

Contemporary Issues in Securities, Investment and Insolvency Law

Edited by

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EDITED COLLECTION

Contemporary Issues in Securities, Investment and Insolvency Law



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Preface



The contemporary legal architecture of finance is no longer divided neatly into separate compartments of securities law, investment law, and insolvency law. In practice, these fields increasingly operate in close interaction with one another. The regulation of capital markets affects corporate survival; insolvency proceedings influence investor confidence and market behaviour; and investment structures, startup funding, and governance mechanisms shape the broader financial ecosystem in which legal rights are created, transferred, enforced, and sometimes lost. It is within this larger legal and regulatory setting that the present volume, *Contemporary Issues in Securities, Investment and Insolvency Law*, is situated.

This edited collection brings together a wide range of chapters addressing some of the most relevant and evolving questions in these interconnected branches of law. The volume examines the functioning of India's securities market and the regulatory role of the Securities and Exchange Board of India, while also engaging with investor protection, corporate disclosure, dematerialisation, delisting, market manipulation, fraud, insider trading, and trading restrictions. Several chapters focus on the legal structure of securities regulation as a mechanism for ensuring transparency, fairness, and confidence in financial markets. Together, these contributions show that securities regulation today is not merely a technical field of compliance, but an essential framework for sustaining market integrity and protecting public participation in capital markets.

A second major theme of the volume concerns investment, startup finance, and venture capital. The chapters address venture capital funds, angel investment, startup financing, public financing, merchant banking, promoter lock-in, and the gatekeeping role of financial intermediaries. These contributions reflect the growing importance of regulatory design in enabling entrepreneurship and capital formation while also ensuring accountability and legal certainty. They demonstrate that investment law, especially in the contemporary Indian setting, must respond not only to traditional concerns of finance and ownership, but also to innovation, emerging business models, governance structures, and the relationship between private capital and regulatory oversight.

The volume also devotes substantial attention to insolvency and bankruptcy law, especially under the Insolvency and Bankruptcy Code, 2016. These chapters consider corporate insolvency resolution, voluntary liquidation, liquidation preference rights, the position of public and minority shareholders, promoter liability, the role of the resolution professional, and the market impact of corporate bankruptcy. Read together, these essays make clear that insolvency law cannot be understood in isolation from financial markets or investor interests. Corporate distress affects not only creditors and management, but also public shareholders, trading behaviour, confidence in the market, and the broader legal culture of commercial responsibility. The interaction between insolvency resolution and securities regulation is therefore one of the most significant contemporary developments in Indian commercial law, and this volume gives that interaction sustained analytical attention.

In addition to these central themes, the volume also extends its inquiry to the international and trade dimensions of financial regulation, including the misuse of anti-dumping measures under

the World Trade Organization framework. This inclusion broadens the scope of the collection by situating domestic regulatory concerns within wider global economic structures. The book therefore reflects both doctrinal depth and thematic range, moving from the internal architecture of Indian financial regulation to the wider legal environment in which markets, capital, trade, and insolvency increasingly intersect.

A notable strength of this collection lies in its engagement with both structure and consequence. The chapters do not merely describe statutory provisions or institutional frameworks; they critically examine how law operates in practice, how regulatory bodies respond to market misconduct, how investors and shareholders are protected or exposed, and how legal systems attempt to balance innovation, efficiency, discipline, and justice. Questions of governance, transparency, accountability, market stability, creditor priority, investor vulnerability, and institutional effectiveness recur throughout the volume, giving it a coherence that extends well beyond the individual topics of the chapters.

This volume is intended to be useful to students, teachers, researchers, practitioners, and all readers interested in securities law, commercial law, corporate finance, insolvency studies, and regulatory governance. It is hoped that the collection will contribute meaningfully to legal scholarship by bringing together contemporary discussions on financial regulation and corporate distress in a single academic forum. More importantly, it is hoped that it will encourage further reflection on how law can respond to the changing realities of capital markets, business organization, and financial risk in India and beyond.

We place on record our sincere appreciation to all contributors whose chapters have enriched this volume through careful research and thoughtful analysis. We also acknowledge the academic environment of CMR School of Legal Studies, CMR University, for encouraging legal scholarship in important and emerging fields of commercial and financial law. It is our hope that this volume will stimulate deeper engagement, further research, and sustained dialogue in the areas of securities, investment, and insolvency law.

Prof. (Dr.) V.J. Praneshwaran
Dr. Seema Surendran
Dr. Gayathri N. M
Editors

About the Volume



Contemporary Issues in Securities, Investment and Insolvency Law is an edited collection that examines some of the most significant and evolving questions in the fields of securities regulation, investment law, corporate finance, and insolvency jurisprudence. The volume brings together contributions that engage with the legal and institutional framework governing securities markets, investor protection, corporate governance, market integrity, startup financing, venture capital, liquidation, insolvency resolution, and financial regulation in India.

The chapters in this volume address a wide range of themes, including the role of the Securities and Exchange Board of India in regulating the securities market, insider trading, trading window restrictions, disclosure obligations, market manipulation, investor protection mechanisms, dematerialisation of securities, delisting, and the regulation of merchant bankers and intermediaries. Several chapters also examine legal issues relating to startup finance, angel investment, venture capital funds, public financing, and the regulatory environment governing capital mobilisation and financial innovation.

A substantial part of the volume is devoted to insolvency and bankruptcy law, particularly the Insolvency and Bankruptcy Code, 2016. These chapters explore corporate insolvency resolution, voluntary liquidation, liquidation preference rights, promoter liability, the role of the resolution professional, shareholder interests, and the relationship between corporate distress and securities markets. Read together, these contributions show that insolvency law and securities regulation are closely interconnected, with both having a direct impact on market confidence, corporate survival, and the stability of financial systems.

The volume also extends its scope to broader regulatory concerns, including anti-dumping measures under the WTO framework and the governance challenges arising in modern financial markets. Taken together, the essays reflect the complexity of contemporary commercial and financial law, where issues of transparency, compliance, investor confidence, accountability, and economic policy increasingly intersect.

This work is intended for scholars, researchers, practitioners, teachers, and advanced students interested in securities law, commercial law, investment regulation, corporate governance, insolvency studies, and financial market regulation. It seeks to contribute to a deeper understanding of how law responds to the changing realities of finance, investment, and corporate distress in India and beyond.

Acknowledgement



The editors place on record their sincere gratitude to all the contributors whose research, commitment, and academic effort have made this volume possible. Each chapter in this collection reflects careful engagement with important and contemporary issues in securities law, investment regulation, corporate finance, and insolvency law.

