

**COURSE NAME-        LAW**  
**CLASS-                LL.B. 6<sup>TH</sup> SEM**  
**SUBJECT-            FINANCIAL MARKET REGULATIONS**  
**TOPIC-                ROLE OF SEBI**

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# **What is SEBI**

SEBI is a statutory regulatory body established on the 12th of April, 1992 under the SEBI Act, 1992. It monitors and regulates the Indian capital and securities market while ensuring to protect the interests of the investors formulating regulations and guidelines to be adhered to. The head office of SEBI is in Bandra Kurla Complex, Mumbai.

# Objectives of SEBI

SEBI has following objectives-

## **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.

## **Prevention of malpractices**

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

## **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, etc.

# Structure of SEBI

SEBI has a corporate framework comprising various departments each managed by a department head. There are about 20+ departments under SEBI. Some of these departments are corporation finance, economic and policy analysis, debt and hybrid securities, enforcement, human resources, investment management, commodity derivatives market regulation, legal affairs, and more.

## **The hierarchical structure of SEBI consists of the following members:**

The chairman of SEBI is nominated by the Union Government of India.

Two officers from the Union Finance Ministry will be a part of this structure.

One member will be appointed from the Reserve Bank of India.

Five other members will be nominated by the Union Government of India.

# 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

# Powers of SEBI

Securities and Exchange Board of India has the following three powers:

**Quasi-Judicial:** With this authority, SEBI can conduct hearings and pass ruling judgements in cases of unethical and fraudulent trade practices. This ensures transparency, fairness, accountability and reliability in the capital market. SEBI PACL case is an example of this power.

**Quasi-Legislative:** Powers under this segment allow SEBI to draft rules and regulations for the protection of the interests of the investor. One such regulation is SEBI LODR (Listing Obligation and Disclosure Requirements). It aims at consolidating and streamlining the provisions of existing listing agreements for several segments of the financial market like equity shares. This type of regulation formulated by SEBI aims to keep any malpractice and fraudulent trading activities at bay.

**Quasi-Executive:** SEBI is authorised to file a case against anyone who violates its rules and regulation. It is empowered to inspect account books and other documents as well if it finds traces of any suspicious activity.

THANK

YOU