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SECURITY AND EXCHANGE BOARD INDIA: A BROAD OVERVIEW

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ABSTRACT

SEBI (Securities and Exchange Board of India) was originally a non statutory body set up in 1988 to regulate the securities market in India. It was only in 1992 that SEBI became a statutory and autonomous body. The objective of this paper is to give an exhaustive overview of the development of Securities and Exchange Board of India and its development through the time. With globalization and privatization at peak, the need for a sound rules and regulations in the securities market is a necessity. This is not only a requirement for working of the business sectors but a must for their survival. SEBI acts as a guardian not only for businesses but also the shareholders who often fall into various money extorting schemes. In such scenarios, the role of SEBI emerges and it issues different directions in regard of each of the mediators, for example, stock representatives, share exchange operators¸ sub specialist and enlistment centers to an issue, broker to an issue, debenture trustees, traders financiers, guarantors portfolio supervisor, aggregate venture plans and so forth to see that the mediators or the middle people guarantee reasonable play. Emerging frauds such as insider trading are curbed due to the extensive role of the SEBI as an autonomous and regulatory body by issuing guidelines, rules etc. This Act also gives adequate impediments to people who enjoy defaults and illegal activities which include the acts of negligence such as causing hindrance to the investors and thereby ensuring it is shown as the culprit of security laws in India.

KEYWORDS: *SEBI, Regulations, Objective of SEBI, 2002 Amendment, Organisational Structure.*

Introduction

SEBI (Securities and Exchange Board of India) was originally set up I 1988 to regulate the securities market in India as a non – statutory body. It was later in 1992 the SEBI emerged as a statutory body with autonomous control under Securities and Exchange Board of India's Act, 1992. In 1980s and 19990s, it was increasingly realized that an efficient and well developed securities market was essential for sustenance of economic growth. One of the biggest initiatives was establishment of SEBI which provided for safety for our transactions in securities. It was empowered adequately and assigned the responsibility to (a) protect the interests of investors in securities, (b) promote the development of the securities market, and (c) regulate the securities market. Its regulatory jurisdiction extends over corporate in the issuance of capital and transfer of securities, in addition to all intermediaries and persons associated with securities market. All market intermediaries are registered and regulated by SEBI (Legal India, 2016). Securities laws are needed mainly because of the unique informational needs of the investors because selling securities to investors in the various capital markets provides the means for corporations, governments and government agencies to satisfy their need for capital. (Legal India, 2016).

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Market intermediaries assume an essential part being developed of the market by giving an assortment of services. Market intermediaries can be classified on the basis of the services provided by them. Typically, they are classified as: merchant bankers, stock brokers, bankers to issues, debenture trustees, portfolio managers, registrars to issues, share transfer agents, function in inter alia in the primary markets. These entities are regulated by SEBI (Legal India, 2016).

Historical Background

With the declaration of the reforms package in 1991, the volume of business in both the essential and optional portion of the capital market has been expanded hugely till now. A multi crore securities scam shook the Indian monetary framework in 1992 (Harshad Mehta scam). The then existing administrative structure was observed to be divided and insufficient and consequently, a requirement for a self-governing, statutory, and incorporated association to guarantee the smooth working of capital market was felt. To satisfy this need, the Securities and Exchange Board of India (SEBI), which was at that point in presence since April 1988, was presented statutory forces to control the capital market. The SEBI got legitimate teeth through a statute issued on 30 January 1992. The statute gave boundless powers on the SEBI, including the expert to forbid _insider exchanging' and _regulate generous obtaining of shares' and _takeover of business'. The capacity of market advancement incorporates containing hazard, board basing, keeping up market trustworthiness and advancing long haul venture. The SEBI Act, 1992 which sets up the SEBI with four-overlay destinations of assurance of the premiums of speculators in securities, advancement of the securities advertise, control of the securities market and matters associated therewith and accidental thereto. (PASHA, et al., 2012).

