SOS POLITICAL SCIENCE AND PUBLIC ADMINISTRATION
MBA FA 203
SUBJECT NAME: BUSINESS ENVIRONMENT

UNIT-IV

TOPIC NAME: SECURITIES EXCHANGE BOARD OF INDIA

The Securities and Exchange Board of India is the regulator of the securities and commodity market in India owned by the Government of India. It was established in 1988 and given Statutory Powers on 30 January 1992 through the SEBI Act, 1992.

Founded: 12 April 1992

Sector: Securities market

Jurisdiction: India

Headquarters: Mumbai

Type: Statutory Corporation

Chairperson: Ajay Tyagi

The Securities and Exchange Board of India (SEBI) is the regulator of the securities and commodity market in India owned by the Government of India. It was established in 1988 and given Statutory Powers on 30 January 1992 through the SEBI Act, 1992.

HISTORY:

Securities and Exchange Board of India (SEBI) was first established in 1988 as a non-statutory body for regulating the securities market. It became an autonomous body on 12 April 1992 and was accorded statutory powers with the passing of the SEBI Act 1992 by the Indian Parliament. Soon SEBI was constituted as the regulator of capital markets in India under a resolution of the Government of India.

SEBI has its headquarters at the business district of Bandra Kurla Complex in Mumbai and has Northern, Eastern, Southern and Western Regional Offices in New Delhi, Kolkata, Chennai, and Ahmadabad respectively. It has opened local offices at Jaipur and Bangalore and has also opened offices at Guwahati, Bhubaneswar, Patna, Kochi and Chandigarh in Financial Year 2013 - 2014.

Controller of Capital Issues was the regulatory authority before SEBI came into existence; it derived authority from the Capital Issues (Control) Act, 1947.

The SEBI is managed by its members, which consists of the following:

- The chairman is nominated by the Union Government of India.
- Two members, i.e., Officers from the Union Finance Ministry.
- One member from the Reserve Bank of India.
- The remaining five members are nominated by the Union Government of India; out of them at least three shall be whole-time members.

After the amendment of 1999, collective investment schemes were brought under SEBI except nidhis, chit funds and cooperatives.

WHY WAS SEBI FORMED?

At the end of the 1970s and during 1980s, capital markets were emerging as the new sensation among the individuals of India. Many malpractices started taking place such as unofficial self- styled merchant bankers, unofficial private placements, rigging of prices, non-adherence of provisions of the Companies Act, violation of rules and regulations of stock exchanges, delay in delivery of shares, price rigging, etc.

Due to these malpractices, people started losing confidence in the stock market. The government felt a sudden need to set up an authority to regulate the working and reduce these malpractices. As a result, the Government came up with the establishment of SEBI.

ROLE OF SEBI:

SEBI acts as a watchdog for all the capital market participants and its main purpose is to provide such an environment for the financial market enthusiasts that facilitate efficient and smooth working of the securities market.

To make this happen, it ensures that the three main participants of the financial market are taken care of, i.e. issuers of securities, investor, and financial intermediaries.

- Issuers of securities:

These are entities in the corporate field that raise funds from various sources in the market. SEBI makes sure that they get a healthy and transparent environment for their needs.

- Investor:

Investors are the ones who keep the markets active. SEBI is responsible for maintaining an environment that is free from malpractices to restore the confidence of general public who invest their hard earned money in the markets.

- Financial Intermediaries:

These are the people who act as middlemen between the issuers and investors. They make the financial transactions smooth and safe.

FUNCTIONS OF SEBI:

SEBI primarily has three functions-

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

Protective Functions:

As the name suggests, these functions are performed by SEBI to protect the interest of investors and other financial participants.

It includes-

- Checking price rigging
- Prevent insider trading
- Promote fair practices
- Create awareness among investors
- Prohibit fraudulent and unfair trade practices

Regulatory Functions:

These functions are basically performed to keep a check on the functioning of the business in the financial markets.

