TAMING THE CASINO – SEBI, SPECULATION AND THE REGULATORY POLITICS OF INDIA'S DERIVATIVES MARKET

Shloke Sarkar[1]

INTRODUCTION

Over the past ten years, India's equity derivatives market has grown much faster than its cash segment,[2] making India one of the world's major centres of derivatives trading by volume. The growth has been powered not just by institutions but increasingly by retail investors participating in futures and options trading through cheap digital platforms. While derivatives were intended as sophisticated risk management and price discovery instruments, their actual usage in India has raised serious regulatory concerns regarding excessive speculation, high leverage, and systemic risk.

In this backdrop, in October 2025, SEBI took a set of measures for tightening position limits,[3] improving intraday monitoring and readjusting exposure norms in the derivatives segment. Regulatory measures were justified on the grounds of investor protection and market stability, due to SEBI's repeated cautioning of 'casino-like' actions of retail players in derivative markets. Due to this regulatory narrative, derivatives are not necessarily positioned as being dangerous, but are deemed a risk to market integrity if large numbers of unsophisticated investors use them.

However, this regulatory response raises much deeper legal and policy issues that are not limited to mitigating short-term fluctuations. To what extent should a securities

---

[1] Shloke Sarkar is a student at the National University of Study and Research in Law, Ranchi.
[2] Securities & Exchange Board of India, *Comparative Study of Growth in Equity Derivatives Segment vis-à-vis Cash Market After Recent Measures* (July 2025), https://www.sebi.gov.in/reports-and-statistics/research/jul-2025/comparative-study-of-growth-in-equity-derivatives-segment-vis-vis-cash-market-after-recent-measures_95105.html.
[3] Securities & Exchange Board of India, Framework for Intraday Position Limits Monitoring for Equity Index Derivatives, Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2025/143 (Sept. 1, 2025), https://www.sebi.gov.in/legal/circulars/sep-2025/framework-for-intraday-position-limits-monitoring-for-equity-index-derivatives_96376.html; Securities & Exchange Board of India, Circular on Intraday Position Limits for Index Derivatives, Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2025/41 (Mar. 28, 2025).

regulator limit speculative actions? Should retail investors exist? Does that justify interference grounded in paternalism? Or does such interference hinder the market independence and the right to act on informed risk?

Should the presence of retail investors be a justification for paternalism that prevents them from interfering in market functioning, or does intervention itself undermine the purposes of market autonomy and risk awareness? Do derivatives destabilise markets? Or are they a convenient fall guy for more systemic issues, such as inadequate investor education, lax standards for suitability, and risk amplification by platforms?

This paper examines SEBI's recent enforcement concerning derivatives trading, referencing regulatory theory, market efficiency, and investor protection jurisprudence. SEBI is justified in worrying about excessive speculation; its use of one-size-fits-all regulations may distort market behaviour and rule out genuine hedging.

The aim of the paper is to assess whether SEBI's approach represents a reasonable recalibration of regulatory priorities or an exaggerated response driven by moral panic about retail speculation by contextualising the 2025 reforms within the broader evolution of India's securities regulation. The essay seeks to move past the simplistic "markets versus casinos" dichotomy and, instead, seeks to examine how an experienced securities regulator should strike a balance amongst stability, participation, and freedom, given the progressively financialised and digital market reality.

ECONOMIC AND LEGAL ROLE OF DERIVATIVES

Theoretical Functions in Modern Markets

In modern capital markets, derivatives are a set of tools designed to limit uncertainty rather than cause it. The futures and options are believed to help market players hedge price risk, facilitate price discovery and enhance market liquidity. Under Indian securities law, a functional role is accepted to be performed by stock exchanges. Derivatives are allowed to be traded on recognised stock exchanges, in accordance with the Securities Contracts (Regulation) Act, 1956,[4] under the regulatory supervision of SEBI. Over time, in India, the practical use of derivatives has shifted from a risk-management framework to a more speculative one, driven by retail players.

The derivatives market in India has grown markedly. Since the early 2000s, index futures and index options have accounted for the largest part of the total volume.[5] Further contributions came from single-stock derivatives and weekly options. By the middle of the 2020s,[6] the Indian Exchanges were offering a lot more derivatives than the cash market due to low margins, high leverage and the gamification of discount brokerage platform trading. The expansion has coincided with the arrival of rookie investors, many of whom do not have the financial sophistication usually associated with derivatives trading.