We express our deep appreciation to CMR School of Legal Studies, CMR University, for providing a stimulating academic environment that encourages research, writing, and scholarship in emerging areas of commercial and financial law. The institutional support extended to faculty and students has been invaluable in shaping this work.

We also acknowledge the encouragement and support extended by colleagues, mentors, and well-wishers who assisted this editorial effort at various stages. Our thanks are due to the publisher, Magestic Technology Solutions (P) Ltd., for bringing this volume into publication.

Finally, we thank all readers, researchers, students, and practitioners who continue to engage with securities, investment, and insolvency law as dynamic and evolving fields of legal study and practice. It is our hope that this volume will contribute meaningfully to legal scholarship and inspire further research and reflection in these important areas.

Prof. (Dr.) V.J. Praneshwaran

Dr. Seema Surendran

Dr. Gayathri N. M

Editors

Glossary



Absolute Priority Rule A principle in insolvency law under which claims are paid in a fixed order, with senior creditors paid before junior creditors and shareholders.

Accredited Investor An investor who satisfies prescribed financial or regulatory criteria to participate in sophisticated or high-risk investment products.

Adjudicating Authority The statutory body authorised to hear and decide matters under a particular legal framework; under the Insolvency and Bankruptcy Code, this is generally the National Company Law Tribunal.

Alternative Investment Fund (AIF) A privately pooled investment vehicle regulated by SEBI, including venture capital funds, angel funds, private equity funds, and hedge funds.

Angel Investor An individual investor who provides early-stage capital to startups, usually in exchange for equity or convertible instruments.

Anti-Dumping Duty A trade remedy imposed on imported goods sold below their normal value where such imports cause or threaten material injury to domestic industry.

Artificial Price Rigging Manipulative conduct designed to create false or misleading price movements in securities.

Board of Directors The governing body of a company responsible for strategic oversight, corporate governance, and major decision-making.

Book Building A price-discovery mechanism used in securities issues and certain market transactions through bids received from investors.

Capital Mobilisation The process of raising financial resources from investors for business, corporate, or market activity.

Circular Trading A manipulative trading practice in which securities are traded among connected entities to create artificial volume or price movement.

Committee of Creditors (CoC) The body of financial creditors that controls major decisions during the corporate insolvency resolution process under the Insolvency and Bankruptcy Code.

Compliance Officer An officer appointed to ensure adherence to regulatory requirements, particularly under securities, listing, and insider-trading laws.

Connected Person A person who has a relationship with a company that may provide access to unpublished price sensitive information under insider-trading law.

Corporate Debtor A corporate person that owes a debt to another person under the Insolvency and Bankruptcy Code.

Corporate Insolvency Resolution Process (CIRP) The formal process under the Insolvency and Bankruptcy Code for resolving the insolvency of a corporate debtor through restructuring or, if resolution fails, liquidation.

Corporate Veil The legal distinction between a company as a separate legal person and its shareholders, promoters, or controllers.

Creditor in Control Model An insolvency structure in which effective decision-making shifts from defaulting management to creditors.

Debenture A debt instrument issued by a company acknowledging a borrowing and usually carrying interest and repayment obligations.

Declaration of Solvency A formal statement by directors that a company is capable of paying its debts in full, commonly required in voluntary liquidation.

Delisting The removal of a company's securities from a recognised stock exchange, either voluntarily or compulsorily.

Dematerialisation The conversion of physical securities into electronic form held through a depository system.

Depository An institution that holds securities in electronic form and facilitates transfer, settlement, and record-keeping of ownership.

Depository Participant An intermediary through whom investors access depository services and hold securities in dematerialised form.

Disclosure Obligation A legal duty to reveal material information relevant to investors, regulators, or the securities market.

Distressed Asset An asset or business whose value, performance, or solvency is impaired because of financial difficulty.

Dumping Margin The difference between the export price of a product and its normal value in the exporter's domestic market.

Due Diligence A process of investigation and verification undertaken before investment, listing, financing, or acquisition.

Exit Opportunity A mechanism by which an investor may realise value from an investment, such as through an IPO, buyback, secondary sale, merger, or acquisition.

Fiduciary Duty A duty of loyalty, care, and good faith owed by a person in a position of trust, such as a director, promoter, or resolution professional.

Financial Creditor A creditor to whom a financial debt is owed, usually arising from borrowing, lending, or similar financial arrangements.

Floor Price The minimum price fixed under applicable legal or regulatory rules for certain securities transactions.

Fraudulent and Unfair Trade Practices (FUTP / PFUTP) Deceptive, manipulative, or unfair conduct in securities markets prohibited by SEBI regulations.

Going Concern A business assumed to continue operating for the foreseeable future rather than being immediately broken up or dissolved.

Haircut The reduction accepted by creditors on the amount owed during insolvency resolution, restructuring, or settlement.

Initial Public Offering (IPO) The first public issue of securities by a company to investors in the capital market.

Insolvency Professional A licensed professional authorised to act in insolvency processes, including as interim resolution professional, resolution professional, or liquidator.

Insider Trading Trading in securities while in possession of unpublished price sensitive information not available to the public.

Interim Resolution Professional (IRP) The insolvency professional first appointed to take control of the corporate debtor at the commencement of insolvency proceedings.

Investment Agreement A legal contract setting out the terms on which an investor subscribes to or acquires an interest in a company.

Investor Protection The body of legal, regulatory, and institutional safeguards designed to protect investors from fraud, unfairness, and information asymmetry.

Issue of Capital and Disclosure Requirements (ICDR) SEBI regulations governing public issues, rights issues, eligibility criteria, disclosures, and related capital-raising requirements.

Liquidation The legal process of winding up a company by realising assets, settling liabilities, and dissolving the entity.

Liquidation Preference A contractual right that gives certain investors priority in repayment on liquidation or exit before ordinary equity holders receive proceeds.

Liquidator The person appointed to conduct liquidation, realise assets, settle claims, and seek dissolution of the corporate entity.

Lock-In Period A mandatory period during which specified securities, especially promoter holdings, cannot be sold or transferred except as permitted by law.

Market Abuse A broad term covering insider trading, manipulation, misleading disclosures, and other conduct that undermines market integrity.

Market Capitalisation The total market value of a company's outstanding shares at the prevailing market price.

Market Integrity The condition in which securities markets function fairly, transparently, and free from manipulation or abuse.

Material Injury Substantial harm caused to domestic industry, especially in anti-dumping law, as a condition for trade-remedy measures.

