

# Regulatory Framework for Public Issue and Listing of Securities in India

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*Abstract- The Indian securities market plays a pivotal role in the country's economic development by facilitating capital formation, enabling corporate expansion, and offering investment opportunities to the public. This research paper provides a comprehensive analysis of the regulatory framework governing public issues and the listing of securities in India, with a primary focus on the role of the Securities and Exchange Board of India (SEBI). It explores the evolution of the market from a tightly controlled regime to a more liberalized, disclosure-based system and highlights SEBI's efforts in maintaining market integrity, investor protection, and efficient capital mobilization. The paper delves into the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and subsequent amendments, examining eligibility criteria, disclosure mandates, pricing guidelines, and the critical role of intermediaries like merchant bankers and underwriters. It also analyzes the listing requirements prescribed by stock exchanges, continuous disclosure obligations, and corporate governance norms that listed companies must adhere to. Special emphasis is placed on mechanisms such as ASBA and UPI, which have streamlined public participation and enhanced market efficiency. Further, the study addresses emerging challenges, including high compliance burdens for SMEs, the increasing importance of ESG disclosures, and the adoption of RegTech solutions. A comparative perspective with global regulatory frameworks—specifically those of the United States and the United Kingdom—offers insights into best practices and areas where Indian regulation can improve, such as real-time disclosures, whistleblower protections, and class-action mechanisms. The paper concludes by emphasizing SEBI's proactive role in regulatory evolution and suggests policy reforms to strengthen enforcement, transparency, and investor confidence. Through this examination, the research underscores*

*the importance of a dynamic, well-enforced regulatory framework in fostering a resilient and globally competitive securities market in India.*

## I. INTRODUCTION

The Indian securities market is a critical component of the nation's financial system, facilitating capital formation and investment, and contributing significantly to economic growth. It serves as a platform where companies can raise funds from the public, enabling them to expand their operations, invest in new projects, and create jobs. For investors, the securities market provides opportunities to participate in the growth of companies and build wealth over time. The market's efficiency and integrity are thus vital for fostering economic development and investor confidence.

From its early days as a closely regulated environment, the Indian securities market has undergone a significant transformation, evolving into a more liberalized and disclosure-based system (Dey, 2018). This evolution reflects the changing dynamics of the Indian economy, with increasing globalization, technological advancements, and a growing investor base. The transition has necessitated a robust regulatory framework to ensure fair market practices, protect investor interests, and maintain market stability (Sabarinathan, 2010).

Public issues, also known as initial public offerings, and the subsequent listing of securities on stock exchanges are essential mechanisms within the securities market. They enable companies to raise capital from a wide range of investors, diversify their ownership base, and enhance their corporate profile. For investors, IPOs and listed securities provide opportunities to invest in promising companies,

participate in their growth, and trade their shares in the secondary market.

A well-defined and effectively enforced regulatory framework is paramount for a well-functioning securities market (Sabarinathan, 2010). Such a framework establishes the rules of the game, ensuring that all market participants operate within a level playing field. It promotes transparency by requiring companies to disclose relevant information to investors, enabling them to make informed decisions. Moreover, it protects investors from fraud, manipulation, and other unfair practices (Kaur, 2018), thereby fostering confidence and encouraging participation in the market. Without a strong regulatory framework, the securities market can become vulnerable to abuse, undermining its integrity and hindering its ability to channel resources efficiently.

This paper provides a detailed examination of the regulatory framework governing public issues and the listing of securities in India. It delves into the key regulations, guidelines, and circulars issued by the Securities and Exchange Board of India, the primary regulatory authority for the Indian securities market (Sabarinathan, 2010). The paper analyzes the impact of these regulations on market efficiency, investor protection, and corporate governance practices. Furthermore, it identifies potential areas for reform and suggests policy measures to further strengthen the regulatory framework. By offering a comprehensive overview of the regulatory landscape, this paper aims to enhance understanding of the Indian securities market and its vital role in the country's economic progress.

## II. REGULATORY FRAMEWORK FOR PUBLIC ISSUE

### 2.1. Securities and Exchange Board of India

The Securities and Exchange Board of India is the principal regulatory authority responsible for overseeing and regulating the Indian securities market (Sabarinathan, 2010). Established in 1992 as a statutory body, SEBI's mandate is to protect the interests of investors, promote the development of the securities market, and ensure its fair, efficient, and transparent functioning (Sabarinathan, 2010). SEBI

plays a crucial role in maintaining the integrity of the market, fostering investor confidence, and facilitating the orderly growth of the Indian capital market.

SEBI derives its powers and functions from the Securities and Exchange Board of India Act, 1992. This Act empowers SEBI to formulate regulations, conduct investigations, levy penalties, and take enforcement actions against market participants who violate securities laws (Kaur, 2018). SEBI's regulatory purview extends to various aspects of the securities market, including the issuance of securities, trading in securities, market intermediaries, and corporate governance practices.

