SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

HISTORY

- Established by the Government of India on 12 April, 1992
- Initially SEBI was a non-statutory body without any statutory power. It was given statutory powers in 1992 with SEBI Act 1992 being passed by the Indian Parliament
- SEBI has its headquarters at the Bandra Kurla Complex in Mumbai
- Has Northern, Eastern, Southern and Western Regional Offices in New Delhi, Kolkata, Chennai and Ahmedabad respectively
- Controller of Capital Issues was the regulatory authority before SEBI came into existence; it derived authority from the Capital Issues (Control) Act, 1947
- In April 1988, the SEBI was constituted as the regulator of capital markets in India under a resolution of the Government of India.

MANAGEMENT

- ***The SEBI is managed by its members, which consists of following:***
- The chairman who is nominated by Union Government of India
- Two members, Officers from Union Finance Ministry nominated by the central government
- One member from the Reserve Bank of India
- The remaining five members are nominated by Union Government of India; out of them at least three shall be whole-time members
- ***Upendra Kumar Sinha was appointed chairman on 18 February 2014 replacing C. B. Bhave***

POWERS OF SEBI

- ✓ Power to inspect the books of accounts, registers, documents.
- ✓ Prohibition of insider trading, malpractices and fraudulent activities.
- ✓ Ensuring the requirements of listing, transfer of securities, investigations.
- ✓ Frame rules, regulations apart from suspending the trading of any security and defaulting office bearers.
- ✓ It has been vested with the powers to regulate stock-exchanges, its businesses, markets, intermediaries, underwriters.
- ✓ It accords protection to investors by giving investor's education, training.
- ✓ Power to call for periodic returns of stock-exchanges.
- ✓ It has been vested with the powers to amend rules, grant or withdraw recognitions, issue notifications, suspend business, governing body.
- ✓ Power to impose penalties when there is a failure to furnish documents, return reports, maintenance of proper books, defaults.
- ✓ Impose penalties in the event a broker fails to deliver any security.

OBJECTIVES

1. To promote orderly and healthy growth of the securities market in India.
2. To be a statutory an autonomous regulatory body with well defined responsibilities to cover both development and regulation of capital market of the country.
3. To draft regulations, pass rulings and orders for the conduct of investigations and to initiate enforcement actions wherever necessary.
4. To protect the rights and interests of investors through necessary regulations.
5. To create proper market environment for orderly functioning of securities market by curbing malpractices.
6. To regulate operations of financial intermediaries such as brokers, underwriters, portfolio managers and mutual funds. In addition, to promote professionalism among the intermediaries.
7. To ensure transparency and compliance of disclosure norms in the public issues.
8. To create healthy market environment so as to enable companies to raise adequate funds for their business through the sale of securities.
9. To provide suitable education and guidance to investors so as to enable them to protect their interest.

FUNCTIONS

SEBI performs the following functions to meet its objectives:

PROTECTIVE FUNCTIONS:

These functions are performed by SEBI to protect the interest of investor and provide safety of investment.

(i) It Checks Price Rigging: Price rigging refers to manipulating the prices of securities with the main objective of inflating or depressing the market price of securities. SEBI prohibits such practice because this can defraud and cheat the investors.

(ii) It Prohibits Insider trading: Insider is any person connected with the company such as directors, promoters etc. These insiders have sensitive information which affects the prices of the securities. This information is not available to people at large but the insiders get this privileged information by working inside the company and if they use this information to make profit, then it is known as insider trading. For example the directors of a company may know that company will issue Bonus shares to its shareholders at the end of year and they purchase shares from market to make profit with bonus issue. This is known as insider trading. SEBI keeps a strict check when insiders are buying securities of the company and takes strict action on insider trading.

(iii) SEBI prohibits fraudulent and Unfair Trade Practices: SEBI does not allow the companies to make misleading statements which are likely to induce the sale or purchase of securities by any other person. They promote fair practices and educate investors.

DEVELOPMENTAL FUNCTIONS:

These functions are performed by the SEBI to promote and develop activities in stock exchange and increase the business in stock exchange. Under developmental categories following functions are performed by SEBI:

(i) SEBI promotes training of intermediaries of the securities market.
(ii) SEBI tries to promote activities of stock exchange by adopting flexible and adoptable approach in following way.

