IEPF) for Share Retrieval.
[17] National Stock exchange of India, *Investor Protection Fund Trust,* NATIONAL STOCK EXCHANGE OF INDIA, Investor Protection Fund Trust.
[18] Investor Education and Protection Fund Authority, *History,* INVESTOR EDUCATION AND PROTECTION FUND, History.

laws. The IEPF also plays an important role in prevention through the funding of educational initiatives to reduce information asymmetry that retail investors face in complex markets.

RIGHTS OF SHAREHOLDERS AND LISTING COMPLIANCE[19]

Under Section 21 of the SCRA, a listing agreement must be entered into by the company in question to ensure financial disclosure and compliance with corporate governance mechanisms and to ensure fair treatment of shareholders, to be applicable beyond the IPO. These arrangements reallocate private responsibilities as regulatory ones. Section 21A builds favor with investors by mandating a formal hearing and incentivizing communication before taking punitive action. Investors do have a 15-day window to appeal delisting orders to the SAT, which provides a further safeguard against the ruinous practice of "delisting" that benefits majority shareholders. This right to appeal is powerful because it protects minority shareholders and ensures procedural propriety.

DISPUTE RESOLUTION COMMERCIAL AND SPECIALIZED[20]

SCRA, Section 22E – An exclusive jurisdiction scheme by excluding civil courts section 22E of the SCRA provides that matters and disputes that are dealt by Act VIII of 1992, the civil court shall not exercise jurisdiction over such matters. This grants securities disputes to adjudicatory bodies with domain expertise specific to the particular rules of participation in the relevant areas of commerce rather than general courts that may not possess the technical acumen to resolve securities markets issues. Through its arbitration and mediation mechanisms, the SCRA directs disputes involving securities matters to industry experts while ensuring a quicker resolution than would be available in a general civil court of law, creating a dispute resolution ecosystem that fosters expert jurisprudence.

This is now being rendered under Section 23L which affords a specific appellate process against stock exchange decisions as well as SEBI orders, thus strengthening investor rights. Investors are also given the right of appeal in such decisions which makes for procedural fairness and creates a mechanism that prevents over-reach by the regulator or bias by an exchange. In doing

[19] Investor Education and Protection Fund Authority, *History,* INVESTOR EDUCATION AND PROTECTION FUND, History.
[20] National Company Law Tribunal, *Order in the Matter of case No. 3607130021692022*, (Aug. 2023), gen_pdf.php.

so, the appellate mechanism plays a critical role in keeping regulatory and exchange authorities in check, maintaining the governance of these institutions and providing investors with an avenue for redress against negative determinations. Such a tiered adjudication system is a balance between regulatory efficiency and due process protections.

TRANSPARENCY MANDATES[2122]

SCRA Section 19 provides sweeping directional powers to the government over stock exchanges in the context of its transparency requirements. This provision empowers the government to require exchanges to implement real-time disclosure of material information by listed entities so that price-sensitive developments reach all market participants at the same time. By requiring that information that can over time and in the right context move the market to be made available to more people, the mandatory disclosure regime developed in this section helps to mitigate information asymmetry and insider advantage. By placing its transparency requirements on a statutory basis, the SCRA levels the informational playing field, which is critical for both fair price discovery and investor protection.

The Act accordingly provides, in section 2(h), a broad definition of "securities", which includes shares, bonds, derivatives and collective investment schemes, among others. This broad definition creates bright-line regulatory boundaries and prevents regulatory arbitrage—that is., when hybrid or novel financial products are developed specifically to avoid statutory oversight. Through this broad framework, it is ensured that the investor safeguards provided in the SCRA apply to all types of investment products, enabling the financial innovations to come through while also making sure all the investor movements are covered under a uniform regulatory umbrella. The law can offer legal clarity for both market participants and regulators through this definitional framework.

