

Securities Markets Code Bill 2025: One Law, One Market for India's Capital Markets

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Securities Markets Code Bill 2025 Latest News

- The Securities Markets Code (SMC), 2025, tabled in Parliament, proposes a sweeping overhaul of India's securities regulation framework. It aims to strengthen investor protection, reduce compliance burdens, improve regulatory governance, and promote ease of doing business.
- The Bill grants greater powers to Securities and Exchange Board of India (SEBI), decriminalises minor violations, and bolsters market infrastructure institutions.
- Crucially, it **consolidates** three existing laws—the **Securities Contracts (Regulation) Act, 1956**, the **SEBI Act, 1992**, and the **Depositories Act, 1996**—into a single, comprehensive code.

What the Securities Markets Code Bill, 2025 Replaces

- The Securities Markets Code Bill, 2025 proposes to merge and replace three existing securities laws—the Securities Contracts (Regulation) Act, 1956 (SCRA), the SEBI Act, 1992, and the Depositories Act, 1996.

- These decades-old statutes contain **overlapping** and **redundant provisions** that no longer align with today's technology-driven, complex markets.
- The consolidation—first announced in Budget 2021—aims to move toward a **single**, principle-based framework that reduces interpretative conflicts and improves legal certainty.
- **Stronger and More Representative Regulator** – Under the Code, the board of Securities and Exchange Board of India will expand from 9 to 15 members, adding representatives from the Central Government, the Reserve Bank of India, and more whole-time members to strengthen governance and expertise.
- **Tighter Conflict-of-Interest Norms** – While earlier laws required disclosure of pecuniary interests, the new Code broadens the scope to include family members' interests, mandating disclosure and recusal to enhance transparency and integrity in decision-making.
- **Investor-Centric Additions** – The Code formally incorporates an **Investor Charter**, which earlier had no explicit statutory backing. It also introduces a **statutory Ombudsman** as an independent grievance redressal authority, distinct from enforcement wings—addressing a long-standing gap in investor protection.

Key Provisions of the Securities Markets Code, 2025

- **Strengthening SEBI's Governance**
 - The Code empowers the government to remove SEBI Board members for conflicts of interest or convictions involving moral turpitude.
 - It mandates **disclosure of direct or indirect interests** and expands the Board from 9 to 15 members, adding Central Government and RBI representation and more whole-time members.
- **Easier, Proportionate Compliance**
 - Contraventions are reclassified into two buckets.
 - Lesser violations (including fraudulent and unfair practices) are decriminalised and attract only civil penalties, while market abuse—serious misconduct harming market integrity—may invite both civil penalties and criminal action.
 - This aims to reduce compliance burden while preserving deterrence.
- **Stronger Investor Protection**
 - The Code requires Securities and Exchange Board of India to specify an Investor Charter, standardise grievance redressal across intermediaries and issuers, and appoint Ombudsperson(s) for time-bound resolution.
 - It also opens public consultations to investors, improving transparency and participation.
- **Simplified Rules for Regulated Entities**
 - A consolidated registration framework is proposed for intermediaries and pooled investment vehicles.
 - Stock exchanges, clearing corporations, and depositories are brought under a single code, with SEBI allowed to delegate registration functions to MIs and SROs to streamline oversight.
- **Better Inter-Regulatory Coordination**
 - The Bill enables coordination among regulators to ease listing of other regulated instruments and improve interoperability among Market Infrastructure Institutions (MIs), supporting smoother market operations, improved investment climate, and stronger market-making.

Aligning India's Securities Law with Global Best Practices

- The Securities Markets Code Bill, 2025 incorporates international best practices by strengthening regulatory governance, accountability, and transparency.
- It introduces regulatory impact assessments, ensures arm's-length separation between investigation and adjudication, establishes an Ombudsperson for investor grievances, and enables inter-regulatory coordination.
- Experts note that by combining enhanced penalties, clearer adjudication, and greater regulatory flexibility for innovation, the consolidation of multiple laws into a single code marks a significant step toward a modern, globally aligned securities framework.

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