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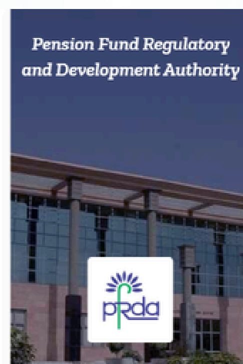

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HIGHLIGHTS

Mr. Sumit Agrawal, Founder & Managing Partner at Regstreet Law Advisors and former SEBI Officer, was featured in Mint alongside Mr. M Damodaran, former Chairman of SEBI, UTI, and IDBI.

Commenting on the continuing ambiguity surrounding minimum penalties and adjudicatory discretion under the SEBI Act, 1992, the authors highlighted that conflicting approaches across SEBI, SAT, and the Supreme Court have kept the legal position unsettled.

They argued that the proposed Securities Market Code offers a timely opportunity to introduce greater clarity, consistency, and proportionality in the enforcement framework.

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Securities market code: end the current ambiguity over penalties

The code's proposed revision is a chance to close space for adjudicatory interpretation and offer market participants certainty

M. DAMODARAN & SUMIT AGRAWAL
are, respectively, chairperson, Excellence Enablers, and former chairman, Sebi, UTI and IDBI; and managing partner, Regstreet Law Advisors and a former Sebi officer.

REUTERS

India's securities enforcement framework has long faced a contradiction. Parliament has progressively introduced minimum penalties to strengthen deterrence. At the same time, it has retained broad adjudicatory discretion through mitigating factors. The coexistence of these two approaches has not produced balance; it has created uncertainty.

This fault line resurfaced in the split decision of the Securities Appellate Tribunal (SAT) in *Sukhraj Kaur Rajbans vs. Sebi* (January 2026). The issue is: where a statute prescribes a minimum penalty, can an adjudicator reduce it below that threshold, or impose none, based on mitigating circumstances?

The statutory framework appears, at first glance, to admit little ambiguity. Several provisions of the Securities and Exchange Board of India (Sebi) Act follow this familiar formulation: "not less than X, but which may extend to Y." This suggests: fix a minimum floor to ensure deterrence, while allowing discretion within a defined band. Yet, this structure sits alongside Section 15J of the Sebi Act, which requires adjudicating authorities to consider factors such as disproportionate gain, investor loss and the repetitive nature of a default. This is replicated in the Securities Contracts Regulation Act and Depositories Act.

The tension lies in reconciling these provisions. Are mitigating factors relevant only within the statutory range, or do they permit departure from the minimum?

The SAT's split verdict offers two competing answers. The majority adopts a purposive approach, treating Section 15J as a substantive safeguard against disproportionate punishment. It recognizes that rigid application of minimum penalties may produce unjust outcomes, particularly in cases involving technical violations, negligible impact, subsequent compliance or *bona fide* conduct, and therefore allows flexibility to reduce penalties below the statutory floor.

The dissent of the presiding officer takes a stricter view of legislative intent. Once Parliament has prescribed a minimum penalty, that threshold is binding. Section 15J mandates the determination of a quantum within the statutory band but does not authorize deviation below it. To hold otherwise would dilute the statute through interpretation.

Both approaches are defensible—and that is precisely the problem. The law permits two internally consistent but mutually incompatible readings.

In *Sebi vs. Bhavesh Pabari* (2019), the court held that once a violation is established, the imposition of a penalty is mandatory, though its quantum must reflect statutory factors. In *Sebi vs. Bharti Goyal* (2023), it cautioned against substituting statutory penalties with warnings or other measures. Yet, these decisions stop short of addressing whether mitigating circumstances can justify deviation from the statutory minimum.

Indian jurisprudence is clear that the power to impose a penalty is not an obligation to penalize in every case. Unless expressly barred by law, adjudicatory discretion extends to imposing a lesser penalty—or none at all—where circumstances justify it. Courts have repeatedly rejected mechanical enforcement, particularly where violations are technical, *bona fide*, non-repetitive, harmless, arise from regulatory ambiguity or evolving compliance frameworks, involve *de minimis* impact, reflect procedural lapses with substantive compliance but without market impact, or are promptly rectified.

This principle is not merely theoretical. In a diverse market, violations vary widely. In such situations, rigid application of minimum penalties may be disproportionate to both the conduct and its consequences.

It is precisely in these cases that Sebi officers have, in practice, stretched interpretive tools to avoid unjust outcomes. Some have imposed penalties below the statutory minimum; others have adhered strictly to the minimum despite recognizing mitigating circumstances. The result is a regime that is formally rigid but functionally inconsistent.

This inconsistency undermines predictability—the cornerstone of regulation. Market participants cannot assess enforcement risk with confidence when similar violations attract materially different outcomes depending on the adjudicator's interpretive approach.

The proposed Securities Market Code, 2025, before Parliament's Standing Committee of Finance, is an opportunity to resolve this ambiguity.

The Code retains the same structure. Its penalty provisions (Clauses 97 to 109) continue to prescribe minimum penalties, often linked to fixed amounts or multiples of unlawful gain. Clause 111 mirrors Section 15J, requiring consideration of gain, loss and nature of the default. Yet, the Code remains silent on the central question: are minimum penalties absolute, or can they yield to proportionality in exceptional cases?

This silence is not neutral. By carrying forward both rigid minimums and broad mitigating factors without clarifying their interaction, the Code ensures that these conflicts will persist. The question that divided the SAT in this case will continue to divide Sebi adjudicators.

The problem, therefore, is not one of interpretation but of legislative design.

Effective enforcement requires both deterrence and proportionality. But these objectives cannot be reconciled through *ex post* adjudication alone. They must be embedded in the law. The repeated reliance on adjudicatory discretion to correct disproportionate outcomes suggests that penalty provisions are not adequately calibrated.

A more coherent approach would involve clear legislative guidance. Parliament must decide whether minimum penalties are intended to operate as absolute floors or if limited departures (including no penalty) should be permitted based on clearly articulated factors such as absence of gain, harm or prompt rectification. This is significant, given the ₹10 lakh minimum in several provisions. Equally, penalty frameworks must evolve to reflect the diversity of market participants. Retail investors, intermediaries and systemic actors do not present identical risks and enforcement should not treat them as such. Uniform minimum penalties, applied without differentiation, risk being both over-inclusive and under-effective and may raise concerns under Article 14 of the Constitution.

The Securities Market Code must also move beyond *ex post* review mechanisms and incorporate structured, *ex ante* assessments of penalty design. Without such discipline, enforcement will continue to oscillate between rigidity and discretion, neither of which will operate with sufficient predictability.

The SAT's split decision is not an aberration. It reflects a deeper failure to reconcile certainty with fairness in the design of Indian securities law. If the Code does not address this ambiguity, it risks perpetuating a system where outcomes depend less on statutory clarity and more on interpretive preference. A market of India's scale and ambition should not have to live with this ambiguity.

HIGHLIGHTS

Mr. Sumit Agrawal, Founder & Managing Partner at Regstreet Law Advisors and former SEBI Officer, was featured in Mint alongside Mr. M Damodaran, former Chairman of SEBI, UTI, and IDBI, analyzing a significant shift in India's securities enforcement.

Commenting on the proposed Securities Markets Code, 2025, the authors highlighted that while the Code represents an important step toward regulatory consolidation, it fails to explicitly incorporate a structured Regulatory Impact Assessment (RIA) framework.

They argued that Clause 11 merely provides for an ex-post internal review of proportionality and effectiveness, and cannot be equated with a genuine RIA process involving evidence-based analysis, stakeholder consultation, and evaluation of regulatory alternatives, costs, and systemic impact.

