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SEBI (Securities and Exchange Board of India)

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SEBI (Securities and Exchange Board of India)

SEBI regulates India's stock markets today. But it did not start with real power. It began as a watchdog with no teeth. A scandal in 1992 showed how badly it needed them. This lesson tells that story, and then covers what SEBI can do, whom it regulates, and what changed in 2025–26.

> **1988** SEBI set up, non-statutory.
> **1992** SEBI Act gave statutory status.
> **1995** SAT set up, in Mumbai.
> **1 Mar 2025** Tuhin Kanta Pandey became Chairman.

SEBI: Securities and Exchange Board of India.

SAT: Securities Appellate Tribunal. Hears appeals.

BRSR: Business Responsibility and Sustainability Report.

Consent order: Settlement without admitting or denying guilt.

1 Chapter 1: What SEBI Is

Must Know

Job and growth

- SEBI is the Securities and Exchange Board of India.
- Its job is threefold: protect investors, regulate the market and help it grow.
- It was set up in 1988 as a non-statutory body with very limited power.
- The SEBI Act, 1992 gave it statutory status and real powers.

Board and appeals

- The board has a Chairman, two officials from the Finance Ministry and one from the RBI.
- It also has five other members, of whom at least three are whole-time.
- Appeals against SEBI orders go to the Securities Appellate Tribunal (SAT).
- SAT was set up in 1995. It sits in Mumbai, with a Presiding Officer and two other Members.
- Read more: Delegated Legislation and Administrative Tribunals.

Remember: Weak watchdog (1988), then crisis, then stronger law (1992). SAT hears appeals (1995).

> **Quick check 1.** SEBI was created as a full statutory body in 1988. *(True or False?)* See answer ↓

2 Chapter 2: The Harshad Mehta Scam

Must Know

How the scam worked

- The scam broke in 1992. It involved an estimated ₹4,000 crore.
- Banks traded government securities through “ready forward” deals.
- These were short-term repo agreements settled with paper Bank Receipts (BRs), not the actual securities.
- Harshad Mehta got some banks to issue BRs not backed by any real securities.
- He used the cash to buy shares directly.

- He pushed shares like ACC from around ₹200 to nearly ₹9,000 within months.

The fall

- Journalist Sucheta Dalal exposed the fraud in April 1992.
- The market crashed at once.
- Parliament passed the SEBI Act, 1992.
- SEBI could now investigate and punish.

Remember: The 1992 scam led to the SEBI Act, 1992.

> **Quick check 2.** The Harshad Mehta scam triggered the SEBI Act, 1992. *(True or False?)* See answer ↓

> **Think it through: Think it through: why create SAT?**
>
> The SEBI Act made SEBI investigator and judge at once. A body this powerful needs someone to check its orders. That is the job of SAT.

3 Chapter 3: What SEBI Can Do

Good to Know

Powers

- It registers and regulates brokers, mutual funds, credit rating agencies and other market players.
- It can investigate fraud, issue orders and impose penalties, without going to court first.

How enforcement works

- SEBI appoints an Adjudicating Officer, who acts like a judge.
- The process usually starts with a Show Cause Notice.
- The accused replies. SEBI may hold a hearing.
- The Adjudicating Officer then issues a final order.
- SEBI also allows Consent Orders. A party settles by paying, without admitting or denying guilt.
- Final orders can include fines, disgorgement of illegal gains, a market ban or loss of licence.

Whom it regulates

- Both big exchanges: National Stock Exchange (NSE) and Bombay Stock Exchange (BSE).
- Credit rating agencies such as CRISIL, ICRA, CARE and Brickwork Ratings.
- This is under the SEBI (Credit Rating Agencies) Regulations, 1999.

- It is SEBI, not the RBI, that regulates them.

The BRSR mandate

- SEBI requires the Business Responsibility and Sustainability Report (BRSR) from the top 1,000 listed companies by market value.
- Its disclosures are mostly non-financial.
- They cover environmental, social and governance matters.

> **Quick check 3.** The RBI regulates credit rating agencies in India. *(True or False?)* See answer ↓

4 Chapter 4: SEBI in the News

Great to Know

New mutual fund rules, 2026

- The SEBI (Mutual Funds) Regulations, 2026 were published on 16 January 2026. They replace the 1996 framework after three decades. (Source: SEBI.)
- They took effect on 1 April 2026.
- They introduce a base expense ratio, which shows the fund manager's own fee.
- Costs like brokerage and taxes are shown separately.
- Fund categories must match what their names promise.
- Funds have until around August 2026 to align their names with their investments.
- They must file regular portfolio-overlap reports from then on.

The Adani–Hindenburg matter

- In January 2023 US short-seller Hindenburg Research alleged stock manipulation and accounting fraud at the Adani Group. The group denied it.
- By March 2024 SEBI had completed 23 of 24 planned investigations.
- In September 2025 SEBI issued orders finding the core allegations “not established”.
- It said the flagged deals did not meet the legal definition of related-party dealings. (Source: The Week.)
- Hindenburg also alleged a conflict of interest involving SEBI’s then Chairperson. She denied it. That claim was handled separately.

