



“बेटी बचाओ, बेटी पढ़ाओ”

JAYOTI VIDYAPEETH WOMEN'S UNIVERSITY, JAIPUR

FACULTY OF LAW & MANAGEMENT

Faculty Name	:	JV'n Shristi Srivastava (Lecturer)
Program	:	6 th Semester
Course Name	:	B.COM
Session No. & Name	:	Allied Law SEBI ACT

SEBI stands for Securities and Exchange Board of India. It is a statutory regulatory body that was established by the Government of India in 1992 for protecting the interests of investors investing in securities along with regulating the securities market. SEBI also regulates how the stock market and mutual funds function.

Objectives of SEBI

Following are some of the objectives of the SEBI:

1. Investor Protection: This is one of the most important objectives of setting up SEBI. It involves protecting the interests of investors by providing guidance and ensuring that the investment done is safe.
2. Preventing the fraudulent practices and malpractices which are related to trading and regulation of the activities of the stock exchange
3. To develop a code of conduct for the financial intermediaries such as underwriters, brokers, etc.

4. To maintain a balance between statutory regulations and self regulation.

Functions of SEBI

SEBI has the following functions

1. Protective Function
2. Regulatory Function
3. Development Function

The following functions will be discussed in detail

Protective Function: The protective function implies the role that SEBI plays in protecting the investor interest and also that of other financial participants. The protective function includes the following activities.

- a. **Prohibits insider trading:** Insider trading is the act of buying or selling of the securities by the insiders of a company, which includes the directors, employees and promoters. To prevent such trading SEBI has barred the companies to purchase their own shares from the secondary market.
- b. **Check price rigging:** Price rigging is the act of causing unnatural fluctuations in the price of securities by either increasing or decreasing the market price of the stocks that leads to unexpected losses for the investors. SEBI maintains strict watch in order to prevent such malpractices.
- c. **Promoting fair practices:** SEBI promotes fair trade practice and works towards prohibiting fraudulent activities related to trading of securities.
- d. **Financial education provider:** SEBI educates the investors by conducting online and offline sessions that provide information related to market insights and also on money management.

Regulatory Function: Regulatory functions involve establishment of rules and regulations for the financial intermediaries along with corporates that helps in efficient management of the market.

The following are some of the regulatory functions.

- a. SEBI has defined the rules and regulations and formed guidelines and code of conduct that should be followed by the corporates as well as the financial intermediaries.
- b. Regulating the process of taking over of a company.
- c. Conducting inquiries and audit of stock exchanges.
- d. Regulates the working of stock brokers, merchant brokers.

Developmental Function: Developmental function refers to the steps taken by SEBI in order to provide the investors with a knowledge of the trading and market function. The following activities are included as part of developmental function.

1. Training of intermediaries who are a part of the security market.
2. Introduction of trading through electronic means or through the internet by the help of registered stock brokers.
3. By making the underwriting an optional system in order to reduce cost of issue.

Purpose of SEBI

The purpose for which SEBI was setup was to provide an environment that paves the way for mobilisation and allocation of resources. It provides practices, framework and infrastructure to meet the growing demand.

It meets the needs of the following groups:

1. Issuer: For issuers, SEBI provides a marketplace that can be utilised for raising funds.

2. Investors: It provides protection and supply of accurate information that is maintained on a regular basis.
3. Intermediaries: It provides a competitive market for the intermediaries by arranging for proper infrastructure.

Structure of SEBI

SEBI board comprises nine members. The Board consists of the following members.

One Chairman of the board who is appointed by the Central Government of India

One Board member who is appointed by the Central Bank, that is, the RBI

Two Board members who are hailing from the Union Ministry of Finance

Five Board members who are elected by the Central Government of India