Securities Markets Code Bill, 2025

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Why in News?

In a major overhaul of the Indian securities market regulations, the Securities Markets Code (SMC), 2025 was tabled in Parliament.

- **Aim** – To strengthen *investor protection, streamline compliance, and enhance the Securities and Exchange Board of India (SEBI)'s regulatory powers.*

To know about SEBI, click here

Key Provisions of the bill

- **Consolidation of Laws –** It replaces and merges 3 existing securities laws and creates a ***unified legal framework*** for securities regulation –
  - Securities Contracts (Regulation) Act, 1956 (SCRA),
  - SEBI Act, 1992, and
  - Depositories Act, 1996.
- **Composition –** The Board strength increased ***from 9 to 15 members*** for better governance.
- **Enhanced Powers for SEBI** – SEBI gains stronger oversight over Market Infrastructure Institutions (MIIs) like stock exchanges and depositories.
- **Delegation of Functions –** SEBI can delegate parts of its registration work to MIIs and Self-Regulatory Organisations (SROs).
- **Disclosure of 'conflict of interest' –** If a SEBI board member (or their family) has any direct or indirect interest in a matter, they must declare it and stay out of the decision-making on that issue.
- **Categories of Contraventions –**
  - **Fraudulent & Unfair Practices** - Minor violations (like unfair trade practices). It ***only attracts civil penalties*** but not criminal liability.
  - **Market Abuse** – It is a grave violation that harms market integrity and public interest, attracts civil penalties, and may also be ***treated as a criminal offence***.
- **Investor Protection**
- SEBI will create an ***Investor Charter*** to safeguard investors and encourage participation.
- SEBI will set up an ***Investor Grievance Redressal Mechanism***.
- Securities Markets Service Providers (SMSPs) & issuers must also establish similar grievance mechanisms.

- SEBI can appoint ***Ombudsperson(s) from its officers*** to handle investor complaints fairly and within a fixed time frame.
- **International practice –** It brings in global standards for governance, accountability, and transparency & introduces regulatory impact assessment to measure the effects of new rules.

Comparison between the Old Framework & the New Bill

Aspect	Old Framework (3 Act)	New SMC Bill, 2025
Number of Laws	3 separate acts	1 consolidated act
Regulator Powers	Fragmented, limited in scope	Expanded SEBI powers, unified oversight
Composition	9 members	15 members (11 govt-appointed, min. 5 whole-time)
Investigation & Adjudication	Any person can be appointed	Only the SEBI Chairperson, members, officers, and adjudicators must be independent
Investor Protection	No investor charter	Mandatory Investor Charter, Ombudsperson for grievance redressal
Compliance	Criminal liability for minor lapses	Decriminalisation of minor lapses, civil penalties only

Reference

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