In the view of regulators, derivatives pose a double challenge. They enhance market efficiency by enabling hedging and improving price discovery, thereby benefiting all market players. On the other hand, its leveraged nature multiplies losses, increasing the chances of losing finances for retail investors and posing a risk to the stability of the market.[7]

According to the regulator SEBI, a large share of retail traders in the futures and options market continue to suffer losses. This raises issues regarding suitability and informed consent for access to such complex products. Structural and individual risks are involved in derivatives trading in India. When speculation in a market is at an all-time high, prices can become unhinged from valuable prices. As market stress increases, heightened speculation can lead to more price volatility. This is because of margin calls and forced liquidations, which lead to feedback loops in an asset market.

---

[4] Securities Contracts (Regulation) Act, 1956, § 18.
[5] Frank H. Easterbrook & Daniel R. Fischel, *The Economic Structure of Corporate Law*, 67 BUS. HIST. REV. 472 (1993).
[6] Securities & Exchange Board of India, *Comparative Study of Growth in Equity Derivatives Segment vis-à-vis Cash Market After Recent Measures* (July 2025), https://www.sebi.gov.in/reports-and-statistics/research/jul-2025/comparative-study-of-growth-in-equity-derivatives-segment-vis-vis-cash-market-after-recent-measures_95105.html.
[7] John C. Hull, Options, Futures, and Other Derivatives (10th ed. 2018).

The focus on short-dated options has created a heightened sensitivity to intraday price fluctuations and has made markets more responsive and sometimes unstable. The application of algorithmic trading techniques and herd behaviour triggered by social media only serves to exacerbate these phenomena, leading to quicker price movements.[8]

It holds that assigning risks solely to derivatives as instruments is logically untenable. Evidence suggests that developed markets avoid general prohibitions but rely upon strong disclosure standards, suitability rules and oversight systems to allow extensive trading in derivatives. The Indian experience throws up some fundamental issues - Is the instability being observed a result of the nature of derivatives or more a failure of investor education, brokers' incentives and market structure?

It is critical to understand this distinction to gauge SEBI's latest regulatory actions. Ignoring the economic role of derivatives and the underlying reasons behind their misuse and mis-use leads to regulators focusing on symptoms rather than root causes.[9] This chapter puts the derivatives in their respective legal-economic context and paves the way for analysing the 2025 SEBI actions as either proper regulation or an overreaction to a bigger problem of governance in the market.

WHAT CHANGED AND WHY: SEBI'S 2025 REGULATORY RESPONSE

Actions taken by SEBI in the equity derivatives market in October 2025 reflected a major shift in its view of retail-driven speculation. Unlike the gradual changes in margin requirements or disclosure standards seen in previous years, the 2025 measures appeared to represent a more fundamental alteration in how derivative exposure is permitted and monitored in Indian markets. These reforms focused on safeguarding investors, and the system highlights SEBI's growing discomfort with the size, speed and structure of the derivatives trade.

---

[8] Anurag K. Agarwal, Regulation of Derivatives Markets in India: Issues and Challenges, 56 J. INDIAN L. INST. 215 (2014).

[9] Raghuram G. Rajan, Has Financial Development Made the World Riskier?, in *The Greenspan Era: Lessons for the Future* 313 (Fed. Reserve Bank of Kan. City ed., 2005), https://www.kansascityfed.org/Jackson%20Hole/documents/3326/PDF-Rajan2005.pdf.

The fundamental element of the SEBI response was the tightening of the limits of positions to various levels. The position limits[10] in the market (MWPLs) were recalibrated to represent the underlying liquidity more accurately[11] in the cash markets, and the aim was to ensure that derivatives volumes were not much more than the liquidity of the underlying securities. At the entity and the client level, SEBI toughened the limits on intraday and end-of-day exposures, which served to reduce the capacity of the traders, especially the retail participant, to enter into highly leveraged positions at a low capital cost.[12]

These modifications were accompanied by an increase in real-time monitoring requirements on stock exchanges and clearing corporations, marking a shift from to continuous supervision as opposed to ex post supervision. SEBI defended these actions on the grounds of empirical evidence that showed long-run losses of retail derivatives traders. Regulatory papers and press releases by SEBI officials continually pointed out that most individual investors in the futures and options market experienced net losses over the long term, and this has been further increased by trading in short-dated options.[13]