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VIEWS

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Securities Markets Code: Embed regulatory impact assessments

Market regulation needs to evolve but every new rule should be tested for its necessity, proportionality and consequences

M. DAMODARAN & SUMIT AGRAWAL
are, respectively, chairperson, Excellence Enablers, and former chairman, Sebi, UTI and IDBI; and managing partner, Regstreet Law Advisors and a former Sebi officer.

India's capital markets have grown at a remarkable speed. Retail participation has surged, institutional capital has deepened and technology has transformed intermediation. Regulation has expanded alongside. The Securities and Exchange Board of India (Sebi) today administers over 44 principal regulations and 13 statutory rules, supplemented by more than 2,700 circulars (including master circulars), guidelines, FAQs, general orders and frequent amendments. These span listed companies, intermediaries, managers of portfolio management schemes, mutual funds and alternate investment funds, apart from rating agencies, disclosure norms, takeovers, insider trading, stock exchanges, clearing corporations and depositories. Each framework evolves constantly, often with multiple changes in a single year.

Regulatory evolution is inevitable. As products, risks and market structures evolve, regulation must keep pace. But accumulation raises a sharper question: Are we adding rules or improving outcomes? The answer lies in embedding regulatory impact assessment (RIA) into rule-making.

Regulation is essential. Markets face information asymmetry, agency conflicts and systemic risk. Investor protection and integrity are non-negotiable. But regulation is also an economic intervention. It imposes costs, alters incentives and shapes competition. Disclosure mandates require systems, personnel and audit trails. Governance mandates reshape board behaviour and liability exposure. Entry norms determine who participates. These effects compound.

Frequent amendments amplify this burden. Large institutions absorb it; smaller players struggle. The result is not just higher compliance cost, but distortions in competition, higher entry barriers and reduced market diversity. RIA does not dilute regulation. It disciplines it. It asks whether a proposed rule is a necessary, proportionate and effective response to a clearly defined problem.

The *first* step is clarity. What problem is being solved? Is it systemic or episodic? Is it evidenced or anecdotal? Regulation built on isolated events risks overreach.

Second, alternatives. Regulation is not the only tool. Supervision, enforcement, better disclosures or market incentives may achieve the same objective with lower cost.

Third, costs and benefits. Precision may be elusive, but direction is not. Compliance costs, technology investments, liquidity impact, barriers to entry and effects on capital formation must be weighed against gains in transparency and stability.

Fourth, consequences. Markets adapt. Tightening one segment could shift activity elsewhere. With every regulation, grey areas emerge. Higher compliance accelerates consolidation. Entry barriers dampen innovation.

Finally, post-implementation review. Regulations must be tested against outcomes. Periodic review, sunset clauses and outcome-based monitoring prevent regulatory accumulation from turning into regulatory inertia.

Globally, these principles are embedded in statutory frameworks. In the US, Sections 2(b) of the Securities Act of 1933, and 3(f) of the Securities Exchange Act of 1934 require the Securities and Exchange Commission (SEC) to consider efficiency, competition and capital formation. Rule-making requires detailed economic analysis. Courts enforce this. In *Business Roundtable vs SEC* (2011), the proxy access rule was struck down for inadequate economic assessment. Regulatory authority must be exercised through reasoned analysis, not assumptions.

In the UK, Section 138I of the Financial Services and Markets Act of 2000 mandates a cost-benefit analysis for proposed rules. The Financial Conduct Authority must explain expected costs, benefits and rationale. Australia follows a similar model through regulatory impact statements. These frameworks strengthen, not weaken, regulators.

India lacks this discipline. While Sebi follows a consultative process, economic analysis remains neither structured nor visible. Practitioners would readily point out that systemic discipline of the kind fostered by RIA, designed to evaluate the costs, benefits and alternatives to any regulation before it is framed, is largely absent in India's regulatory framework for securities. Under a regime where Sebi operates predominantly through delegated legislation, this gap matters. Without structured *ex-ante* assessments, rule-making risks becoming convenience-driven rather than consequence-oriented.

Even after the government nudged regulators towards better rule-making practices and Sebi notified a framework in February 2025 on how regulations should be made, amended and reviewed, its implementation is largely absent from the public domain. The proposed Securities Markets Code, intended to consolidate and modernize core securities laws, also omits any mandate for RIA or its disclosure. That is a significant omission.

The need is evident. Regulatory activity is frequent and wide-ranging. Each change may be justified. The combined impact of changes is rarely assessed. Market participants must constantly update systems, retrain staff and recalibrate processes. The cumulative cost is significant.

RIA introduces a simple test: Does the marginal benefit justify the cumulative cost?

This is not a deregulatory argument. Investor protection and systemic resilience remain non-negotiable. In fact, RIA strengthens these objectives. Evidence-based, proportionate regulation improves compliance and enhances enforcement credibility. Over-regulation, by contrast, risks diffusing regulatory focus and diluting effectiveness.

This is not deregulation but disciplined regulation. Evidence-based rules enhance compliance and sharpen enforcement, while unchecked procedural layering dilutes regulatory focus. If Sebi Chairman Tuhin Kanta Pandey's stated '4T' framework of 'Transparency, Trust, Technology and Teamwork' is to succeed, it must rest on a foundation of mandatory regulatory impact assessment and public disclosure.

Institutionalizing RIA will require investment in capacity. Regulators need analytical expertise and access to data. Collaboration with academia, economists and data specialists will help. Impact assessments should accompany draft rules, enabling informed consultation. A tiered approach is feasible. Major interventions warrant full analysis; minor changes, lighter scrutiny. The objective is discipline, not delay.

India aims to be a leading global capital market. Investors, domestic and global, value predictability as much as protection. Transparent, reasoned regulation builds confidence. The growth of India's regulatory framework reflects the dynamism of its markets. The issue is not whether regulation should evolve; it must. It is whether each rule is tested for necessity, proportionality and consequence. As regulatory density rises, discipline becomes critical. The strength of regulation lies not in its volume, but in its value. India does not need more rules. It needs better ones—measured, not merely made.

HIGHLIGHTS

Mr. Sumit Agrawal, Founder & Managing Partner at Regstreet Law Advisors and former SEBI Officer, was featured in Business Line alongside Mr. MS Sahoo, former IBBI Chairman and SEBI WTM.

Commenting on the evolving depository framework under the proposed Securities Market Code, the authors highlighted that the shift towards treating depositories as Market Infrastructure Institutions aligns them more closely with stock exchanges and transforms depository participants from agents into institutional members. They argued that while this model promotes efficiency and standardisation, it also raises important concerns around accountability, liability, and investor protection.

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MS SAHOO
SUMIT AGRAWAL

Buried within the dense statutory language of the Securities Markets Code, 2025 (SMC), lies a shift that is easy to miss but difficult to overstate. A depository, long treated as an intermediary under the Depositories Act, 1996, is now recognised as a market infrastructure institution (MII). At the same time, the depository participant (DP), earlier an agent of the depository, is recast as its member. These changes reflect a deeper reconfiguration of the depository's role in India's market architecture. Three structural changes make the elevation of depositories to MIIs both logical and, perhaps, inevitable.

First, the expansion of function: Under the 1996 framework, depositories were essentially record-keeping utilities, responsible for the allotment and transfer of securities. The SMC significantly broadens this mandate. Depository services now include the distribution of monetary and securities-based benefits, facilitation of electronic voting, the exercise of interests and rights attached to securities, and such other services. Depositories are no longer passive ledgers. They are the institutional interface through which investors receive entitlements and participate in corporate governance. An entity that distributes dividends, enables voting, and administers rights issues is integral to market functioning in a way that far exceeds the role of an intermediary.

