



# The Indian Journal for Research in Law and Management

Open Access Law Journal – Copyright © 2025

Editor-in-Chief – Dr. Muktai Deb Chavan; Publisher – Alden Vas; ISSN: 2583-9896

This is an Open Access article distributed under the terms of the Creative Commons Attribution-Non-Commercial-Share Alike 4.0 International (CC-BY-NC-SA 4.0) License, which permits unrestricted non-commercial use, distribution, and reproduction in any medium provided the original work is properly cited.

---

## **SEBI'S SURVEILLANCE POWERS VS MCA'S ADMINISTRATIVE ROLE: WHO GUARDS THE MARKET MORE EFFECTIVELY?**

### **Abstract:**

India's rapidly evolving financial and corporate ecosystem demands robust oversight to ensure investor protection, market integrity, and systemic stability. This paper critically examines and contrasts the surveillance powers of the Securities and Exchange Board of India (SEBI) against the administrative role of the Ministry of Corporate Affairs (MCA). While SEBI is the principal watchdog of the securities market, empowered with real-time monitoring and enforcement tools, the MCA's mandate centres on broad-based corporate regulation, governance, and compliance under the Companies Act and allied laws. Through analysis of statutory frameworks, jurisdictional overlaps, structural autonomy, and enforcement mechanisms including the role of technology and inter-agency coordination, in this study, it explores the effectiveness of each authority in guarding their intersecting domains and safeguarding the investors. By assessing regulatory responses to financial and corporate frauds, this article offers nuanced insights into India's dual-regulator model. This article also provides illuminating study and differences between the role and functioning of both the agencies and their manner and structure leading to protection of financial market and the corporate governance. In this article it further discusses the current stands and also the changes that've been made by such agencies to detect risks and fraud to empower and protect their investor and public base.

Keywords: SEBI, Regulator, enforcement, Investors, Corporate

### **1. Introduction:**

The financial landscape of India has undergone numerous changes over the past three decades, which has been further enriched by technological advances, and a heavy surge wave of investor base. In this dynamic environment, market integrity and investor confidence hinge critically on

the efficacy of regulatory oversight. Two principal institutions safeguarding the standards, the Securities and Exchange Board of India (“SEBI”) and the Ministry of Corporate Affairs (MCA) stand as barriers, entrusted with safeguarding India’s capital markets and corporate sector, respectively.

While SEBI acts as the dedicated securities market watchdog, empowered to detect and intervene into market abuses, the MCA’s broad mandate encompasses company law administration and corporate governance. Their distinct yet occasionally intersecting jurisdictions raise pivotal questions: Who is better equipped to protect the integrity of India’s markets? Which regulatory framework offers greater agility and autonomy in responding to emerging threats, financial misconduct, and systemic risks?

This paper critically provides a detailed analysis on the constitutional and statutory foundations of SEBI and the MCA, their respective roles, powers, and institutional structures, and explores areas of overlapping jurisdiction especially in investigating corporate and financial frauds. By comparing their regulatory autonomy, quasi-judicial powers, and operational mechanisms, the paper seeks to assess which authority provides more robust and effective guardianship of the Indian market. Through this comparative analysis, the study aims to illuminate both the strengths and the limitations of India’s regulatory architecture, offering insight into potential reforms for enhanced market surveillance and governance.

## **2. Constitutional & Statutory Foundations:**

### **2.1. SEBI Act, 1992: Objectives, Scope, and Powers:**

SEBI was established as a statutory regulatory body in 1992, with its main objectives of protecting the interests of the investor, promoting the development of economy, and regulating the securities market in India.