Merchant Banker A SEBI-regulated intermediary involved in issue management, underwriting, due diligence, and capital raising.

Moratorium A temporary legal prohibition on certain actions, such as suits, recoveries, or enforcement proceedings, during insolvency resolution.

Normal Value In anti-dumping law, the price of a product in the exporter's domestic market used for comparison with export price.

Operational Creditor A creditor to whom an operational debt is owed, typically arising from goods, services, employment, or statutory dues.

Pre-Clearance of Trades Prior approval required for securities trades by designated persons under insider-trading compliance mechanisms.

Preference Share A class of shares carrying preferential rights, usually in respect of dividends or repayment, over ordinary equity shares.

Price Discovery The process by which the market determines the price of a security or transaction through demand, supply, and bidding.

Promoter A person or group in control of a company or instrumental in its formation, management, or direction, as recognised under securities law.

Promoter Contribution The minimum contribution required from promoters in a public issue under SEBI regulations.

Promoter Lock-In The regulatory requirement that promoters retain a specified portion of post-issue capital for a fixed period after listing.

Public Issue An offer of securities by a company to the public for raising capital.

Public Shareholder A shareholder other than promoter and promoter-group shareholders, generally forming part of the public float of a listed company.

Qualified Institutional Buyer (QIB) A large institutional investor recognised under SEBI regulations as eligible to participate in specified securities offerings.

Regulatory Oversight Supervision exercised by statutory regulators such as SEBI, IBBI, RBI, or stock exchanges over market participants and transactions.

Rematerialisation The process of converting securities held in electronic form back into physical certificates.

Resolution Applicant A person or entity submitting a resolution plan for a corporate debtor under the Insolvency and Bankruptcy Code.

Resolution Plan A formal proposal for restructuring or reviving a corporate debtor under the insolvency process.

Resolution Professional (RP) The insolvency professional responsible for conducting the corporate insolvency resolution process after appointment or confirmation.

Reverse Book Building A price-discovery mechanism commonly used in delisting, in which shareholders indicate the price at which they are willing to tender shares.

SCORES The SEBI Complaints Redress System, an online platform for filing and tracking investor complaints.

Securities Tradable financial instruments such as shares, debentures, bonds, and other marketable interests recognised by law.

Securities Appellate Tribunal (SAT) The appellate body that hears appeals against specified orders of SEBI and certain other financial regulators.

SEBI The Securities and Exchange Board of India, the principal regulator of India's securities market.

Shareholder A person who holds shares in a company and thereby possesses ownership rights in proportion to that holding.

SME Exchange A specialised stock-exchange platform designed for small and medium enterprises with relatively relaxed listing requirements.

Solvent Exit A legally recognised route by which a company that can pay its debts may close operations, such as voluntary liquidation.

Special Resolution A resolution passed by the required supermajority of members under company law for important corporate actions.

Structured Digital Database A mandatory internal record under insider-trading regulations that tracks persons with whom unpublished price sensitive information is shared.

Sunset Review A review conducted before expiry of an anti-dumping duty to determine whether continuation is justified.

Takeover Regulations SEBI regulations governing substantial acquisition of shares or control in listed companies.

Term Sheet A preliminary, generally non-binding document summarising the principal commercial terms of an investment or financing arrangement.

Trading Window A compliance mechanism that permits or restricts trading by designated persons during specified periods.

Unlisted Company A company whose securities are not listed on a recognised stock exchange.

Unpublished Price Sensitive Information (UPSI) Information relating to a company or its securities that is not generally available and is likely to materially affect the market price if disclosed.

Valuation Report A professional assessment of the worth of shares, securities, assets, or business interests for legal or financial purposes.

Venture Capital Equity or quasi-equity financing provided to high-growth, high-risk early-stage businesses.

Voluntary Liquidation A solvent winding-up process initiated by a corporate person under section 59 of the Insolvency and Bankruptcy Code.

Waterfall Mechanism The statutory order of priority for distribution of proceeds in liquidation.

WTO Anti-Dumping Agreement The WTO agreement implementing Article VI of GATT 1994 and regulating the imposition of anti-dumping duties.

List of Abbreviations



- AIF** Alternative Investment Fund
- Art.** Article
- Arts.** Articles
- BSE** Bombay Stock Exchange
- CIRP** Corporate Insolvency Resolution Process
- CoC** Committee of Creditors
- COVID-19** Coronavirus Disease 2019
- DP** Depository Participant
- DPIIT** Department for Promotion of Industry and Internal Trade
- DSU** Understanding on Rules and Procedures Governing the Settlement of Disputes
- FDI** Foreign Direct Investment
- FEMA** Foreign Exchange Management Act, 1999
- FinTech** Financial Technology
- FUTP** Fraudulent and Unfair Trade Practices
- FVCI** Foreign Venture Capital Investor
- GATT** General Agreement on Tariffs and Trade
- GST** Goods and Services Tax
- HNI** High-Net-Worth Individual
- IBBI** Insolvency and Bankruptcy Board of India
- IBC** Insolvency and Bankruptcy Code, 2016
- ICDR** Issue of Capital and Disclosure Requirements
- IRP** Interim Resolution Professional
- IPO** Initial Public Offering

KYC Know Your Customer

LL.M. Master of Laws

LLP Limited Liability Partnership

LODR Listing Obligations and Disclosure Requirements

MCA Ministry of Corporate Affairs

MSME Micro, Small and Medium Enterprise

NCLAT National Company Law Appellate Tribunal

NCLT National Company Law Tribunal

NPA Non-Performing Asset

NSE National Stock Exchange

PFUTP Prohibition of Fraudulent and Unfair Trade Practices

PIT Prohibition of Insider Trading

QIB Qualified Institutional Buyer

RBI Reserve Bank of India

ROC Registrar of Companies

RP Resolution Professional

SAFE Simple Agreement for Future Equity

SARFAESI Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002

SAT Securities Appellate Tribunal

SC Supreme Court

SCORES SEBI Complaints Redress System

SCRA Securities Contracts (Regulation) Act, 1956

SEBI Securities and Exchange Board of India

SIDBI Small Industries Development Bank of India

SME Small and Medium Enterprise

UPSI Unpublished Price Sensitive Information

US United States

VC Venture Capital

VCF Venture Capital Fund

WTO World Trade Organization

About the Editors



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Prof. (Dr.) V.J. Praneshwaran graduated in Law and then completed LL.M. in Constitutional Law, M.Phil in Law, and Ph.D from Bangalore University. After obtaining significant experience in practicing law, he decided to pursue his passion in teaching.