SEBI's organizational structure comprises various departments, each responsible for regulating a specific area of the securities market. The primary market department oversees the issuance of securities through public offerings, rights issues, and other means. The secondary market department regulates trading on stock exchanges, including the activities of brokers, sub-brokers, and other market participants. The market intermediaries department regulates the registration and conduct of various intermediaries, such as merchant bankers, underwriters, and portfolio managers. The enforcement department investigates and takes action against those who violate securities laws.

SEBI's role is not merely to regulate but also to facilitate the development of the securities market. It continuously reviews and updates its regulations to keep pace with market developments, technological advancements, and international best practices. SEBI also promotes investor education and awareness, empowering investors to make informed decisions and protect their own interests.

### 2.2. SEBI Regulations for Public Issue

The SEBI Regulations, 2018 (Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, 2023), also known as the ICDR Regulations, form the cornerstone of the regulatory framework for public issues in India. These regulations lay down the detailed requirements that companies must meet to launch a public issue, the disclosures they must make in the offer document (prospectus), the procedures for issuing securities to

the public, and the pricing guidelines they must follow. The ICDR Regulations are comprehensive and cover all aspects of the public issue process, from the initial preparation of the offer document to the final allotment of shares to investors.

The ICDR Regulations specify the eligibility criteria that companies must satisfy to be eligible to launch a public issue. These criteria relate to the company's profitability, net worth, and past performance. The regulations also prescribe the detailed disclosures that must be included in the offer document, including financial statements, risk factors, management discussion and analysis, and information about the company's promoters, projects, and future plans.

The ICDR Regulations also govern the process for issuing securities to the public, including the appointment of merchant bankers, the conduct of due diligence, the marketing of the issue, and the allotment of shares to investors. The regulations also provide guidelines for pricing the issue, ensuring that the price is fair to both the company and the investors.

Since their initial enactment, the ICDR Regulations have been amended and updated several times to address emerging issues and align with international best practices. These amendments have had a significant impact on the public issue process, enhancing transparency, strengthening investor protection, and promoting market efficiency. For example, amendments have been made to streamline the disclosure requirements, enhance the role of merchant bankers, and introduce new mechanisms for price discovery.

Additionally, SEBI has introduced mechanisms like the Application Supported by Blocked Amount (ASBA) facility to streamline the application process for retail investors and ensure better efficiency in fund movement. The implementation of the Unified Payments Interface (UPI) for IPO applications has further enhanced retail investor participation by simplifying the application process. These initiatives underscore SEBI's commitment to improving the overall investor experience.

### 2.3. Eligibility Criteria for Public Issue

To be eligible to launch a public issue, a company must meet certain requirements related to profitability, net worth, and past performance. These requirements are designed to ensure that only companies with a sound financial track record and a viable business model are allowed to raise capital from the public. The eligibility criteria serve as a gatekeeper, preventing companies with weak financials or questionable business practices from accessing the capital market. The concept of "track record" is central to the eligibility criteria. Companies must demonstrate a history of profitability and sound financial management to qualify for a public issue. This typically involves demonstrating profitability for a specified number of years, having a minimum net worth, and having no outstanding defaults on debt obligations. The specific requirements vary depending on the size and type of the issue.

However, certain exemptions and relaxations are available for specific types of companies or issues, such as infrastructure companies or small and medium enterprises. These exemptions are intended to promote investment in key sectors of the economy and facilitate access to capital for smaller companies. For example, infrastructure companies may be subject to less stringent profitability requirements, given the long gestation periods and high capital expenditures associated with infrastructure projects.

The eligibility criteria for public issues are continuously reviewed and updated by SEBI to ensure that they remain relevant and effective in protecting investor interests and promoting market integrity.

### 2.4. Disclosure Requirements

Companies launching a public issue must provide extensive disclosures in the offer document (prospectus). These disclosures include detailed financial statements, risk factors, a management discussion and analysis of the company's business, and comprehensive information about the company's promoters, projects, and future plans. The disclosure requirements are designed to provide investors with all the information they need to make informed investment decisions.

The offer document is the primary source of information for investors considering investing in a public issue. It must contain all material information that is likely to influence an investor's decision. The financial statements must be prepared in accordance with applicable accounting standards and must be audited by independent auditors. The risk factors section must disclose all the significant risks associated with investing in the company, such as industry-specific risks, regulatory risks, and financial risks. The management discussion and analysis section must provide an overview of the company's business, its financial performance, and its future prospects.

The disclosure requirements are not limited to historical information; companies must also disclose forward-looking information, such as their future plans, projections, and strategies. However, such forward-looking information must be based on reasonable assumptions and must be accompanied by appropriate disclaimers.

