

SEBI vs. SEC: A Comparative Institutional Analysis of Investor Protection Frameworks

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ABSTRACT

This paper compares the Securities and Exchange Board of India (SEBI) and the U.S. Securities and Exchange Commission (SEC) to understand how two major financial regulators protect investors and maintain trust in their markets. It examines their historical development, institutional structures, investor protection mechanisms, enforcement powers, and responses to changing market risks. The paper also uses major enforcement cases to understand how regulatory powers operate in practice rather than only comparing laws and regulations on paper. The analysis finds that the two regulators approach investor protection differently: the SEC benefits from a long-established enforcement system and strong legal mechanisms, while SEBI has developed investor-focused systems suited to India's rapidly expanding retail market. The paper argues that neither framework can simply be copied by the other because the two regulators operate in different market and institutional environments. Instead, both can learn from each other's approaches, particularly in enforcement, investor redress, technology, financial influencers, and cross-border regulation.

Keywords: Enforcement, Financial regulation, Investor protection, SEBI, SEC

Introduction

Financial markets play a vital role in the growth and development of modern economies by enabling businesses to raise capital and providing individuals with opportunities to invest their savings. However, these markets can be vulnerable to misuse, causing widespread economic disparity and affecting the everyday lives of millions of people. Without effective regulation, financial markets would be overrun by fraud, manipulation, insider trading, and misleading corporate practices, eroding public confidence and threatening economic stability.

To prevent such outcomes, governments establish regulatory authorities responsible for overseeing securities markets and protecting investors. In India, this responsibility lies with the

Securities and Exchange Board of India (SEBI), the principal authority regulating the Indian capital market. SEBI was constituted as a non-statutory body in 1988 and received statutory status in 1992 under the Securities and Exchange Board of India Act, 1992. It oversees the functioning of the Indian securities market through regulation, supervision, investigation, and enforcement, with its statutory mandate focused on protecting investors, promoting the development of the securities market, and regulating the securities market (Securities and Exchange Board of India [SEBI], 2026; SEBI, 1992). It monitors trading activities to identify and prevent illegal practices like insider trading and market manipulation while ensuring that companies disclose accurate and timely financial information so that investors can make informed decisions.

The United States performs a similar function through the U.S. Securities and Exchange Commission (SEC), established in 1934 following the Wall Street Crash of 1929. The SEC's mission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation (U.S. Securities and Exchange Commission [SEC], 2023). Like SEBI, it regulates stock exchanges, brokerage firms, and other market participants while enforcing disclosure requirements and investigating violations such as insider trading, accounting fraud, and misleading financial statements. The SEC's Division of Enforcement conducts investigations into possible violations of federal securities laws and pursues civil enforcement actions through federal courts and administrative proceedings. The SEC also works with the U.S. Department of Justice in matters involving criminal securities violations (SEC, 2024).

Although both institutions pursue the common objective of investor protection and market integrity, they operate within different political, legal, and economic environments. Their historical origins, institutional structures, enforcement mechanisms, and regulatory philosophies have evolved in distinct ways. This research paper undertakes a comparative institutional analysis of SEBI and the SEC by examining their historical development, organizational structures, investor protection frameworks, and enforcement approaches. Through this comparison, the paper seeks to evaluate which regulatory system is more effective in protecting investors while identifying the strengths, limitations, and lessons each institution can offer the other.

Historical Background

The establishment of the Securities and Exchange Commission (SEC) followed the financial and market abuses exposed by the Wall Street Crash of 1929 and the subsequent Great Depression. In India, SEBI had already been constituted as a non-statutory body in 1988 and was given statutory status in January 1992, before the securities scam involving Harshad Mehta was exposed in April 1992. Although the circumstances differed, both regulatory authorities

developed within periods of significant concern over investor protection, market integrity, and weaknesses in financial-market regulation (U.S. Securities and Exchange Commission [SEC], 2003; Securities and Exchange Board of India [SEBI], 2026).

The Securities and Exchange Commission (SEC) was established in 1934 in response to the Wall Street Crash of 1929, which was followed by a broader financial and economic crisis that developed into the Great Depression. During the 1920s, more popularly known as the "Roaring Twenties," the United States experienced rapid economic growth, with stock prices increasing substantially. The booming market attracted large numbers of investors, many of whom invested heavily in stocks using borrowed money despite having little understanding of financial markets. At the time, federal regulation of the securities markets was limited, and companies often provided investors with incomplete financial information, while manipulative practices were also prevalent (SEC, 2003; Federal Reserve History, 2026).

As stock prices continued to rise during the late 1920s, the market became increasingly unstable. Eventually, investors began to lose confidence, triggering widespread selling that caused stock prices to collapse. The crash resulted in substantial losses for investors and was followed by banking crises, declining economic activity, and rising unemployment (Federal Reserve History, 2026). The crisis contributed to a broader recognition of the need for stronger federal oversight of securities markets. Recognizing the urgent need for stronger oversight, the U.S. government established the SEC through the Securities Exchange Act of 1934. The Commission was entrusted with regulating securities markets, enforcing transparency, requiring companies to disclose accurate financial information, and protecting investors from fraudulent activities (SEC, 2004).

