THE THEORY OF LEGAL-REGULATORY INTEGRATION (TLRI): REGULATORY TRANSLATION, FUNCTIONAL FIDELITY, AND THE INSTITUTIONAL ARCHITECTURE OF LEGISLATIVE IMPLEMENTATION

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ABSTRACT

Legal scholarship and regulatory studies have matured as parallel disciplines. Courts, legislatures and constitutional theory occupy one intellectual universe; administrative agencies, sectoral commissions and compliance systems occupy another. Yet both pursue the same public objectives, stability, fairness, inclusion, security, and both claim to give effect to the will of the legislature. This article kind of asks why the two stay institutionally disconnected even though they have, in a sense , that shared purpose and what could let them work in tandem, not just run beside each other. It also puts forward the Theory of Legal-Regulatory Integration (TLRI) ,which is a middle-range socio-legal theory built around one main proposition. Basically legislation does not directly yield public outcomes. Instead those outcomes get formed through successive institutional layers, where the original legislative intent gets translated into regulatory standards, then into organisational compliance and, finally, into social and economic behaviour. The article introduces three original constructs, regulatory translation, the discretionary conversion of statutory purpose into operative behaviour; functional fidelity, the degree to which that conversion remains faithful to purpose while adapting to changing conditions; and a five-part taxonomy of translation failure, and situates them within a bidirectional analytical model in which institutional quality determines whether translation yields constructive or distorted capital. It probes the framework against three Indian cases: the CCI-TRAI jurisdictional conflict, the SEBI-Jane Street interpretive void, and the Andhra Pradesh microfinance contraction. It concludes with an inward-outbound operating model, departmental adherence matrices and five testable propositions, reframing regulatory evaluation from "is it lawful?" to "did it faithfully translate legislative intent?"

Keywords: legal-regulatory integration; regulatory translation; functional fidelity; socio-legal theory; institutional quality; financial regulation; India.

I. Introduction

1.1 The Puzzle of Disconnected Governance

Modern states kind of govern via two vocabularies, they, almost never manage to even line up in one sentence. One set is the law vocabulary: statutes, rights, precedents, constitutional limits, and then the reasoned decision for disputes, like it's all meant to be deliberate. The other set is regulation talk: circulars, master directions, licensing conditions, supervisory expectations, and this continuous administrative steering of markets and risks. A citizen touched by a lending decision, an investor shielded from manipulation, or a depositor kept away from a bank failure will feel the combined weight of both, even if the paperwork doesn't. Still, the academic disciplines that study them have drifted apart. Jurisprudence keeps asking what makes law valid, while regulatory theory asks how agencies should govern, and then each one kind of goes on as if the other were some foreign country with a different language, different rules.

This separation would be unremarkable if law and regulation pursued different ends. They do not. A securities statute and the disclosure circulars issued under it both seek fair and efficient markets. An anti money laundering law, and the customer due diligence duties that turn it into practice both want to shield the financial system from illicit finance. A micro finance statute ,and the interest rate caps issued beneath it also aim to protect vulnerable borrowers. So law and regulation are, in a sense, two instruments in one orchestra, trying to play the same tune. The puzzle this article tackles is why they so often end up sounding a bit off tune.

The central claim is deceptively simple and, once stated, difficult to unsee: legislation does not directly produce public outcomes. Between the passing of a statute and the realizing of its purpose there is this long institutional corridor, regulatory interpretation, rule making, supervision, organisational compliance, and behavioural response, through which the legislative intent has to go, and along the way is repeatedly translated. Each translation is discretionary; each may be faithful or, somehow, unfaithful; and the overall quality of what finally comes about is judged less by how elegant the statute sounds than by how faithfully it gets translated. So law and regulation aren't really hierarchical, in the sense that one just commands the other, but they also aren't properly parallel, either, because each one moves in its own sealed lane. They are nested layers of a single governance architecture, joined by translation. Where scholarship treats them as separate disciplines, it renders that joining layer invisible, and it is precisely in the invisible layer that most implementation failures occur.

1.2 Research Problem and Significance

The research problem can be stated as a single question: why do legal and regulatory mechanisms remain institutionally disconnected despite pursuing the same public objectives, and under what conditions can they be made to operate in tandem? The question is deliberately double-barrelled, one diagnostic, one prescriptive, because a theory that only explains dysfunction is of limited use to the institutions that must remedy it.

The significance of the problem is threefold. First, it is doctrinal. Contemporary governance has quietly moved most of the real law-making, downwards: the rules citizens and firms actually meet are mostly regulatory, not statutory. They get produced continuously by agencies instead of being crafted occasionally by legislatures, or so it seems, depending on how you look at it. Administrative-law labels built around delegation, vires, and judicial review do describe the move, but they don't really show the substance, the what-actually-happens part. In other words, they don't tell you whether the delegated norm still serves the very aim that justified the delegation in the first place.

Second, it is developmental. In emerging economies the stakes of a failed translation are not mere legal untidiness but foregone growth, excluded borrowers, and eroded public trust. When a protective statute is translated into a blunt instrument, the cost is measured in credit withdrawn and, as Part IV shows, in children's learning lost.

Third, it is methodological. Without a vocabulary for the translation layer, scholars and policymakers cannot diagnose where implementation breaks down; they can only observe, after the fact, that it did. Naming the layer is the precondition for governing it.

1.3 Scope and Methodology

This article is a work of theory-building rather than empirical estimation. Its ambition is kinda conceptual, to name and structure a layer of governance that existing theory leaves unarticulated, and well the cases are meant to be illustrative rather than dispositive. Financial regulation supplies the running examples, because it is the domain where continuous rule-making, sectoral pluralism, and measurable developmental outcomes overlap most sharply; yet the theory is portable across other things like environmental, competition, data-protection , and artificial-intelligence governance in any jurisdiction.

The method is analytical and doctrinal, supplemented by structured comparative case analysis. It proceeds in three moves. First, a critical literature review identifies a common blind spot across five scholarly traditions. Second, the theory is constructed deductively from a core proposition, defining its constructs and modelling their relationships. Third, the framework is subjected to a plausibility probe against three purposively selected Indian cases, chosen for variation on the type of translation failure they exhibit, following the logic of theory-testing case design.[1] The cases are not a statistical sample; they are analytic instances selected to demonstrate the framework's discriminating power.