Objectives of the Board

The SEBI works inside the legal system of the SEBI Act, 1992. The statutory goals of the SEBI revered in the SEBI Act are of four natures, namely:

- Protection of investors interests in securities.
- Promotion of the development of the securities market.
- Regulation of the securities market.
- Matters connected therewith and incidental thereto. (SEBI, 2002)

With regards to these statutory destinations, the SEBI has set for itself key goes for each of the four key circles which incorporate SEBI's exercises in connection to the investors, issuers, intermediaries and the regulatory regime. To the investors, the SEBI endeavors to guarantee that their rights are ensured, they are empowered to settle on educated decisions and choices and a market which is reasonable in the money related dealings. To the issuers, the SEBI endeavors to give a straightforward and productive market where they are empowered to raise assets requiring little to no effort, however act as per the most noteworthy guidelines of corporate administration and that they are aware of and meet their administrative commitments.

To the intermediaries, the SEBI endeavors to render a market in which they can contend uninhibitedly and work in a way which gives the speculators and market members the certainty that the market is productive, organized and reasonable. In the regulatory regime, the SEBI seeks to ensure that it always remains appropriate, proportionate and effective in which all “stakeholders” have the confidence. (SEBI, 2002). As far as Mutual Funds are concerned, SEBI formulates policies and regulates the Mutual Funds to protect the interest of the investors. SEBI notified regulations for the Mutual Funds in 1993. (citibank, n.d.) From that point, Mutual Funds supported by private part substances were permitted to enter the capital market. The directions were completely overhauled in 1996 and have been revised from there on every once in a while. SEBI has additionally issued rules to the Mutual Funds every now and then to ensure the premiums of financial specialists.

In all, if we look at the overall objectives of the Securities and Exchange Board of India, it can be summed up in the following points:

- To regulate the activities of stock exchange.
- To protect the rights of investors and ensuring safety to their investment.
- To prevent fraudulent and malpractices by having balance between self regulation of business and its statutory regulations.
- To regulate and develop a code of conduct for intermediaries such as brokers, underwriters, etc. (kvimis, n.d.).

Functions of the Board

SEBI is a watch dog of the stock trades of India. SEBI has issued a lot of arrangement of thorough rules overseeing issue of shares and other budgetary instruments, and has set down point by point standards for stock-dealers and sub-specialists, shipper brokers, portfolio chiefs and common assets. The functions of SEBI include:

- Regulating the business in stock exchange and any other securities markets.
- Registering and regulating the working of collective investment schemes, including mutual funds.
- Prohibiting fraudulent and unfair trade practices relating to securities markets.
- Promoting investor's education and training of intermediaries of securities markets.
- Prohibiting insider trading in securities, with the imposition of monetary penalties, on erring market intermediaries.
- Regulating substantial acquisition of shares and takeover of companies.
- Calling for information from carrying out inspection, conducting inquiries and audits of the stock exchanges, intermediaries and self regulatory organizations in the securities market. (Neelaveni, 2013).

In layman terms, SEBI performs threefold function to meet its objectives, i.e. Protective, Developmental and Regulatory. As for the Protective functions:

- SEBI checks price rigging: Price Rigging alludes to controlling the costs of securities with the primary target of swelling or discouraging the market cost of securities. SEBI denies such practice since this can swindle and cheat the investors.
- SEBI prohibits insider trading: Insider is any individual associated with the organization, for example, executives, promoters and so on. These insiders have delicate data which influences the costs of the securities. This data is not accessible to individuals everywhere but rather the insiders get this special data by working inside the organization and in the event that they utilize this data to make benefit, then it is known as insider trading. SEBI keeps a strict check when insiders are purchasing securities of the organization and makes strict move on insider trading.
- SEBI prohibits fraudulent and unfair trade practices: SEBI does not permit the organizations to put forth deceptive expressions which are probably going to prompt the deal or buy of securities by some other individual. (S, n.d.)

As for the Developmental Functions, These functions are performed by the SEBI to advance and create exercises in stock trade and increment the business in stock trade. Under formative classifications taking after capacities are performed by SEBI.

- SEBI advances preparing of delegates of the securities market.
- SEBI tries to advance exercises of stock trade by embracing adaptable and adoptable approach in taking after way:
  - SEBI has permitted internet trading through registered stock brokers.
  - SEBI has made underwriting optional to reduce the cost of issue.
  - Even initial public offer of primary market is permitted through stock exchange. (S, n.d.)