With core experience in practicing Law, Client Counselling, and Teaching, his lustrous experience spans over 23 years. His Ph.D thesis titled “A Study of Laws Relating to Armed Forces and the Protection of Human Rights in India” reflects his understanding of the need for equal treatment and respect for human rights in disciplined organizations like the Indian Armed Forces.

A core nationalist, he has consistently contributed to nation building by imparting, organizing, and encouraging legal literacy, education, and legal awareness initiatives at various levels. He also serves as a patron in Legal Aid Trust, a registered NGO.





Dr. Seema Surendran

Professor, School of Legal Studies
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Dr. Seema has an experience of over 25 years in teaching. She specializes in International Law, Environmental Law, Corporate Law, Intellectual Property Law, and Criminal Law.

She has worked as faculty at Karnataka Lingayat Education Society's Law College, Bangalore; Assistant Professor at Amity Law School, Noida, Amity University Uttar Pradesh; Associate Professor and Associate Dean (Academics) at Vivekananda Institute of Professional Studies, Delhi; and as Principal at Sri Kengal Hanumanthaiah Law College and BMS College of Law, Bangalore.

Presently, she is working as Professor with CMR School of Legal Studies, CMR University, Bangalore. She has attended a number of national and international seminars and holds numerous publications to her credit.





Dr. Gayathri N. M

Assistant Professor, CMR School of Legal Studies

Dr. Gayathri N. M. is an Associate Professor at the School of Legal Studies, CMR University, Bangalore, bringing over 23 years of academic and research experience to the field of legal education. She holds degrees in B.A., LL.B., LL.M. (Criminal Laws) and a Ph.D., reflecting her strong grounding and specialization in criminal law.

A committed scholar, Dr. Gayathri has authored books and contributed extensively to legal literature through her publications in several UGC-CARE listed and Scopus-indexed journals. Her research spans a diverse range of legal disciplines, demonstrating both depth and interdisciplinary engagement.

In addition to her academic contributions, Dr. Gayathri actively mentors and supervises master's students and Ph.D. scholars, guiding advanced research across multiple domains of law. Her dedication to quality teaching, research excellence and academic leadership has established her as a respected figure in contemporary legal academia.



How to Use This Edited Book



This edited volume is designed to be read in more than one way. Readers may move through the book sequentially, following the broader development of themes across chapters, or they may consult individual chapters independently depending on their research interest.

The volume brings together contributions from different areas of commercial law and financial regulation, including securities law, insider trading, investor protection, corporate governance, insolvency and bankruptcy, liquidation, startup finance, venture capital, market manipulation, delisting, dematerialisation, and international trade regulation. Since each chapter addresses a distinct doctrinal theme, the book may be used both as a complete academic collection and as a subject-based reference work.

For students, the book may be used to understand how contemporary legal and regulatory frameworks operate across commercial and financial systems. For researchers and scholars, it offers chapter-specific analyses that may be consulted for doctrinal study, comparative understanding, and further research. For teachers and practitioners, the chapters may serve as accessible readings on focused issues in commercial law, financial markets, and regulatory governance.

Readers are encouraged to use the table of contents to identify thematic areas of interest. Each chapter is self-contained in structure and may be read independently. At the same time, when read together, the chapters reveal broader patterns in the development of commercial law, market regulation, and financial governance in India and beyond.

This volume is therefore intended not merely as a compilation of separate essays, but as a legal resource that may be used flexibly for study, teaching, reference, and advanced academic engagement.

CONTENTS

Preface	iii
About the Volume	v
Acknowledgement	vi
Glossary	vii
List of Abbreviations	xiii
How to Use This Edited Book	xix
1 Corporate Bankruptcy on Securities Markets in India: A Critical Analysis	1
1.1 Introduction	1
1.2 Conceptual Background	2
1.3 Legal Framework in India	3
1.4 Critical Analysis on Securities Market	3
1.5 Position and Rights of the Shareholders	4
1.6 Case Studies	5
1.7 Challenges and Reforms	6
1.8 Conclusions	6
2 Role of SEBI in the Regulation of Indian Securities Market: A Study	10
2.1 Introduction	10
2.2 History of the Securities Market and the History of SEBI	11
2.3 Statutory Functions and Powers of SEBI	12
2.4 SEBI Regulation of Market Participants	13
2.5 The Role of SEBI in Avoiding Unfair Trade Practices	14
2.6 Mechanisms of Investor Protection	15
2.7 Difficulties that SEBI Encounters in the Contemporary Market World	15
2.8 Suggestions and Future Outlook	15
2.9 Conclusion	16
3 Protection of Public and Minority Shareholders under the Insolvency and Bankruptcy Code and SEBI Regulatory Framework: An Analysis	18
3.1 Introduction	19
3.2 The IBC Framework and the Position of Equity Shareholders	19
3.3 Waterfall Mechanism and its Consequences for Shareholders	20
3.4 SEBI's Regulatory Framework and Investor Protection	20
3.5 Regulatory Tension and Identified Gaps	21

3.6	Comparative Perspective and Reform Recommendations	22
3.7	Conclusion	23
4	Trading Window Restrictions and Disclosure Obligations under the SEBI (PIT) Regulations, 1992: An Analysis	26
4.1	Introduction	27
4.2	Historical Background and Legislative Framework	27
4.3	Theoretical Underpinnings: UPSI, Insiders, and Designated Persons	28
4.4	Trading Window Restriction	29
4.5	Disclosure Obligations	30
4.6	The Implementation Issues and Legal Developments	30
4.7	Comparative Standards and Reforms	31
4.8	Conclusion	31
5	A Critical Analysis of Liquidation Preference Rights under the Indian Insolvency and Bankruptcy Code	34
5.1	Introduction	34
5.2	Corporate Finance Theory and Hybrid Instruments	35
5.3	The Statutory Straitjacket: Section 53 and Policy Trade-offs	36
5.4	Doctrinal Interpretation and Governance Disenfranchisement	37
5.5	Empirical Realities and Economic Repercussions	38
5.6	Comparative Global Perspectives	38
5.7	Normative Reform Proposals	39
5.8	Conclusion	40
6	Dematerialization of Securities under the Depositories Act, 1996: A Legal Analysis	43
6.1	Introduction	43
6.2	Meaning and Concept of Dematerialization	44
6.3	Legal Regulations on Dematerialization	45
6.4	Institutional Structure and Depository Regulatory Supervision	45
6.5	Dematerialization and Rematerialization Process	46
6.6	Regulatory Role of SEBI in the Control of Depositories	47
6.7	Judicial Interpretation of Dematerialization and Depository Operations	48
6.8	Difficulties in the Dematerialization Process	48
6.9	Conclusions and Suggestions	49
7	Framework Governing Venture Capital and Startup Financing in India – A Legal Analysis	52
7.1	Introduction	53
7.2	Meaning and Concept	53
7.3	Characteristics and Features	54
7.4	Legal Framework Governing Venture Capital	54
7.5	Regulatory Architecture and Institutional Framework	56
7.6	Structural Machinery of Venture Capital Financing	57
7.7	Stakeholders and Institutional Framework	58
7.8	Taxation and Compliance Issues	58
7.9	Investor Protection and Corporate Governance	59