Three features make India an especially apt laboratory for theory-building of this kind. It couples a mature statutory and constitutional order with a dense population of sectoral regulators whose mandates routinely overlap; its Supreme Court actively polices the boundaries of delegated and concurrent authority, generating a visible record of translation disputes; and its developmental stakes are high enough that translation failures register in measurable social outcomes rather than remaining doctrinal abstractions. These same features, regulatory pluralism, active constitutional review, and measurable developmental consequences, are present, in varying degrees, in most modern regulatory states, which is why the framework is expected to travel beyond India; Part V returns to that question of portability directly.

1.4 Structure of the Article

Part II reviews five literatures and locates their shared gap. Part III develops the theory, its mechanisms of regulatory translation and the translation chain, the standard of functional fidelity, the bidirectional analytical model, and the measurement framework. Part IV probes the theory against three cases. Part V sets out mechanisms for tandem operation, engages counterarguments, and states the contribution. Part VI concludes with implications and testable propositions.

II. Literature Review: Five Silos and a Shared Blind Spot

Five mature traditions each illuminate part of the passage from statute to outcome; none illuminates the whole. This section reviews them not to summarise their internal debates but to

[1] Jeffrey L. Pressman & Aaron Wildavsky, Implementation (3d ed. 1984); on theory-testing case design, see Robert K. Yin, Case Study Research (5th ed. 2014).

locate a common absence.

2.1 Jurisprudence: Validity without Implementation

The jurisprudential tradition explains what makes a norm law. Hart's rule of recognition supplies the test of legal validity;[2] Fuller's internal morality specifies the conditions of legality, generality, clarity, non-contradiction, and, crucially, congruence between the declared rule and official action;[3] Dworkin's law as integrity explains how judges should interpret;[4] Raz theorises authority and the rule of law.[5] But the tradition largely stops at the courtroom door. Its actors are legislators and judges; its paradigmatic event is adjudication. It says comparatively little about the administrative agency that, between enactment and adjudication, converts a statutory objective into thousands of operative obligations. Fuller's eighth desideratum, congruence between rules as announced and as administered, gestures toward the problem, but was framed for officials applying law, not for agencies continuously manufacturing it.

2.2 Administrative Law: Delegation and Its Discontents

Administrative law sort of provides the constitutional " grammar" of the regulatory state, delegation and then these related ideas, *ultra vires*, reasonableness, natural justice, and judicial review. In India, constitutional doctrine has been policing the far edge of delegated power for a long time, sort of insisting that essential legislative functions can not be handed over to the executive.[6] Yet the central question of administrative law is whether power was lawfully exercised, not whether its exercise faithfully advanced the legislature's purpose. A rule may be *intra vires* and procedurally impeccable and still defeat the developmental objective Parliament sought. Focused on legality, administrative law is largely silent on fidelity.

2.3 Regulatory Theory: The Regulator without the Statute

Regulatory scholarship has produced the richest account of how agencies actually govern.

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[2]H.L.A. Hart, The Concept of Law (3d ed. 2012). http://doi.org/10.2307/2217213
[3]Lon L. Fuller, The Morality of Law 39, 81-91 (rev. ed. 1969) (positing congruence between declared rule and official action as the eighth desideratum of legality). http://doi.org/10.2307/2217903
[4]Anne padley, Law's Empire (1986). http://doi.org/10.1111/j.1467-9337.1988.tb00014.x
[5]Joseph Raz, The Authority of Law (1979). http://doi.org/10.1093/acprof:oso/9780198253457.001.0001
[6]*In re Delhi Laws Act, 1912*, AIR 1951 SC 332 (India); *Hamdard Dawakhana v. Union of India*, AIR 1960 SC 554 (India) (essential legislative functions may not be delegated).

Ayres and Braithwaite show how enforcement can be sequenced up an escalating pyramid;[7] Black theorises regulation as a decentred activity dispersed across state and non-state actors;[8] Baldwin, Cave and Lodge map regulatory strategies and the sources of regulatory legitimacy.[9] But this literature is, understandably, regulator-centric. It theorises the agency's behaviour largely in its own terms, and rarely traces the thread back to the specific legislative intent the agency exists to operationalise, or forward to the developmental outcome that intent was meant to secure.

2.4 Institutional Economics: Institutions without Translation

North, Williamson, Ostrom and Acemoglu establish that institutions, the rules of the game, determine economic performance by structuring incentives and reducing uncertainty.[10] This tradition explains *why* good institutions matter enormously. What it does not specify is the legal-institutional mechanism by which a statute becomes an institution-in-action, how, precisely, legislative text is converted into the incentive structures firms face. The tradition's own distinction between formal institutional constraints, written statutes, rules and regulatory codes, and informal ones, conventions, professional norms and enforcement cultures, bears directly on translation fidelity in a way it has not been made to bear: a statute may be faithfully rendered into formal rules yet be quietly defeated by informal norms of forbearance, box-ticking, or captured practice, so that high formal fidelity coexists with low behavioural fidelity. Regulation is the mechanism that spans both; institutional economics tends to treat it as a black box.

2.5 Implementation Studies and Compliance: The Missing Bridge

The closest antecedents lie outside law. Pressman and Wildavsky's classic study showed how

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[7]Ian Ayres & John Braithwaite, Responsive Regulation: Transcending the Deregulation Debate (1992). See also John Braithwaite, *Responsive Regulation and Developing Economies*, 34 World Dev. 884 (2006), https://doi.org/10.1016/j.worlddev.2005.04.021.

[8]Julia Black, *Critical Reflections on Regulation*, 27 Austl. J. Legal Phil. 1 (2002). See also Julia Black, *Constructing and Contesting Legitimacy and Accountability in Polycentric Regulatory Regimes*, 2 Reg. & Governance 137 (2008), https://doi.org/10.1111/j.1748-5991.2008.00034.x; Giandomenico Majone, *The Rise of the Regulatory State in Europe*, 17 W. Eur. Pol. 77 (1994), https://doi.org/10.1080/01402389408425031.