Merchant bankers play a crucial role in ensuring compliance with disclosure requirements and conducting due diligence to verify the accuracy and completeness of the information provided in the offer document (SECURITIES AND EXCHANGE BOARD OF INDIA (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, n.d.). Merchant bankers are responsible for assisting companies in preparing the offer document, conducting due diligence, and marketing the issue to investors. They have a legal and ethical responsibility to ensure that the information disclosed in the offer document is accurate, complete, and not misleading.

**2.5. Role of Intermediaries in the Public Issue Process**  
The success of a public issue largely depends on the coordinated efforts of several intermediaries who ensure compliance with regulatory norms and facilitate effective dissemination of information to potential investors. Merchant bankers, acting as lead managers, are responsible for drafting the offer document, conducting due diligence, and pricing the issue. They work closely with the issuer company to structure the issue and determine the appropriate timing and pricing strategy. Registrars to the issue manage the processing of investor applications, share allotment, and refund processes. Underwriters play a

key role in ensuring full subscription of the issue by agreeing to subscribe to the portion of the issue that remains unsubscribed by the public. Legal advisors guide the company on compliance with various statutory requirements. These intermediaries collectively ensure a seamless and compliant IPO process, reinforcing investor confidence in the capital markets.

### III. REGULATORY FRAMEWORK FOR LISTING OF SECURITIES

#### 3.1. Listing Requirements

The listing of securities on recognized stock exchanges is a crucial step for companies that have raised capital from the public. Listing provides liquidity to investors, enhances the company's visibility, and facilitates further capital raising in the future. Listed companies are subject to continuous scrutiny and oversight by the stock exchanges, which helps to maintain market integrity and protect investor interests.

To list their securities, companies must comply with the listing requirements prescribed by the stock exchanges. These requirements include meeting certain financial criteria, adhering to corporate governance norms, and entering into a listing agreement with the stock exchange. The listing agreement imposes various obligations on listed companies, including compliance with disclosure requirements and other regulations.

The financial criteria for listing typically include minimum requirements for net worth, profitability, and capitalization. The corporate governance norms include requirements for board composition, audit committees, and related party transactions. The listing agreement also requires companies to comply with all applicable laws and regulations, including securities laws and listing regulations.

Stock exchanges play a vital role in scrutinizing listing applications, monitoring compliance by listed companies, and taking disciplinary action against those who violate listing norms. The exchanges have the power to suspend or delist companies that fail to comply with the listing requirements.

### 3.2. Continuous Disclosure Obligations

Once a company's securities are listed, it is subject to continuous disclosure obligations. These obligations require the company to disclose timely and accurate information about its financial performance, material events, and corporate governance practices. The continuous disclosure requirements are designed to ensure that investors have access to up-to-date information about the company, enabling them to make informed investment decisions.

The purpose of continuous disclosure is to maintain market transparency and ensure that investors have access to up-to-date information about the company. The SEBI Regulations, 2015, consolidate the listing requirements for listed companies in India, providing a comprehensive framework for continuous disclosure. These regulations require companies to disclose a wide range of information, including quarterly and annual financial results, material events such as mergers and acquisitions, changes in management, and significant legal proceedings.

The continuous disclosure requirements are enforced by the stock exchanges, which monitor compliance by listed companies and take action against those who fail to comply. The exchanges also have the power to impose penalties on companies that make false or misleading disclosures.

### 3.3. Corporate Governance Standards

SEBI has mandated corporate governance standards for listed companies to protect minority shareholder interests, promote ethical behavior, and enhance corporate value. These standards cover various aspects of corporate governance, including board composition, audit committees, related party transactions, and insider trading. The corporate governance standards are designed to ensure that companies are managed in a responsible and transparent manner, with due regard for the interests of all stakeholders.

The regulations require companies to have independent directors on their boards, establish audit committees to oversee financial reporting, and disclose related party transactions to ensure transparency and fairness. Independent directors are non-executive directors who have no material

relationship with the company and are therefore able to provide an independent perspective on the company's affairs. Audit committees are responsible for overseeing the company's financial reporting process and ensuring that the financial statements are accurate and reliable. Related party transactions are transactions between the company and its directors, officers, or other related parties. These transactions must be disclosed to ensure that they are conducted on an arm's length basis and are not prejudicial to the interests of the company.

SEBI has also implemented regulations to prevent insider trading, prohibiting individuals with access to unpublished price-sensitive information from trading in the company's securities. Insider trading is illegal and undermines the integrity of the securities market. Once a company's securities are listed, it is subject to continuous disclosure obligations that require it to disclose timely and accurate information about its financial performance and significant events that may impact investor decisions. Material events that require disclosure include changes in shareholding patterns, dividend declarations, buybacks, mergers or acquisitions, initiation or settlement of legal disputes, resignation or appointment of key managerial personnel, and any change in credit ratings. Such disclosures must be made promptly through designated platforms like SEBI's SEBI Listing Information Database (SLID), enabling equal access to critical information for all investors. These obligations promote transparency and ensure a level playing field in the market, reducing information asymmetry and enhancing investor protection.

