



# SECURITIES AND EXCHANGE BOARD OF INDIA(SEBI)

## SEBI- GENESIS

- **SEBI** is the regulator for the Securities Market in India.
- In 1988 SEBI was established by the Government of India through an executive resolution, and was subsequently upgraded as a fully autonomous body (a statutory Board) in the year 1992 with the passing of the Securities and Exchange Board of India Act (SEBI Act) on 30th January 1992.
- **The SEBI was established on April 12, 1992.**
- In place of Government Control, a statutory and autonomous regulatory board with defined responsibilities, to cover both development & regulation of the market, and independent powers have been set up.
- Paradoxically this is a positive outcome of the Securities Scam of 1990-91.

# SEBI

- Chaired by C.B. Bhave, SEBI is headquartered in the popular business district of BKC in Mumbai, and has Northern, Eastern, Southern and Western regional offices in New Delhi, Kolkata, Chennai, and Ahmadabad.

# SEBI- PREAMBLE

- The Preamble of the SEBI describes the basic functions of the Securities and Exchange Board of India as

**“.....to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto”**

# SEBI- Basic objectives

- To protect the interests of investors in securities.
- To promote the development of Securities Market.
- To regulate the securities market.
- For matters connected therewith or incidental thereto.

# SEBI- Major Contributions

- Since its inception, SEBI has been working targeting the securities and is attending to the fulfillment of its objectives with commendable zeal and dexterity.
- The improvements in the securities markets like capitalization requirements, margining, establishment of clearing corporations, Demat, etc. reduced the risk of credit and also reduced the market risk.
- SEBI has introduced the comprehensive regulatory measures, prescribed registration norms, the eligibility criteria, the code of obligations and the code of conduct for different intermediaries like, bankers to issue, merchant bankers, brokers and sub-brokers, registrars, portfolio managers, credit rating agencies, underwriters and others.

# SEBI- Major Contributions

- It has framed bye-laws, risk identification and risk management systems for Clearing houses of stock exchanges, surveillance system etc. which has made dealing in securities both safe and transparent to the end investor.
- Another significant event is the approval of trading in stock indices (like S&P CNX Nifty & Sensex) in 2000.
- A market Index is a convenient and effective product because of the following reasons:
  - It acts as a barometer for market behavior;
  - It is used to benchmark portfolio performance;
  - It is used in derivative instruments like index futures and Index options



# SEBI- Contributions

- Two broad approaches of SEBI is to integrate the securities market at the national level, and also to diversify the trading products, so that there is an increase in number of traders including banks, financial institutions, insurance companies, mutual funds, primary dealers etc. to transact through the Exchanges.
- In this context the introduction of derivatives trading through Indian Stock Exchanges permitted by SEBI in 2000 is a real landmark.
- SEBI has enjoyed success as a regulator by pushing systemic reforms aggressively and successively (e.g. the quick movement towards making the markets electronic and paperless rolling settlement on T+2 basis)

# SEBI- Functions and Responsibilities

- SEBI has to be responsive to the needs of three groups, which constitute the market:
  - The issuers of securities
  - The investors
  - The market intermediaries.
- SEBI has three functions rolled into one body quasi legislative, quasi-judicial and quasi-executive.
  - It drafts regulations in its legislative capacity
  - It conducts investigation and enforcement action in its executive function and it passes rulings and orders in its judicial capacity.

# Powers and Functions of SEBI

- Regulating the business in stock exchanges and any other securities markets.
- Registering and regulating the working of stock brokers, sub-brokers, share transfer agents, bankers to an issue, trustees of trust deeds, registrars to an issue, merchant bankers, underwriters, portfolio managers, investment advisers and such other intermediaries who may be associated with securities markets in any manner.
- Registering and regulating the working of the depositories, custodians of securities, foreign institutional investors, credit rating agencies and such other intermediaries as the Board may, by notification, specify in this behalf.

# Powers and Functions of SEBI

- Registering and regulating the working of venture capital funds and including mutual funds.
- Promoting and regulating self-regulatory organisations.
- Prohibiting fraudulent and unfair trade practices relating to securities markets.
- Promoting investors' education and training of intermediaries of securities markets.
- Prohibiting insider trading in securities.
- Regulating substantial acquisition of shares and take-over of companies.
- Calling for information from, undertaking inspection, conducting inquiries and audits of the stock exchanges, mutual funds, other persons associated with the securities market intermediaries and self-regulatory organizations in the securities market.

# Powers and Functions of SEBI

- Calling for information and record from any bank or any other authority or board or corporation established or constituted by or under any Central, State or Provincial Act in respect of any transaction in securities which is under investigation or inquiry by the Board.]
- Performing such functions and exercising such powers under the provisions of the Act as may be delegated to it by the Central Government from time to time.
- Levying fees or other charges for carrying out the purposes of this section.
- Conducting research for the above purposes.
- Calling from or furnishing to any such agencies, as may be specified by the Board, such information as may be considered necessary by it for the efficient discharge of its functions.

# Powers and Functions of SEBI

- The Board may take measures to undertake inspection of any book, or register, or other document or record of any listed public company or a public company which intends to get its securities listed on any recognised stock exchange where the Board has reasonable grounds to believe that such company has been indulging in insider trading or fraudulent and unfair trade practices relating to securities market.
- While exercising the powers under the Act, the Board shall have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 (5 of 1908).

# Powers and Functions of SEBI

- **The Board may, take any of the following measures:**
- Suspend the trading of any security in a recognized stock exchange.
- Restrain persons from accessing the securities market and prohibit any person associated with securities market to buy, sell or deal in securities.
- Suspend any office-bearer of any stock exchange or self-regulatory organization from holding such position.
- Impound and retain the proceeds or securities in respect of any transaction which is under investigation.
- Attach for a period not exceeding one month, one or more bank account or accounts of any intermediary or any person associated with the securities market in any manner involved in violation of any of the provisions of this Act, or the rules or the regulations made there under.

# Powers and Functions of SEBI

- Direct any intermediary or any person associated with the securities market in any manner not to dispose of or alienate an asset forming part of any transaction which is under investigation.
- The Board may take any of the measures in respect of any listed public company or a public company which intends to get its securities listed on any recognized stock exchange where the Board has reasonable grounds to believe that such company has been indulging in insider trading or fraudulent and unfair trade practices relating to securities market.



# SEBI- Conclusion

- For the development of any economy, Capital Market, which is one of the main organ to mobilize funds of huge order, shall evolve all steps to develop the market, simultaneously bringing in the credibility in the financial market, which is watched world wide, through effective and speedy implementable regulations, ultimately, protecting the interest of the Investors and the Country.