7.10	Case Studies	60
7.11	Challenges and Recent Trends	61
7.12	Conclusion and Suggestions	62
8	Insider Trading as a Corporate Crime in India: Critical Analysis of SEBI's Reforming Enforcement	66
8.1	Introduction	67
8.2	Concept of Insider Trading	67
8.3	Historical Evolution of the Regulatory Regime in India	68
8.4	Insider Trading as a Corporate Crime	69
8.5	SEBI's Enforcement Mechanisms: A Critical Analysis	69
8.6	Judicial Approach	70
8.7	Contemporary Challenges in Enforcement	70
8.8	Reform-Oriented Suggestions	71
8.9	Conclusion	71
9	The Gatekeeping Role of Investment Banks in Corporate Governance: An Indian Securities Law Perspective	74
9.1	Introduction	74
9.2	Theoretical Foundations: Gatekeeper Concept	75
9.3	Regulatory Architecture Governing Merchant Bankers in India	75
9.4	Disclosure-Based Corporate Governance under ICDR	75
9.5	Due Diligence and Conflict of Interest	76
9.6	Enforcement and Judicial Scrutiny	76
9.7	Comparative Liability: United States Model	76
9.8	Evolution of Intermediary Regulation in India	77
9.9	Reform Proposals	77
9.10	Conclusion	77
10	Challenges Faced by Startups in Raising Finance in India: An Analysis	80
10.1	Introduction	81
10.2	Meaning, Concept and Nature of Startup Financing	81
10.3	Ecosystem Overview: Sources of Startup Finance in India	82
10.4	Regulatory Issues	83
10.5	Structural and Institutional Issues	84
10.6	Challenges Specific to Founders and Startups	85
10.7	Problems of Taxation and Compliance	85
10.8	Sectoral and Market-Specific Challenges	86
10.9	Comparative Analysis and Recent Developments	87
10.10	Conclusion and Suggestion	88
11	Insider Trading and Investor Protection in India: Role of the Securities and Exchange Board of India (SEBI)	92
11.1	Introduction	93
11.2	Insider Trading: Concept and Nature	93
11.3	Development of Insider-Trading Regulation in India	94
11.4	Role of the Securities and Exchange Board of India in Regulating Insider Trading	95

11.5	Investor Protection Mechanisms under SEBI	95
11.6	Investigative and Enforcement Mechanisms of SEBI	96
11.7	Problems in Preventing Insider Trading	96
11.8	Conclusion	98
12	An Analysis of Delisting of Securities and its Procedure	101
12.1	Introduction	101
12.2	Concept and Evolution of Delisting Law in India	102
12.3	Regulatory Framework Governing Delisting	103
12.4	Procedure for Voluntary and Compulsory Delisting	103
12.5	Reverse Book Building	104
12.6	Challenges in Delisting of Securities	104
12.7	Conclusion	105
13	Securities Regulation in India in Preventing Financial Fraud: A Legal Study	107
13.1	Introduction	107
13.2	The Two Laws: Background and Purpose	108
13.3	Key Anti-Fraud Provisions	109
13.4	Enforcement Powers and Court Decisions	110
13.5	Where the Framework Falls Short	111
13.6	Recommendations and Conclusion	111
14	A Critical Analysis of the Insolvency and Bankruptcy Code, 2016	115
14.1	Introduction	115
14.2	Evolution of Insolvency Law in India	116
14.3	Insolvency and Bankruptcy Code, 2016: Framework	116
14.4	Critical Analysis of the Insolvency and Bankruptcy Code, 2016	117
14.5	Impact on Credit Markets and the COVID-19 Amendment	119
14.6	Challenges in Implementation of the Insolvency and Bankruptcy Code, 2016	119
14.7	Conclusion	120
15	Insider Trading in India: A Critical Study of the SEBI (Prohibition of Insider Trading) Regulations	123
15.1	Background of Securities Market in India	123
15.2	Concept and Nature of Insider Trading	125
15.3	Evolution of Insider Trading Laws in India	126
15.4	Landmark Cases on Insider Trading	128
15.5	Conclusion	129
16	The Role of Venture Capital in Startup Growth and Innovation: An Analysis	132
16.1	Introduction	132
16.2	Venture Capital as a Driver of Technological and Market Innovation	133
16.3	Enabling Scale-Up and Geographic Market Penetration with Venture Capital	134
16.4	Implicit Disadvantages and Limitations of Venture-Capital Arrangements	136
16.5	Integration of Venture Capital into Large-Scale Entrepreneurial Systems	137
16.6	Conclusion	138
17	From Boardroom to Chatroom: Insider Trading Liability for Informal Disclosure of Unpublished Price Sensitive Information	142

