

A Fresh Perspective on India's Securities Market Laws

India's legal and regulatory framework has its roots in the immediate post-independence era, heavily influenced by British laws. Over the past eight decades, these laws have undergone numerous amendments and changes to align with economic growth and evolving circumstances.

In order to keep pace with time and shifting dynamics, comprehensive reviews of laws have been periodically undertaken. It is well understood that laws tend to evolve through continuous amendments, making them increasingly complex, cumbersome, and at times difficult to comprehend. In such circumstances, a regular review — or in some cases, a fresh approach — can prove more effective.

Historical Reviews and Overhauls of Laws

Over time, several significant legal reforms have been initiated. For example, the Foreign Exchange Regulations Act (FERA) was replaced with the Foreign Exchange Management Act (FEMA). The Companies Act, 1956, underwent a major revision in 2013, giving way to the Companies Act, 2013. This year, a comprehensive review of India's income tax laws is underway. Additionally, the implementation of the Goods and Services Tax (GST) was a major overhaul of indirect tax laws.

Time for a Re-evaluation of Securities Laws

In this same spirit, India's securities laws also warrant a thorough re-evaluation. The Securities and Exchange Board of India (SEBI) was established in 1988 and granted statutory powers in 1992, akin to moving into a newly built house. Its rules and regulations were designed for the financial markets of that time — fresh, well-structured, and fit for purpose.

However, over the decades, SEBI has added new policies, compliance norms, and frameworks to manage an increasingly complex and expanding market. Since SEBI's inception, India's financial markets have grown nearly 100-fold, and consequently, the regulatory environment has expanded as well.

Similar to a house that accumulates old furniture and outdated items over time, SEBI's regulatory framework now requires a "clean-up." Streamlining its rules, simplifying processes, enhancing market efficiency, and reducing compliance overload are essential steps to modernizing India's securities regulations.

Budget and the Economic Survey 2025: A Call for Deregulation and Trust-Based Governance

The need for regulatory reform is underscored by the 2025 Union Budget, which calls for a "light-touch regulatory framework based on principles and trust to unleash productivity and employment." This is not just about regulatory change; it's a crucial step towards unlocking India's full economic potential.

Our Views

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The urgency for deregulation and rationalization has never been more pressing. The Economic Survey of 2025 mentions "Get out of the way and trust people, we must, for we have no other choice." This call signifies a paradigm shift in governance, much like the 1991 Budget, which heralded India's economic liberalization. Economic Survey rightly points out that for investment efficiency to go up deregulation plays a key role. By removing unnecessary barriers, streamlining regulations, and improving the ease of doing business, India will see enhanced investment efficiency and a more conducive environment for business growth. The Survey also emphasizes that deregulation will foster better sentiment, increase trust in governance, and improve compliance by transforming the relationship between the governed and the governing into a true partnership.

A Path Forward: Aligning Regulations with Market Needs

In conclusion, the growing complexity of regulations is becoming a significant hindrance to business growth and investment efficiency. As India nears its centenary of independence, it is more crucial than ever to align regulatory frameworks with the ever-evolving needs of the economy.

The emphasis on deregulation and improving the ease of doing business, as articulated in the 2025 Budget and Economic Survey, calls for a shift toward a more streamlined, principle-based regulatory framework. This will enhance India's competitiveness, encourage innovation, and support the growth of small businesses and MSMEs.

This isn't just about regulatory overhaul; it's a vital step in unlocking India's full economic potential. By focusing on trust, flexibility, and simplicity, we can lay the foundation for a brighter, more prosperous future. Therefore, it's the right time that we follow the same approach for the Securities Markets laws and have a comprehensive relook.

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