Second, the expansion of scope: The earlier regime largely confined depository services to securities within the securities market. The SMC expands this to 'other regulated instruments,' defined broadly to include instruments governed by any regulatory authority. This opens the door to the dematerialisation of a much wider class of assets, beyond traditional financial instruments, including small savings products, insurance policies, pension credits, loan contracts, warehouse receipts, carbon credit certificates, land records, and even testamentary instruments such as living wills. As the universe of dematerialised assets expands, so does the systemic importance of the depository. It moves from being a market utility to a foundational layer of the financial and potentially administrative architecture.

Third, the elimination of choice: The 1996 Act allowed investors to choose between physical and dematerialised holdings and opt in and opt out of the demat system. The SMC largely removes this choice, subject to limited grandfathering. Securities must now be issued and held in dematerialised form. The depository is no longer an efficiency-enhancing option; it is a compulsory gateway to the market. Once participation becomes mandatory, the institution's design, governance, and accountability assume far greater significance.

Taken together, these three structural changes transform the scale and centrality of depositories. The volume and diversity of transactions they handle are set to increase exponentially. Mandatory dematerialisation of mutual fund units, given the scale of folios and transaction frequency, would by itself multiply the system's footprint. When other regulated instruments follow, the growth would compound further. And once the depository layer extends across all services associated with the dematerialised universe, the effect would shift to an entirely different order of magnitude. In such a landscape, the emergence of multiple, possibly specialised, depositories is not inconceivable. The law, in recognising depositories as MIIs, appears to be catching up with this operational reality.

Depository participants are no longer agents; they are members of the depository. The architecture shifts from a principal-agent model to one of membership and institutional governance

FROM AGENTS TO MEMBERS

But does this transformation warrant a corresponding shift in the role of DPs? Under the earlier framework, DPs functioned as agents of the depository. This had substantive consequences for investor protection. Liability was centralised; risk was absorbed at the top. If an investor suffered a loss due to the negligence of either the depository or the DP, the depository was required to indemnify the investor upfront, with a right of recovery against the errant participant. This structure ensured that the investor dealt, in effect, with a single, well-capitalised institution that stood behind the system.

The SMC alters this conceptual foundation, even as it retains the indemnification outcome. DPs are no longer agents; they are members of the depository. The architecture shifts from a principal-agent model to one of membership and institutional governance. Depositories are recast along MII lines: they set eligibility norms, regulate admission and expulsion, and exercise disciplinary powers through their bye-laws, while members may hold limited ownership and governance rights. The result is a carefully constructed hybrid, membership in form, but with elements of centralised liability preserved. Over time, this architecture could also allow depositories to engage more directly with investors, potentially through their own service channels, reducing the degree of intermediation that has traditionally defined the DP's role.

The shift is historically resonant. Before the 1992 reforms, Indian securities markets were organised around membership-based institutions, in which ownership, trading rights, and governance were closely intertwined. Those reforms dismantled this structure, separating ownership from trading membership, and recasting members as regulated actors within institutional frameworks. The SMC does not revive the earlier model, but it does align depositories conceptually with the MII architecture, much like stock exchanges.

In the securities market, membership operates on a different logic from agency. Membership implies regulation and discipline within an institutional framework; it does not automatically attribute the conduct of members to the institution. Agency, by contrast, carries with it an element of attribution and responsibility. This creates a subtle but important tension. Is the SMC merely relabelling what remains, in substance, an agency relationship? Or does it mark the beginning of a gradual shift towards a model where depositories resemble exchanges, whose members are regulated but whose conduct is not attributable to the institution?

The question is not merely semantic. While the indemnification framework preserves investor outcomes, it shifts the underlying logic of the system. Over time, as the regulatory framework evolves and the system matures, this distinction may acquire practical significance. It goes to the heart of where trust is located: whether it remains concentrated in the institution or becomes more diffusely distributed across its participants.

In this sense, the SMC does more than modernise depository law. It redefines the institution. It expands its role, broadens its reach, embeds it within the core market infrastructure, and positions it at the centre of an increasingly digitised financial system.

The elevation of depositories to MIIs is easy to justify. Whether the parallel recasting of DPs strengthens or subtly dilutes the architecture of investor protection is less certain.

For now, the law attempts to hold both ideas together. Whether this balance endures will be the defining question this quiet reform leaves behind.

The writers are legal practitioners and former officials of SEBI

HIGHLIGHTS

Mr. Sumit Agrawal, Founder & Managing Partner at Regstreet Law Advisors and former SEBI Officer, was featured in Business Line alongside Mr. MS Sahoo, former IBBI Chairman and SEBI WTM.

Commenting on the proposed Securities Markets Code, 2025 through a constitutional lens, the authors highlighted that the expanding scope of delegated legislation under the Code risks shifting essential legislative functions.

They argued that the consolidation of norm-making, enforcement, and adjudication powers within SEBI raises important concerns around separation of powers, legislative accountability, and procedural fairness.

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SECURITIES MARKETS RULES

REGULATIONS DEFINING OFFENCES AND ADJUDICATORY PROCESSES TEST THE LIMITS OF PERMISSIBLE DELEGATION

A constitutional question

MS SAHOO
SUMIT AGRAWAL

The authors are legal practitioners and former officials of Sebi

SINCE ITS ESTABLISHMENT in 1992, the Securities and Exchange Board of India (Sebi) has evolved into one of the most powerful financial regulators in India, exercising extensive quasi-legislative, executive, and quasi-judicial powers. This hybrid institutional design has been justified by the demands of investor protection, market integrity, and regulatory speed. The Securities Markets Code Bill, 2025 (SMC), now before Parliament, seeks to consolidate and extend this model. It, however, intensifies constitutional concerns about the limits of delegated legislation and the permissible concentration of regulatory power.

In a constitutional democracy, the primary responsibility for law-making rests with the legislature. This includes the articulation of policy, shaped through parliamentary deliberation and democratic accountability. Delegation to the executive is constitutionally permissible. But it is limited to filling in details and operationalising statutory policy, not determining its core content.

The line is especially firm when it comes to defining contraventions and prescribing punishment. These are core legislative functions: they delineate the boundaries of lawful conduct and directly affect liberty, property, and reputation, and must be determined by the legislature. When delegation extends to these matters, it risks crossing the line from permissible delegation into an abdication of core legislative responsibility. At its core, the issue is not regulatory power, but who defines its limits.

The history of securities regulation in India reflects this careful balance. When Sebi was first vested with the power to impose monetary penalties in the mid-1990s, the legislative framework retained primary control over the definition of wrongdoing, both criminal and civil, while permitting flexibility in enforcement. Contraventions were identified in the statute, adjudication was structured through rules framed by the central government, and appellate oversight lay with the Securities Appellate Tribunal.

The SMC departs from this discipline by allowing the regulatory authority to play a more active role in shaping contraventions and penalties. Clause 92 permits the addition of contraventions beyond those specified in the statute, thereby enabling their scope to evolve. Practices once regarded as legitimate may later be reclassified as violations, and vice versa. This regulatory flexibility, however, carries a deeper cost—it makes the boundary between lawful and unlawful conduct contingent on executive determination rather than legislative choice.

SMC departs from discipline by letting the regulatory authority to play a more active role in shaping contraventions and penalties

These concerns are acute in the realm of criminal liability, which entails stigma, coercion, and deprivation of liberty. Given the severity of these offences, including imprisonment of up to 10 years and fines up to ₹10 crore, constitutional discipline demands that the core content of such offences be defined by the legislature. Clause 93, however, enables the executive to create additional criminal contraventions and prosecute their breaches. The foundation of criminal liability thus shifts from parliamentary enactment to administrative fiat, militating against basic principles of legality. Courts, bound to give effect to valid subordinate legislation, may thus uphold convictions based on norms that have not undergone legislative scrutiny.

This shift of critical policy choices away from elected representatives undermines democratic accountability and unsettles the constitutional balance between the legislature and the executive. It also departs from the assurance in the memorandum of delegated legislation accompanying the SMC that subordinate law-making would be confined to procedural and administrative matters; empowering the executive to define contraventions goes well beyond that limit.

