Single Securities code for Financial Sector

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In news

Recently, the Finance Minister announced to creation of a single Securities Code for Financial sector

Which acts will be consolidated under the proposed code?

In her Budget speech, the Finance minister proposed to consolidate the provisions of the following acts into a rationalised single securities markets code.

- SEBI Act, 1992
- Depositories Act, 1996
- Securities Contracts (Regulation) Act, 1956 (SCRA)
- Government Securities Act, 2006

Impact and Significance of proposed code

- Capital market participants welcomed the move to charge foreign portfolio investors at the lower end of the tax treaty on dividend income.
- According to market experts, this could have a far-reaching impact on the capital markets if it was executed in the right manner.
- As per the market experts, there has been a regulatory overlap in the capital market, if a uniform securities code is implemented then this can have a far-reaching impact on the securities market.
- When it came to dematerialised shares for instance, experts had to refer to various Acts such as the SEBI Act, the Depositories Act and the SCRA which would make legal compliance complex, this may not be the case if a

composite code is implemented.

- For example, with dematerialised securities, which are governed by both the SEBI Regulations and the Depositories Act.
- Like this, there are many regulations in which one needs to look at various securities law statutes in order to ensure regulatory compliance.
- The single securities code if done right, will make compliances efficient and transparent. It would make enforcement of regulations simpler and reduce litigation
- The proposal to create a unified securities market code is very progressive as it aims to simplify and reduce the friction between rules enacted by various acts of Sebi, depositories, G-Secs

SEBI Act, 1992

- It provides for the establishment of Securities and Exchange Board of India (SEBI) to protect the interests of investors in. securities and to promote the development of, and to regulate, the securities market and for.
- The Union Government of India passed a SEBI Act 1992 that transformed the non-statutory SEBI into the autonomous body with statutory powers.

Depositories Act, 1996

- This Act to provides for regulation of depositories in securities
- The Depository Act provides for the establishment of depositories like NSDL and CDSL to curb the irregularities in the capital market.

Securities Contracts (Regulation) Act, 1956 (SCRA)

This act prevents undesirable transactions/exchanges in securities by regulating the business of dealing therein, by providing for certain other matters connected therewith.

Government Securities Act, 2006

- The Government Securities Act, 2006 (G S Act) is an Act to consolidate and amend the laws relating to Government securities and its management by the RBI and for matters connected therewith.
- The Government Securities Act applies to Government securities created and issued by the Central Government or a State Government, whether before or after the commencement of this Act.