17.1	Insider Trading: What Is It and How Does It Happen?	142
17.2	UPSI: The Pearl of Wisdom and the Liability Arising from Its Possession	143
17.3	Decoding Ways: Procurement and Dissemination Through the Web	144
17.4	When Tippers Get Digital Access: The New-Age Violations	146
17.5	What Can Be Optimum Regulation? Lessons from the World	147
17.6	Conclusion	147
18	Angel Investment and Venture Capital as a Source of Startup Finance: A Legal Study	151
18.1	Introduction	151
18.2	Angel Investment Meaning	152
18.3	Venture Capital Meaning	152
18.4	The Difference Between Angel Investment and Venture Capital	153
18.5	Legal Framework Governing Angel Investment in India	153
18.6	Legal Framework Governing Venture Capital in India	153
18.7	SEBI's Role in the Regulation of Startup Finance	154
18.8	Taxation and Policy Framework	154
18.9	The Benefits of Angel Investment and Venture Capital	154
18.10	Laws and Practical Issues	155
18.11	Government Initiatives and Future Prospects	155
18.12	Importance of Legal Awareness for Startups	155
18.13	Conclusion	156
19	Lifting the Corporate Veil under the Insolvency and Bankruptcy Code: A Study of Promoter Liability	159
19.1	Introduction	159
19.2	Doctrine of Corporate Veil	160
19.3	Insolvency and Bankruptcy Code and the Role of Promoters	161
19.4	Section 29A and Promoter Disqualification	162
19.5	Liability of Personal Guarantors under the IBC	162
19.6	Judicial Approach to the Corporate Veil under the IBC	163
19.7	Critical Analysis	164
19.8	Conclusion	164
20	The Role of the Resolution Professional in the Corporate Insolvency Resolution Process	167
20.1	Introduction	167
20.2	Statutory Framework: Appointment and Eligibility	168
20.3	Powers and Duties of the Resolution Professional	169
20.4	The RP and the Committee of Creditors: Tensions of Independence	169
20.5	Accountability Framework	170
20.6	Judicial Pronouncements: Evolving Jurisprudence	170
20.7	Proposed Reforms	171
20.8	Conclusion	172
21	The Critical Analysis of Market Manipulation under the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003	174
21.1	Introduction	175

21.2	Theoretical Prerequisites of Market Manipulation	175
21.3	Historical Development of Anti-Manipulation Law in India	176
21.4	Manipulation Through Judicial Construction under PFUTP	177
21.5	Regulations 3 and 4 of the PFUTP Regulations: Statutory Interpretation, Judicial Review, and Architecture of Liability	178
21.6	Standard of Proof in PFUTP Proceedings	179
21.7	Investigative Powers and Structural Architecture	179
21.8	Sentencing and Penalty Structure	180
21.9	Trade-Based Market Manipulation	180
21.10	Challenges of the Modern Market Environment	181
21.11	Recommendations and Suggestions	182
21.12	Conclusion	182
22	Investor Protection Mechanisms Under SEBI: An Analysis	185
22.1	Introduction	185
22.2	Evolution of Investor Protection in India	186
22.3	Statutory and Regulatory Framework	187
22.4	Key Investor Protection Mechanisms under SEBI	187
22.5	Judicial Approach and Landmark Cases	189
22.6	Challenges in Investor Protection	190
22.7	Recent Developments	190
22.8	Conclusion	191
23	Start Ups and Public Financing in India: Regulatory Framework under SEBI	194
23.1	Introduction	194
23.2	Overview of the Contemporary Start-up Landscape in India	195
23.3	The Role of Funding in Start-ups	195
23.4	Benefits of Startups in India	196
23.5	Some Mandatory Licences to Start a Startup in India	196
23.6	Key Reforms for an Improved Environment for Financing and Listing of Indian Startups	197
23.7	Regulatory Framework under SEBI	197
23.8	Conclusion and Suggestions	199
24	SEBI Regulations Governing Venture Capital Funds in India: An Analytical Study	202
24.1	Introduction	202
24.2	Evolution of Venture Capital Regulation in India	203
24.3	Legal Framework Governing Venture Capital Funds	203
24.4	Taxation Framework	206
24.5	Foreign Investment in Venture Capital	206
24.6	Transition to the AIF Framework	207
24.7	Challenges and Criticisms	208
24.8	Conclusion	208
25	Role of Angel Investors in Startup Growth and Early-Stage Funding in India – An Analysis	211
25.1	Introduction	212

25.2	Meaning and Concept of Angel Investing	212
25.3	Role of Angel Investors in Start Up Development	214
25.4	Legal and Regulatory Framework	214
25.5	Structure and Mechanism of Angel Funding	216
25.6	Significant Angel Networks and Platforms in India	217
25.7	Taxation and Compliance	217
25.8	Challenges and Risks in Angel Investing	218
25.9	Recent Trends in Indian Angel Investing	220
25.10	Conclusion and Suggestions	221
26	Role of Securities Regulation in Managing Investment Risk in Indian Financial Markets	224
26.1	Introduction	224
26.2	The Regulatory Architecture	225
26.3	Mandatory Disclosure and Information Asymmetry	225
26.4	Insider Trading: Scope, Structure, and Evidence	226
26.5	Market Manipulation Controls	227
26.6	Investor Protection Measures	228
26.7	Structural Limitations	228
26.8	Conclusion	229
27	Voluntary Liquidation Under the Insolvency and Bankruptcy Code, 2016 – A Legal Analysis	231
27.1	Introduction	231
27.2	Meaning and Concept of Voluntary Liquidation	232
27.3	Legal Framework and Statutory Provisions	232
27.4	Eligibility and Initiation of Voluntary Liquidation	233
27.5	Process and Procedure of Voluntary Liquidation	234
27.6	Role and Powers of the Liquidator	234
27.7	Stakeholder Priority of Claims and Rights	235
27.8	Challenges and Difficulties in Voluntary Liquidation	235
27.9	Case Study	236
27.10	IBBI Reform and Recent Judicial Trends	236
27.11	Conclusion and Suggestions	236
28	Promoters Lock-in under SEBI ICDR Regulations: Balancing Market Integrity and Capital Mobilization in India	240
28.1	Introduction	240
28.2	Evolution of Promoters Lock-In in India	241
28.3	Promoters Lock-In under the SEBI ICDR Regulations	242
28.4	Avoiding Opportunistic Exits	242
28.5	Effect on Mobilisation of Capital	243
28.6	Recent Regulatory Reforms	243
28.7	Challenges and Criticisms	244
28.8	Comparative Perspectives	244
28.9	Conclusion and Recommendations	244
	Editors' Final Note	247

*“The true measure of law lies not only in its doctrine,
but in its capacity to respond to change with justice, clarity, and
reason.”*

— **Editors**



CHAPTER

28

Promoters Lock-in under SEBI ICDR Regulations: Balancing Market Integrity and Capital Mobilization in India



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Abstract: Another important regulatory mechanism used to regulate the primary capital market of India is the promoters' lock-in requirement under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. These requirements stipulate that a prescribed shareholding of promoters must be retained for a specified period after an Initial Public Offering, with the object of ensuring promoter commitment, discouraging opportunistic exit, and strengthening investor trust. At the same time, lock-in norms directly affect the ability of companies to mobilise capital efficiently by influencing liquidity and pricing of securities. Recent regulatory changes introduced by the Securities and Exchange Board of India attempt to balance market integrity with capital formation and ease of doing business by reducing lock-in periods and relaxing certain requirements. However, these changes also raise questions regarding the sufficiency of existing safeguards against short-term speculation and the possible weakening of investor protection. This study critically analyses the legal framework of promoter lock-in under the SEBI ICDR Regulations, its impact on market discipline and capital mobilisation, and whether the evolving regulatory approach appropriately balances investor protection with growth and competitiveness in the Indian securities market.