[9]Robert Baldwin, Martin Cave & Martin Lodge, Understanding Regulation: Theory, Strategy, and Practice (2d ed. 2012). http://doi.org/10.1093/acprof:osobl/9780199576081.001.0001

[10]Douglass C. North, Institutions, Institutional Change and Economic Performance (1990) https://doi.org/10.1017/CBO9780511808678; Oliver E. Williamson, The Economic Institutions of Capitalism (1985); Elinor Ostrom, Governing the Commons (1990) http://doi.org/10.1017/CBO9780511807763; Daron Acemoglu & James A. Robinson, Why Nations Fail (2012).

policy dissipates across the "complexity of joint action";[11] Lipsky showed how street-level bureaucrats remake policy in the very act of delivering it;[12] and Callon's sociology of translation describes how actors convert one another's interests into aligned action.[13] Reflexive-law theory, meanwhile, models law steering social systems indirectly rather than by command.[14] These traditions supply the raw material for a theory of translation, but they were built for public administration and the social study of science, not for the legal-regulatory interface, and they have not been assembled into a jurisprudential account of how legislative intent becomes market behaviour. Compliance scholarship, for its part, tends to treat compliance as obedience, an internal-controls and risk problem, rather than as the terminal act of legal translation.

2.6 The Shared Blind Spot: The Research Gap

Read together, the five traditions triangulate an absence. Jurisprudence owns validity; administrative law owns legality; regulatory theory owns agency behaviour; institutional economics owns outcomes; implementation studies own dissipation. Each holds one segment of the corridor from statute to outcome; none holds the corridor itself. What no tradition theorises is the translational layer that connects them, the discretionary, cumulative, error-prone process by which legislative intent is converted, step by step, into behaviour. That is the gap this article is built to fill. The gap is not an unstudied topic but an unintegrated one: the building blocks exist; the architecture does not.

III. The Theory of Legal-Regulatory Integration

3.1 Core Proposition and Definitions

TLRI rests on one proposition: legislation does not directly produce public outcomes; outcomes are produced through successive institutional layers that translate legislative intent into regulatory standards, organisational compliance, and social and economic behaviour. From this the theory's definition follows.

[11]Pressman & Wildavsky, *supra* note 1. http://doi.org/10.1525/9780520353497-011
[12]Michael Lipsky, Street-Level Bureaucracy (1980). http://doi.org/10.1177/003232928001000113
[13]Michel Callon, *Some Elements of a Sociology of Translation*, *in* Power, Action and Belief 196 (John Law ed., 1986). http://doi.org/10.1111/j.1467-954X.1984.tb00113.x
[14]Gunther Teubner, *Substantive and Reflexive Elements in Modern Law*, 17 Law & Soc'y Rev. 239 (1983), https://ssrn.com/abstract=896509. https://doi.org/10.2307/3053348

Definition (TLRI). The Theory of Legal-Regulatory Integration explains how legislative intent is transformed into public outcomes through successive processes of regulatory interpretation, institutional translation, compliance architecture, supervisory practice, and organisational behaviour, and specifies the conditions under which that transformation remains faithful to legislative purpose.

TLRI is thus a theory of legal implementation, not a theory of regulation or of compliance. It is offered as a middle-range socio-legal theory: it does not seek to displace Hart, Fuller, Dworkin or Raz, nor the regulatory scholarship reviewed above. It fills a specific explanatory gap between them.[15] It rests on three primitive constructs, regulatory translation, functional fidelity, and translation failure, and one structural claim: that law and regulation are nested, not parallel or hierarchical.

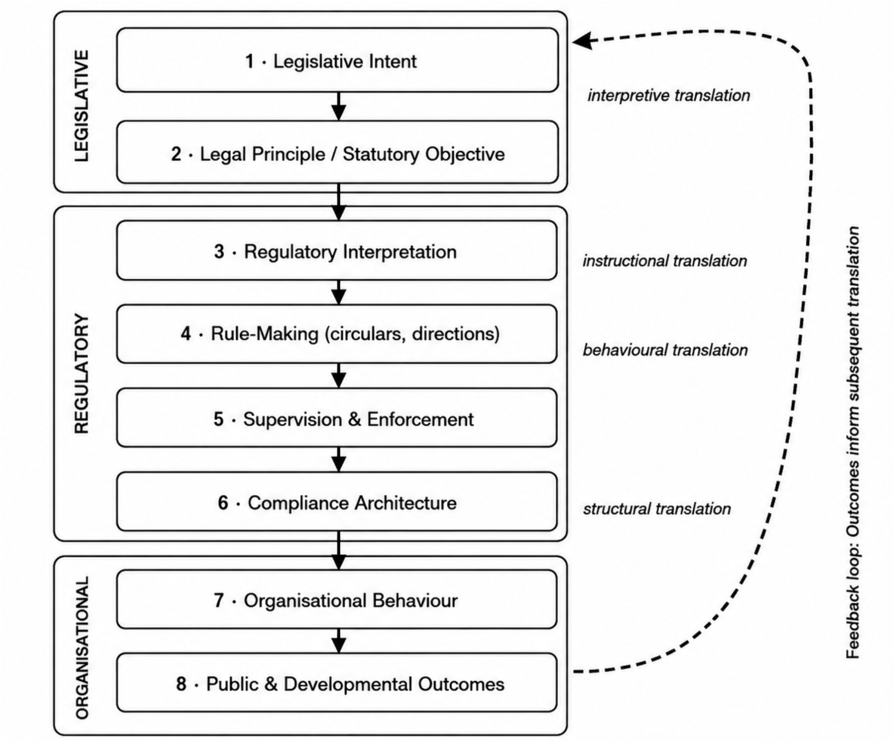
3.2 Theoretical Mechanism I: Regulatory Translation and the Translation Chain

Definition (regulatory translation). Regulatory translation is the institutional process through which abstract statutory objectives are converted into operative rules, supervisory expectations, compliance obligations, and measurable behaviours. Each conversion is an exercise of delegated discretion, and each is a point at which meaning may be preserved or lost.

Translation is not transmission. A statute is not a signal relayed intact down a wire; it is a purpose repeatedly re-expressed in new institutional media, and each re-expression transforms it. Figure 1 sets out the chain through which a legislative objective must pass. It moves from legislative intent, through legal principle, regulatory interpretation and rule-making, into supervision and the internal compliance architecture of regulated entities, and finally into organisational behaviour and public outcomes, with a feedback loop by which realised legitimacy signals back to the legislature.