- (a) SEBI has permitted internet trading through registered stock brokers.
- (b) SEBI has made underwriting optional to reduce the cost of issue.
- (c) Even initial public offer of primary market is permitted through stock exchange.

REGULATORY FUNCTIONS

These functions are performed by SEBI to regulate the business in stock exchange

(i) SEBI has framed rules and regulations and a code of conduct to regulate the intermediaries such as merchant bankers, brokers, underwriters, etc.
(ii) These intermediaries have been brought under the regulatory purview and private placement has been made more restrictive.
(iii) SEBI registers and regulates the working of stock brokers, sub-brokers, share transfer agents, trustees, merchant bankers and all those who are associated with stock exchange in any manner.
(iv) SEBI registers and regulates the working of mutual funds etc.
(v) SEBI regulates takeovers and acquisitions of the companies.
(vi) SEBI conducts inquiries and audit of stock exchanges.

INVESTOR PROTECTION

- Companies need to file a draft prospectus with SEBI before the issue disclosing about the company, its promoters, business etc.
- It insists mutual fund companies to give detailed offer document.
- SEBI has implemented an effective system to handle investor grievances by bringing in Ombudsman Regulations from 2003.
- It seeks companies to keep discipline in their operations vis-a-vis transparency in allotment of shares, refund of excess money etc.
- It ensures timely inspection of books and other relevant records.
- It has set up Investor Protection Fund, ensures speedy payments apart from deliveries by demat.
- It prescribes investment limits, norms, limits on expenses etc.

DEPARTMENTS OF SEBI

- **Market Intermediaries Regulation and Supervision Department (MIRSD)** – responsible for registration, supervision, monitoring and inspection of all intermediaries
- **Market Regulation Department** – supervises the functioning and operations of stock exchanges
- **Derivatives and new product market** – supervises derivatives and new products in the market
- **Corporate Finance Department** – governing, issuance and listing of securities
- **Investment Management Department** – it regulates mutual funds, venture capital, investment schemes etc.
- **Integrated Surveillance Department** – monitors market activity, identifies illegal activities, ensures investigations etc.

- **Investigation Department** – conducts investigations on illegal activities, manipulations, therefore assists the enforcement department
- **Enforcement Department** – responsible for proceedings related to regulatory actions, proceedings etc.
- **Legal Affairs Department** – helps in legal affairs
- **Enquiries and Adjudication Department** – takes care of timely hearings, initiate adjudications etc.
- **Office of Investor Assistance and Education** – it supports and facilitates investor education
- **General Supervision Department** – supports operations relating to HRM, IT, Corporate Communications etc.
- **Department of Economic and Policy Analysis** – it handles matters relating to economic policies and their accurate assessments
- **Office of the Chairman** – all matters relating to the office of the top authority of the stock exchange

MAJOR MILESTONES

- Succeeded as a regulator by pushing systematic reforms aggressively in a time bound manner.
- Quick movement towards making the markets electronic and paperless (dematerialization) by introducing T+5 rolling cycle from July 2001 and T+3 in April 2002 and further to T+2 in April 2003.
- The rolling cycle of T+2 means, Settlement is done in 2 days after Trade date.
- Active and prompt in setting up the regulations as required under law.
- SEBI did away with physical certificates that were prone to postal delays, theft and forgery, apart from making the settlement process slow and cumbersome by passing Depositories Act, 1996.
- SEBI has also been instrumental in taking quick and effective steps in light of the global meltdown and the Satyam fiasco·
- In October 2011, it increased the extent and quantity of disclosures to be made by Indian corporate promoters.
- Setting of depositories in India.
- All payments and investments through online, no scope of cash element.
- Strict compliance to norms and adherence to timelines.

NOTEABLE SETBACKS

- Price manipulation and insider trading not fully curbed yet.
- Penal actions taken by SEBI in major cases are hardly stringent.
- The functioning of many committees is not upto the mark.
- Many scams have shown that SEBI has failed to make proper regulatory mechanism.
- The small investors and their problems are often overlooked.
- Valuation during takeovers, mergers and acquisitions have been improper many at times.
- Imprisonment in addition to the award of penalty has rarely been exercised by SEBI.

Thank You!!!