Similarly, SEBI was initially constituted in 1988 as a non-statutory body responsible for matters relating to the development and regulation of the securities market and investor protection. It received statutory powers in January 1992 through the Securities and Exchange Board of India Ordinance, and the Securities and Exchange Board of India Act, 1992, was subsequently enacted by Parliament (SEBI, 2026; SEBI, 1992). The securities scam involving Harshad Mehta was exposed in April 1992, after SEBI had already received statutory powers. The episode nevertheless exposed serious weaknesses in India's financial and securities systems and became an important part of the subsequent period of market reforms (SEBI, 1992; SEBI, 1992).

Harshad Mehta became one of the most prominent examples of these regulatory failures. Investigations into the securities scam found that funds were improperly diverted through transactions involving banks and securities-market participants, while later SEBI proceedings documented manipulation and the use of entities acting as fronts for Harshad Mehta in building large positions in selected shares (SEBI, 2001; SEBI, 2002). These activities contributed to

artificial price movements and significant distortions in the securities market. The exposure of the scam led to extensive investigations and contributed to public concern over weaknesses in the regulation and functioning of India's financial markets (SEBI, 2001; Government of India, 1992).

The securities scam highlighted the need for further strengthening of India's financial-market regulatory framework. Following the events of 1992, India introduced a series of securities-market reforms, including measures relating to disclosure, stock-exchange practices, settlement procedures, market surveillance, and investor protection. SEBI itself issued measures in 1992 addressing the monitoring and inspection of brokers, price rigging, insider trading, settlement procedures, and investor complaints (SEBI, 1992). The SEBI Act of 1992 provided the statutory framework for SEBI's powers to protect investors and regulate and develop the securities market (SEBI, 1992). These developments demonstrate that the Harshad Mehta episode was an important catalyst for subsequent reforms, rather than the event that directly established SEBI's statutory status.

An important difference between the two markets is also the way individuals participate in investing. In the United States, investing in equities and other securities has historically been more widespread among households, with individual investors commonly participating through retirement accounts, mutual funds, and brokerage accounts. In India, while participation in the securities market has expanded rapidly, many individuals continue to rely heavily on traditional savings instruments such as bank deposits, gold, and real estate, with direct equity investment representing a comparatively newer avenue for household savings. The growing availability of online trading platforms and mutual funds has nevertheless made securities-market participation increasingly accessible to Indian investors.

Although the historical circumstances surrounding the development of SEBI and the SEC were different, both institutions developed in response to significant concerns about the functioning and regulation of financial markets. These differing historical foundations continue to influence their respective regulatory philosophies today. The SEC developed within a federal legal and regulatory system shaped by the reforms that followed the Great Depression, whereas SEBI evolved within India's financial-market reforms of the early 1990s and the subsequent expansion of its securities market. Despite these differences, both organizations continue to pursue the same fundamental objective: protecting investors while promoting fairness, transparency, and stability in financial markets.

Institutional Structure

Although SEBI and the SEC perform similar regulatory functions, their institutional structures differ significantly due to the legal, political, and administrative systems in which they operate.

These structural differences influence the degree of independence each institution enjoys, the manner in which decisions are made, and the methods through which securities laws are enforced. While both organizations seek to protect investors and maintain market integrity, they adopt different regulatory philosophies in achieving these objectives.

SEBI operates under a centralized institutional model established by the SEBI Act of 1992. Its governing body consists of a Chairman, two members from among officials of the Central Government dealing with Finance and the administration of company law, one member from among officials of the Reserve Bank of India, and five other members, of whom at least three are whole-time members, appointed by the Central Government (Securities and Exchange Board of India [SEBI], 1992). This composition reflects a significant degree of governmental involvement in the regulatory framework and enables close coordination between financial regulators and the government. Structurally, SEBI functions as a unified authority responsible for overseeing major aspects of India's securities market, including stock exchanges, listed companies, mutual funds, brokers, and other market intermediaries (SEBI, 2026).

One of SEBI's defining characteristics is its combination of regulatory, executive, investigative, and adjudicatory powers within a single institution. It possesses the authority to formulate regulations governing the securities market and to conduct investigations into suspected violations. Furthermore, SEBI can issue directions, impose monetary penalties through its statutory mechanisms, prohibit persons from accessing the securities market, and take various enforcement actions under the securities laws (SEBI, 1992). Certain enforcement and adjudicatory actions remain subject to statutory procedures and appeals, including appeals to the Securities Appellate Tribunal and, in specified circumstances, to the Supreme Court (SEBI, 1992). This institutional structure gives SEBI substantial authority to respond to developments in India's securities markets, although the speed of regulatory action can vary depending on the nature of the proceeding and applicable legal procedures.