In SEBI's view, leverage, behavioural biases and ease of access through the platform created a market environment where informed consent was arguably not achieved. The idea was that regulation was more of a corrective action to offset structural asymmetries rather than a limit to legitimate risk-taking. Under the law, SEBI has wide powers to implement such measures pursuant to the provisions of Sections 11 and 11B of the SEBI Act, 1992. These provisions grant it the power to take action to safeguard investors and promote the orderly development of the securities market. The Securities Contracts (Regulation) Act, 1956, also allows SEBI to regulate derivative contracts on recognised stock exchanges. Past decisions of the courts have granted SEBI a high

---

[10] *Supra* note 3.
[11] Bd. of Governors of the Fed. Rsrv. Sys. & Int'l Org. of Sec. Commissions, *Principles for Financial Market Infrastructures* (2012), https://www.iosco.org/library/pubdocs/pdf/IOSCOPD377.pdf.
[12] Securities and Exchange Board of India Act, 1992, §§ 11, 11B.; SEBI v. Sterlite Indus. (India) Ltd., (2004) 3 SCC 1.
[13] Andrei Shleifer, Inefficient Markets: An Introduction to Behavioral Finance 97 (Oxford Univ. Press 2000).

degree of discretion in the exercise of these powers, as it is seen to be an expert regulator charged with the responsibility of striking the right balance between conflicting market interests. The 2025 reforms thus lie within the easy reach of SEBI's statutory mandate, although its policy wisdom may be disputed.

MARKET IMPACT & FURTHER REPERCUSSIONS

However, the scope and magnitude of SEBI's interventions provoke some significant questions regarding proportionality. By focusing on derivatives exposure using uniform caps and liquidity-based constraints, SEBI took on a one-size-fits-all approach. Although these measures are administratively effective, they may hide the difference between speculative and hedging activity, and investor sophistication. The institutional participants and true hedgers could be bound by constraints that are mainly aimed at limiting retail excess, which might slow down market depth and efficiency.

The reforms had mixed effects in the market. The derivatives volumes fell marginally in the immediate aftermath, especially of short-dated options, implying that some success had been achieved in curbing speculative churn. There were also concerns about liquidity fragmentation and the hazard of risk shifting to less-regulated routes, such as offshore markets and unofficial trading routes, etc. Brokerages showed concern over the high compliance and operating cost implications, and some commentators cautioned that going too far with restrictions would compromise the competitiveness of the country as a global derivatives centre.[14]

Notably, SEBI's response in 2025 should not be seen as a single intervention, but as a part of a broader regulatory approach that is becoming more focused on stability and less on participation. This philosophy is representative of post-crisis trends in the world, but it is also overlapping with issues that are specifically Indian like the rapid financialisation, the uneven investor literacy, and the market access via platforms. The ensuing chapters of this essay will look into whether this recalibration is good

[14] Merton H. Miller, *Financial Innovation: The Last Twenty Years and the Next*, 21 J. FIN. & QUANTITATIVE ANALYSIS 459 (1986).

governance or over-paternalism. This derivatives crackdown by SEBI is a legally sound but normatively disputable use of regulatory authority. It highlights an act of decisive intervention by the regulator in the circumstances in which the market is perceived to be dysfunctional, but at the same time puts into question the long run effects of such intervention on the autonomy of the market, efficiency and innovation.

COMPARATIVE REGULATORY FRAMEWORKS FOR RETAIL DERIVATIVES

SEC/CFTC

In the United States,[15] derivatives retail access is regulated by the U.S. Securities and Exchange Commission ("**SEC**") and the Commodity Futures Trading Commission ("**CFTC**"), through both broker-dealer suitability and exchange-traded product regulations, with a focus on risk disclosure and fitness, rather than a direct prohibition of most products. Under the FINRA regulations implemented by the SEC, a broker is obliged to determine the suitability of retail clients to complex derivatives such as options based on investment experience, financial condition and risk tolerance before recommending or carrying out a trade. The CFTC also applies core principles to designated contract markets ("**DCMs**") and swap execution facilities ("**SEFs**"), including governance, in order to reduce the conflicts of interest and minimum fitness levels of the officers and board members to provide a robust oversight of retail futures and swaps trading, excepting commercial hedgers but implementing greater scrutiny to speculative retail trading.[16]