### 3.4. Challenges and Emerging Issues

Despite the progress made, several challenges persist in the regulatory landscape of public issues and securities listing in India. One major concern is over-regulation, particularly for small and medium enterprises (SMEs), which face high compliance costs that may deter them from accessing capital markets. The extensive documentation and legal scrutiny involved in public issues can be resource-intensive, making it difficult for smaller firms to comply.

Another emerging area is the increasing emphasis on Environmental, Social, and Governance (ESG) disclosures. SEBI has proposed enhanced ESG

reporting requirements for listed entities, aligning with global trends and investor expectations. While these requirements promote sustainable business practices, they also present new compliance challenges, especially for companies that are unaccustomed to non-financial reporting.

Moreover, the rise of Regulatory Technology (RegTech) is transforming how compliance is monitored and enforced. By using data analytics, artificial intelligence, and automation, regulators can track disclosures and market activity in real time. However, the integration of such technology requires robust digital infrastructure and a proactive regulatory approach.

Cross-border listings and foreign investor participation also introduce complexities related to compliance with international regulations, tax laws, and disclosure standards. Harmonizing Indian regulations with global best practices is essential to attract long-term international investment.

#### IV. Comparative Perspective

A brief comparison with global regulatory regimes highlights both strengths and areas for improvement in India's framework. For instance, while India's disclosure norms and investor protection mechanisms are robust, aspects such as real-time disclosure, class-action suits, and whistleblower protection are better developed in jurisdictions like the United States and the United Kingdom.

In the United States, the Securities and Exchange Commission (SEC) oversees capital markets with an emphasis on transparency, enforcement, and investor safeguards. The SEC mandates prompt disclosure of material events through filings like Form 8-K, ensuring real-time dissemination of critical information. It also supports mechanisms such as class-action lawsuits, which allow investors to seek legal redress in cases of corporate fraud or misrepresentation. These practices empower investors and foster accountability in corporate governance.

The United Kingdom, regulated by the Financial Conduct Authority (FCA), similarly emphasizes market transparency, corporate responsibility, and

shareholder engagement. The UK Listing Authority requires compliance with the UK Corporate Governance Code, which is principles-based and encourages boards to follow high ethical and governance standards. Additionally, whistleblower protection frameworks in the UK are robust, encouraging employees to report corporate wrongdoing without fear of retaliation.

By contrast, while India has established several robust mechanisms for investor protection and disclosure, some areas require strengthening. Real-time disclosures in India are less common outside of scheduled financial reporting and material event disclosures, and class-action suits are relatively new under the Companies Act, 2013. The whistleblower framework, although present, still faces challenges related to enforcement and corporate culture.

Learning from these jurisdictions, India can benefit from developing more comprehensive systems for investor redressal, incorporating real-time regulatory tools, and fostering a culture of transparency and ethical governance. Strengthening enforcement mechanisms, building capacity for surveillance, and adopting global best practices in corporate governance can further enhance the resilience and credibility of Indian capital markets.

#### CONCLUSION

The regulatory framework for public issues and the listing of securities in India has evolved significantly over the years. SEBI has played a crucial role in developing and implementing regulations that promote fair and efficient capital markets, protect investor interests, and foster confidence in the Indian securities market (Sabarinathan, 2010). The Indian securities market is considered among the safest and most efficient trading destinations internationally (Sabarinathan, 2010).

The disclosure requirements and accounting policies followed by listed companies are comparable to the best regimes in the world (Sabarinathan, 2010). However, challenges remain, such as increasing investor participation, improving market surveillance, and addressing regulatory gaps. Potential reforms and policy measures could further strengthen the

regulatory framework and promote the growth of the Indian capital market. These could include measures to streamline the public issue process, enhance enforcement actions against market misconduct, and promote greater financial literacy among investors.

Furthermore, with the rapid growth of fintech and digital platforms, the regulatory framework must adapt to new business models, ensure cybersecurity, and incorporate technology-driven surveillance mechanisms. Cross-border investments and the globalization of capital markets also necessitate harmonization of Indian regulations with international standards to attract global investors.

A robust regulatory framework is essential for the orderly functioning and development of the Indian securities market (Sabarinathan, 2010). By ensuring fair market practices, protecting investor interests, and promoting transparency, the regulatory framework can contribute to the growth of the Indian economy and enhance its attractiveness as an investment destination.

#### REFERENCES

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