However, this centralized framework also raises important questions regarding institutional independence and accountability. Since the Central Government appoints several members of SEBI's Board, including the Chairman and certain other members, and multiple regulatory functions are concentrated within a single authority, the structure incorporates substantial governmental involvement alongside SEBI's statutory regulatory responsibilities (SEBI, 1992). Although judicial review remains available through the Securities Appellate Tribunal and higher courts, SEBI exercises considerable discretion during investigations and enforcement proceedings within the limits established by securities laws and procedural safeguards (SEBI, 1992).

In contrast, the Securities and Exchange Commission operates within the broader framework of the United States' federal system, as an independent federal agency. Established under the Securities Exchange Act of 1934, the SEC is governed by up to five commissioners appointed by the President of the United States and confirmed by the Senate. To preserve political neutrality and limit partisan concentration, U.S. law requires that no more than three commissioners belong to the same political party (U.S. Securities and Exchange Commission [SEC], 2026).

The SEC follows a collegial model of governance in which the Commissioners meet and vote on matters within the Commission's authority. Unlike SEBI's board structure, this decision-making process encourages deliberation and allows multiple viewpoints to be considered before regulatory action is taken (SEC, 2026). Although this approach may lengthen the decision-making process, it also provides for collective consideration of significant Commission matters.

Another important distinction lies in the SEC's enforcement authority. While the Commission possesses extensive investigative powers and can initiate civil enforcement proceedings, it may pursue civil enforcement actions in federal court or through administrative proceedings (SEC, 2024). In cases involving criminal misconduct, the SEC works alongside the U.S. Department of Justice, which has the authority to prosecute offenders and seek imprisonment. The SEC itself does not have authority to prosecute criminal cases (SEC, 2015). This separation of regulatory and criminal prosecutorial functions reflects the division of responsibilities within the U.S. federal legal system, while SEC enforcement actions remain subject to applicable judicial and administrative procedures.

The institutional structures of SEBI and the SEC therefore represent two contrasting approaches to securities regulation. SEBI combines rulemaking, supervision, investigation, and adjudicatory functions within a single statutory regulator, while the SEC operates through a commission structure within the U.S. federal system and exercises both regulatory and civil enforcement powers (SEBI, 1992; SEC, 2026). These structural differences affect how each regulator exercises its authority, although they do not by themselves establish that one institutional model is more effective than the other.

Ultimately, neither institutional structure can be considered universally superior, as each reflects the historical development, legal traditions, and economic priorities of its respective country. Nevertheless, understanding these structural differences provides an important foundation for evaluating how effectively each regulator protects investors and maintains confidence in financial markets.

Investor Protection Frameworks

Investor protection constitutes one of the most important responsibilities of market regulators such as the Securities and Exchange Board of India (SEBI) and the U.S. Securities and Exchange Commission (SEC). The effectiveness of any securities regulator is ultimately measured by its ability to safeguard investors against fraud, market manipulation, insider trading, and misleading corporate practices while maintaining public confidence in financial markets. Although SEBI and the SEC operate in different legal and economic environments, both have developed comprehensive investor protection frameworks that combine disclosure requirements, insider trading regulations, complaint redressal mechanisms, investor education initiatives, and market surveillance systems. These measures aim to create transparent, fair, and efficient capital markets where investors can make informed financial decisions with confidence.

One of the primary ways SEBI and the SEC protect investors is through disclosure requirements. Public companies are required to disclose accurate financial information to ensure investors are able to make conscious choices regarding where to invest their money. SEBI requires listed Indian companies to disclose financial results, shareholding patterns, and material developments and information in accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI, 2026). These disclosure requirements seek to provide investors with relevant information regarding listed entities and their securities. By requiring companies to disclose important financial information on a regular basis, SEBI seeks to reduce information asymmetry between corporate management and shareholders while promoting greater transparency within the Indian securities market.

Similarly, the SEC requires public companies to submit periodic and current reports, including Form 10-K, Form 10-Q, and Form 8-K, which provide investors with information about a company's financial condition, operations, and significant events (U.S. Securities and Exchange Commission [SEC], 2026). These reports contain detailed information regarding company performance, financial conditions, management decisions, operational risks, and significant corporate events that may influence investment decisions. The SEC places considerable emphasis on full, fair, and timely disclosure, ensuring that investors have access to standardized information required under federal securities laws and SEC regulations (SEC, 2026). By enforcing strict disclosure requirements, both regulators improve market transparency and enable investors to make informed decisions based on reliable, publicly available information rather than speculation or rumours.

Another important investor protection mechanism enforced by both SEBI and the SEC is the prevention of insider trading. Insider trading refers to situations in which individuals use confidential, non-public information to gain an unfair advantage in the stock market. Such

practices undermine investor confidence because they create unequal access to information and distort market fairness. Both regulators have therefore established strict legal frameworks prohibiting insider trading and actively investigate suspicious transactions.