Keywords: Promoters Lock-In, Securities and Exchange Board of India, Issue of Capital and Disclosure Requirements Regulations, Initial Public Offering, Market Integrity, Capital Mobilisation, Investor Protection

28.1 Introduction

Capital markets play a key role in economic growth by enabling efficient allocation of financial resources.^{10,12,13} In India, the securities market has undergone significant transformation over

the past few decades and has developed into a dynamic and sophisticated system capable of attracting both domestic and foreign investment.^{6,10,11} This development has been supported by an increasingly elaborate regulatory framework aimed at transparency, investor protection, and market integrity.^{1,2,3}

The Securities and Exchange Board of India occupies a central position in this framework. SEBI is entrusted with regulating the securities market and ensuring that participants act fairly and transparently, while also protecting investors and promoting orderly market growth.^{2,6} One important dimension of this regulatory system concerns public capital raising by companies through an Initial Public Offering.^{1,22,23,24}

When a private company enters the public market through an IPO, the relationship between promoters, management, and investors changes fundamentally. Promoters who previously exercised near-complete control must now coexist with public shareholders. This transition creates risks, especially the risk that promoters may exit too soon after listing in order to capture gains at the expense of new investors.^{5,7,20} To address this concern, SEBI developed the promoter lock-in framework under the ICDR Regulations, requiring promoters to retain a minimum shareholding for a specified period after the public issue.^{1,5}

The lock-in framework has evolved over time in response to changing market conditions and policy priorities. Recent amendments have shortened certain lock-in periods and relaxed aspects of compliance in order to make the IPO process more attractive to issuers.^{5,6} The challenge is therefore to strike an appropriate balance between two competing goals: preserving market integrity and investor confidence on the one hand, and facilitating efficient capital mobilisation on the other.^{10,14,15}

28.2 Evolution of Promoters Lock-In in India

The history of securities regulation in India begins with the development of rules governing securities markets and institutions, particularly the Securities Contracts (Regulation) Act, 1956 and the later creation of SEBI as a statutory regulator in 1992.^{2,3} As the securities market expanded in the 1990s, the need for stronger investor-protection mechanisms grew, particularly to address concerns of market manipulation and promoter opportunism.^{2,7}

One such concern was the possibility that promoters might dispose of substantial holdings soon after an IPO, leaving public investors exposed to increased risk and uncertainty. Regulators therefore began to require that promoters retain a minimum shareholding for a fixed period after public issuance.^{5,7}

Introduction of Promoter Contribution and Lock-In

The concept of promoter contribution and lock-in was formally embedded in earlier forms of SEBI's capital-issue and disclosure framework. These requirements obliged promoters to contribute a prescribed portion of the post-issue capital and restricted transfer of such shares for a defined period.^{1,5} The purpose was to ensure that promoters retained a continuing financial stake in the company and therefore remained committed to its long-term performance.^{7,19,20}

Transition to the SEBI ICDR Regulations, 2018

The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 consolidated and modernised the framework governing public issues.¹ These regulations replaced earlier rules and created a comprehensive legal regime for IPOs, rights issues, preferential allotments, and related capital-market operations.^{1,5} Within this framework, promoter contribution, lock-in periods, and transferability restrictions were retained as central features of SEBI's strategy for maintaining stability and credibility in the primary market.^{1,6}

28.3 Promoters Lock-In under the SEBI ICDR Regulations

The ICDR Regulations require promoters to contribute a minimum portion of the post-issue capital when a company undertakes an IPO.¹ Usually, promoters are required to contribute at least 20% of the post-issue capital, thereby ensuring that they remain materially invested even after listing.^{1,5} This retained stake is intended to demonstrate commitment to the company's operations and future performance.

Lock-In Period

Traditionally, the minimum promoter contribution was subject to a three-year lock-in period from the date of allotment in the public issue. However, SEBI later introduced reforms to reduce the lock-in period in certain circumstances.^{5,6} At present, the minimum promoter contribution is subject to an 18-month lock-in, while excess promoter shareholding is generally subject to a six-month lock-in.^{1,5} These reforms were introduced to improve liquidity and make the IPO process more attractive while retaining core investor-protection safeguards.^{5,6}

Transfer Restrictions

During the lock-in period, promoters are generally prohibited from transferring the relevant shares, subject to limited exceptions such as transfers among promoters or certain transfers to financial institutions.¹ These restrictions are designed to ensure that promoters cannot exit immediately after a public issue, thereby protecting public investors from abrupt shifts in ownership and control.^{5,7}

Purpose of Promoter Lock-In

The central purpose of promoter lock-in is to ensure promoter commitment. By requiring a continuing stake after listing, the framework creates a financial incentive for promoters to remain engaged in the company's long-term growth and performance.^{1,5,19} This retained economic exposure can also strengthen alignment between promoters and public shareholders and thereby support better corporate governance and managerial accountability.^{7,9,20}

28.4 Avoiding Opportunistic Exits

Lock-in provisions also discourage promoters from exploiting favourable IPO valuations for immediate personal gain.^{5,22,23} If promoters were free to sell large stakes immediately after listing, such exits could destabilise the company, damage investor interests, and undermine public confidence in the IPO market.^{5,10,22} By prohibiting immediate sale, the regulatory framework

limits opportunistic conduct and helps ensure that the benefits of capital raising are accompanied by genuine promoter commitment.^{1,5}

Increasing Investor Confidence

Investors are more likely to invest in an IPO when they believe that promoters will remain actively involved after listing.^{6,7,14} Lock-in provisions send a positive signal that promoters retain confidence in the company's prospects and are willing to share long-term risk with public investors.^{5,6} This is particularly important for retail investors, whose investment decisions often depend heavily on the credibility and reputation of the promoters.^{8,10}

Promoting Market Stability

Large-scale promoter sales immediately after listing may create market volatility. Lock-in provisions reduce this risk by keeping a substantial portion of promoter shareholding stable during the initial post-listing period.^{1,14,15} This stability allows the market to assess the company's performance without the disruptive effect of sudden ownership changes. It also reduces speculative pressures and supports a more orderly price-discovery process.^{16,22}