[15] On middle-range theory, see Robert K. Merton, Social Theory and Social Structure 39-53 (enlarged ed. 1968).

FIGURE 1 - The Regulatory Translation Chain



Each translation is a discretionary act of translation; error introduced at any layer propagate downstream.

Figure 1. The regulatory translation chain: legislative intent is converted, layer by layer, into public outcomes, with a legitimacy feedback loop carrying the functional-fidelity signal upstream.

Two features of the chain deserve emphasis. First, it is nested rather than parallel. The constitution contains legislation, which contains delegated legislation, which contains regulation, which contains supervision, which shapes compliance, which produces behaviour. To speak of "law versus regulation" is therefore a category error: regulation is law, at a different layer of the same architecture. Second, every layer modifies the norm. The abstract objective of financial inclusion becomes priority-sector-lending targets, which become master directions, which become a bank's internal lending policy, which becomes a set of loan approvals, which, if translation is faithful, becomes economic inclusion. The Prevention of Money-Laundering framework does not merely demand customer due diligence; it translates a national-security objective into the everyday behaviour of a bank teller. Data-protection law translates a constitutional privacy right into corporate governance. Without translation, the statute remains aspiration.

3.3 Theoretical Mechanism II: Functional Fidelity

Definition (functional fidelity). Functional fidelity is the degree to which regulatory action faithfully operationalises legislative intent while remaining adaptive to changing technological, economic and social conditions.

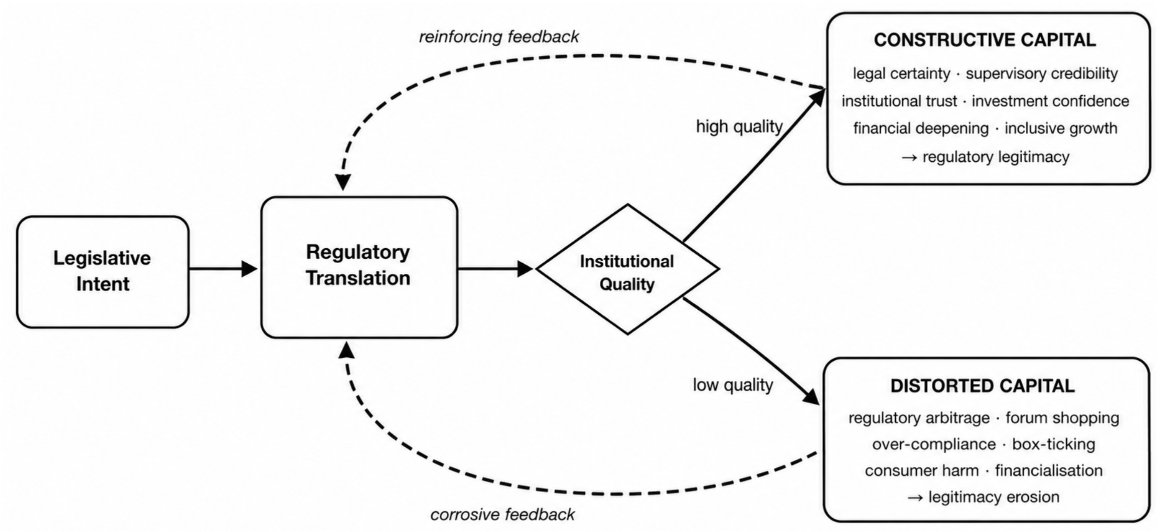
Fidelity is distinct from legality and is the yardstick TLRI substitutes for the binary of validity. A rule may be perfectly lawful yet exhibit low fidelity if it frustrates the purpose Parliament sought, by imposing dead-weight compliance, excluding the very people it was meant to protect, or ossifying against innovation. The concept has a jurisprudential lineage in Fuller's congruence desideratum,[16] extended here from officials applying rules to agencies manufacturing them, and it relocates purposive interpretation from the judge to the administrator. Fidelity is not obedience to text; it is faithfulness to the developmental objective the text encodes.

3.4 The Bidirectional Analytical Model

Translation is not deterministic. The same discretionary flexibility that lets a regulator adapt a statute to circumstance can generate fidelity or its opposite. The pivotal conditioning variable is institutional quality, supervisory capability, inter-agency coordination, insulation from capture, and informational and technological capacity. Figure 2 models the two paths.

[16]Fuller, *supra* note 3. https://doi.org/10.2307/2217903

FIGURE 2 - The Bidirectional Analytical Model Of Legal-Regulatory Translation



Institutional quality is the pivotal conditioning variable: the same translational facility yields constructive or distorted capital.

Figure 2. The bidirectional analytical model. Institutional quality is the pivot: high-fidelity translation compounds into constructive capital; low-fidelity translation compounds into distorted capital. Both branches are self-reinforcing.

Where institutional quality is high, translation compounds into constructive capital: legal certainty, supervisory credibility, institutional trust, investment confidence, financial deepening, inclusive growth, and, cycling back, legitimacy. Where it is low, the identical flexibility compounds into distorted capital: regulatory arbitrage, forum shopping, defensive over-compliance, consumer harm, financialisation, and legitimacy erosion. The model is bidirectional in two senses: outcomes feed back to shape subsequent translation, and the same statutory input can travel either path depending on the pivot. This links TLRI to the related construct of regulatory capital, the institutional asset that principle-based regulation can build or the liability it can accumulate, for which translation is the productive mechanism.[17]

3.5 The Measurement Framework

The framework converts fidelity from an idea into an instrument through two components. The

[17]Vipul V. Tamhane, *Regulating for Growth: From Regulatory Compliance to Regulatory Capital* (forthcoming 2026) (developing the constructive/distorted capital distinction).

first is a dual-question evaluation matrix that, at each layer, replaces the traditional legality question with a fidelity question (Table 2). The second is a set of functional-fidelity indicators: observable proxies such as objective clarity in the enabling statute, traceability of each rule to a stated purpose, coordination density among overlapping regulators, supervisory consistency across comparable cases, behavioural alignment between formal compliance and substantive conduct, and outcome realisation against developmental targets.