SEBI regulates insider trading through its Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, which prohibit trading while in possession of Unpublished Price Sensitive Information (UPSI), subject to the provisions and exceptions contained in the regulations (SEBI, 2025). Examples of UPSI include financial results, dividends, changes in capital structure, mergers, de-mergers, acquisitions, and other significant corporate developments that are specified in the regulations (SEBI, 2025). Likewise, the SEC prohibits trading based on material non-public information under U.S. securities laws and enforces provisions including Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 (SEC, 2023). Both authorities possess extensive investigative powers and may investigate suspicious trading activity and other potential violations of securities laws. Individuals found liable or guilty may face financial penalties, market bans, civil proceedings, and other enforcement actions. In particularly serious cases, the SEC also works alongside the U.S. Department of Justice to pursue criminal prosecutions that may result in imprisonment (SEC, 2024). These regulations help preserve market integrity by seeking to prevent the misuse of material non-public information and protect the integrity of securities markets.

Beyond enforcement, both institutions have established formal systems through which investors can report misconduct and seek redress for grievances. SEBI operates the SEBI Complaints Redress System (SCORES), an online platform that enables investors to file complaints against SEBI-regulated entities, including listed companies, registered intermediaries, and market infrastructure institutions (SEBI, 2026). Investors are also able to monitor the progress of their complaints electronically, increasing transparency and accountability throughout the resolution process. SEBI has also linked SCORES with an Online Dispute Resolution (ODR) mechanism, under which eligible disputes may be addressed through the applicable online dispute-resolution process (SEBI, 2023).

Similarly, the SEC addresses investor concerns through its Office of Investor Education and Assistance and its Ombuds office. The SEC Ombuds is an independent and neutral office within the Office of the Investor Advocate that assists retail investors and other members of the public with concerns, questions, and complaints involving the SEC and self-regulatory organizations under its oversight (SEC, 2026). The Office of Investor Education and Assistance also provides investor assistance, educational resources, alerts, and complaint services (SEC, 2026). These complaint resolution mechanisms provide investors with channels through which they can raise concerns and seek information or assistance regarding securities-market matters.

Investor education represents another essential pillar of investor protection. Many individuals entering financial markets possess limited knowledge regarding investing, risk management, or financial products, making them particularly vulnerable to fraudulent schemes and poor investment decisions. Recognising this challenge, both SEBI and the SEC provide investor-education resources and outreach programmes designed to improve financial awareness and help investors identify and avoid fraud (SEBI, 2026; SEC, 2026).

SEBI regularly conducts awareness campaigns, educational workshops, seminars, and outreach programmes across India to educate citizens about stock markets, mutual funds, fraud prevention, investment risks, and responsible investing practices (SEBI, 2026). These initiatives are particularly important in India, where participation in the securities market has expanded significantly in recent years. The SEC similarly promotes investor education through Investor.gov, an online platform that provides educational resources, fraud alerts, retirement planning tools, investment calculators, and practical guidance designed to help investors make informed financial decisions (SEC, 2026). By improving financial literacy, both regulators seek to help investors make more informed decisions and reduce their exposure to investment fraud.

Another critical component of investor protection is market surveillance. Continuous monitoring of trading activity enables regulators to identify suspicious behaviour before it develops into widespread financial misconduct. SEBI is responsible for surveillance across segments of the Indian securities market and maintains systems to monitor activities across exchanges and identify unfair trading practices such as market manipulation, front-running, and insider trading (SEBI, 2018). SEBI and the stock exchanges also employ measures such as the Graded Surveillance Measure (GSM), under which securities meeting specified criteria may be subjected to additional surveillance measures (SEBI, 2018). These mechanisms seek to ensure that India's securities markets continue operating in a fair, transparent, and orderly manner.

Likewise, the SEC oversees a U.S. market-surveillance framework in which the Commission, national securities exchanges, and self-regulatory organizations such as FINRA use systems and procedures to monitor trading activity and identify potential violations (SEC, 2020). The SEC's Division of Examinations also conducts risk assessment, market surveillance, and quantitative analysis as part of its oversight activities (SEC, 2026). These surveillance and regulatory-coordination systems support the identification and investigation of suspicious trading activity across U.S. securities markets.

Overall, both SEBI and the SEC have developed robust investor protection frameworks that extend far beyond merely enforcing securities laws. Through comprehensive disclosure requirements, strict insider trading regulations, complaint-resolution systems, investor education initiatives, ODR mechanisms, Ombuds support, and market surveillance measures such as GSM,

both institutions seek to create financial markets that are transparent, fair, and trustworthy. While the SEC operates within one of the world's largest financial markets, SEBI operates within India's rapidly expanding securities market. As financial markets continue to evolve with technological innovation and increasing globalization, both regulators must continuously adapt their investor protection frameworks to address emerging risks while maintaining public confidence in the integrity of the securities market.