While the SMC seeks, in part, to rationalise and decriminalise securities law, it retains criminal liability for a category of conduct described as "market abuse". This appears to narrow criminal exposure and improve the ease of doing business. Yet it carries an inherent tension: even as Parliament signals restraint, it delegates to the regulator the authority to expand the scope of criminalisation. The result is not calibrated decriminalisation, but an open-ended architecture of criminal liability.

The SMC compounds these concerns by restructuring the adjudicatory framework. It empowers Sebi to prescribe, through regulations, the manner of conducting adjudication proceedings. This departs from the existing model, where such procedures are governed by the central government-framed rules. This shift collapses the distinction between rulemaking and enforcement: the same authority would define the norms, initiate proceedings, and design the process for their adjudication.

Under the proposed regime, Sebi would thus shape both substantive enforcement standards and the procedures governing adjudication, while also controlling the appointment of adjudicating officers. This concentration of functions may enhance regulatory efficiency, but it blurs the lines between norm creation, enforcement, and adjudication, lines that are central to preserving institutional balance.

The concern is not of institutional expertise or integrity. It is structural—such concentration can undermine the validity of enforcement itself. The consequences of failing to maintain institutional separation are real. In *Deloitte Haskins v. Union of India* (2025), Delhi High Court quashed multiple show-cause notices and final orders of the National Financial Reporting Authority on the ground that it failed to segregate audit quality review from disciplinary functions. The lesson is clear: structural safeguards aren't formalities; they are conditions of valid enforcement.

None of this suggests that securities regulation should be weakened or that regulatory agility is undesirable. Modern financial markets demand swift, expert-driven, and adaptive intervention. But constitutional design requires that such agility be anchored in accountability. When delegation extends into domains that shape the boundaries of liability and the processes of adjudication, it begins to resemble not flexibility, but institutional substitution.

The SMC thus raises a deeper constitutional question: How far can regulatory consolidation go before it begins to erode the foundational distinction between legislature and executive? Modern markets demand a strong regulator, but that strength must rest on a clearly defined legislative foundation. The legitimacy of regulation rests not only on expertise and efficiency, but also on its grounding in democratically accountable law-making.

The SMC presents a constitutional inflection point for securities regulation. It offers an opportunity to modernise and streamline the law, but also carries a risk of unsettling first principles. When the power to define offences, expand criminal liability, and design adjudicatory processes migrates to the regulator, the issue ceases to be one of regulatory efficiency and becomes one of constitutional design. Without careful recalibration, the result may not be better regulation, but a gradual erosion of the constitutional boundaries that sustain the rule of law.

HIGHLIGHTS

Mr. Sumit Agrawal, Founder & Managing Partner at Regstreet Law Advisors and former SEBI Officer, was quoted in The Mint in relation to recent discussions surrounding statements made by US President Donald Trump on a potential investment linked to Reliance Industries Limited. Commenting on the evolving disclosure framework under SEBI regulations, he highlighted that cross-border developments and multi-source market discourse can create interpretational questions around issuer disclosure obligations and exchange intervention thresholds. He further noted that there may be merit in refining regulatory guidance to provide greater clarity on when exchange-led clarifications should supplement issuer-driven disclosures in order to enhance market transparency and investor confidence.

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Should RIL clarify Trump claim?

Company compliant with Sebi's disclosure norms, but experts say NSE, BSE should seek clarity over US refinery speculation

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MUMBAI

More than three weeks since the US President Donald Trump announced an investment by 'Reliance' in a new oil refinery in his country, a lack of clarity from both the Mukesh Ambani-led company and India's two top stock exchanges on the subject has exposed gaps in India's rumour verification rules, experts said.

While some experts believe that Reliance Industries Ltd should have provided further clarity on whether it was investing in the US, others think the situation falls within the 'grey area' of the disclosure rules governing listed companies.

However, experts say India's two top stock exchanges–BSE Ltd and the National Stock Exchange–could have used their discretion to seek clarification from Reliance Industries on the subject, as they often do with other firms for matters of far less significance.

Rumour verification is governed by Regulation 30(11) of the Securities and Exchange Board of India's (SEBI) Listing Obligations and Disclosure Requirements, 2015 (LODR). The regulation was amended in 2024 to link verification to stock price movement rather than event materiality.

For a stock priced above ₹200, such as Reliance Industries, the price movement threshold is 3% relative to the benchmark. This threshold was not breached for Reliance Industries on 11 March, the day after Trump's announcement.

"The framework is still relatively recent in its current form, and situations involving cross-border developments or multi-

So far, Reliance Industries has neither confirmed nor denied whether it is involved in any kind of deal with America First Refining. REUTERS

and the NSE sought clarification from Vedanta Ltd after news reports appeared that the company was seeking energy partnerships in the US and was ready to invest up to $5 billion in the country. The reports were based on comments made by Vedanta chair Anil Agarwal at a conference in the US earlier that week.

"The Company, from time to time, evaluates various strategic opportunities, including investments and partnerships, in the ordinary course of business. Such discussions, if any, are exploratory and preliminary in

Texas-based firm, was opening the first new oil refinery in the country in over 50 years.

"Thank you to our partners in India, and their largest privately held Energy Company, Reliance, for this tremendous Investment," the 79-year-old Republican wrote on Truth Social, a social media platform.

America First Refining put out a press

involved in any kind of deal with America First Refining.

"Based on the amended Sebi Listing Regulations, it is necessary to clarify the rumours or make requisite disclosures to stock exchanges regarding the said deal," said Gaurav Pingle, a practising company secretary, who believes that a clarification by the company was in order.

Reliance Industries and America First Refining did not offer a comment.

The episode is similar to developments in March 2020, when Reliance's silence on

DISCLOSURE DEBATE

SOME experts think the situation falls within the 'grey area' of the disclosure rules of listed firms

RUMOUR regulation was amended in 2024; verification to stock movement now linked

FOR stocks above ₹200 like RIL, 3% is the price movement threshold relative to the benchmark

HOWEVER, This threshold was not breached for RIL on 11 March, day after the announcement

The regulator eventually fined the company ₹30 lakh. Reliance challenged this decision in the Securities Appellate Tribunal and the Supreme Court, but both the judicial authorities ruled in Sebi's favour.

"The Reliance-Facebook precedent is the reason we now have a mathematical formula for truth in the Indian markets," said Ankita Singh, managing partner at Sarvaank Associates, a boutique law firm. Back then, Reliance was fined for remaining silent during a month-long media leak because the rules were vague, she said, adding that the episode forced a move from discretionary to mandatory conditions.

Under the new rules, unless a rumour causes the stock price to breach material thresholds relative to the broader market, the company was legally entitled to maintain its silence, she said.

"Reliance seems to have perfectly applied the legal application of the new price-first verification rules that protect companies from reacting to every headline that the market hasn't yet bought into," Singh said.

Agrawal, the former Sebi officer, believes that when information originates from third-party statements and is subsequently amplified through media reports, as in this case, the applicability of the rumour verification obligation may not be straightforward.

"From a policy perspective, there may be merit in further refining the guidance to provide greater clarity on such scenarios, particularly on when exchange-led clarification should supplement issuer-driven disclosure to enhance market transparency," he said.

Agrawal, however, said that if Reliance Industries' promoters made the investment in their personal capacity, or through an

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ORDERS / JUDGEMENTS

Supreme Court of India

1. State Bank of India and Ors. v. Doha Bank Q.P.S.C. and Anr. - 2026 INSC 423- 28.04.2026

The Hon'ble Supreme Court has held that corporate guarantee liability qualifies as a financial debt under IBC and that non-disclosure or insufficient stamping does not bar creditor claims. The Court observed that once a corporate entity guarantees repayment obligations, the creditor acquires the status of a financial creditor and can initiate insolvency proceedings upon default. The Court further clarified that non-disclosure of the guarantee in financial statements or insufficient stamping of the guarantee document does not automatically invalidate the creditor's claim under the IBC.
It emphasized that procedural or technical defects cannot defeat substantive rights where the existence of debt and default is otherwise established.