Governance layer	**Traditional legality question**	**TLRI fidelity question**
Legislation	Is the statute constitutional and intra vires?	Does it articulate clear, translatable developmental objectives?
Regulation	Is the rule validly made?	Does it faithfully translate the legislative intent?
Supervision	Is enforcement lawful and procedurally fair?	Does supervision reinforce the intended public outcomes?
Compliance	Is the regulated entity compliant?	Does compliance operationalise legislative purpose, not merely form?
Outcome	Were penalties lawfully imposed?	Were the law's developmental objectives actually achieved?

Table 2. The dual-question evaluation matrix: TLRI shifts the evaluative question at every layer from legality to fidelity.

A candid limitation must be stated at the outset. Functional fidelity is a construct, not a scalar to be estimated: several of its components, trust, legitimacy, the counterfactual behaviour of a regulated firm, are constitutively difficult to measure, and the framework is therefore a diagnostic instrument rather than an index. Its purpose is not to yield a fidelity coefficient but to structure judgment. Its diagnostic payoff is the taxonomy of translation failure in Table 3, which converts the vague verdict "the regulation failed" into the answerable question "which layer failed, and in which way?"

Diagnostic does not mean unmeasurable: although no single coefficient captures fidelity, its components together convert an abstract construct into a structured, replicable assessment.

Each admits of disciplined approximation, and the framework is strengthened by naming the proxies a scholar or regulator might use. *Objective clarity* can be approximated by structured readability and specificity analysis of the enabling statute, whether it states an identifiable purpose, a measurable target, and a criterion of success. *Traceability* can be scored by mapping each operative rule to the statutory objective it purports to serve, a mapping that regulatory impact assessments already partially perform. *Coordination density* is countable: the number of active memoranda of understanding, joint actions, cross-referrals and shared registers among overlapping regulators, weighted by referral turnaround. *Supervisory consistency* can be gauged by the variance in enforcement outcomes across comparable cases, wide unexplained variance signalling low fidelity at the supervision layer. *Behavioural alignment* can be probed through audits and surveys that compare formal compliance with substantive conduct; and *outcome realisation* can be estimated, as the microfinance case below illustrates, through difference-in-differences and event-study designs that test realised outcomes against the developmental target the statute set. None of these yields a fidelity scalar, but each is observable and replicable, so the construct can be assessed even where it cannot be summed.

Failure mode	Originating layer	Characteristic symptom	Illustrative case (Part IV)
Normative drift	Rule-making	Rule no longer reflects the legislature’s objective	AP microfinance ordinance
Institutional fragmentation	Interpretation	Multiple regulators translate one purpose inconsistently	CCI-TRAI (Bharti Airtel)
Compliance distortion	Compliance	Documentary box-ticking displaces substantive conduct	Defensive over-compliance
Supervisory inconsistency	Supervision	Uneven enforcement erodes certainty and legitimacy	SEBI interpretive void
Behavioural misalignment	Organisational behaviour	Formal obligations met while intent is frustrated	Expiry-day strategies

Table 3. A taxonomy of translation failure, each mode located at the layer where it originates.

IV. Comparative Case Studies

4.1 Case Selection and Method

Three Indian cases are examined as plausibility probes, selected purposively for variation on the type of translation failure and on the branch of the bidirectional model each illuminates. They are not offered as a test of causal magnitude but as demonstrations that the framework discriminates, that superficially unrelated episodes are, on the theory's reading, species of a single genus.

4.2 Horizontal Fragmentation: CCI v. TRAI (Bharti Airtel)

When Reliance Jio's 2016 demands for points of interconnection triggered a dispute with incumbent operators, the Competition Commission of India formed a *prima facie* view of cartelisation and ordered an investigation; the Bombay High Court quashed the order for want of jurisdiction; and the Supreme Court, in *Competition Commission of India v. Bharti Airtel Ltd.*, held that the Telecom Regulatory Authority of India, as the expert sectoral regulator, must first determine the jurisdictional and technical issues, after which, and only after which, the Commission could examine anti-competitive effects.[18] The statutory root of the tension lies in the Competition Act itself, whose overriding-effect clause sits uneasily beside its non-derogation clause, and whose consultation channels between the general and sectoral regulators are seldom used.[19]

On the TLRI reading, this is not a clash between "law" and "regulation" but a case of institutional fragmentation: two regulators translating overlapping statutory objectives, economy-wide competition and sector-specific efficiency, into inconsistent operative demands on the same conduct. The Court's contribution was an integration device: a sequencing rule that orders the two translations rather than choosing between them. Yet litigation had to serve as the de facto coordination mechanism precisely because the statutory consultation channels lay dormant. TLRI predicts this result: absent horizontal-integration infrastructure, fragmentation is resolved ex post by courts, at high cost and delay.

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[18]*Competition Comm'n of India v. Bharti Airtel Ltd.*, Civil Appeal No. 11843 of 2018 (India Dec. 5, 2018) (holding that the sectoral regulator must first decide jurisdictional and technical issues before the Commission may proceed).

[19]Competition Act, No. 12 of 2003, §§ 21, 21A, 60, 62 (India) (§ 60 overriding effect; § 62 application in addition to and not in derogation of other laws).

4.3 Interpretive Void: SEBI v. Jane Street

On 3 July 2025 the Securities and Exchange Board of India issued an ex-parte interim order against the Jane Street group, impounding roughly ₹4,843.57 crore in alleged unlawful gains and restraining the entities from the securities market.[20] The order described two strategies deployed on index-expiry days, intra-day index manipulation and "extended marking the close", across the BANKNIFTY and NIFTY indices, finding *prima facie* violations of the SEBI Act's anti-fraud provision and the fraudulent-and-unfair-trade-practices regulations.[21] The group deposited the sum into escrow and resumed trading within weeks, with an appeal pending before the Securities Appellate Tribunal.

The statutory objective (fair, non-manipulated markets) and its governing principle were clear; what was missing was a market-tested operational standard distinguishing legitimate institutional-scale arbitrage from manipulation on illiquid expiry-day books. That absence is a translation void at the interpretation layer: legislative intent existed, but its conversion into a bright-line operative rule had not occurred, so the boundary had to be drawn ex post through enforcement and, ultimately, adjudication. Interpretive capital of this kind cannot be legislated fully in advance; it is built case by case. The episode illustrates fidelity being manufactured retrospectively, effective, but purchased at the price of legal certainty. It is the cleanest illustration of the trade-off TLRI predicts when translation lags financial innovation.