FCA

The Financial Conduct Authority ("**FCA**") of the United Kingdom is more interventionist, permanently prohibiting the sale of contracts for difference ("**CFDs**")

---

[15] Comm. on Payment & Settlement Sys. & Int'l Org. of Sec. Commissions, *Principles for Financial Market Infrastructures* pmbl. (2012).
[16] FINRA Rule 2111 (Suitability).

and CFD-like options to retail investors since 2019[17] because of the observed high rate of losses through high leverage and poor risk understanding. Before the ban, the FCA required appropriateness tests, through which companies had to test the knowledge, experience and financial position of the clients; self-certification was not enough, and the leverage was limited (e.g., 30:1 to 2:1 depending on experience and asset class) in addition to compulsory risk warnings. This structure puts a relatively high emphasis on gatekeeping by intermediaries, which auto-closes positions at 50% margin in case of losses, which is in a paternalist approach to protecting the retail, and is more liberal to professional clients.

ASIC

ASIC[18] in Australia has used product intervention orders ("**PIOs**") in the Corporations Act to limit retail CFDs and prohibit binary options entirely since 2021, including such characteristics as high leverage, which result in substantial harm. Leverage ratio ranges between 30:1 in major forex to 2:1 in cryptocurrency, and is continually maintained: companies are required to track customer losses and open them at half the percentage used in margin. Suitability tests are entrenched through design and distribution requirements ("**DDO**"), which require issuers to test product suitability for particular retail customers and disclose compliance, thereby matching restrictions with loss evidence.

REGULATORY PATERNALISM VS. INVESTOR AUTONOMY

The revisions of SEBI 2025 derivatives restore an ancient debate in securities regulation: ***How much investor protection and market freedom?*** The main source of this conflict is the theory of regulatory paternalism, the notion that the state is entitled to step in to defend people against choices which can do them much harm, even in cases where such choices are made voluntarily. The intervention of SEBI in the

[17] Fin. Conduct Auth., *PS19/20: Permanent Restrictions on CFDs* ¶ 1.2 (2019), https://www.fca.org.uk/publication/policy/ps19-20.pdf.
[18] Austl. Sec. & Invs. Comm'n, ASIC Corporations (Product Intervention Order—Contracts for Difference) Instrument 2020/986 (2020).

derivatives trading context seems to be based on a perception that the retail investors are structurally disadvantaged and, as such, have no ability to fully understand the risks involved in leveraged financial instruments.[19]

The paternalistic regulation is not necessarily illegitimate in the capital markets. The traditional securities law has been founded on information asymmetry, cognitive bias, and unequal bargaining power. The practices of the mandatory disclosure regime, suitability requirements and licensing requirements constitute some form of protection intervention. But derivatives markets take a more complicated place. In contrast to conventional retail investment products, derivatives are clearly high-risk instruments, the nature of which is such that they are intended to expose them to uncertainty.[20]

The control issue, then, does not simply consist in guarding investors against misleading them, but also in whether and at what time investors are to be guarded against their own speculative decisions. The argument given by SEBI to justify its derivatives crackdown is overly dependent on empirical evidence of mass retail losses.

Although these conclusions are concerning, they lead to a normative issue: can continuous loss-making be the sole reason to limit access to markets? By itself, loss is not an indicator of market failure, but it can also be a sign of informed risk-taking in an attempt to achieve greater returns.[21] In making the losses seem to result from exploitation or wrongful comprehension, SEBI runs the risk of equating malfunctioning results with malfunctioning procedures.

This confusion grounds itself on a paternalistic reasoning, perceiving results as more valuable than autonomy. Furthermore, this paternalism is uncomfortable with the overall regulatory stance of SEBI. In other parts of the capital market, including small-cap equities or crypto-linked instruments, or even high-yield debt, the regulatory reaction has been more focused on disclosure and risk warnings than on participation

[19] Cass R. Sunstein, Laws of Fear: Beyond the Precautionary Principle 59 (Cambridge Univ. Press 2005).
[20] SEBI v. Kanaiyalal Baldevbhai Patel, (2017) 15 SCC 1 (India).
[21] Amartya Sen, Development as Freedom 27 (Alfred A. Knopf 1999).

limits. The special treatment of derivatives, therefore, implies an unspoken ethical judgment concerning derivatives in general. However, this is a politically desirable moralisation of market behaviour that can weaken the impartiality that securities regulators are meant to uphold.