Read more

Delhi High Court of India

1. Principal. Commissioner of Income Tax v. Globe Capital Market Ltd. - ITA 364/2024 - 07.04.2026

The Hon'ble Delhi High Court dismissed the appeal filed by the Revenue and upheld the orders of the CIT(A) and the Income Tax Appellate Tribunal, holding that buyback of shares by a company does not attract Section 56(2)(x) of the Income-tax Act, 1961.

The dispute arose from a buyback of shares undertaken by the assessee company during AY 2018-19. The Assessing Officer sought to treat the transaction as an acquisition of "property" under Section 56(2)(x), on the basis that the shares were bought back at a price lower than their fair market value, and accordingly added the differential amount to the income of the assessee.

The CIT(A), and subsequently the Tribunal, rejected this approach, holding that the transaction was not a purchase of shares simpliciter but a buyback of its own shares, amounting to a reduction of share capital. Against this, the Department filed an Appeal before the High Court.

The High Court affirmed this view and held that buyback of shares is fundamentally distinct from acquisition of property. It observed that the power of buyback flows from Section 68 of the Companies Act, 2013, and such a transaction necessarily results in extinguishment of the shares, rather than acquisition of any enduring asset.

The Court emphasized that once shares are bought back, they are extinguished and cease to exist, and therefore cannot be regarded as “property” capable of yielding any benefit or income.

The Court also held that a company cannot be taxed on a deemed profit arising from property which stands extinguished upon buyback, noting that “buy-back of its own shares is antithesis to buying an asset.

Read More

Punjab & Haryana High Court of India

1. Punjab & Haryana High Court Stays SEBI’s Insider Trading Proceedings in IEX Matter - CWP-10910-2026 - 10.04.2026

The Punjab & Haryana High Court has granted interim relief on April 10, 2026 by staying SEBI’s insider trading proceedings against eight individuals in connection with alleged trading in the securities of Indian Energy Exchange Limited (IEX).

The matter arises from SEBI’s suo-motu investigation into alleged insider trading based on unpublished price sensitive information (UPSI), being the announcement related to market coupling which had a material impact on IEX’s stock price, following which SEBI initiated proceedings under Section 11C of the SEBI Act, 1992 and subsequently, issued an ex-parte interim order.

Pursuant to its interim order, SEBI had:

Restrained eight individuals (Bhoovan Singh, Amar Jit Singh Soran, Amita Soran, Anita, Narender Kumar, Virender Singh, Bindu Sharma, Sanjeev Kumar) from accessing the securities market; and directed disgorgement of approximately ₹173.14 crore alleged to be unlawful gains arising from insider trading.

The petitioners challenged SEBI’s action before the Punjab and Haryana High Court. A Division Bench of the Court issued notice in the matter and directed that all proceedings pursuant to the impugned SEBI order shall remain stayed until the next date of hearing. The matter has been listed for further consideration on July 30, 2026. The stay order provides immediate relief to the noticees, including key individuals alleged to have been involved in the trades.

Read more

ORDERS / JUDGEMENTS

Securities Appellate Tribunal

1. Mahendra Nihalchand Surana & Ors. v. SEBI – Appeal Nos. 662, 701 & 883 of 2023 - 02.04.2026

The Securities Appellate Tribunal ("SAT") set aside the order of the Adjudicating Officer imposing penalties of ₹5 lakh each on the appellants for alleged manipulative and synchronised trading in the scrip of Gayatri Sugars Limited. The proceedings arose from SEBI's investigation into trading activity during April 10- 23, 2018, premised on allegations of synchronised trades and dissemination of SMS tips allegedly inducing investors, along with a spike in trading volumes.

On behalf of the appellants, it was contended that there was no material establishing any connection with the alleged counterparties, no evidence of receipt of SMSs, and no finding of self-trades, circular trades, or creation of artificial volume. It was further submitted that the trades were undertaken in the ordinary course of business, including instances where losses were incurred, and that the appellants' trading volume was insignificant when compared to the overall market activity. The appellants also relied on contemporaneous news reports indicating a downturn in the sugar industry to justify their decision to sell shares.

SAT noted that the entire case rested solely on alleged synchronised trades, without any supporting evidence of linkage between buyers and sellers such as communication records, relationships, or prior arrangement. It emphasised that in an anonymous, exchange based trading system, mere coincidence of price and timing cannot, by itself, establish manipulation in the absence of demonstrable connection.

The Tribunal further observed that the appellants' trades were minuscule in comparison to the overall market volume (approx 4.22 lakh shares as against 1.83 crore shares), and therefore incapable of influencing price or creating a misleading market. It also took note of the pre-existing market information relied upon by the appellants, observing that a prudent investor may legitimately act on such external factors.Importantly, SAT underscored that regulatory findings must rest on cogent and logical material, and that mere inference or ipse dixit, without foundational evidence, is insufficient even on the standard of preponderance of probabilities.

Accordingly, the Tribunal allowed the appeals and set aside the SEBI order, holding that no violation of the SEBI (PFUTP) Regulations, 2003 was established.

Regstreet Law Advisors represented the Appellants in Appeal no. 662 of 2023.

Read More

ORDERS / JUDGEMENTS

2. NAM Securities Limited v. BSE Limited - Appeal No. 398 of 2025 - 16.04.2026

SAT partly allowed the appeal filed by Nam Securities Limited against the imposition of a monetary penalty by BSE for alleged non-compliance with Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The dispute arose from the submission of audited financial results for the quarter and year ended March 2025. The appellant had uploaded the financial results on the BSE portal on May 30, 2025 within the prescribed timeline in both PDF format (within 30 minutes of the Board meeting) and XBRL format (within 24 hours). The results were also published in newspapers on June 1, 2025. However, BSE alleged non-compliance on the ground that standalone quarterly financial results were not submitted in PDF format and proceeded to levy a fine of ₹1,77,000.

The appellant contended that the financial results were duly submitted within time and that the alleged deficiency arose due to a technical issue, as two pages of the PDF file were omitted. Upon being informed on July 1, 2025, the appellant promptly re-uploaded the complete document. It was further submitted that there was no mala fide intent, particularly since complete disclosures were available in XBRL format and had been duly published. On the other hand, BSE maintained that the appellant had failed to submit complete financial results within the stipulated timeframe and had not provided sufficient justification to warrant waiver of the penalty.

SAT observed that the record clearly indicated that the financial results in PDF format had been uploaded within the prescribed time. It further noted that BSE's communications initially alleged non-submission rather than incomplete submission, and that the appellant had already complied with disclosure requirements through XBRL filings and newspaper publication. In these circumstances, the Tribunal held that the lapse, if any, was inadvertent and not indicative of any deliberate non-compliance.

Considering the absence of mala fide intent and the overall compliance demonstrated by the appellant, SAT held that the penalty imposed was excessive. Accordingly, the Tribunal reduced the penalty from ₹1,77,000 to ₹5,000, and directed BSE to refund the balance amount of ₹1,72,000 to the appellant.

Read More

ORDERS / JUDGEMENTS

Securities & Exchange Board of India

1. Adjudication Order in the matter of Trdez Investment Private Limited – SEBI AO – 09.04.2026

Securities and Exchange Board of India has passed an adjudication order against Trdez Investment Private Limited after finding that the broker allegedly allowed its SEBI registration to be misused by connected entities involved in a large-scale money mobilization and Ponzi-like investment scheme.

