1. SEBI ON MARKET MANIPULATORS – INDIAN ECONOMY

The Securities and Exchange Board of India (SEBI) will enhance surveillance and enforcement on market manipulators and cyber fraudsters through technology and use Artificial Intelligence (AI)

1. Securities and Exchange Board of India (SEBI)

1. The Securities and Exchange Board of India (SEBI) is the principal regulatory authority responsible for supervising and regulating the securities and capital markets in India.
2. It plays a crucial role in ensuring transparency, investor protection, and orderly development of financial markets.

2. Establishment and Legal Status

1. SEBI was initially established in 1988 as a non-statutory administrative body to regulate the securities market in India.
2. It was granted statutory status through the SEBI Act, 1992, which provided it with wide regulatory, investigative, and enforcement powers.
3. The creation of SEBI as a statutory regulator followed market irregularities and the rapid expansion of India's capital markets in the early 1990s.
4. SEBI functions under the administrative jurisdiction of the Ministry of Finance, Government of India.
5. It acts as the primary watchdog of the securities market, regulating stock exchanges, intermediaries, listed companies, and various investment instruments.

3. Objectives of SEBI

SEBI operates with three broad objectives that define its regulatory mandate.

A. Protect the Interests of Investors

1. Ensures investors are protected from fraudulent, unfair, and manipulative practices in securities markets.
2. Promotes transparency and timely disclosure of information by listed companies.
3. Establishes mechanisms for investor grievance redressal and compensation.

B. Promote the Development of the Securities Market

1. Encourages innovation and expansion of financial products such as mutual funds, derivatives, and Real Estate Investment Trusts (REITs).
2. Strengthens market infrastructure institutions such as stock exchanges, clearing corporations, and depositories.
3. Facilitates efficient capital formation by enabling companies to raise funds through public offerings and private placements.

C. Regulate the Securities Market

1. Frames rules, regulations, and guidelines for participants in the securities market.
2. Supervises stock exchanges, brokers, merchant bankers, portfolio managers, and credit rating agencies.
3. Prevents insider trading, market manipulation, and unfair trade practices.

4. Composition of SEBI

1. The SEBI Board consists of nine members.

A. Chairperson

1. Appointed by the Central Government.
2. Responsible for overall leadership, policy direction, and decision-making.

B. Two Members from the Ministry of Finance

1. Represent government policy perspectives and fiscal oversight.

C. One Member from the Reserve Bank of India (RBI)

1. Ensures coordination between banking regulation, monetary policy, and capital market regulation.

D. Five Other Members

1. Appointed by the Central Government.
2. At least three must be whole-time members, responsible for executive functions.

5. Powers and Functions of SEBI

SEBI has quasi-legislative, quasi-executive, and quasi-judicial powers.

A. Quasi-Legislative Powers

1. SEBI can frame regulations and guidelines governing the securities market.
2. These regulations cover areas such as:
    1. Listing Obligations and Disclosure Requirements (LODR)
    2. Insider trading regulations
    3. Prohibition of fraudulent and unfair trade practices.
3. These powers allow SEBI to adapt regulatory frameworks to changing market conditions.

B. Quasi-Executive Powers

1. SEBI can conduct inspections, audits, and investigations of market participants.
2. It has the authority to:
    1. Examine financial records and transaction documents
    2. Suspend or cancel registrations of intermediaries
    3. Impose penalties or trading restrictions.
3. These powers enable effective enforcement of market regulations.

C. Quasi-Judicial Powers

1. SEBI can adjudicate disputes and issue orders against entities violating securities laws.
2. It can:
    1. Impose monetary penalties
    2. Issue cease-and-desist orders
    3. Bar entities from accessing the securities market.
3. Appeals against SEBI orders can be filed before the Securities Appellate Tribunal (SAT) and later before the Supreme Court of India.

6. Challenges Faced by SEBI

A. Rising Market Complexity

1. Growth of derivatives markets, algorithmic trading, and high-frequency trading (HFT) has increased regulatory complexity.
2. Automated trading systems make real-time monitoring difficult.

B. Insider Trading and Market Manipulation

1. Insider trading increasingly involves encrypted communication, offshore accounts, and complex financial transactions.
2. Investigating such activities requires advanced data analytics and cross-border cooperation.