These functions include-

- Designing guidelines and code of conduct for the proper functioning of financial intermediaries and corporate.
- Regulation of takeover of companies
- Conducting inquiries and audit of exchanges
- Registration of brokers, sub-brokers, merchant bankers etc.
- Levying of fees
- Performing and exercising powers
- Register and regulate credit rating agency

Development Functions:

SEBI performs certain development functions also that include but they are not limited to-

- Imparting training to intermediaries
- Promotion of fair trading and reduction of malpractices
- Carry out research work
- Encouraging self-regulating organizations

- Buy-sell mutual funds directly from AMC through a broker.

OBJECTIVES OF SEBI:

SEBI has following objectives-

1. Protection to the investors:
   The primary objective of SEBI is to protect the interest of people in the stock market and provide a healthy environment for them.

2. Prevention of malpractices:
   This was the reason why SEBI was formed. Among the main objectives, preventing malpractices is one of them.

3. Fair and proper functioning:
   SEBI is responsible for the orderly functioning of the capital markets and keeps a close check over the activities of the financial intermediaries such as brokers, sub-brokers, organizational

POWERS OF SEBI:

1. When it comes to stock exchanges, SEBI has the power to regulate and approve any laws related to functions in the stock exchanges.

2. It has the powers to access the books of records and accounts for all the stock exchanges and it can arrange for periodical checks and returns into the workings of the stock exchanges.

3. It can also conduct hearings and pass judgments if there are any malpractices detected on the stock exchanges.

4. When it comes to the treatment of companies, it has the power to get companies listed and de-listed from any stock exchange in the country.

5. It has the power to completely regulate all aspects of insider trading and announce penalties and expulsions if a company is caught doing something unethical.

6. It can also make companies list their shares in more than one stock exchange if they see that it will be beneficial to investors.

7. Coming to investor protection, SEBI has the power to draft legal rules to ensure the protection of the general public.

8. It also has the power to regulate the registration of brokers and other middlemen who will deal with investors in the market.

STRUCTURE OF SEBI:

The SEBI Board consists of nine members-

1. One Chairman appointed by the Government of India
2. Two members who are officers from Union Finance Ministry
3. One member from Reserve Bank of India
4. Five members appointed by the Union Government of India

ORGANIZATION STRUCTURE:

Ajay Tyagi was appointed chairman on 10 February 2017, replacing U K Sinha, and took charge of the chairman office on 1 March 2017.

The board comprises:

Name	Designation
Ajay Tyagi	Chairman
Gurumoorthy Mahalingam	Whole time member
S.K Mohanty	Whole time member

Ananta Barua	Whole time member
Madhabi Puri Buch	Whole time member
N S Vishwanathan	Part-time member
Anand Mohan Bajaj	Part-time member
K V R Murty	Part-time member
V Ravi Anshuman	Part-time member

List of Chairmen:

Name	From	To
Ajay Tyagi	10 February 2017	Present
U K Sinha	18 February 2011	10 February 2017
C. B. Bhave	18 February 2008	18 February 2011
M. Damodaran	18 February 2005	18 February 2008

G. N. Bajpai	20 February 2002	18 February 2005
D. R. Mehta	21 February 1995	20 February 2002
S. S. Nadkarni	17 January 1994	31 January 1995
G. V. Ramakrishna	24 August 1990	17 January 1994
Dr. S. A. Dave	12 April 1988	23 August 1990

MUTUAL FUND REGULATIONS BY SEBI:

SEBI has also made few policies and laid down guidelines for the mutual funds in order to safeguard the interests of the investors.

These guidelines have been laid to bring uniformity in the working of the similar mutual funds' scheme which will help the investors to make their investment decisions more clearly.

To bring uniformity in the functionality of the similar mutual fund scheme, SEBI has categorized mutual funds in the five broad categories:

They are:

- Equity Schemes
- Debt Schemes
- Hybrid Schemes
- Solution Oriented Schemes