Enforcement and Case Studies

Enforcement is one of the most important aspects of securities regulation because rules are only effective if regulators such as SEBI and the SEC can properly investigate and take enforcement action against violations. While investor protection frameworks establish the standards that market participants must follow, effective enforcement ensures that these regulations are respected in practice. Both SEBI and the SEC share the common objective of protecting investors, maintaining fair and orderly markets, and preventing fraudulent practices. However, their approaches to enforcement differ considerably. SEBI primarily relies on administrative investigations, financial penalties, market bans, and regulatory reforms, while it can also initiate prosecution proceedings in appropriate cases under the securities laws and undertake recovery proceedings when monetary orders are not complied with (Securities and Exchange Board of India [SEBI], 1992). The SEC pursues civil enforcement actions through federal courts and administrative proceedings and works with the U.S. Department of Justice in matters involving criminal securities violations (U.S. Securities and Exchange Commission [SEC], 2024). The following case studies demonstrate how enforcement functions in practice and how major violations have influenced the evolution of securities regulation in both countries.

One of the most significant examples of securities fraud in India is the Harshad Mehta Scam of 1992. Harshad Mehta was a stockbroker who was involved in transactions that exploited weaknesses in India's banking and securities systems. Investigations into the securities scam documented the diversion of funds through banking transactions and the use of entities and brokers associated with Mehta to build large positions in selected shares (SEBI, 2001; SEBI, 2002). By building large positions in selected securities, including ACC, and using associated entities, he contributed to artificial market conditions and price manipulation in particular securities (SEBI, 2002). Investors, believing that the sharp increase in prices reflected genuine corporate growth, continued purchasing these shares, causing prices to rise even further. However, journalist Sucheta Dalal eventually exposed the scam, bringing the irregularities in the banking and securities system to wider public attention (Dalal, 1992).

The investigation revealed numerous violations, including market manipulation, fraudulent trading practices, misuse of banking funds, and serious weaknesses within India's regulatory

framework. Following public exposure of the scam, SEBI and other government authorities initiated extensive investigations. Harshad Mehta was restrained from participating in the securities market through regulatory proceedings, while criminal proceedings were also initiated in connection with the securities scam (SEBI, 2002). More importantly, the scandal became a turning point for India's capital markets. It highlighted the consequences of weaknesses in financial-market regulation and was followed by significant reforms in India's securities markets. These reforms included measures relating to settlement procedures, stock-exchange practices, investor complaints, insider trading, price rigging, disclosure, and market supervision (SEBI, 1992). The Harshad Mehta Scam therefore demonstrated that major market failures can contribute to subsequent regulatory and institutional reform.

Another important Indian example is the Sahara case, which demonstrated SEBI's ability to intervene when large-scale fundraising from investors operated outside the appropriate securities regulatory framework. Sahara India Real Estate Corporation Limited (SIRECL) and Sahara Housing Investment Corporation Limited (SHICL) had raised substantial amounts through Optionally Fully Convertible Debentures (OFCDs). SEBI passed an order directing the companies and their promoters to refund the money collected from investors with interest and restrained the companies and certain individuals from accessing or associating with the securities market until the repayment directions were satisfied (SEBI, 2011). The matter ultimately reached the Supreme Court, which in 2012 held that the OFCD issue fell within SEBI's regulatory jurisdiction and directed the Sahara companies to deposit the amounts collected, together with the applicable interest, with SEBI and provide the relevant investor information (Supreme Court of India, 2012). SEBI was subsequently responsible for verifying investor claims and administering the refund process in accordance with the Court's directions.

The Sahara case is particularly significant because it demonstrates that SEBI's enforcement role extends beyond imposing penalties on market participants. The regulator was required to protect investors by pursuing recovery of funds, verifying genuine claims, and coordinating with the judiciary to implement the Supreme Court's directions. The subsequent refund process required verification of claims and supporting documents before payments could be made (SEBI, 2012). The case therefore illustrates SEBI's broader investor-protection mandate and its ability to challenge financial arrangements that attempt to operate outside established securities regulation. It also demonstrates the importance of judicial oversight in India's securities regulatory framework, as the Supreme Court ultimately addressed the legal status of the fundraising activity and issued directions governing the repayment and handling of investor funds (Supreme Court of India, 2012).

SEBI's enforcement approach can also be observed in more recent cases involving sophisticated forms of market abuse. In July 2026, SEBI issued a final order concerning the front-running of

trades of Axis Mutual Fund, following investigations into entities suspected of trading ahead of the mutual fund's transactions (SEBI, 2026). The case demonstrates how SEBI continues to use investigations and market surveillance to address modern forms of market misconduct.

A major example of securities enforcement in the United States is the insider trading case involving Raj Rajaratnam, founder of the Galleon Group hedge fund. Rajaratnam was accused of obtaining confidential, non-public information from corporate insiders and using that information in securities transactions (SEC, 2009). His network included executives from several prominent corporations, including Intel and Goldman Sachs, and the SEC alleged that the scheme involved insider trading in the securities of more than 15 publicly traded companies (SEC, 2011).