C. Regulation of Digital and Emerging Assets

1. The rise of cryptocurrencies and blockchain-based assets has created regulatory uncertainty.
2. Jurisdiction overlaps between SEBI, RBI, and other regulators complicate governance.

D. Overburdened Enforcement Mechanism

1. Large numbers of investigations and adjudication cases lead to delays in enforcement.
2. Appeals in tribunals and courts further prolong resolution.

E. Balancing Regulation and Market Growth

1. Over-regulation may discourage innovation and investment.
2. Under-regulation may expose investors to fraud and systemic risks.

F. Technological and Cybersecurity Risks

1. Digital trading platforms expose markets to cyber threats and ransomware attacks.
2. Continuous technological upgrades and cybersecurity measures are necessary.

7. Steps Taken by SEBI to Address Challenges

A. Strengthening Market Surveillance

1. Introduction of the Integrated Market Surveillance System (IMSS) to detect abnormal trading patterns.
2. Use of Artificial Intelligence and data analytics to detect insider trading and price manipulation.
3. Stricter regulations on algorithmic and high-frequency trading.
4. Enhanced penalties and improved settlement mechanisms.

B. Development of SEBI Check

1. SEBI introduced SEBI Check, a verification tool integrated with the UPI payment interface.
2. It allows investors to verify whether intermediaries are officially registered with SEBI.
3. This initiative helps prevent fraud by unregistered brokers or investment advisors.

C. Corporate Governance Reforms

1. Implementation of Uday Kotak Committee (2017) recommendations on corporate governance.
2. Major reforms include:
    1. Strengthening board independence
    2. Stricter rules on related-party transactions
    3. Greater audit transparency and accountability.

D. Regulation of Market Intermediaries

1. SEBI strengthened compliance requirements for:
    1. Stockbrokers
    2. Mutual fund companies
    3. Portfolio managers
    4. Credit rating agencies.
2. Regular inspections and regulatory oversight ensure market integrity.

E. Investor Protection Measures

1. Creation of the Investor Protection and Education Fund (IPEF) to support investor awareness.
2. Launch of SCORES (SEBI Complaints Redress System) for online complaint registration and tracking.

F. Cybersecurity and Technology Framework

1. SEBI issued cybersecurity guidelines for stock exchanges, clearing corporations, and intermediaries.
2. Mandatory system audits and Business Continuity Plans ensure resilience against technological disruptions.
3. Continuous monitoring of digital trading infrastructure helps mitigate cyber risks.

8. Securities Markets Code Bill, 2025

The Securities Markets Code Bill, 2025 aims to modernise and simplify India's securities market legislation.

A. Consolidation of Existing Laws

1. The Bill proposes merging three major laws:
    1. Securities Contracts (Regulation) Act, 1956
    2. SEBI Act, 1992
    3. Depositories Act, 1996.
2. This will create a single comprehensive legal framework for securities market regulation.

B. Principle-Based Regulatory Framework

1. Introduces a principle-based legislative approach.
2. Provides regulators flexibility to adapt rules to evolving market conditions.
3. Reduces procedural rigidity and compliance burdens.

C. Improved Regulatory Governance

1. Simplifies regulatory provisions for clarity and consistency.
2. Strengthens SEBI's role as the central securities market regulator.

D. Support for Technology-Driven Markets

1. Recognises the growing importance of fintech, digital trading platforms, and automated systems.
2. Provides a modern legal structure to regulate technology-driven securities markets.

E. Enhanced Investor Protection

1. Strengthens provisions to prevent fraud, insider trading, and market manipulation.
2. Introduces rationalised penalties and enforcement mechanisms.

F. Boosting Ease of Doing Business

1. Streamlining regulatory procedures reduces compliance costs.
2. Encourages greater participation of domestic and international investors.

9. Significance of SEBI in India's Financial System

1. SEBI acts as the guardian of market integrity, ensuring fairness and transparency in securities trading.
2. It facilitates efficient capital allocation by enabling companies to raise funds from investors.
3. Investor protection mechanisms build confidence in financial markets, which is essential for economic growth.
4. Ongoing reforms, including the Securities Markets Code Bill 2025, aim to strengthen India's ambition of becoming a globally competitive and technologically advanced financial market.

Source: https://www.thehindu.com/business/markets/will-leverage-tech-to-crack-down-on-market-manipulators-says-sebi-chief/article70691965.ece