## **SEBI ACT 1992**

## Securities and Exchange Board of India owned by the Government of India was established on 12th April, 1992 under the Securities and Exchange Board of India Act, 1992 to protect the interests of the investors in securities along with promoting and regulating the securities market. Headquartered in Mumbai, the Securities and Exchange Board of India (SEBI) has four regional offices located in Ahmedabad, Chennai, Delhi and Kolkata. SEBI was initially formed in the year 1988 as a non-statutory body for the regulation of securities market and later acquired statutory status on 30th January, 1992.

**Formation of SEBI or Board of SEBI**

The management of Board of SEBI consists of the following members:

* Chairman
* Two members  from  amongst  the  officials  of  the of  the  Central  Government dealing with Finance
* One member from the Reserve Bank
* Five other  members  of  whom  at  least  three  shall  be  the  whole-time  members, to  be appointed by the Central Government

The chairman of SEBI is appointed by Central Government.

**Functions of SEBI**

The various functions of SEBI are:

* To protect  the interests  of  investors  in  securities market
* To promote  the  development  of securities market
* To regulate the business in stock exchanges and any other securities markets
* To register and  regulate  the  working  of  stock  brokers,  sub-brokers,  share  transfer agents,  bankers  to  an  issue,  trustees  of  trust  deeds,  registrars  to  an  issue,  merchant bankers,   underwriters,   portfolio   managers,   investment   advisers   and   such   other intermediaries who may be associated with securities markets in any manne
* To register and regulate the working of the depositories, participants, custodians of  securities,  foreign  institutional  investors,  credit rating agencies
* To register and   regulate   the   working   of venture   capital   funds   and   collective investment schemes including mutual funds
* To promote and regulate self-regulatory organizations
* To prohibit fraudulent and unfair trade practices relating to securities markets
* To promote investors‘ education and training of intermediaries of securities markets
* To prohibit insider trading in securities
* To regulate substantial acquisition of shares and take over of companies
* To conducting research for efficient working and development of securities market.

## Powers of SEBI

The important powers of SEBI (Securities and Exchange Board of India) are:-

## 1. Powers relating to stock exchanges & intermediaries

SEBI has wide powers regarding the stock exchanges and intermediaries dealing in securities. It can ask information from the stock exchanges and intermediaries regarding their business transactions for inspection or scrutiny and other purpose.

## 2. Power to impose monetary penalties

SEBI has been empowered to impose monetary penalties on capital markets intermediaries and other participants for a range of violations. It can even impose suspension of their registration for a short period.

## 3. Power to initiate actions in functions assigned

SEBI has a power to initiate actions in regard to functions assigned. For example, it can issue guidelines to different intermediaries or can introduce specific rules for the protection of interests of investors.

## 4. Power to regulate insider trading

SEBI has power to regulate insider trading or can regulate the functions of merchant bankers.

## 5. Powers under Securities Contracts Act

For effective regulation of stock exchange, the Ministry of Finance issued a Notification on 13 September, 1994 delegating several of its powers under the Securities Contracts (Regulations) Act to SEBI.

SEBI is also empowered by the Finance Ministry to nominate three members on the Governing Body of every stock exchange.

## 6. Power to regulate business of stock exchanges

SEBI is also empowered to regulate the business of stock exchanges, intermediaries associated with the securities market as well as mutual funds, fraudulent and unfair trade practices relating to securities and regulation of acquisition of shares and takeovers of companies.

## **What Is Insider Trading?**

Insider trading is the practice of using information that has not been made public to execute trading decisions. It gives traders an unfair advantage over others and most forms of insider trading are illegal. Many investors are tempted to make quick returns from insider trading, but doing so can be dangerous. Insider trading is routinely investigated by the Securities and Exchange Commission (SEC) and prosecuted.

Top of Form

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Bottom of Form