The SEBI Act, 1992<sup>1</sup>, empowers SEBI to regulate stock exchanges and other securities markets, including registration and regulation of intermediaries, prohibiting fraudulent and unfair trade practices, and conducting investor education, SEBI even acts as a “mini-state,” wielding legislative (making regulations relating to financial

---

<sup>1</sup> *Securities and Exchange Board of India Act, 1992* (as amended by Securities Laws (Amendment) Act, 2014), § 1 et seq. (India), available at [https://www.sebi.gov.in/sebi\\_data/attachdocs/1456380272563.pdf](https://www.sebi.gov.in/sebi_data/attachdocs/1456380272563.pdf)

market), executive (enforcing rules), and quasi-judicial (adjudicating disputes) functions within the securities market. It has robust powers such as investigation, issuing directions, imposing penalties, and conducting searches (with court permission) relating to securities frauds<sup>2</sup>.

## **2.2. Companies Act, 2013: MCA's Role in Corporate Regulation:**

- The Ministry of Corporate Affairs (MCA) operates chiefly through the Companies Act, 2013 and other corporate laws (i.e. LLP Act), tasked with the regulation, administration, and governance of companies in India. MCA through RoC's ensures that companies operate within the legal and ethical corporate framework, overseeing processes like incorporation, director registration, enforcement of disclosure requirements, auditing standards, and maintaining public registries for transparency.
- The MCA also administers allied statutes including the Competition Act, the Insolvency and Bankruptcy Code, and regulations for Limited Liability Partnerships.

## **3. Overlapping Jurisdiction: Financial vs. Corporate Fraud:**

- SEBI's primary jurisdiction covers securities market fraud, particularly those that directly affect investor interests and market integrity. Its powers to intervene extend to any person "associated with the securities market," which results in regulatory overlap with the domain of MCA—especially in cases involving listed companies.
- Major corporate frauds (like Satyam Scam) highlighted the intersection of SEBI's powers to investigate financial fraud and MCA's authority to pursue corporate misconduct.<sup>3</sup>
- The Serious Fraud Investigation Office (SFIO), under the MCA<sup>4</sup>, leads probes into complex frauds within the corporate framework, especially when criminal wrongdoing or systemic misgovernance under the Companies Act is alleged.

---

<sup>2</sup> Lalit Kumar, *Scheme & Scope of Power of SEBI*, National Judicial Academy, Bhopal (Aug. 27, 2015) (presentation PPT), [https://nja.gov.in/Concluded\\_Programes\\_2015-16/P940\\_PPTs/4.%20Scheme%20%26%20Scope%20of%20power%20of%20SEBI.pdf](https://nja.gov.in/Concluded_Programes_2015-16/P940_PPTs/4.%20Scheme%20%26%20Scope%20of%20power%20of%20SEBI.pdf)

<sup>3</sup> Tanushree Jaiswal, *Satyam Scam*, 5Paisa (June 28, 2023), <https://www.5paisa.com/blog/satyam-scam/>

<sup>4</sup> *Serious Fraud Investigation Office* (Ministry of Corporate Affairs, Government of India), <https://www.sfio.gov.in/en/>.

#### **4. Structural and Functional Autonomy: Independent vs. Ministerial Oversight:**

- SEBI is a statutory regulator but remains subject to certain central government controls—such as appointment and removal of its Chairperson and members and budgetary approval—which can affect its operational autonomy.
- MCA is part of the union government and functions as a ministerial department with direct oversight by elected officials, making its actions closely tied to government policy changes.<sup>5</sup>

#### **5. Delegated Legislation and Quasi-Judicial Functions:**

- SEBI holds delegated legislative powers, allowing it to draft regulations and guidelines for the securities market, subject only to broad statutory parameters laid down in the SEBI Act. Further, it can delegate almost all its quasi-judicial powers (except rule-making) to members or officers within the Board.<sup>6</sup> Indian courts have upheld SEBI's right to delegate these functions internally, recognizing the incredibly complex and large volume of issues faced by a modern securities regulator<sup>7</sup>.
- The MCA exercises administrative and some quasi-judicial functions primarily through the Registrar of Companies and Regional Director, adjudicating authority, and enforcement actions under the Companies Act, but the bulk of interpretation and development of subordinate regulations lies in the government's hands.