Relatively, more moderate measures have been taken by mature jurisdictions. The SEC and CFTC in the United States allow widespread trading in derivatives, but are guided by the obligations of broker-dealer and margin requirements and post-trade monitoring. Although the Financial Conduct Authority in the United Kingdom has limited various types of retail derivatives such as CFDs, it has also put money into suitability testing and behavioural disclosures instead of blanket caps. According to these models, the protection of the investors does not necessarily have to be at the expense of significant involvement in the market.

Finally, SEBI has a regulatory philosophy that favours stability and protection at the expense of choice and experimentation. Although this kind of approach can be justified in a market with financial literacy imbalances , it can infantilise investors and prevent them from forming a well-developed risk culture. The issue of Indian securities regulation is not to end speculative behaviour, but to ensure informed consent, responsibility and systemic resilience.

MARKET STABILITY OR MARKET DISTORTION: THAT IS THE QUESTION

To evaluate the effectiveness of reforms suggested by SEBI in 2025 derivatives, it is necessary to go beyond the concept of regulatory intent to analyse the existing and potential consequences of these innovations on the operations of the market.[22] Although the given purpose of stability improvement is normatively attractive, the connection between derivatives regulation and system risk is neither straightforward nor without controversy.

---

[22] Andrei Shleifer & Robert W. Vishny, *The Limits of Arbitrage*, 52 J. FIN. 35 (1997).

In fact, the ill-calibrated restrictions have the potential to create unintentional distortions which destroy the very thing they are meant to enhance: stability. SEBI seems to have partially been successful in its measures in the short term. The reforms have shown that market data has slowed derivatives volumes, especially in trading ultra-short options. This weakening indicates that there has been a curtailment of speculative churn that is usually caused by the high- frequency retail involvement.[23] Investors can take a smaller role in loss-making strategies since this can be seen as a positive consequence of reduced participation. Nevertheless, the stability cannot be measured only by the reduction of volume. Derivatives markets are vital in liquidity supply and the discovery of prices on underlying securities.

By limiting derivatives exposure by liquidity-based caps, SEBI is exposing itself to the risk of stifling valid hedging by institutional investors and market makers. A decrease in hedging efficiency may actually have the opposite effect, i.e. make cash market volatility larger, especially in stressful periods where risk transfer mechanisms are needed the most. Regulatory arbitrage is also a possibility. Offshore derivatives, unregulated platforms, or synthetic instruments that cannot be supervised by SEBI at once may be pursued by the participants of the market. This kind of migration does not make risk non-existent; it simply transfers it to less transparent and controllable environments.

Experience abroad proves that far too many domestic restrictions tend to externalise the risk instead of mitigating it. Moreover, SEBI's strategy can result in an institutional bias between retail and institutional actors. Retail traders are more limited, but more advanced players with capital, technology, and other alternative instruments, who are relatively immune. Such an imbalance raises issues of equity and access to the market, which may be reinforcing the idea that capital markets favour the incumbents over new entrants.

Systemically, volatility is not necessarily pathological. The financial markets are created to take and portray information, and when the volatility is up, it frequently acts as a

[23] Viral V. Acharya, *A Theory of Systemic Risk and Design of Prudential Bank Regulation*, 5 J. FIN. STABILITY 224 (2009).

warning of an economy adjusting on its feet. This signalling capacity of markets is impaired by over-regulation that attempts to reduce volatility.

The dilemma is to then say what is destabilising excess and healthy risk-taking - an activity that blunt regulatory instruments are poorly adapted to undertake. When analysing the intervention by SEBI, one will discover that stability produced by limits to participation can be weak and an illusion. Sustainable stability requires strong market infrastructure, well-informed market actors, good surveillance, as well as plausible enforcement of misconduct. Unless they tackle these background factors, derivatives trading limits will be a temporary fix and not a long-term elimination.

BEYOND RESTRICTIONS: RETHINKING REGULATORY STRATEGIES OF DERIVATIVES MARKETS

In the event that the SEBI 2025 derivatives crackdown is indicative of the constraints of sledgehammer regulation, the follow-up question becomes what other measures can be utilised to better balance the protection of investors with market efficiency. Regulation of securities does not have to follow a binary system of laissez-faire involvement and paternalism. However, a more attuned regulatory framework that seeks to respond to structural causal agents of speculative excess can provide a way out of this cul-de-sac.[24] One of the key weaknesses of the existing strategy is its reliance on participation restrictions, rather than behavioural correction. Position size and exposure caps might make short-term losses less frequent, but that neither makes them better-educated risk-takers nor better investors.

