2. Securities Markets Code Bill,2025- Economy

FM Nirmala Sitharaman Introduces Securities Markets Code Bill 2025 in Lok Sabha .The Securities Markets Code Bill, 2025 seeks to consolidate and replace three decades-old securities laws (SEBI Act, SCRA, and Depositories Act) into a single modern framework. Key reforms include expanding the SEBI Board, decriminalizing minor procedural violations while retaining criminal penalties for serious offenses, and establishing a statutory Ombudsperson for investor grievance redressal.

Introduction to the Securities Markets Code Bill, 2025

The Union Finance Minister introduced the Securities Markets Code (SMC) Bill, 2025 in the Lok Sabha. This bill represents a comprehensive overhaul of India's capital markets, aiming to modernize the legal framework governing securities.

Objectives and Scope of the SMC Bill, 2025

Consolidation of Laws- The primary objective of the SMC Bill is to replace three decades-old legislations with a single, unified framework to reduce overlap and redundancy-

1. The Securities Contracts (Regulation) Act, 1956
2. The Securities and Exchange Board of India (SEBI) Act, 1992
3. The Depositories Act, 1996

Modernization and Streamlining

Principle-Based Structure- It aims to create a streamlined, principle-based legislative structure rather than a rule-heavy one.

First Comprehensive Review- This is the first holistic review of securities legislation in India, designed to reflect the current complexities of the financial markets.

Goals- The bill intends to widen investor participation and enhance the mobilization of capital for productive sectors.

Key Reforms and Provisions of the Bill

The bill introduces significant structural and procedural changes to the regulatory landscape.

Strengthening SEBI's Regulatory Mechanism

Expanded Board Structure- The composition of the SEBI Board will be expanded. *Current* Strength- 9 members. Proposed Strength- Up to 15 members, including the Chairperson. Objective- To bring in diverse expertise and manage increased regulatory workload.

Conflict of Interest Protocols- A strict mandate is introduced requiring Board members to disclose any direct or indirect interests during decision-making processes to ensure impartiality.

Subordinate Legislation- The process for issuing rules and regulations will become more transparent and consultative, allowing for better stakeholder engagement.

Streamlined Enforcement & Adjudication

Single Adjudication Process- The bill introduces a unified adjudication process for all quasi-judicial actions, eliminating fragmentation.

Time-Bound Actions- Clear timelines are set for investigations and the issuance of interim orders, ensuring that regulatory actions are not indefinitely delayed.

Separation of Powers- A distinct "arm's-length" separation will be maintained between the investigation arm (those who investigate violations) and the adjudication arm (those who judge and penalize) to ensure fairness.

Decriminalisation for Ease of Doing Business

Shift to Civil Penalties- Minor, procedural, and technical violations will no longer attract criminal charges. They will instead be converted into monetary civil penalties.

Retention of Criminal Provisions- Serious offenses that threaten market integrity remain criminalized. These include- Market abuse (e.g., manipulation, fraud). Non-compliance with regulatory orders. Non-cooperation during investigations.

Enhanced Investor Protection

Ombudsperson Institution- The bill establishes the office of an Ombudsperson to address investor complaints effectively.

Grievance Redressal- A statutory, time-bound mechanism for resolving investor grievances is

mandated.
Education- It legally mandates enhanced initiatives for investor education and awareness.
Encouraging Innovation & Coordination
Regulatory Sandbox- SEBI is empowered to establish a "Regulatory Sandbox." This allows live testing of new financial products and services in a controlled environment to foster innovation.
Inter-Regulatory Coordination- A formal framework is created to ensure better coordination among various financial regulators, facilitating the seamless listing and trading of diverse financial instruments.

Securities and Exchange Board of India (SEBI)

Overview
Status- SEBI is the apex regulatory body for India's securities and commodity derivatives markets.
Origin- Established administratively in 1988; granted statutory powers via the SEBI Act, 1992.
Headquarters- Mumbai.
Regional Offices- Ahmedabad, Kolkata, Chennai, and Delhi.
Mandate and Roles
Twin Mandate- Protect the interests of investors. Promote the development and regulation of the securities market.
Triple Roles- SEBI is unique as it holds three types of powers

1. Quasi-legislative- It drafts regulations and rules.
2. Quasi-executive- It enforces these rules and conducts investigations.
3. Quasi-judicial**-** It adjudicates disputes and imposes penalties.
4. **Key Functions**

Regulatory- Oversees and registers stock exchanges, brokers, mutual funds, and other intermediaries.
Protective- Prohibits insider trading, fraudulent practices, and unfair trade practices to maintain market integrity.
Developmental- Promotes investor education and facilitates the introduction of new financial products.
The Securities Market in India
Meaning & Concept
Definition- Platforms where financial instruments (equity shares, debt, derivatives, mutual funds) are issued, bought, and sold.
Function- It facilitates the mobilization of savings from investors and allocates them to productive sectors, driving economic growth.
Key Market Segments
Equity Market- Trading of company stocks (ownership shares).
Debt Market- Trading of Government bonds and corporate bonds (borrowing instruments).
Derivatives Market- Trading of Futures & Options (contracts deriving value from underlying assets) used primarily for risk management.
International Offerings- Includes Foreign Securities like ADRs (American Depository Receipts) and GDRs (Global Depository Receipts).

Differentiation- Components of Securities Market

Feature	**Primary Market (New Issue Market)**	**Secondary Market (Stock Exchange)**
Nature of Transaction	Issuance of new securities directly by the issuer to investors.	Trading of existing securities among investors.
Key Instruments	IPO (Initial Public Offering), FPO (Follow-on Public Offering), Rights Issue, QIP.	Shares, Bonds, Debentures already listed on exchanges.
Purpose	Helps companies raise long-term capital for growth/expansion.	Provides liquidity to investors and facilitates price discovery based on demand/supply.
Money Flow	Funds flow from Investors to the Company.	Funds flow from Investor to Investor (Company does not receive funds).

Regulatory Framework
Primary Regulator- SEBI ensures investor protection and market integrity across all these segments.
Source- https-//www.newsonair.gov.in/fm-nirmala-sitharaman-introduces-securities-markets-code-bill-2025-in-lok-sabha/