4.4 Normative Drift and Distorted Capital: The Andhra Pradesh Microfinance Ordinance

In October 2010 the Andhra Pradesh government promulgated an emergency ordinance to regulate microfinance institutions following controversy over coercive recovery.[22] Enacted to protect borrowers, the ordinance halted microfinance lending and recovery almost overnight and propagated a liquidity contraction well beyond the state. Recent evidence finds that districts more exposed to the resulting credit contraction suffered a significant and persistent decline in children's learning outcomes, on the order of a small fraction of a standard deviation in mathematics and reading, with larger losses among younger children, working through

[20] *In re Jane Street Grp.*, Interim Order, Sec. & Exch. Bd. of India, WTM/AN/MRD/MRD-SEC-3/31516/2025-26 (July 3, 2025).

[21] Securities and Exchange Board of India Act, No. 15 of 1992, § 12A (India); Sec. & Exch. Bd. of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, regs. 3, 4 (India).

[22] Andhra Pradesh Microfinance Institutions (Regulation of Money Lending) Ordinance, 2010 (India) (effective Oct. 15, 2010).

reductions in educational and food expenditure, private schooling, and mothers' employment.[23]

Here a lawful, well-intentioned statute produced perverse downstream outcomes: normative drift compounded by behavioural misalignment. The consumer-protection objective was translated into an instrument, abrupt cessation, poorly sequenced, whose behavioural and developmental effects inverted the legislature's protective purpose. This is the distorted branch of the bidirectional model: low institutional quality at the design and sequencing stage converted protective intent into human-capital depletion, a cost the compliance-cost literature cannot see because it counts burden on firms rather than learning lost among children. The case makes the article's central methodological point concrete: legality is the wrong lens; only fidelity reveals the failure.

4.5 Cross-Case Synthesis

Three superficially unrelated episodes, a regulatory turf war, a trading ban, and a microfinance ordinance, resolve, under TLRI, into three species of one genus. Table 4 maps each to its failure mode, originating layer, model branch, and the integration device that did (or should) address it. That the framework assigns each case a distinct diagnostic location, and in doing so explains both the recurrence of such episodes and the form their resolution takes, is the theory's evidence of value.

Case	**Failure mode**	**Model branch**	**Integration device (actual / prescribed)**
CCI-TRAI (Bharti Airtel)	Institutional fragmentation	(coordination)	Judicial sequencing; dormant consultation channels
SEBI-Jane Street	Supervisory / interpretive void	Retrospective fidelity	Ex-post enforcement; needed anticipatory guidance
AP microfinance ordinance	Normative drift + misalignment	Distorted capital	Impact analysis and sequencing (absent)

Table 4. Cross-case synthesis: three episodes as three species of translation failure.

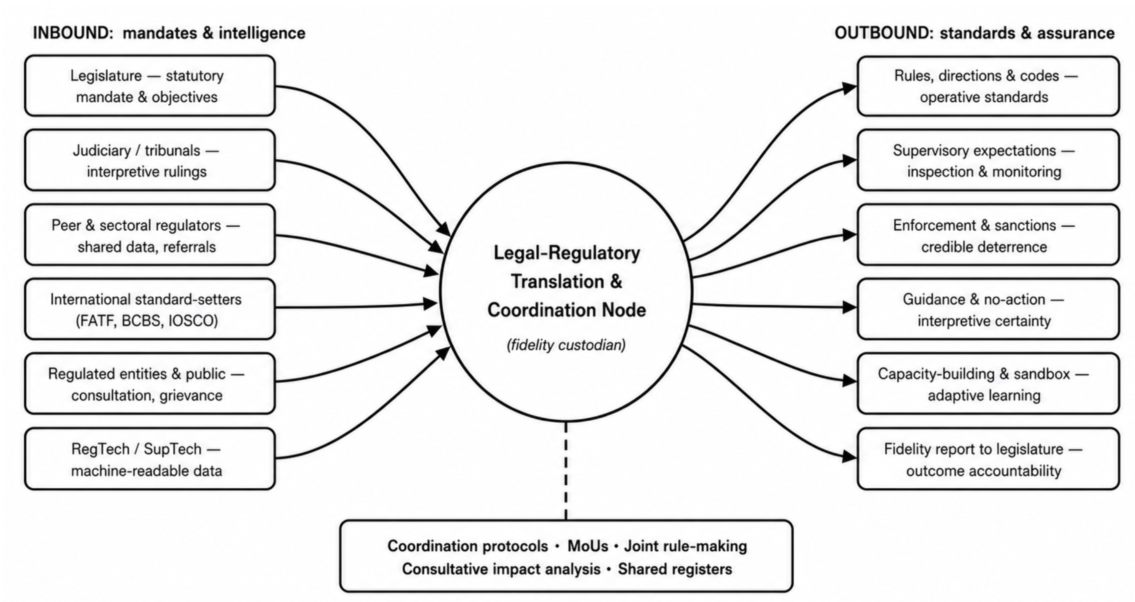
[23]Muneer Kalliyil & Soham Sahoo, *Does Restricting Access to Credit Affect Learning Outcomes? Evidence from a Regulatory Shock to Microfinance in India*, 182 J. Dev. Econ. 103790 (2026), https://doi.org/10.1016/j.jdeveco.2026.103790.

V. Discussion

5.1 From Parallel to Tandem: Mechanisms of Integration

If diagnosis reveals that failures live in the translation layer, the prescriptive question follows: how can law and regulation be made to operate in tandem rather than in parallel? TLRI reframes the answer as building translation infrastructure. Figure 3 sets out an inward-outbound operating model organised around a translation-and-coordination node that acts as custodian of fidelity.

FIGURE 3 - Inward-Outbound Interaction Model For The Translation Function



The node converts inbound mandates and intelligence into outbound standards while reporting realised fidelity back upstream.

Figure 3. The inward-outbound interaction model. The node converts inbound mandate and intelligence into outbound standards and assurance, and reports realised fidelity back to the legislature.

