

# Securities and Exchange Board of India Act, 1992

[As amended by the Securities  
Laws (Amendment) Act, 2014]

# SEBI (1992)

An Act to provide for the establishment of a Board to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market and for matters connected there with or incidental there to.

# Reasons for establishing SEBI

With the growth in the dealings of stock markets, lot of malpractices also started in stock markets such as price rigging, 'unofficial premium on new issue, and delay in delivery of shares, violation of rules and regulations of stock exchange and listing requirements.

Due to these malpractices the customers started losing confidence and faith in the stock exchange. So government of India decided to set up an agency or regulatory body known as Securities Exchange Board of India (SEBI).

# Short title, extent and commencement

- This Act may be called the Securities and Exchange Board of India Act, 1992.
- It extends to the whole of India.
- It shall be deemed to have come into force on the 30th day of January, 1992.

# Powers and Functions of the Board

- Subject to the provisions of this Act, it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.
- 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 takeover of companies;

# History of SEBI

- SEBI was a non-statutory body, without any statutory power.
- In 1995, SEBI act was amended and powers were given to SEBI.
- In April 1998, SEBI was constituted as regulator of Capital market in India.

# Functions of SEBI

- Regulatory Functions
- Development Functions

## **Regulatory Functions**

- Regulation of stock exchange and self regulatory organizations.
- Registration and regulation of stock brokers, sub-brokers, Registrars to all issues, merchant bankers, underwriters, portfolio managers etc.
- Registration and regulation of the working of collective investment schemes including mutual funds.
- Prohibition of fraudulent and unfair trade practices relating to securities market.
- Prohibition of insider trading.
- Regulating substantial acquisition of shares and takeover of companies.

# Developmental Functions

- Promoting investor's education.
- Training of intermediaries.
- Conducting research and publishing information useful to all market participants.
- Promotion of fair practices.
- Promotion of self-regulatory organizations.



# Stock Exchange

*“The stock Market is a wonderfully efficient mechanism for transferring wealth from impatient to patient”*. **Warren Buffett**

The Securities Contracts (Regulations) Act, 1956 has defined Stock exchange as an association, organisation or body of individuals, whether incorporated or not, established for the purpose of assisting, regulating and controlling business in buying, selling and dealing in securities.

# Organization of Stock Exchange

- There is no uniformity in the organisational pattern of various stock exchanges in India.
- Under the Securities Contracts (Regulation) Act, 1956, the Central Government is empowered to nominate a maximum of its three representatives on the governing board.
- In the day-to-day management, the governing board is assisted by a number of subcommittees like listing committee, arbitration committee, defaulters committee admission committee, and share-examination committee.

# Functions of Stock Exchanges

- Ready Market
- Mobilisation of Savings
- Evaluation of Securities
- Capital Formation
- Proper Canalization of Capital

# Methods of Trading in Stock Exchange

- *Floor Brokers*
- *Stockbrokers/Financial Advisers*
- *Day Traders*
- *Casual Traders*
- *Online Trading*

# Factors Affecting Stock Exchange

- Economic Factors
  - Inflation And Deflation
  - Interest Rates
  - Foreign Markets
- Market Factor
  - Demand AND SUPPLY
  - Market Cap
  - News
  - Earning/Price Ratio

# THANK YOU

\* KINDLY REFER ALL THE GOVERNMENT GAZETTES AND COPIES OF ACT, WHICH I ALREADY FORWARDED TO ALL OF YOU VIA MAIL....