SEBI's investigation found that several partnership firms and entities linked to the company's directors including Infinite Beacon, Sispay TFS, IB Prop Desk entities, and Trdez Financial Services allegedly collected money from the public by falsely portraying themselves as associated with the SEBI-registered stock broker. Investors were allegedly promised assured monthly returns of 8–12% through trading, PMS, and cryptocurrency investments. The order notes that despite multiple investor complaints alleging impersonation and fraud, Trdez Investment allegedly failed to take meaningful corrective action. SEBI observed extensive overlaps between the broker and the alleged money-mobilizing entities through common directors, shared addresses, common contact details, bank transactions, and linked websites/domains.

According to the findings, one director's personal bank account recorded credits of over ₹247 crore, including approximately ₹215 crore from entities allegedly involved in unregistered PMS and Ponzi-like operations. The examination also revealed interlinked transactions among directors and associated firms amounting to thousands of crores. SEBI further noted that although Trdez Investment held a stock broker licence since April 2023, it had virtually no genuine broking business, with no client trades since inception and only negligible proprietary trading activity. The regulator observed that the SEBI registration appeared to have been used mainly to lend credibility to the alleged investment scheme.

The adjudicating officer concluded that the company violated the code of conduct and "fit and proper person" requirements applicable to stock brokers under SEBI regulations by failing to maintain integrity, due diligence, and ethical standards. The proceedings were conducted ex parte after the noticee failed to respond to the show cause notice or appear for hearings. The AO levied a penalty of ₹1,00,00,000.

Read More

ORDERS / JUDGEMENTS

2. In the matter of trading activities in the scrip of Veer Global Infraconstruction Limited - Adjudication Order - 22.04.2026

SEBI initiated adjudication proceedings against a group of connected entities for alleged violations of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 in the scrip of Veer Global Infra-Construction Limited during the period March 2021 to September 2022. The investigation was triggered by a significant rise in price (₹33 to ₹241) and trading patterns observed in the scrip during the relevant period.

SEBI's case was premised on the allegation that the noticees constituted a connected group, established through common addresses, financial transactions, call data records, and off-market transfers. It was alleged that the group entities had engaged in synchronised trades, contributed disproportionately to Last Traded Price (LTP), and influenced price discovery, thereby creating a misleading appearance of trading.

The order records a detailed price-volume and trade-log analysis, dividing the investigation period into multiple patches reflecting phases of price rise and fall. In particular, during the initial 'price rise' phase, the noticees were found to have:

- Contributed over 21% of market buy volume and ~18% of sell volume;
- Executed synchronised trades (albeit small in number) among themselves;
- Accounted for a disproportionate share of positive LTP contribution, including instances of trading inter se within the group; and
- Played a role in new high price (NHP) formation and first trades contributing to price movement.

SEBI observed that the group entities' trades resulted in artificial price support and incremental price movement, particularly through coordinated buying and intra-group transactions. The analysis also highlighted that a portion of the positive LTP contribution arose specifically from trades executed among connected entities, suggesting a designed pattern rather than independent market behaviour.

Accordingly, SEBI concluded that the noticees had engaged in manipulative and deceptive trading practices, in violation of the PFUTP Regulations, and proceeded to impose a monetary penalty of total ₹30,00,000 under Section 15HA of the SEBI Act, 1992.

Read More

ORDERS / JUDGEMENTS

3. Settlement Order in the matter of ICICI Prudential Venture Capital Fund & Ors - 16.04.2026

SEBI passed a settlement order in respect of ICICI Prudential Venture Capital Fund, ICICI Prudential Asset Management Company Limited (Investment Manager), and ICICI Prudential Trust Limited (Trustee), in connection with alleged violations of the SEBI (Venture Capital Funds) Regulations, 1996.

The proceedings arose from delays in winding up a real estate scheme launched by the fund. The scheme, constituted in September 2013 with an initial tenure of four years (extendable), was extended multiple times until September 25, 2023. However, liquidation and exit of all investments were completed only on December 25, 2023, resulting in an approximate four-year delay in completing the winding-up process and distribution of proceeds to investors.

In light of the above, SEBI initiated a potential enforcement action for violations of Regulation 23(1)(a) read with Regulations 23(3) and 24(2) of the Venture Capital Funds Regulations. The applicants filed suo motu settlement applications under the SEBI (Settlement Proceedings) Regulations, 2018, proposing to resolve the matter without admission or denial of findings.

Pursuant to deliberations before SEBI's Internal Committee and High-Powered Advisory Committee, an indicative settlement amount of ₹14,35,500 was determined and subsequently accepted by the applicants on a joint and several bases. The recommendations were approved by the Panel of Whole Time Members, and the matter was settled.

Read More

4. Settlement Order in the matter of Motilal Oswal Alternative Investment Trust - 20.04.2026

SEBI passed a settlement order in respect of Motilal Oswal Alternative Investment Trust (Category III AIF) and Motilal Oswal Asset Management Company Limited (Investment Manager) in connection with alleged violations of the SEBI (Alternative Investment Funds) Regulations, 2012 and the Code of Conduct prescribed thereunder.

The proceedings arose from observations relating to the treatment of defaulting investors and operational lapses in investor servicing. It was noted that the AIF had retained ₹8.69 crore from defaulting investors, which constituted a significant portion of the amounts paid by such investors. Further, it was alleged that the Investment Manager appropriated penal exit load amounts instead of crediting them to the scheme for the benefit of other investors.

SEBI also recorded deficiencies in investor handling, including an instance where an investor was incorrectly classified as a defaulter and her portfolio was liquidated, which was subsequently reversed. Additionally, the AIF was found to have no documented framework governing distributors, including absence of a code of conduct or mechanisms to address distributor-related defaults or alleged mis-selling complaints.

In view of the above, SEBI considered potential violations of Regulations 20(1), 20(2), 20(3) and 24(a) of the AIF Regulations, read with the Code of Conduct provisions. The applicants filed suo motu settlement applications under the SEBI (Settlement Proceedings) Regulations, 2018, proposing to resolve the matter without admission or denial of findings.

Pursuant to discussions with SEBI's Internal Committee and subsequent consideration by the High-Powered Advisory Committee, the applicants proposed a settlement amount of ₹38,76,000, which was accepted. The Panel of Whole Time Members approved the settlement, and the amount was duly remitted.

Read More

5. Final Order in Front-Running Matter Involving Portfolio Management Trades In the matter of Front Running by Ashok Maheshwari & Others- 27.04.2026

SEBI passed a final order against Ashok Maheshwari and other noticees in a front-running matter involving trades executed ahead of orders placed by Unifi Capital Pvt. Ltd., a Portfolio Management Service ("PMS") provider. The investigation covered the period from April 2021 to May 2022 and alleged that Ashok Maheshwari, a dealer employed with Kotak Securities Limited, misused confidential information relating to impending trades of the PMS client and shared such information with connected entities for unlawful gains.

SEBI observed that Darshan Bakul Shah and connected entities placed trades in common scrips shortly before execution of large orders of the PMS client and squared off positions immediately thereafter to benefit from price movement caused by the client's trades. The regulator relied upon trading patterns, call detail records, Telegram communications, login locations of trading terminals, and statements recorded during investigation. Notably, SEBI observed that noticee No. 2 admitted to receiving trading instructions from Ashok Maheshwari through auto-deleting Telegram messages and sharing profits in cash after deducting a commission.

SEBI found that the noticees executed profit-generating trades across 433 scrip days and cumulatively earned unlawful gains of approximately ₹1.30 crore. The regulator held that the conduct amounted to fraudulent and unfair trade practices and levied a total penalty of approx ₹ 1.52 Cr. SEBI had earlier restrained the noticees from accessing the securities market and impounded the alleged unlawful gains.