The node ingests inbound flows, statutory mandate from the legislature, interpretive rulings from courts and tribunals, shared data and referrals from peer and sectoral regulators, standards from international bodies, consultation and grievance from regulated entities and the public, and machine-readable data from RegTech and SupTech systems. It emits outbound flows, rules and codes, supervisory expectations, enforcement, interpretive guidance, capacity-building and sandbox learning, and, critically, reports realised fidelity back to the legislature, closing the feedback loop the present architecture leaves open. Concretely, the model calls for activating the dormant statutory consultation channels, mandatory coordination protocols and memoranda of understanding between general and sectoral regulators, consultative regulation-making that requires explicit identification of the market failure and a cost-benefit and impact analysis, shared registers and interoperable reporting, and joint rule-making for cross-sectoral risks. These operate along five dimensions of integration, vertical, horizontal, institutional, digital and normative.

Table 5 translates the model into an internal accountability instrument: a departmental adherence matrix that, for each regulatory function, specifies the translation task it performs, the fidelity indicator against which it is assessed, and the owner accountable for adherence. This converts functional fidelity from an evaluative concept into a management discipline.

Regulatory function	**Translation task**	**Fidelity indicator**	**Adherence owner**
Rule-making	Convert statutory objective into operative rules	Traceability of each rule to a stated purpose	Policy / legal division
Supervision	Convert rules into supervisory expectations	Consistency across comparable cases	Supervision division
Enforcement	Convert breach into credible deterrence	Proportionality; time to resolution	Enforcement division
Market intelligence	Convert data into early-warning signals	Coverage; lead time before harm	Surveillance / RegTech unit
Consumer protection	Convert protective intent into redress	Grievance-resolution and inclusion metrics	Consumer affairs division
Inter-agency coordination	Align overlapping translations	Coordination density; referral turnaround	Coordination secretariat

Table 5. Departmental adherence matrix operationalising functional fidelity as an internal management discipline.

5.2 Engaging Counterarguments

Four objections merit direct engagement. The *positivist-separation objection* holds that law and regulation are analytically distinct and should remain so, lest conflating them muddy the concept of validity. TLRI does not conflate; it nests. Validity remains a property of norms; fidelity is a property of the translation between them. The theory adds a layer of analysis; it does not collapse the existing ones.

The *capture objection* holds that a standard of "fidelity to legislative intent" is naïve where intent is itself captured or vague.[24] But TLRI locates capture precisely: it is a determinant of institutional quality, the pivot in the bidirectional model, and the theory predicts that captured translation produces distorted capital.[25] Where legislative intent is genuinely indeterminate, fidelity attaches to articulated developmental objectives and to the transparency of the translation, not to a fictional single will. This locates capture within, rather than against, the framework. The remedies the capture literature proposes, transparency, contestability, and structural insulation of the regulator, are, in TLRI's terms, investments in the very institutional quality on which faithful translation depends. The point sharpens in developing economies, where regulatory independence is often formally proclaimed yet informally thin: there, responsive and networked strategies that recruit non-state actors into the translation chain may guard fidelity better than nominal insulation alone.

The *over-integration objection* warns that pushing law and regulation together risks eroding the independence and adversarial checks that protect rights, that sequential jurisdiction exists for good reasons. But tandem operation is coordination, not merger. The inward-outbound model preserves distinct mandates while adding coordination infrastructure; its aim is to make litigation the exception rather than to abolish the separation of adjudication from administration. Experimentalist and post-regulatory governance scholarship suggests such coordinated learning is achievable without hierarchy.[26]

The *measurability objection* holds that if fidelity cannot be measured, the theory is

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[24]George J. Stigler, *The Theory of Economic Regulation*, 2 Bell J. Econ. & Mgmt. Sci. 3 (1971), https://doi.org/10.2307/3003160.
[25]Preventing Regulatory Capture: Special Interest Influence and How to Limit It (Daniel Carpenter & David A. Moss eds., 2014).
[26]Colin Scott, *Regulation in the Age of Governance: The Rise of the Post-Regulatory State*, *in* The Politics of Regulation 145 (Jacint Jordana & David Levi-Faur eds., 2004). http://doi.org/10.4337/9781845420673.00016

unfalsifiable. But fidelity is assessed diagnostically, and the framework yields testable propositions (Part VI); the non-estimability of a single scalar is not the unfalsifiability of a framework. Institutional quality, coordination density and outcome realisation are all observable, and, as Section 3.5 sets out, each is approximable through concrete proxies: readability and specificity analysis, rule-to-purpose mapping, counts of coordination instruments, enforcement-variance measures, and difference-in-differences estimation of outcomes against targets. The framework is thus falsifiable in the ordinary way, and experimentalist designs offer templates for iterated measurement.[27]

5.3 Novelty and Contribution

The contribution can be stated plainly. TLRI names and structures the translation layer that five literatures leave invisible; it supplies two original constructs, regulatory translation and functional fidelity, together with a five-part failure taxonomy; it links translation to developmental outcomes through a bidirectional model pivoting on institutional quality; and it reframes regulatory evaluation from legality to fidelity. It is distinct from existing integration theories: theories of European legal integration, of regulatory integration, and of transnational legal harmonisation all explain integration across borders or systems, whereas TLRI explains integration across layers within a single governance architecture. Table 6 positions it against the traditions on which it builds.

Tradition	**Primary focus**	**Limitation for implementation**	**TLRI's addition**
Hart , rule of recognition	Legal validity	Stops at the legal system	Explains institutional implementation
Fuller , internal morality	Quality of legality	Framed for officials applying law	Extends congruence to rule-manufacture
Responsive regulation	Enforcement strategy	Regulator-centric	Links statute, rule, compliance, outcome

[27]Charles F. Sabel & Jonathan Zeitlin, *Learning from Difference: The New Architecture of Experimentalist Governance in the EU*, 14 Eur. L.J. 271 (2008), https://doi.org/10.1111/j.1468-0386.2008.00415.x.

Tradition	**Primary focus**	**Limitation for implementation**	**TLRI's addition**
Institutional economics	Institutions reduce uncertainty	Regulation left as a black box	Names translation as the mechanism
Implementation studies	Policy dissipation in delivery	Non-legal; built for public administration	Locates translation at the legal interface
Law and development	Law supports development	Often macro and outcome-level	Specifies the causal chain from statute
Legal-integration theories	Integration across systems	Cross-border, not cross-layer	Integration across governance layers

Table 6. TLRI positioned against adjacent traditions.