ENFORCEMENT AGAINST MARKET ABUSE[2324]

The SCRA does not mention or define unfair trading practices as such but establishes a delegation structure that allows SEBI and stock exchanges to formulate detailed rules and

[21] Institute of Company Secretaries of India, *Securities laws* (2018), Final_SecuritiesLaw.pdf.
[22] Securities Contracts (Regulation) Act, 1956 (India).
[23] Sandeep J.N. Rao, *GIR's Guide to International Enforcement of securities laws: First Edition – India Chapter* (2021), GIRs-Guide-to-International-Enforcement-of-Securities-Laws-First-Edition-India-Chapter.pdf.
[24] Sonakshi Das & Sanjana Sahu, *The Know-All of Insider Trading – Decades of Corruptive Prevention,* LAWCTOPUS (Jan. 15, 2015), The Know-All of Insider Trading – Decades of Corruptive Prevention - Academike.

regulations governing market abuse. These delegating authorities monitor and punish harmful practices, including insider trading and price manipulation, with subordinate regulations which can be more easily adapted to changing market tricks than primary legislation. This approach reconciles the need for stability in legislation with developing responsive systems of rulemaking for fast changing markets, allowing mechanisms for enforcement to decouple and mature without frequent applications to amend the Act.

The enforcement framework created by the SCRA and its delegation of authority covers not just market manipulation, but also practical trading mechanics that could otherwise hurt investors. These include rules mandating that various settlement deadlines to avoid delayed transactions be enforced and requirements to ensure that brokerage fees are disclosed so investors are not paying hidden or excessive fees. The SCRA tackles the risk that this operational dimension of trading in securities can be abused, in execution, rather than just in price discovery. This systematic approach acknowledges that investor protection involves observation/monitoring from the whole transaction lifecycle.

MARKET INTEGRITY PENALTY FRAMEWORK[25][26]

Its provisions involve a sophisticated system of tiered penalties to generate commensurate deterrence across classes of violations. Weights corresponding to violations are based on a graduated schema, meaning that sanction regimes are set at a level proportional to the level of the infractions, thus creating appropriate incentives for compliance for a wide range of market participants. As an example, with Section 23A a maximum penalty of ₹1 lakh per day of default, or a maximum of ₹1 crore in total under that section, whichever is lower, is applicable, for default in record-keeping and reporting. This formulation establishes both a cumulative and absolute cap on penalties, which would achieve a balance between deterrence and proportionality for procedural breaches.

Heavier penalties are reserved for offenses that directly threaten the integrity of the market and investor protection. This is also illustrated with a possible penalty of up to ₹25 crore under section 23E for non-compliance with terms for listing or delisting, underlining the gravity of these violations as they pose a risk to large investor bases. Section 23J further specifies the penalty

[25] Finsec Law Advisors, No Penalty Can Be Imposed on Companies for Violations of Post listing Compliances Under Section 23E of SCRA, MONDAQ (Feb. 8, 2023), No Penalty Can Be Imposed On Companies For Violations Of Post Listing Compliances Under Section 23E Of SCRA - Securities - India.
[26] Suyash Khanna, *Penalties under Securities Contract Regulation act, 1956*, TAXGURU (Jun. 12, 2023), https://taxguru.in/sebi/penalties-securities-contract-regulation-act-1956.html.

framework by requiring the adjudicator to consider (at a minimum) the unfair profits obtained, losses suffered by investors, and whether the violation is part of a pattern of repetitive violations. This more nuanced approach permits contextual evaluation of violations instead of robotic application of maximum penalties.

ISSUES AND CRITICAL EXAMINATION[27]

The introduction of the SCRA also highlights some structural challenges in the way the SCRA has been implemented impacting its operational efficacy especially in the interfaces with other regulatory regimes. Another area of concern is Jurisdictional Overlap between the SCRA, the SEBI Act of 1992 and the Companies Act of 2013, which reflects a layered regulatory structure with likely coordination challenges. While the SCRA lays down the basic rules for market infrastructure, the SEBI Prohibition of Insider Trading Regulations is the one that sets out mechanisms to enforce against particular kinds of market abuse. While providing comprehensive coverage, this regulatory layering can also give rise to confusion as to primacy of authority or create regulatory gaps where there is a presumption that responsibilities rest with another body.