The solution to this is stronger suitability and appropriateness norms at the intermediary level, which would be more enduring. The trading platforms and brokers assume a pivotal role of gatekeeping, and they are in a better position than the regulator to determine whether a client is aware of the risks presented by derivatives trading.[25]

---

[24] John C. Coffee, Jr., *Gatekeepers: The Professions and Corporate Governance*, 84 B.U. L. REV. 301 (2004).
[25] Douglas W. Arner, Janos Barberis & Ross P. Buckley, *The Evolution of Fintech: A New Post-Crisis Paradigm?*, 47 GEO. J. INT'L L. 1271 (2016).

Compulsory risk profiling, graded access to complex products and cooling-off of first-time derivatives traders might help reduce any harm without blocking willing participants. Another regulatory lever that is underutilised is investor education.

Although SEBI has in the past invested in awareness campaigns, it has not kept up with the very fast financialisation of retail investing. Education programs should go beyond broad warnings and concentrate on behavioural biases, loss likelihood and leverage mechanics. The empirical data indicates that knowledgeable investors tend to self-select out of overly risky strategies, lessening the need to coerce them to take part. Technological governance also provides alternatives that are promising. Experts in data analytics and real-time surveillance are able to identify abnormal trading behaviour, concentration risks and market manipulation much more accurately than before. Instead of having standard capped limits, SEBI can implement dynamic and risk-sensitive control, which is sensitive to the market environment and behaviour of participants.

Lastly, enforcement should have a higher role in regulatory strategy. There is always a thin line between speculation and manipulation, as it is rhetorically hard to discern but legally tangible. The strongest measures to address the worst forms of market behaviour can be achieved through strict enforcement against insider trading, price manipulation and misleading inducements without stigmatising derivatives trading in totality.

A regulatory system that prioritises accountability over restriction would have a higher chance of promoting trust and legitimacy. In re-inventing derivatives regulation, the focus should not be on protecting the investors against all risks, but on making risk-taking in an environment of transparency, competence, and responsibility.[26] This would be more consistent with the principles of the securities law and would provide a more believable alternative to long-term market stability.

---

[26] Securities & Exchange Board of India, Discussion Paper on Strengthening Investor Suitability and Appropriateness Framework (2023).

CONCLUSION: RE-BALANCING RISK, REGULATION AND RESPONSIBILITY

The SEBI intervention in the Indian equity derivatives market in 2025 can be termed as a turning point in the history of securities regulation in India. In the wake of unprecedented retail participation, losses of growing scale and systemic vulnerability, the regulator decided to take decisive action. Statutorily and institutionally, this intervention can be justified; SEBI has the mandate as well as the expertise to reposition market rules against new risks.

However, the normative consequences of such intervention are more complicated than this essay has suggested. SEBI ensures that it simplifies the roots of market turmoil and hides the legitimate economic roles that derivatives play by making derivatives more of a tool of speculative harm. The paternalistic tendency, where regulation is put more than reform, indicates a more general tendency to paternalism. This does not imply that SEBI has its anxieties in misplaced places. Retail losses in derivative trade are actual and important, and asymmetries which define financial markets require regulation. Nonetheless, successful regulation should be able to draw the line between damaging behaviour and voluntary risk-taking; between the structural failure and the individual decision. When regulation fails to uphold these differences, it risks treating symptoms and not causes.

Balance, as opposed to the prohibition of derivatives, is the future of derivatives regulation in India. A combination of focused enforcement, intermediary accountability, educating investors, and a technologically informed vigilance will be more suited to address this problem of retailisation without compromising market efficiency.

This would treat the investors as fully functioning economic participants and recognise the role of the regulator in ensuring systemic stability. However, it is not whether markets are casinos or not, but rather whether regulation should attempt to eliminate risk or regulate it responsibly. In a financial system that is as dynamic and aspirational as India, the solution must be in the development of informed participation instead of its inhibition. Though the SEBI 2025 reforms have the right objectives, it is only a preliminary step in a continuous discussion of the role and scope of securities regulation in a fast-paced market environment.