As far as the Regulatory Functions goes, these functions are performed by SEBI to manage the business in stock trade. To control the exercises of stock trade taking following functions are performed:

- SEBI has confined standards and directions and implicit rules to control the intermediaries, for example, vendor investors, specialists, guarantors, and so forth.
- These mediators have been brought under the administrative domain and private arrangement has been made more prohibitive.
- SEBI enlists and directs the working of stock intermediaries, sub-dealers, share exchange specialists, trustees, trader brokers and every one of the individuals who are related with stock trade in any way.
- SEBI enlists and directs the working of common assets and so forth.
- SEBI manages takeover of the organizations.
- SEBI conducts request and review of stock trades. (SEBI, 2002)

Organizational Structure of the Board

The activities of SEBI have been separated into five operational divisions. Every office is headed by an Executive Director. Apart from its head office in Mumbai, SEBI has territorial workplaces in Kolkata, Delhi to go to speculator protests and liaise with the guarantors, mediators and stock trades in the concerned area. SEBI has framed two admonitory committees:

- Primary market advisory committee
- Secondary market advisory committee.

These advisory groups are non statutory in nature in SEBI is not bound by the counsel of these panels. These committees are a part of SEBI is constant endeavor to obtain feedback from the market players on issues relating to the regulations and development of the market. (Purohit, 2014).

Powers of the Board

The various amendments pertaining to the SEBI Act have over the years provided with various powers to the Board. The evolutions of those powers of the Board can be provided as follows:

- **The 1995 Amendment:**
  - 11A: Regulation making power regarding disclosures in issue of capital etc.
  - 11B: Power to issue directions.
  - Bar of Civil Court on orders passed by SEBI. (Anon., n.d.)
- **The 2002 Amendment**:
  - Power to restrain from accessing market, suspend trading etc. even pending investigation.
  - Power to inspect records of any listed company / to be listed company on suspicions of insider trading / fraud.
  - Power to prohibit or issue of prospectus etc.
  - Power of investigation, obligation of any manager of a listed company to produce documents.
  - Power to search & seize (with the approval of the Magistrate). (Anon., n.d.).

The Board may for the assurance of investors for (i) the matters relating to issue of capital, exchange of securities and different matters accidental thereto; and (ii) the way in which such matters might be unveiled by the organizations. The Board may by general or extraordinary requests restrict any organization from issuing outline, any offer record, or promotion requesting cash from general society for the issue of securities. The board may likewise determine the conditions subject to which the outline, such offer report or notice, if not disallowed, might be issued. Section 11B of the SEBI Act confers power on the board to issue such directions as may be appropriate in the interests of investors in securities and securities market. (Anon., n.d.).

Conclusion

All present day economies, in this way, perceive the requirement for sound direction of securities markets. This is required not only for appropriate working of these business sectors, additionally for their exceptionally survival. It is great control that will guarantee that business sectors are protected and seen to be sheltered by the open on the loose. It is great direction that will guarantee that fundamental data is accessible to people in general with the goal that they can take educated choices about ventures. It is great direction that will additionally guarantee that while motors of development are permitted to move at full speed, there is no space for controllers in the framework.

In this manner the SEBI has issued different directions in regard of each of the intermediaries, for example, stock representatives and sub specialist, share exchange operators and enlistment centers to an issue, broker to an issue, debenture trustees, traders financiers, guarantors portfolio supervisor, safes , members, caretaker of securities, remote institutional speculators, FICO assessment organizations, investment reserves, aggregate venture plans including common assets, and so forth to manage and guarantee reasonable play by these middle people. SEBI has likewise issued controls to deny insider trading and to manage significant obtaining of shares and assume control of organizations. Every one of these tenets and directions, fliers and rules serve the goal of managing essential insurance to the financial specialists.

The Act additionally gives adequate impediments to the individuals who may enjoy defaults and illicit acts and acts of neglect available to the hindrance of the investors and thereby ensuring it goes about as the culprit of security laws in the nation.

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