The SEC, working closely with the U.S. Department of Justice, conducted a major civil enforcement investigation and provided significant assistance to the U.S. Attorney's Office for the Southern District of New York in the parallel criminal prosecution (SEC, 2011). One of the most distinctive features of the parallel criminal investigation was the use of court-authorized wiretaps, which provided evidence used in the criminal case (U.S. Department of Justice, 2011). Based on this evidence, Rajaratnam was convicted of securities fraud and conspiracy. He received an eleven-year prison sentence, and was ordered to pay more than \$53.8 million in forfeiture of illicit gains and a \$10 million criminal fine (U.S. Department of Justice, 2011). The SEC separately obtained a civil monetary penalty of \$92,805,705 against Rajaratnam (SEC, 2011). The case illustrates the coordination that can occur between SEC civil enforcement and federal criminal law enforcement in a major insider-trading investigation.

A comparison of these case studies demonstrates that both regulators pursue the common objective of protecting investors but differ significantly in the methods they employ. SEBI's enforcement strategy includes administrative investigations, financial penalties, restrictions on market participation, recovery proceedings, and regulatory reforms. Its approach can therefore address both individual violations and broader weaknesses identified through enforcement proceedings. In cases involving serious statutory violations, SEBI can also initiate prosecution proceedings under applicable securities laws (SEBI, 1992). Conversely, the SEC combines civil enforcement through federal courts and administrative proceedings with cooperation with criminal law-enforcement authorities where criminal violations are alleged (SEC, 2024). The Raj Rajaratnam case illustrates this combination of civil regulatory enforcement and parallel criminal prosecution, although the case alone does not establish that one regulator's overall enforcement system is more effective than the other's.

Ultimately, effective enforcement remains fundamental to maintaining investor confidence and preserving market integrity. Strong disclosure requirements and investor protection mechanisms

have little practical value unless regulators possess both the authority and the willingness to enforce them consistently. As financial markets continue to become increasingly globalized and technologically sophisticated, both SEBI and the SEC must continuously strengthen their enforcement capabilities to address emerging challenges such as cross-border securities fraud, algorithmic trading abuses, cyber-enabled financial crimes, and increasingly complex corporate structures. Although their enforcement philosophies differ, both institutions continue to exercise significant regulatory and enforcement responsibilities in seeking to ensure that financial markets remain fair, transparent, and worthy of public trust.

Comparative Analysis

Having examined the historical development, institutional structures, investor protection frameworks, and enforcement mechanisms of both regulators, the evidence examined in this paper suggests that neither SEBI nor the SEC can be regarded as universally superior. Instead, both institutions have developed regulatory systems that reflect the economic conditions, legal traditions, and financial maturity of their respective countries. While they pursue the same fundamental objective of protecting investors and maintaining fair, transparent, and efficient markets, they differ considerably in the methods through which they achieve these goals. Therefore, determining which system is more effective depends largely on the criteria used to evaluate regulatory performance.

From an enforcement perspective, the SEC demonstrates significant strengths in civil enforcement and coordination with criminal law-enforcement authorities. Operating within one of the world's largest financial markets, the SEC has developed an enforcement framework supported by extensive investigative powers, specialized enforcement units, and cooperation with the U.S. Department of Justice (U.S. Securities and Exchange Commission [SEC], 2024). Major cases such as the Raj Rajaratnam case demonstrate the Commission's capacity to pursue complex insider-trading investigations and to coordinate with criminal authorities. The SEC obtained a \$92.8 million civil penalty against Rajaratnam, while the parallel criminal prosecution resulted in an eleven-year prison sentence and additional criminal financial penalties (SEC, 2011). These outcomes illustrate the range of civil and criminal enforcement mechanisms available in the U.S. system, although a single case does not establish that the SEC's enforcement framework is categorically more effective than SEBI's.

However, strong enforcement alone does not determine the effectiveness of a regulatory authority. SEBI has undertaken extensive reforms to strengthen investor protection and market regulation since receiving statutory powers in 1992. Its regulatory framework includes disclosure requirements, market surveillance, investor education, grievance redressal mechanisms, and enforcement measures, as reflected in SEBI's regulatory framework and annual reports

(Securities and Exchange Board of India [SEBI], 2025; SEBI, 2026). Its centralized institutional structure combines rulemaking, supervision, investigation, and enforcement functions within a single statutory regulator (SEBI, 1992). This structure provides SEBI with substantial regulatory authority, although the evidence examined in this paper does not establish that it necessarily results in faster action than the SEC in all circumstances.

Another area in which SEBI places particular emphasis is retail-investor protection. India's expanding participation in securities markets has increased the importance of investor education and awareness. Through initiatives such as investor awareness campaigns, seminars, educational programmes, and the SCORES grievance redressal platform, SEBI has placed considerable emphasis on improving financial literacy while ensuring that investors have mechanisms for raising and resolving grievances (SEBI, 2026). SEBI's Investor Survey 2025 also identified the growing influence of financial influencers on investors' information sources and investment decisions, highlighting the importance of continued investor education and protection measures (SEBI, 2026). This approach reflects the importance of education and accessibility alongside traditional regulatory and enforcement measures.