Antariksh Venture Capital Fund

- SEBI registers and regulates the Antariksh Venture Capital Fund (AVCF).
- It is a Category II Alternative Investment Fund that gives equity capital to space-tech startups.
- SEBI approved it on 31 October 2025.
- IN-SPACe’s total contribution reached ₹188.93 crore by 24 July 2026.
- Read more: Antariksh Venture Capital Fund.

Who leads SEBI

- As of August 2026 the Chairman is Tuhin Kanta Pandey, SEBI’s 11th Chairman. (Source: SEBI.)
- He took charge on 1 March 2025 and serves a three-year term.
- He succeeded Madhabi Puri Buch. (Source: Business Standard.)

> **Quick check 4.** The SEBI (Mutual Funds) Regulations, 2026 replaced the 1996 framework. *(True or False?)* See answer ↓

5 Chapter 5: Exam Traps and a Pattern

Great to Know

Traps

- SEBI, not the RBI, regulates rating agencies and mandates BRSR.
- BRSR is mostly non-financial.
- ICRA, CRISIL, CARE and Brickwork Ratings are all real rating agencies.

A common regulatory pattern

- SEBI's story is a pattern: a weak watchdog, a crisis, then a stronger law.
- TRAI followed a similar arc later. Its adjudicatory power split off to TDSAT. Read: TRAI: Telecom Regulatory Authority of India.
- SEBI instead gained power directly because of one scandal.

6 Previous Year Questions

Exam angle: real questions on this topic.

Quick Q&A

- **SEBI set up?** 1988.
- **SEBI Act year?** 1992.
- **SAT set up?** 1995, Mumbai.
- **Rating agency regulator?** SEBI.

- **BRSR applies to?** Top 1,000 listed companies.

Practice MCQs

1. In which year was SEBI first set up, as a non-statutory body with limited powers?

A. 1985

B. 1988

C. 1992

D. 1995

See answer ↓

2. Which Act gave SEBI its statutory status and real regulatory powers?

A. The Companies Act 1956

B. The SEBI Act 1992

C. The Banking Regulation Act 1949

D. The Reserve Bank of India Act 1934

See answer ↓

3. SEBI's 1992 statutory upgrade is closely linked to which market scandal from the same year, which exposed weak market surveillance?

A. The 2008 global financial crisis

B. The IL&FS crisis

C. The Satyam scandal

D. The Harshad Mehta scam

See answer ↓

4. Appeals against SEBI's orders are heard by which body?

A. The Reserve Bank of India

B. The Securities Appellate Tribunal (SAT)

C. The Competition Commission of India

D. The Supreme Court directly

See answer ↓

5. Consider the following statements:

I. The Reserve Bank of India mandates all the listed companies in India to submit a Business Responsibility and Sustainability Report (BRSR).

II. In India, a company submitting a BRSR makes disclosures in the report that are largely non-financial in nature.

Which of the statements given above is/are correct? (UPSC CSP 2025, GS Paper I)

A. I only

B. II only

C. Both I and II

D. Neither I nor II

See answer ↓

6. Consider the following statements:

1. In India, credit rating agencies are regulated by Reserve Bank of India.

2. The rating agency popularly known as ICRA is a public limited company.

3. Brickwork Ratings is an Indian credit rating agency.

Which of the statements given above are correct?

A. 1 and 2 only

B. 2 and 3 only

C. 1 and 3 only

D. 1, 2 and 3

See answer ↓

Answer Key

1. **B.** SEBI was originally set up in 1988 as a non-statutory body, before gaining statutory status later. ↑ Q1
2. **B.** The SEBI Act, 1992 gave SEBI statutory status, letting it actually enforce its rules. ↑ Q2
3. **D.** The Harshad Mehta scam of 1992, involving an estimated ₹4,000 crore, exposed how weak India's market oversight was, prompting Parliament to give SEBI statutory power that same year. ↑ Q3
4. **B.** SAT, set up in 1995 and based in Mumbai, hears appeals against SEBI's orders. ↑ Q4
5. **B.** The correct answer is II only. Statement I is wrong: it is SEBI, not RBI, that mandates BRSR, and only for the top 1,000 listed companies by market capitalisation, not all listed companies. Statement II is correct: BRSR discloses largely non-financial ESG information. ↑ Q5
6. **B.** The correct answer is 2 and 3 only. Credit rating agencies in India are regulated by SEBI, under the SEBI (Credit Rating Agencies) Regulations, 1999 — not by RBI, so Statement 1 is wrong. ICRA Limited is a public limited company listed on the stock exchanges, making Statement 2 correct. Brickwork Ratings is a SEBI-registered Indian credit rating agency, making Statement 3 correct too. ↑ Q6

Quick-check answers

1. **False.** ↑ 1
2. **True.** ↑ 2
3. **False.** ↑ 3
4. **True.** ↑ 4

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