5.4 Portability Beyond India

Although developed through Indian cases, TLRI is a general framework, and its constructs travel. In the European Union, the "regulatory state" operates through precisely the layered translation the theory describes, framework objectives set jointly, then rendered into operative standards by national authorities and reviewed through peer comparison, so that experimentalist governance can be read as an institutionalised mechanism for maintaining translation fidelity across a multi-level architecture.[28] The same logic surfaces in the United States. In *Loper Bright Enterprises v. Raimondo* (2024), the Supreme Court, overruling *Chevron*, required courts to independently police the outer statutory boundaries of delegated agency authority, an unmistakable instance of judicial scrutiny of translation fidelity between statute and rule; the notice-and-comment rule-making that precedes such review is itself a formal instrument of the same chain.[29] The Indian cases are therefore illustrative rather than parochial: they exhibit, in a high-stakes developmental setting, a structure common to modern

[28]On the European regulatory state, see Majone, *supra* note 8 https://doi.org/10.1080/01402389408425031; on experimentalist coordination among EU regulators, see Sabel & Zeitlin, *supra* note 27, https://doi.org/10.1111/j.1468-0386.2008.00415.x.
[29]*Loper Bright Enters. v. Raimondo*, 603 U.S. 369 (2024) (overruling *Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837 (1984)).

regulatory states. What varies across jurisdictions is not the existence of the translation layer but the quality of the infrastructure that governs it.

VI. Conclusion

6.1 Synthesis of Key Findings

The article began with a puzzle, why mechanisms pursuing the same objectives remain disconnected, and answered it with a proposition: legislation does not directly produce outcomes; translation does. The corridor between statute and citizen is populated by discretionary acts of translation, each capable of fidelity or its opposite, and the quality of the outcome turns on the fidelity of that chain. Three Indian cases showed the proposition's diagnostic reach, resolving a turf war, a trading ban and a microfinance ordinance into three species of translation failure.

6.2 Theoretical Contributions

Theoretically, TLRI offers a middle-range socio-legal account of legal implementation, a new vocabulary (regulatory translation, functional fidelity, translation failure), and a new evaluative standard that supplements legality with fidelity. It integrates doctrinal analysis with administrative law, regulatory governance, institutional economics and implementation studies, treating law, regulation and compliance not as separate domains but as successive layers of one architecture.

6.3 Practical Implications

Practically, the framework speaks to four audiences. Legislatures should draft translatable objectives and demand fidelity reporting on realised outcomes. Regulators should build the coordination infrastructure of the inward-outbound model and adopt departmental adherence matrices. Courts, as in Bharti Airtel, can design integration devices that sequence rather than sever overlapping mandates. And reformers should evaluate reform by the capital it builds, not merely the burden it cuts.

6.4 Limitations

The limitations are inherent to the enterprise. This is theory-building rather than estimation;

the Indian cases are illustrative, not a sample; functional fidelity is a construct whose components resist precise measurement; and a single-author normative framing invites, and should invite, contestation. The article's claim is not that the theory is proven but that it is useful, that it makes visible, and therefore governable, a layer that was neither.

6.5 Avenues for Future Research

The theory is offered as a research programme, not a closed essay, and it yields five propositions framed here as testable hypotheses, each pairing an independent with a dependent variable that future comparative and quantitative work can operationalise. H1: the greater the objective clarity of an enabling statute, its statement of purpose, target, and criterion of success, the higher the traceability of the rules made under it. H2: regulators of higher institutional quality, measured through capacity, independence, and coordination density, exhibit greater functional fidelity than regulators of lower institutional quality facing comparable mandates. H3: compliance architectures aligned to legislative purpose produce better developmental outcomes, assessed against stated targets, than architectures optimised for formal conformity. H4: the density of horizontal-coordination infrastructure among overlapping regulators is inversely related to the incidence of fragmentation failures resolved ex post through litigation. H5: the adoption of digital regulatory infrastructure increases the speed, consistency, and transparency of translation, observable as reduced enforcement variance and shorter detection-to-action lead times. The framework extends naturally to environmental, competition, data-protection and artificial-intelligence governance across jurisdictions, and each hypothesis is amenable to the proxy measures set out in Section 3.5.

6.6 Final Implications

The measure of a regulatory system, on this account, is not whether it is lawful but whether it is faithful, whether the long corridor between the statute and the citizen preserves the purpose that justified the law in the first place. Return, finally, to the orchestra: law and regulation need not merely occupy the same stage. Given the translation infrastructure this article describes, they can, at last, play in tune.

Appendix: Glossary of Key Terms

The following terms carry defined meanings within the Theory of Legal-Regulatory Integration.

Term	Definition as used in this article
Regulatory translation	The discretionary conversion of statutory purpose into operative rules, supervision, compliance, and behaviour at each layer of the institutional chain.
Functional fidelity	The degree to which regulatory action faithfully operationalises legislative intent while remaining adaptive to changing technological, economic and social conditions.
Translation chain	The nested sequence of institutional layers, from legislative intent through interpretation, rule-making, supervision and compliance to organisational behaviour and public outcomes.
Translation failure	A breakdown at a specific layer of the chain at which legislative intent is distorted, lost, or displaced.
Normative drift	A failure mode in which a rule no longer reflects the legislature's objective.
Institutional fragmentation	A failure mode in which multiple regulators translate one statutory purpose into inconsistent operative demands.
Compliance distortion	A failure mode in which documentary box-ticking displaces substantive conduct.
Supervisory inconsistency	A failure mode in which uneven enforcement across comparable cases erodes certainty and legitimacy.
Behavioural misalignment	A failure mode in which formal obligations are met while the underlying legislative intent is frustrated.

Term	**Definition as used in this article**
Institutional quality	The pivotal conditioning variable, supervisory capability, inter-agency coordination, insulation from capture, and informational capacity, determining whether translation yields constructive or distorted capital.
Constructive capital	The legal certainty, institutional trust, investment confidence and developmental value produced when translation is high-fidelity.
Distorted capital	The regulatory arbitrage, defensive over-compliance, consumer harm and legitimacy erosion produced when translation is low-fidelity.

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