There are practical constraints on the compensation mechanisms created by the SCRA, which in some situations may dilute their protective purpose. Most egregious is that the ₹15 lakh compensation limit set by the Investor Protection Fund seems woefully inadequate for the type of losses that can occur as high-value transactions become ever more frequent in India's maturing securities markets. It does not account for inflation and the growth of the market and therefore it may leave significant investor losses uncompensated in case of the default or insolvency of the broker. This underscores the need to update statutory protection limits from time to time, to reflect both the realities of the market and meaningful coverage for modern investment trends.[28]

The specialized dispute resolution mechanisms established by SCRA sound great on paper, but in practice are limited as markets grow. A rising volume of appeals pending with the Securities Appellate Tribunal is already on course to result in considerable pile-ups of investor grievances in the appellate tribunal. These delays frustrate the movement intended by the SCRA to create

[27] The Economic Times, *NSE Hikes Ceiling Amount Payable Out of Investor Protection Fund Trust,* ECONOMIC TIMES (Aug. 13, 2024), Investor Protection Fund Trust: NSE hikes ceiling amount payable out of Investor Protection Fund Trust - The Economic Times.

[28] Mukul Agarwal, *Supreme Court Reiterates Reificatory Jurisdiction Under Companies Act: A Conundrum Involving NCLT and SEBI*, INDIA CORP LAW (Jan. 19, 2023), Supreme Court Reiterates Rectificatory Jurisdiction Under Companies Act: A Conundrum Involving NCLT and SEBI - IndiaCorpLaw.

an expedited path toward redress because extended adjudication processes can make final remedies less meaningful or even moot in rapid-market sectors. The increasing complexity and scale of securities transactions necessitate corresponding enlargements in the adjudicative capacity to ensure that the timeliness and effectiveness of the specialized dispute resolution framework is maintained as envisioned by the SCRA.[29]

CONSUMER PROTECTION ACT,1986[30]

Consumers lie in the centre of any market, hence they are the most vital element. As a result of this vulnerability, consumers are more likely to be exploited by sellers and intermediaries. In order to protect their rights and interests, India made the Consumer Protection Act, 1986. The bill is a consumer empowerment measure that enables consumers to approach the consumer forums in case of disputes against sellers.

A consumer dispute is defined in the ambit of the Act which governs disputes between consumers and sellers. However, the rule does not cover disputes among companies and investors, listed companies and intermediaries or purely between intermediaries or other stakeholders.

This act provides protection to persons who fall within the legal definition of a consumer. This encompasses those buying goods and services for personal use. This law does not protect, however, persons or entities that acquire goods or services for resale or commercial efforts.[31]

In the judgment of Senior Manager, *Delhi Stock Exchange v. Ravinder Pal Singh*[32], the National Commission held that the services provided to investors by stock exchange members like stockbrokers for purchase and sale of shares fall within the definition of services as defined under the Consumer Protection Act. Therefore, investors availing of such services becomes consumers of such services within the meaning of the provisions of the Act.

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[29] Hrishikesh Harathi, *Critical Analysis of SEBI's investor Grievances Redressal System in View of board's July Circular,* INDIAN REGLUTORY AND CORPORATE COMPLIANCE LAW (Oct. 23, 2023), Critical Analysis of SEBI's Investor Grievance Redressal System in view of Board's July Circular.

[30] Gaurav Mitra, *The Consumer Protection Act: Understanding the Exception to "Commercial Purpose",* INDIA LAW JOURNAL (Jan. 12, 2023), India Law Journal.

[31] Plutus Education, *COPRA Act 1986: Meaning, Objectives, Rights & Responsibilities of Consumers,* PLUTUS EDUCATION, COPRA Act 1986: Meaning, Objectives, Rights & Responsibilities Of Consumers.