Nevertheless, certain limitations remain within both regulatory systems. Although SEBI possesses extensive regulatory, investigative, and adjudicatory powers, the concentration of these functions within a single institution means that questions of institutional independence and checks and balances remain relevant to its structure. Additionally, investigations involving large corporate groups can involve multiple administrative and judicial processes, which may affect the time required for final resolution.

Conversely, the SEC's commission-based structure incorporates institutional safeguards such as presidential appointment with Senate confirmation and a statutory limitation on political-party representation (SEC, 2026). Its enforcement actions may also involve federal court proceedings or administrative proceedings, depending on the nature of the case (SEC, 2024). The U.S. securities regulatory framework also involves multiple institutions and legal procedures, which can make enforcement and regulatory decision-making procedurally complex. These structural features illustrate that both systems involve institutional trade-offs rather than a simple distinction between an efficient system and an inefficient one.

Overall, both institutions demonstrate significant strengths within their respective jurisdictions. The SEC's enforcement framework provides an example of a system combining civil securities-law enforcement with cooperation with criminal law-enforcement authorities, while SEBI's framework combines centralized regulation with investor education, grievance redressal, surveillance, and continuing regulatory reform. The evidence examined in this paper therefore suggests that the SEC has particular institutional strengths in civil and criminal enforcement

coordination, while SEBI demonstrates considerable adaptability through regulatory reform, centralized administration, and retail-investor initiatives. These differences reflect the distinct legal and economic environments in which the two regulators operate rather than establishing that one institution is universally more effective.

Recommendations

The comparative analysis of SEBI and the SEC demonstrates that both institutions possess significant strengths, but each can also learn valuable lessons from the other to further strengthen investor protection and market regulation. As financial markets become increasingly globalized, technologically advanced, and interconnected, regulators must continuously adapt their frameworks to address emerging challenges while maintaining public confidence in the securities market.

One important area for SEBI's future development is not simply increasing enforcement powers, but making its existing enforcement and surveillance capabilities more systematically integrated and technology-driven. SEBI's Integrated Surveillance Department includes functions relating to technology, process re-engineering, data analytics, and search and seizure, while SEBI's organisational structure also includes dedicated surveillance and search-and-seizure functions (Securities and Exchange Board of India [SEBI], 2026a). SEBI has also reported the use of more than 300 technology-based surveillance alerts and its Sudarshan system to identify fraudsters on social media posing as registered investment advisers (SEBI, 2026b). These developments indicate that SEBI is increasingly using technology and data in its surveillance and investor-protection activities. The future priority should therefore be to further integrate these capabilities so that suspicious activity can be identified earlier and investigated more efficiently.

A particularly important emerging challenge is the growing influence of financial influencers and social-media platforms on retail investment decisions. SEBI's Investor Survey 2025 found that 56% of surveyed investors turn to financial influencers on social media for information about securities-market products, while 62% reported making some investment decisions based on influencer recommendations (SEBI, 2026c). This creates new risks when influencers provide misleading information, promote unregistered financial advice, or fail to disclose financial incentives. SEBI has already taken steps to address associations between regulated entities and unregistered entities, including finfluencers, and has issued investor communications warning against relying on unverified information on social-media platforms (SEBI, 2023). Going forward, SEBI could further strengthen real-time monitoring of financial content across digital platforms, improve mechanisms for identifying undisclosed promotional relationships, and develop faster coordination between platforms, regulated entities, and enforcement authorities when potentially harmful investment promotions are detected.

SEBI could also strengthen its international enforcement capabilities through deeper cooperation with foreign regulators. This is particularly important because modern securities fraud can involve investors, companies, intermediaries, and financial transactions spread across several jurisdictions. SEBI has a bilateral Memorandum of Understanding with the SEC, signed on March 6, 1998, concerning cooperation, consultation, and the provision of technical assistance, including cooperation in obtaining information and evidence for securities-law enforcement (SEBI, 1998). SEBI is also a signatory to the IOSCO Multilateral Memorandum of Understanding, which provides a framework for consultation, cooperation, and information exchange for capital-market enforcement purposes (SEBI, 2002). Rather than creating entirely new mechanisms, a useful future priority would be to make greater use of these existing arrangements by improving the speed of information sharing, coordinating investigations involving common suspects, and strengthening joint approaches to cross-border digital and securities fraud.

At the same time, the SEC can continue developing targeted approaches to emerging retail-investor risks, particularly those arising from social-media investment communities, online fraud, and rapidly evolving digital financial products. The SEC has recently pursued enforcement actions involving misconduct targeting retail investors through social-media platforms. For example, in December 2025, the SEC charged several entities and investment clubs in an alleged scheme that used social media and group chats to target retail investors, while in September 2025 an SEC enforcement action resulted in a jury finding an individual liable for securities fraud and manipulative trading involving social-media recommendations to retail investors (SEC, 2025a; SEC, 2025b). These cases demonstrate that digital platforms have become relevant to the SEC's retail-investor enforcement activities.

