

# SEBI - Functions, Powers and Objectives



SEBI (Securities and Exchange Board of India) is an apex institution for investment in India. Let's know about functions of SEBI :

## Functions of SEBI:

We can classify the functions of SEBI into three categories:-

1. Protective functions
2. Developmental functions
3. Regulatory functions

## FUNCTIONS OF SEBI



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## 1. Protective Functions:

As the name suggests, the main focus of this function of SEBI is to protect the interest of investor and security of their investment

As protective functions SEBI performs following functions:

### *(i) SEBI checks Price Rigging:*

Price Rigging means some people manipulate the prices of securities for inflation or depressing the market price of securities. SEBI prohibits such practice to avoid fraud and cheating which can happen to any investor.

### *(ii) SEBI prohibits Insider trading:*

Any person which is connected with a company such as directors, promoters, workers etc is called Insiders. Due to working in the company they have sensitive information which affects the prices of the securities. Such information is not available to people at large but Insider gets this key full knowledge by working in such company. Insider can use this information for their personal benefits or make a profit from it, such process is known as Insider Trading.

**For Example** - Managers or Directors of a company may know that company will issue Bonus shares to its shareholders at a particular time and they purchase shares from market to make a profit with bonus issue.

SEBI always restricts these types of practices when Insiders are buying securities of the company and take strict action to avoid this in future.

### *(iii) SEBI prohibits fraudulent and Unfair Trade Practices:*

SEBI always restricts the companies which make misleading statements which are likely to induce the sale or purchase of securities by any other person.

**(iv)** SEBI sometimes educate the investors so that become able to evaluate the securities and always invest in profitable securities.

(v) SEBI issues guidelines to protect the interest of debenture holders.

(vi) SEBI is empowered to investigate cases of insider trading and has provision for stiff fine and imprisonment.

(vii) SEBI has stopped the practice of allotment of preferential shares unrelated to market prices.

(vii) SEBI has stopped the practice of making a preferential allotment of shares unrelated to market prices.

## 2. Developmental Functions:

Under developmental categories following functions are performed by SEBI:

(i) SEBI promotes training of intermediaries of the securities market.

(ii) SEBI tries to promote activities of stock exchange by adopting a flexible and adaptable approach in following way:

(a) SEBI has permitted **internet trading** through **registered stock brokers**.

(b) SEBI has made underwriting optional to reduce the cost of issue.

(c) An Even initial public offer of primary market is permitted through the stock exchange.

## 3. Regulatory Functions:

These functions are performed by SEBI to regulate the business in stock exchange. To regulate the activities of stock exchange following functions are performed:

- (i)** SEBI has framed rules and regulations and a code of conduct to regulate the intermediaries such as merchant bankers, brokers, underwriters, etc.
- (ii)** These intermediaries have been brought under the regulatory purview and private placement has been made more restrictive.
- (iii)** SEBI registers and regulates the working of stock brokers, sub-brokers, share transfer agents, trustees, merchant bankers and all those who are associated with stock exchange in any manner.
- (iv)** SEBI registers and regulates the working of mutual funds etc.
- (v)** SEBI regulates takeover of the companies.
- (vi)** SEBI conducts inquiries and audit of stock exchanges.

## Other Functions

- 1.** Registering and regulating the working of stock brokers, sub-brokers, share transfer agents, bankers to issue, trustees of the trust deed, registrars to an issue, merchant bankers, underwriters, portfolio managers, investment adviser and such other intermediaries who may be associated with securities markets in any manner.
- 2.** SEBI also perform the function of registering and regulating the working of depositories, custodians of securities. Foreign Institutional Investors, credit rating agencies etc.
- 3.** Registering and regulating the working of Venture Capital Funds and collective investments schemes including mutual funds.
- 4.** Promoting and regulating self - regulatory organizations.
- 5.** Calling for information form, undertaking inspection, conducting inquiries and audits of the stock exchange, mutual funds and intermediaries and self - regulatory organizations in the securities market.

**6.** Calling for information and record from any bank or any other authority or boards or corporation established or constituted by or under any Central, State or Provincial Act in respect of any transaction in securities which are under investigation or inquiry by the Board.

**7.** Conduct research on any matter described if any.

**8.** Calling information from any agency, institution, banks etc.

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