[32] *Delhi Stock Exchange v. Ravinder Pal Singh,2008 Bus. L.R. 127 (N.C.D.R.C.).*

CONCLUSION[33]

In summary, investment protections within the Indian securities market, legislated through the SEBI, the SCRA, and the Consumer Protection Act, have translated into marked improvements in the investor experience and in the integrity of the market itself. The setting up of mechanisms like the Investor Protection Fund and empowering SEBI with a wide range of enforcement tools under Section 11B of the SEBI Act are testimony to this commitment. There is no doubt these measures have had a positive effect in enhancing transparency and accountability, and as a result having a more durable market.

Although it also reflects on serious challenges that seek more attention. The jurisdictional challenges, especially with respect to cross-border issues, as illustrated by the Hindenburg Research episode, further underscore the urgent need for greater global cooperation. Numerous skeps of interpretations of market manipulation and overlap between the jurisdiction of SEBI and appellate authorities such as SAT leads to legal ambiguity, which may shatter the confidence of the common investor. In addition, the document highlights the need for credible corporate governance and investor education, stating that most small investors don't have the requisite knowledge to understand the complexities of the market.

Regulatory frameworks going forward will have to adapt to the challenges of algorithmic trading and interdependent global markets; Amendments to SEBI Act and SCRA are one thing but there needs to be better clarity, jurisdiction and accountability. The separation of SEBI's functions may lead to better due process. Sustained growth, as well as public confidence, will depend on addressing ambiguities and gaps to ensure a fair, open marketplace. Regulatory change on the go is critical. As the world grapples with the complexities of a rapidly evolving financial landscape, investor education, corporate governance, and international cooperation will be critical to ensure that India's securities market continues to play its role as an engine of global stability and opportunity.

RECOMMENDATIONS

A sound and flexible framework of regulation is important for investor trust and market health; the Indian securities markets are central to the health of the Indian economy. Firstly, a number

[33] Indian School of public Policy, *How do SEBI's Policies and Regulations Protect Investors?,* INDIAN SCHOOL OF PUBLIC POLICY (Feb. 20, 2025), How do SEBI's policies and regulations protect investors? - Indian School of Public Policy.

of important improvements are proposed in three separate areas — jurisdictional clarity, regulatory efficiency and investor protection and market evolution.

Addressing jurisdictional challenges is one such area of focus. This requires a two-step process, firstly shoring up international collaboration, and secondly, clarifying jurisdictional overlaps within the domestic regulatory landscape. To effectively navigate borderless challenges, there is a pressing need to proactively pursue and expand Memoranda of Understanding (MOUs) with foreign regulators, push for extraterritorial jurisdiction provisions, and create bilateral mutual legal assistance treaties. At the same time, a thorough review of jurisdictional overlaps between the SC(R)A Act, the SEBI Act and the Companies Act is imperative to remove ambiguities, attain a clear inter-agency coordination action plan along with specific regulatory guidelines.

Second, enhancing efficiency of enforcement and regulation is equally important. However, more procedural safeguards need to be introduced for the exercise of SEBI's powers, clearer guidelines for discretionary powers also need to be established and more structural changes such as separating the enforcement arm of SEBI from its quasi-judicial function should be considered. In addition, enhancing the process of adjudication through grants of resources to the Securities Appellate Tribunal (SAT), institution of specific tribunal systems and technology driven case management can accelerate dispute resolution.

Under Consumer Protection Act,1986 the investors should be protected as they are also considered to be a customer. There should be specific provisions which safeguards the investors in India under the said Act.

Investor protection continues to be a major issue. This requires not only the updating of compensation mechanisms such as Investor Protection Fund (IPF) to contemporary market values, but also the introduction of periodic adjustment mechanisms. It is also important to broaden investor education programs across new platforms and improve corporate governance standards, focusing on enhanced disclosure requirements and increased oversight.

Market evolution and adaptation is the final key. This includes developing specific regulations for algorithmic trading in order to mitigate the risks developed by this specific type of trading; promoting market integrity giving clearer statutory definitions of market abuse; reinforcing surveillance systems. On adopting these varied whose measures would help India fortify its securities market and become more resilient, fair and attractive in the global financial landscape.

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