28.5 Effect on Mobilisation of Capital

Influence on IPO Pricing

Lock-in requirements may affect company valuation during an IPO. A longer or stricter lock-in period may be perceived as a stronger sign of promoter commitment, which can positively affect investor sentiment and pricing.^{22,23,24} The existence of a retained promoter stake may therefore strengthen demand in the issue and support a more favourable valuation.²⁴

Liquidity Considerations

At the same time, lock-in reduces the number of shares immediately available for trading in the market. While this may contribute to short-term stability, it may also constrain liquidity and affect market efficiency.^{14,15} Reduced free float can limit trading activity and price responsiveness in the secondary market. Even so, regulators often treat this as an acceptable trade-off in order to preserve investor confidence during the critical post-listing phase.^{5,16}

Encouraging Public Participation

A stable and credible lock-in regime can encourage broader investor participation in the securities market.^{10,11,12} When investors see that promoters are required to remain invested for a meaningful period, they may be more willing to subscribe to public issues. In that sense, lock-in rules may indirectly support capital mobilisation by strengthening trust in the regulatory environment.^{6,10}

28.6 Recent Regulatory Reforms

In recent years, SEBI has introduced a number of reforms aimed at simplifying the IPO process and improving efficiency in the primary capital market. One of the most important changes has been the reduction in promoter lock-in periods.^{5,6} These reforms followed calls from market participants, investment bankers, and legal experts who argued that the earlier three-year lock-in

period was too restrictive and discouraged public-market participation by growth-oriented companies.⁵

The broader policy objective behind these reforms is connected with ease of doing business, encouragement of innovation, and the desire to make India's public markets more attractive to companies seeking capital.^{6,12,13} At the same time, the reforms attempt to preserve core protections for investors, showing SEBI's effort to balance market efficiency with regulatory discipline.^{5,6}

28.7 Challenges and Criticisms

Despite their advantages, promoter lock-in provisions have attracted criticism. One concern is that shorter lock-in periods may allow promoters to exit too quickly, thereby transferring greater risk to public investors.^{5,7,8} Another challenge relates to enforcement and monitoring. Effective compliance requires robust disclosure systems and strong regulatory supervision, especially where transfers may be structured indirectly or through complex entities.^{1,2,6}

Further, changing ownership patterns in startup and venture-capital-backed firms raise questions about the continuing suitability of traditional promoter-contribution assumptions.^{7,14,18} In such companies, the distinction between promoters, founders, institutional investors, and controlling shareholders may be more fluid than in traditional corporate structures.

28.8 Comparative Perspectives

Some jurisdictions also impose restrictions on insider or founder sales after an IPO in order to prevent short-term exits and maintain investor confidence. In the United States, however, these restrictions usually take the form of contractual lock-up agreements rather than statutory lock-in provisions.^{22,23,25} They are typically imposed by underwriters or investment banks and commonly restrict sales by insiders for 90 or 180 days after the offering.^{22,25}

India, by contrast, adopts a more formal regulatory model in which promoter lock-in obligations are expressly provided by law under the ICDR Regulations.¹ Recent reforms, especially those introduced in 2021, suggest an attempt to move India somewhat closer to global practice while still preserving a distinct investor-protection framework suitable for an emerging market.^{5,16}

28.9 Conclusion and Recommendations

The promoter lock-in provisions under the SEBI ICDR Regulations remain an important regulatory mechanism for protecting investors and sustaining market discipline in India's securities market. By requiring promoters to remain financially committed after an IPO, the framework reduces opportunistic exits and strengthens the alignment of interests between promoters and public shareholders.

At the same time, the regime must continue to support efficient capital mobilisation and market growth. SEBI's reforms, including shorter lock-in periods and more flexible compliance norms, reflect an effort to maintain that balance. The long-term success of the framework depends on preserving investor confidence while ensuring that regulation does not unnecessarily discourage companies from entering the public market.

Recommendations

1. SEBI should continue to review lock-in periods periodically in light of market developments and issuer profiles.
2. Disclosure requirements concerning promoter shareholding and post-listing commitments should be strengthened to improve transparency.
3. Enforcement against indirect or structured avoidance of lock-in conditions should be made more effective.
4. Investor-awareness programmes should better explain the importance of promoter shareholding and lock-in obligations to retail investors.

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Editors' Final Note



As this volume comes to a close, we return to the central idea that guided its conception: that securities law, investment regulation, and insolvency law are no longer isolated legal fields, but deeply interconnected areas that shape the contemporary financial and corporate order. The chapters in this collection, though diverse in focus, collectively demonstrate how legal regulation influences market integrity, investor confidence, capital formation, corporate governance, and the resolution of financial distress.

This edited book has brought together discussions on securities regulation, insider trading, investor protection, dematerialisation, delisting, venture capital, startup financing, merchant banking, corporate insolvency, liquidation, promoter liability, and the broader regulatory framework governing financial markets. Read together, these contributions reveal both the sophistication and the continuing challenges of the legal architecture that governs commerce, investment, and corporate survival in India.

As editors, we believe that the significance of this volume lies not only in the doctrinal insights offered by the individual chapters, but also in the broader conversation they create. The volume reflects the importance of engaging critically with contemporary questions of financial regulation and commercial law, especially in a period marked by rapid economic transformation, regulatory reform, technological change, and increasing institutional complexity.

We sincerely hope that this collection will be of value to students, teachers, researchers, practitioners, and all readers interested in securities law, investment regulation, insolvency jurisprudence, and corporate governance. If this volume encourages deeper study, critical engagement, and further research in these fields, it will have served its purpose.

We conclude with gratitude to all contributors, readers, and well-wishers who have supported this work. It is our hope that *Contemporary Issues in Securities, Investment and Insolvency Law* will remain a meaningful academic contribution and a useful reference for those engaging with the evolving dimensions of commercial and financial law.

Prof. (Dr.) V.J. Praneshwaran
Dr. Seema Surendran
Dr. Gayathri N. M
Editors

Closing Reflections



“The strength of a financial market lies not merely in the capital it attracts, but in the confidence it protects.”

“Securities regulation is the architecture of trust on which modern investment rests.”

“Investment law must do more than enable capital; it must ensure that capital moves with transparency, accountability, and fairness.”

“Insolvency law is not only about corporate failure; it is also about commercial discipline, creditor confidence, and economic renewal.”

“Where markets expand, regulation must evolve; where investors participate, protection must follow.”

“The future of commercial law lies in its ability to balance innovation with responsibility, growth with governance, and risk with justice.”

“A fair market is not created by capital alone, but by law that restrains abuse, protects participation, and sustains public trust.”

— *Editors*



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