Read more

REGULATORY UPDATES

IFSCA

1. Investment Fund Registration (IFSCA Family Investment Fund)

IFSCA has granted registration to Poornam Asset Management as the first Foreign Family Investment Fund (FIF) under the IFSCA (Fund Management) Regulations, 2025, marking a significant milestone for GIFT IFSC. The registration reflects IFSCA's push towards building a globally competitive and flexible framework for foreign family offices, enabling efficient structuring, management, and deployment of private family wealth through regulated fund vehicles.

Read More

2. Cyber Security and Cyber Resilience Guidelines for Market Infrastructure Institutions (MIIs) operating in IFSC

The guidelines mandate enhanced board-level governance, risk assessment, and incident response mechanisms, including strict reporting timelines (such as notification of cyber incidents within 6 hours) and periodic audits. They also require MIIs to implement robust controls across functions such as identify, protect, detect, respond, recover, and resilience, while aligning cyber security practices with global standards and addressing emerging threats like quantum risks.

Overall, the framework aims to strengthen operational resilience, safeguard market integrity, and ensure preparedness of critical financial infrastructure against evolving cyber threats.

Read More

3. IFSCA Introduces Comprehensive Framework for Pension Funds in IFSC

The International Financial Services Centres Authority has notified the IFSCA (Pension Fund) Regulations, 2026, establishing a comprehensive framework for registration, regulation, and supervision of pension funds operating within IFSCs. The regulations are aimed at creating a secure and transparent pension ecosystem for long-term retirement savings while strengthening GIFT IFSC's position as a global financial hub. A significant feature of the framework is the express permission granted to pension funds to invest not only in Indian markets but also across global jurisdictions through diversified asset classes including equities, fixed income instruments, alternative investment funds, commodities, and other financial products.

The regulations further introduce detailed provisions on geographic diversification, permitting schemes to invest up to 100% of their assets under management in Indian markets while also allowing exposure to foreign markets, subject to specified concentration limits. Exposure to any single foreign country is generally capped at 20% of the scheme's assets, except in the case of the United States, where exposure may extend up to 50%. The framework additionally mandates robust enterprise-wide risk management systems, cyber resilience measures, disclosure obligations, and independent trustee oversight to safeguard subscriber interests. Overall, the regulations seek to provide operational flexibility, promote international investment opportunities, and align India's pension fund ecosystem in IFSCs with evolving global financial standards.

Read more

1. The Insolvency and Bankruptcy Code (Amendment) Act, 2026

The Insolvency and Bankruptcy Code (Amendment) Act, 2026, notified on April 6, 2026, introduces significant reforms aimed at strengthening India's insolvency resolution framework and improving efficiency in distressed asset resolution. One of the most notable changes is the introduction of the Creditor-Initiated Insolvency Resolution Process (CIIRP), which enables specified financial creditors to initiate an out-of-court insolvency resolution mechanism upon approval of at least 51% of creditors. The amendment seeks to reduce delays associated with traditional court-driven insolvency proceedings and encourage faster consensual restructuring.

The Act also formally introduces provisions relating to group insolvency and cross-border insolvency, addressing long-standing gaps in the existing framework for handling interconnected corporate entities and international insolvency matters. Further, to reduce conflicts of interest, resolution professionals involved in the Corporate Insolvency Resolution Process are now prohibited from acting as liquidators in the same matter. The amendments additionally decriminalize certain procedural violations by replacing criminal penalties with civil penalties, thereby promoting ease of doing business while retaining regulatory accountability. Overall, the reforms are intended to enhance creditor confidence, improve resolution timelines, and align India's insolvency regime with evolving global best practices.

Read More

REGULATORY UPDATES

IRDAI

1. IRDAI Introduces Comprehensive Anti-Fraud Framework for Insurance Sector

IRDAI has issued the Insurance Fraud Monitoring Framework Guidelines, 2025, effective from April 1, 2026, introducing a comprehensive system to tackle fraud across the insurance sector. The guidelines require insurers and intermediaries to put in place structured fraud risk management frameworks, including mechanisms for identifying, reporting, and investigating fraud, along with governance bodies such as Fraud Monitoring Committees. They also emphasise the use of red-flag indicators, data sharing through the Insurance Information Bureau (IIB), and stronger internal controls to address both traditional and emerging cyber fraud risks. Overall, the framework aims to improve transparency, protect policyholders, and strengthen trust and stability in the insurance ecosystem.

Read more

PFRDA

1. PFRDA implemented a Multiple NAV framework effective 1 April 2026, following revised Investment Management Fee (IMF) structures and updated Point of Presence (PoP)

PFRDA implemented a Multiple NAV framework effective 1 April 2026, following revised Investment Management Fee (IMF) structures and updated Point of Presence (PoP) charges that now differentiate between Government and Non-Government subscribers under the NPS. To operationalise these differentiated charges through NAV adjustments, pension funds have adopted multiple NAVs within the same scheme. During the transition, several subscriber transactions including inter-CRA shifting, portfolio rebalancing, withdrawals, and preference changes were temporarily suspended between 25 March and 1 April 2026. New registrations and contributions continued uninterrupted throughout.

Read more

REGULATORY UPDATES

2. Atal Pension Yojana Crosses 9 Crore Mark, Sees Record Growth

The Pension Fund Regulatory and Development Authority (PFRDA) has announced that the Atal Pension Yojana (APY) has crossed a major milestone of 9 crore total enrolments, reflecting its growing reach and impact as a key social security scheme. The scheme also recorded its highest-ever annual addition, with over 1.35 crore new subscribers in FY 2025-26, driven by sustained outreach and awareness efforts. Designed to provide a guaranteed monthly pension along with financial security for families, APY continues to play an important role in extending retirement benefits to workers in the unorganised sector and strengthening India's social security framework.

Read more

3. Financial Intelligence Unit-India and Pension Fund Regulatory and Development Authority Sign MoU to Combat Money Laundering and Financial Crimes

The Financial Intelligence Unit-India and Pension Fund Regulatory and Development Authority signed a Memorandum of Understanding (MoU) to strengthen coordination in combating money laundering, terrorism financing, and other financial crimes within India's pension sector. The agreement was signed by Mr. Amit Mohan Govil, Director of FIU-IND, and Mr. Randip Singh Jagpal, Whole Time Member of PFRDA, in the presence of PFRDA Chairperson Mr. Sivasubramanian Ramann.

The MoU aims to enhance intelligence sharing and cooperation between the two agencies by facilitating the exchange of relevant financial information and suspicious transaction data. It also establishes mechanisms for identifying "red flag" indicators and improving monitoring of compliance with Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) regulations among entities regulated by PFRDA. Further, the collaboration provides for joint outreach programmes, training initiatives, and capacity-building exercises to strengthen AML/CFT frameworks across pension intermediaries and reporting entities under the National Pension System (NPS) and Atal Pension Yojana (APY). The agreement also aligns with international standards, including the Egmont Principles of Information Exchange, thereby improving coordination with foreign financial intelligence units.

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REGULATORY UPDATES

SEBI

1. SEBI Operationalises “Non-Transferable” Tag Mechanism for Lock-in of Pledged Shares

The Securities and Exchange Board of India (SEBI), through its circular dated April 8, 2026, operationalised amendments to the SEBI (Issue of Capital and Disclosure Requirements) Regulations by introducing a mechanism to enforce lock-in requirements on pledged shares through a “non-transferable” tag at the depository level. The framework addresses situations where a conventional lock-in could not be created on securities that were already pledged with lenders or financial institutions. Under the revised mechanism, depositories are permitted to mark such pledged securities as “non-transferable” for the duration of the prescribed lock-in period, thereby ensuring that the shares cannot be transferred despite the existence of a pledge.