#### **6. Surveillance and Enforcement Mechanisms: SEBI vs MCA:**

##### **6.1. Integrated Market Surveillance System (IMSS):**

- SEBI uses the Integrated Market Surveillance System (IMSS)<sup>8</sup> to collect, integrate, and analyse data's they receive from the stock exchanges, clearing corporations, and depositories across equity and derivatives markets. The

---

<sup>5</sup> Chapter 9: Corporate Affairs, India Year Book 2024, Drishti IAS (Oct. 16, 2024),

<https://www.drishtiiias.com/india-year-book-2024/indian-economy/chapter-9-corporate-affairs> .

<sup>6</sup> S. Susan Jiji, *Kerala High Court: SEBI Can Delegate Quasi-Judicial Functions to Its Member or Officer*, Bar & Bench (June 1, 2023), <https://www.barandbench.com/news/sebi-delegate-quasi-judicial-functions-member-officer-kerala-high-court>

<sup>7</sup> Sheryl Sebastian, *Delegation of Quasi-Judicial Functions by SEBI to Its Members is Permissible: Kerala High Court*, LiveLaw (June 1, 2023), <https://www.livelaw.in/high-court/kerala-high-court/delegation-quasi-judicial-functions-sebi-229901>

<sup>8</sup> SEBI, Circular No. SEBI/HO/MRD/MRD-PD/16155 (“ ”), Securities and Exchange Board of India, [https://www.sebi.gov.in/sebi\\_data/docfiles/16155\\_t.html](https://www.sebi.gov.in/sebi_data/docfiles/16155_t.html).

system enables real-time detection of serious violations like market manipulation, insider trading, and other types of securities fraud. IMSS generates automated alerts for suspicious activities, which can prompt further investigation.<sup>9</sup>

- Recent upgrades to IMSS incorporate big data analytics and AI, notably through platforms like MITRA, which is designed to detect patterns associated with market manipulation, wash trades, front running, and circular trading using machine learning and data mining.

### **6.2. Role of Stock Exchanges:**

- Stock exchanges such as NSE and BSE are crucial first-line monitors when it comes to dealings with SEBI. They conduct continuous surveillance of trading activity, generate alerts for anomalous patterns, and must report suspicious activities directly to SEBI. Exchanges enforce surveillance measures such as circuit breakers, price bands, and ‘trade-to-trade’ settlement restrictions to curb market volatility and manipulation.
- Exchanges do implement SEBI’s Enhanced Surveillance Measures (ESM), Graded Surveillance Measures (GSM), and Additional Surveillance Measures (ASM) for stocks showing abnormal behaviour. These include higher margin requirements, restricted trading, and increased scrutiny<sup>10</sup>.

### **6.3. Detection of Market Abuses:**

- With the surge in growth and usage of Artificial intelligence in the public sectors, The SEBI’s systems now equipped with AI and internal alert mechanisms detect insider trading, front running, and pump-and-dump schemes. Detection relies on monitoring trading patterns, bulk/batched trades, related-party transactions, and data-linkages that flag unusual price or volume movements.<sup>11</sup>

---

<sup>9</sup> Vidushi Kala, *SEBI Invites Qualified Bidders to Reinforce Its Market Surveillance System*, ClearTax (Dec. 31, 2018), <https://news.cleartax.in/sebi-invites-qualified-bidders-to-reinforce-its-market-surveillance-system/737/>

<sup>10</sup> Kotak Securities Team, *SEBI’s New Surveillance Measures 2025: Impact on Traders*, Kotak Securities Investing Guide Blog (June 25, 2025), <https://www.kotaksecurities.com/investing-guide/articles/sebis-new-surveillance-measures/>.

