Securities and Exchange Board of India (SEBI)

MANOJKUMAR T. RATHOD
Adhyapak Sahayak,
Y. S. Arts & K. S. Shah Commerce College, Devgadh Baria
Dist. Dahod Gujarat (India)
rathodmanoj12@yahoo.co.in

Abstract:
Establishment in 1988 the Securities and Exchange Board of India 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 on 30th January, 1992. The primary objective of SEBI is to promote healthy and orderly growth of the securities market and secure investor protection. The Central Government has power to issue directions to SEBI board, Supersede the board and to call for returns and reports when necessary.

Keywords: *Autonomous body, Broker, Exchange, Securities, SEBI board, Share*

1. Introduction

Securities and Exchange Board of India (SEBI) is a board (autonomous body) created by the Government of India in 1988 and given statutory form in 1992 with the SEBI Act 1992 with its head office at Mumbai.

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SEBI has three functions rolled into one body: legislative, judicial and executive. It drafts rules in its legislative capacity, it conducts enquiries and enforcement action in its executive function and it passes rulings and orders in its judicial capacity. It has pushed systemic reforms aggressively and successively

2. Roll of SEBI in Stock Market

To protect the interests of investors through proper education and guidance as regards their investment in securities. For this, SEBI has made rules and regulation to be followed by the financial intermediaries such as brokers, etc. SEBI looks after the complaints received from investors for fair settlement. It also issues booklets for the guidance and protection of small investors. To regulate and control the business on stock exchanges and other security markets. For this, SEBI keeps supervision on brokers. Registration of brokers and sub-brokers is made compulsory and they are expected to follow certain rules and regulations.

Effective control is also maintained by SEBI on the working of stock exchanges. To make registration and to regulate the functioning of intermediaries such as stock brokers, sub-brokers, share transfer agents, merchant bankers and other intermediaries operating on the securities market. In addition, to provide suitable training to intermediaries. This function is useful for healthy atmosphere on the stock exchange and for the protection of small investors.

To register and regulate the working of mutual funds including UTI (Unit Trust of India). SEBI has made rules and regulations to be followed by mutual funds. The purpose is to maintain effective supervision on their operations & avoid their unfair and anti-investor activities.

To promote self-regulatory organization of intermediaries. SEBI is given wide statutory powers. However, self-regulation is better than external regulation. Here, the function of SEBI is to encourage intermediaries to form their professional associations and control undesirable activities of their members. SEBI can also use its powers when required for protection of small investors.

To regulate mergers, takeovers and acquisitions of companies in order to protect the interest of investors. For this, SEBI has issued suitable guidelines so that such mergers and takeovers will not be at the cost of small investors.

To prohibit fraudulent and unfair practices of intermediaries operating on securities markets. SEBI is not for interfering in the normal working of these intermediaries. Its function is to regulate and control their objectionable practices which may harm the investors and healthy growth of capital market. To issue guidelines to companies regarding capital issues. Separate guidelines are prepared for first public issue of new companies, for public issue by existing listed companies and for first public issue by existing private companies. SEBI is expected to conduct research and publish information useful to all market players (i.e. all buyers and sellers).

To conduct inspection, inquiries & audits of stock exchanges, intermediaries and self-regulating organizations and to take suitable remedial measures wherever necessary. This function is undertaken for orderly working of stock exchanges & intermediaries. To restrict insider trading activity through suitable measures. This function is useful for avoiding undesirable activities of brokers and securities scams.

3. Objectives

The basic objectives of the Board are as follows.

(1) To regulate the securities market.
(2) To protect the interests of investors in securities and
(3) To promote the development of Securities Market.

4. Functions

Section 11 of the SEBI Act provides that to protect the interest of investors in securities and to promote the development of and to regulate the securities market by such measures, it is the duty of the Board. It has given power to the Board to regulate the business in Stock Exchanges, register and regulate the working of stock brokers, sub-brokers, and share transfer agents.

1. Regulating the business of stock exchanges and other securities markets.
2. Regulating self-regulatory organizations.
3. Prohibiting insider trading in securities.
4. Registering and regulating the working of stock brokers, sub-brokers etc.
5. Prohibiting unfair trade practices relating to securities markets.

6. Registering and regulating the working of the depositories, participants, custodians of securities, foreign institutional investors.
7. Registering and regulating the mutual funds.
8. Conducting research for the above purposes.
9. Promoting investors' education.

5. Administration

It consists of one Chairman and five members- One each from the department of Finance and Law of the Central Government, one from the Reserve Bank of India and two other persons and having its head office in Bombay and regional offices in Delhi, Kolkata and Madras.

6. Public Issue

Any company or a listed company making a public issue or a rights issue of value of more than Rs. 50 lakhs is required to file a draft offer document with SEBI for its observations. The company can proceed further only after getting observations from SEBI. The company has to open its issue within three months from the date of SEBI's observation letter.

7. Conclusion

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. A derivative trading through Indian Stock Exchanges permitted by SEBI is a real landmark.

Reference

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