To facilitate implementation, issuers have been directed to incorporate enabling provisions within their Articles of Association, make adequate disclosures in offer documents, and appropriately inform lenders or pledgees regarding the restrictions. Stock exchanges, depositories, merchant bankers, and other intermediaries have also been instructed to ensure compliance with the revised operational framework.

Read more

2. SEBI (Intermediaries) (Amendment) Regulations, 2026

SEBI has amended the Intermediaries Regulations, 2008 to strengthen the “*fit and proper person*” framework and enhance compliance clarity for intermediaries. Key changes include defining “days” as calendar days, expanding disqualification triggers to cover economic offences and securities law violations, and shifting the standard from absence of disqualification to being “subject to certain events.

Read more

REGULATORY UPDATES

3. SEBI (Infrastructure Investment Trust) (Amendment) Regulation 2026

SEBI has amended the InvIT Regulations, 2014 as part of its broader ease of doing business initiative, introducing targeted changes to address practical challenges faced by market participants. The amendments clarify that InvITs can continue to hold SPVs even after expiry or termination of concession agreements (subject to conditions and timelines), expand permissible investments by allowing exposure to liquid mutual funds with lower credit risk thresholds (CRV ≥10) to improve diversification, and provide flexibility in utilisation of borrowings by recognising capex, major maintenance, and refinancing as valid uses. Overall, the changes are aimed at improving operational flexibility, reducing compliance ambiguity, and aligning the regulatory framework with industry realities.

Read more

4. SEBI (Alternative Investment Funds) (Amendment) Regulations, 2026

The Securities and Exchange Board of India (SEBI) notified the SEBI (Alternative Investment Funds) (Amendment) Regulations, 2026 on April 18, 2026, introducing important changes to India's Alternative Investment Fund (AIF) framework. One of the key amendments reduces the minimum investment threshold for certain Social Impact Funds investing in not-for-profit organizations listed on the Social Stock Exchange from ₹2 lakh to ₹1,000, with the objective of encouraging wider retail participation in social finance initiatives. The amendments also introduce the concept of "inoperative funds," enabling SEBI to prescribe a framework for dormant or inactive AIFs that are unable to complete closure due to residual matters or pending investments.

Further, the revised regulations strengthen provisions relating to winding-up and distribution of proceeds, providing SEBI with greater regulatory clarity and supervisory control over closure mechanisms. The amendments are aimed at improving operational flexibility, investor participation, and regulatory efficiency while enhancing the overall governance framework applicable to AIFs in India.

Read more

REGULATORY UPDATES

5. SEBI (Real Estate Investment Trust) (Amendment) Regulation 2026

Notably, the amendments permit REITs to continue holding investments in SPVs even after the underlying project or concession arrangement has concluded, recognising that immediate divestment may not be feasible due to pending litigations, tax assessments, or contractual obligations. Further, the regulatory framework has been rationalised to expand permissible investment avenues, such as allowing investments in a wider category of liquid mutual funds, thereby improving treasury management flexibility. Overall, the amendments seek to align the regulatory regime with commercial realities, reduce compliance friction, and enhance operational efficiency for REIT structures in India.

Read more

6. Fast-Track Mechanism for Processing of Placement Memorandum of AIFs filed with SEBI

The Securities and Exchange Board of India (SEBI), through its circular dated April 30, 2026, introduced a fast-track mechanism for processing Private Placement Memorandums (PPMs) filed by Alternative Investment Funds (AIFs) as part of its ease of doing business initiatives. Under the revised framework, Angel Funds and other non-LVF AIF schemes may launch their schemes and circulate PPMs to investors after 30 days of filing with SEBI, unless otherwise advised by the regulator. The circular shifts greater responsibility onto Merchant Bankers and AIF managers by mandating them to ensure the accuracy, completeness and adequacy of disclosures made in the PPMs.

SEBI has also prescribed additional filing requirements, including due diligence certificates, fit and proper declarations, and disclosures relating to continuing interest commitments. Further, the first close of the scheme must be completed within 12 months from the date the scheme becomes eligible for launch. The circular clarifies that submission of a PPM to SEBI should not be construed as regulatory approval and emphasizes that any irregularity or misleading disclosure may invite regulatory action.

Read more

REGULATORY UPDATES

7. SEBI Algo Trading rules effective from 1st of April 2026

The main SEBI circular on "Safer Participation of Retail Investors in Algorithmic Trading" was issued on February 4, 2025 introducing a comprehensive regulatory framework for retail algorithmic trading, including mandatory exchange approval of algos, unique algo identifiers, registration of algo providers, API security measures, and broker accountability mechanisms.

Initially, the framework was scheduled to become effective from August 1, 2025. Subsequently, SEBI issued an extension circular on July 29, 2025, extending the implementation timeline from August 1, 2025 to October 1, 2025. Thereafter, owing to representations from stock brokers and algo vendors seeking additional time for system-level changes and operational readiness, SEBI issued another extension circular dated September 30, 2025.

Under the September 30, 2025 circular, brokers that were technologically prepared were permitted to go live from October 1, 2025, while SEBI prescribed a phased glide path for remaining brokers. The circular further clarified that the complete retail algo trading framework, along with exchange operational modalities, would become fully applicable to all stock brokers from April 1, 2026.

Read more

RBI

1. RBI Clarifies Liquidity Coverage Ratio (LCR) Framework for Banks

The Reserve Bank of India has issued a circular on the Liquidity Coverage Ratio (LCR) framework, which requires banks to maintain sufficient high-quality liquid assets to meet short-term liquidity needs under stress scenarios. The circular builds on the Basel III standards and clarifies the treatment of liquid assets, particularly allowing banks to use eligible SLR securities as part of their LCR requirements. It also provides flexibility in maintaining LCR levels during stressed conditions, reflecting RBI's approach of balancing liquidity safety with operational ease for banks. Overall, the framework aims to strengthen the banking system's resilience to short-term liquidity shocks while ensuring smoother functioning of financial markets.

Read More

REGULATORY UPDATES

2. RBI Proposes New Rules for Digital Wallets and Prepaid Payments

The RBI has issued a draft Master Direction on Prepaid Payment Instruments (PPIs), 2026, proposing a revised and consolidated framework for digital wallets and prepaid payment systems in India. The draft lays down detailed norms on authorisation, capital requirements, KYC compliance, customer protection, and operation of PPIs, while also strengthening features such as interoperability with UPI and card networks. It further introduces clearer rules on escrow management, dispute resolution, and issuance of different categories of PPIs, including wallets for foreign users and transit payments. Overall, the move aims to support the growth of digital payments while ensuring stronger regulatory oversight and user protection in the fintech ecosystem.

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APPOINTMENT AND VACANCIES

1. SEBI Appoints Mr. K.V.R. Murty as Whole Time Member

The appointment of K.V.R. Murty as a Whole Time Member (WTM) of Securities and Exchange Board of India with effect from April 15, 2026 marks a significant development in India's financial regulatory landscape. A retired Indian Defence Accounts Service (IDAS) officer, Mr. Murty brings extensive experience in public finance, corporate governance, and regulatory administration. Prior to this appointment, he served as a part-time member on the SEBI board representing the Ministry of Corporate Affairs and was also associated with policy reforms relating to corporate law and governance. His appointment fills SEBI's vacant WTM position and restores the regulator to its full executive strength at a time when Indian capital markets are witnessing rapid expansion and increasing regulatory complexity.

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2. IBBI Invites Applications for the Post of General Manager

The Insolvency and Bankruptcy Board of India has invited applications for the post of General Manager on a deputation basis, reflecting the institution's continued efforts to strengthen its administrative and regulatory framework. The recruitment drive comes amid increasing activity under India's insolvency regime and expanding responsibilities under the Insolvency and Bankruptcy Code, 2016. The notification seeks experienced professionals with relevant expertise in law, finance, administration, or insolvency-related sectors.

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