<sup>11</sup> Charu Singh, *SEBI Building Tech Tools to Track Pump-and-Dump, Bulk Deals & Abnormal Trading*, NDTV Profit (Apr. 22, 2025), <https://www.ndtvprofit.com/markets/sebi-building-tech-tools-to-track-pump-and-dump-bulk-deals-abnormal-trading-exclusive>.

- When suspicious trades are detected, SEBI can launch investigations, impose penalties, and issue directions to market participants. The systems are regularly updated to improve speed and precision in identifying sophisticated manipulation.

## **7. MCA's Regulatory Tools:**

### **7.1. Corporate Filings and Red-Flag Alert System (MCA21):**

- The MCA operates “MCA21,” a digital platform for filings and compliance by all companies under the Companies Act. Recent upgrades (MCA21 v3) include an AI-driven red-flag alert system that scrutinizes returns for issues like high related-party transactions, frequent auditor resignations, or mismatches between capital and turnover.<sup>12</sup>
- Electronic scrutiny enables MCA to promptly identify companies showing risky financial or governance indicators, flagging them for further inspection or enforcement action.

### **7.2. SFIO (Serious Fraud Investigation Office) Coordination:**

- The SFIO is a multidisciplinary agency under MCA specializing in complex fraud investigations related to corporate laws, especially those with significant public interest or requiring cross-disciplinary expertise. SFIO works with law enforcement, SEBI, RBI, and ED. It has police-like investigative powers: summoning individuals, conducting searches and seizures, and accessing detailed records.<sup>13</sup>
- The MCA may refer a company to SFIO based on the severity or complexity of the suspected fraud, sometimes in parallel with SEBI if market manipulation is involved.

---

<sup>12</sup> CS Palak Gupta, *MCA Electronic Scrutiny of Corporate Filing in India*, Rajput Jain & Associates Blog (Mar. 23, 2021), <https://carajput.com/blog/mca-electronic-scrutiny-of-corporate-filing-in-india/>.

<sup>13</sup> Serious Fraud Investigation Office, Ministry of Corporate Affairs, Government of India, “Particulars of Organisation, Functions and Duties of SFIO” (RTI Disclosure under Section 4(1)(b) of the RTI Act, 2005), BBSR-S3WAAS Portal (May 2022), <https://cdnbbsr.s3waas.gov.in/s3d51b416788b6ee70eb0c381c06efc9f1/uploads/2022/05/202409181207002040.pdf>. S3WaaS

## **8. Adjudication Officers vs Tribunals:**

- **Adjudication Officers:** Both SEBI and MCA have officers who can impose fines and enforce penalty or fine for non-compliance and breaches. SEBI's adjudication officers chiefly tackle securities law violations, while MCA officers deal with breaches of company law.
- **Tribunals:** Specialized forums (like the National Company Law Tribunal (NCLT) for MCA, and Securities Appellate Tribunal (SAT) for SEBI) provide quasi-judicial resolution with faster turnaround than conventional courts. These bodies have technical and legal experts, follow natural justice principles, and judgments are appealable to higher courts.

## **9. Conclusion:**

The vigilant protection of India's financial markets and corporate sector hinges on the complementary yet distinct roles played by SEBI and the MCA. SEBI's surveillance apparatus leveraging integrated technological platforms and collaboration with stock exchanges enables swift detection and intervention in market abuses, positioning it as the frontline guardian of investor interests within the securities ecosystem. In contrast, the MCA's domain spans the entire corporate lifecycle, strengthening governance through legal compliance and in-depth investigation of fraudulent corporate practices. Jurisdictional overlaps, particularly in complex financial frauds, highlight both the strengths and the friction points of India's regulatory architecture. Ultimately, while SEBI demonstrates greater agility in market surveillance, the MCA's comprehensive oversight of corporate conduct is equally vital for the holistic integrity of India's economic landscape. Effective market guardianship, therefore, is best achieved through continual inter-agency coordination, technological advancement, and statutory clarity, ensuring the resilience and credibility of India's markets in a rapidly transforming global environment.