The SEC and SEBI can therefore also benefit from greater practical cooperation in addressing these emerging forms of misconduct. Their existing bilateral MoU already provides a foundation for cooperation, while the IOSCO framework extends this cooperation across the wider international regulatory community. Greater information sharing regarding digital fraud, cross-border manipulation, beneficial ownership, and suspicious trading patterns could help both regulators address misconduct that cannot be contained within a single national market.

Ultimately, the future effectiveness of both SEBI and the SEC will depend less on simply expanding their existing powers and more on how effectively they deploy those powers against new forms of financial misconduct. The next stage should focus on integrating these technologies with faster enforcement, stronger digital-investor protection, and deeper international cooperation through mechanisms such as the SEBI-SEC MoU and IOSCO. The SEC, meanwhile, can continue strengthening its response to increasingly sophisticated online and cross-border fraud while considering the regulatory approaches that SEBI has developed in

response to India's expanding retail-investor base. By learning from each other's institutional strengths while responding to the changing nature of financial misconduct, both regulators can continue to strengthen investor protection and maintain confidence in increasingly complex global financial markets.

Conclusion

The comparison between the Securities and Exchange Board of India (SEBI) and the U.S. Securities and Exchange Commission (SEC) demonstrates that both institutions play an indispensable role in maintaining fair, transparent, and efficient financial markets. Although they were established under different historical circumstances and operate within distinct legal and economic environments, both regulators share the common objective of protecting investors, preventing market abuse, and maintaining public confidence in the securities market. Over the years, both organizations have developed and strengthened their regulatory frameworks in response to changing market conditions and emerging forms of misconduct (Securities and Exchange Board of India [SEBI], 2026; U.S. Securities and Exchange Commission [SEC], 2026).

The historical development of these institutions highlights how major financial disruptions and weaknesses in market regulation have contributed to subsequent regulatory reform. The SEC emerged from the Wall Street Crash of 1929 and the financial crisis and economic conditions that followed, while SEBI was constituted as a non-statutory body in 1988 and received statutory powers in January 1992, before the securities scam involving Harshad Mehta was exposed in April 1992. The scam subsequently highlighted significant weaknesses in India's financial and securities systems and contributed to further market reforms (SEBI, 1992). These events illustrate the importance of effective regulation, oversight, and enforcement in maintaining investor confidence and market integrity.

A comparison of their institutional structures reveals two contrasting regulatory frameworks. SEBI's centralized structure combines rulemaking, supervision, investigation, and adjudicatory functions within a single statutory regulator, while the SEC operates through a commission structure within the U.S. federal system and exercises regulatory and civil enforcement powers subject to applicable administrative and judicial procedures (SEBI, 1992; SEC, 2026). The SEC's structure also incorporates presidential appointment with Senate confirmation and limits political-party concentration among commissioners (SEC, 2026). These differences reflect distinct approaches to the organization and exercise of regulatory authority rather than establishing that one structure is universally more effective than the other.

Similarly, both regulators have developed comprehensive investor protection frameworks through disclosure requirements, insider trading regulations, complaint redressal mechanisms, investor education programmes, and market surveillance systems. While these mechanisms differ in implementation, they provide investors with information, channels for raising grievances, educational resources, and safeguards against various forms of market misconduct (SEBI, 2026; SEC, 2026). The enforcement case studies further demonstrate that effective regulation requires not only well-designed rules but also the ability to investigate and take appropriate enforcement action against violations. The Raj Rajaratnam case illustrates the SEC's coordination between civil securities enforcement and parallel criminal law enforcement, while the Sahara case illustrates SEBI's use of regulatory action, investor-fund recovery mechanisms, and judicial processes (SEC, 2011; Supreme Court of India, 2012).

Ultimately, the evidence examined in this paper does not establish a universally superior regulatory model. The SEC's framework demonstrates particular strengths in civil enforcement and coordination with criminal law-enforcement authorities, while SEBI's framework combines centralized regulation with investor education, grievance redressal, surveillance, and continuing regulatory reform. Rather than representing competing models that can be judged independently of their contexts, the two systems reflect the different legal, institutional, and economic environments in which they operate.

In conclusion, the effectiveness of a securities regulator should not be measured solely by the severity of its enforcement actions or the complexity of its legal framework, but by its ability to maintain investor confidence, ensure market integrity, and respond effectively to evolving financial challenges. As globalization, technological innovation, and increasingly sophisticated financial products continue to transform capital markets, both SEBI and the SEC must continue refining their regulatory frameworks through stronger international cooperation, technological advancement, and investor-focused reforms. The comparison of the two institutions demonstrates that continued adaptation, effective enforcement, investor protection, and cooperation across jurisdictions remain important to the stability and credibility of increasingly interconnected global financial markets.

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