CA FINAL SEBI ACT 1992

SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992

ESTABLISHMENT OF SEBI SEC 3 & 4

By CG by issuing a notification in the Official Gazette.

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HO at Mumbai

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SEBI is a body corporate having perpetual succession and a common seal

CONSTITUTION OF SEBI

- **One Chairman**
- **Two members** from amongst the officials of the Ministry of CG dealing with finance and administration.
- **One member** from amongst the officials of the RBI;
- **Five other members** of whom at least three shall be whole time members

The members of SEBI shall be appointed by **CG.**

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The general superintendence, direction and management of the affairs of the SEBI shall vest in a Board of members pursuing

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The Chairman and the other members shall be persons of ability, integrity and standing who have shown capacity in dealing with problems relating to securities market or have special knowledge or experience of law, finance, economics, accountancy, administration or in any other discipline which, in the opinion of CG, shall be useful to SEBI.

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CA FINAL SEBI ACT 1992

OBJECTS OF THE SEBI ACT

- Protection of the interests of investors.
- Promoting orderly and healthy growth of the securities market.
- Regulation of the securities market and other incidental matters.
- Promoting the fair dealings by the issuer of securities and ensuring a market place where they can raise funds at a relatively low cost.
- Regulating & developing a code of conduct and fair practices by intermediaries with a view to making them more competitive and professional.
- Monitoring the activities of stock exchanges, mutual funds and merchant bankers etc.

PROHIBITION ON ISSUE OF PROSPECTUS
SEC 11 A

SEBI may for the protection of investors, by general or special orders

- Prohibit any company from issuing of prospectus, any offer document, or advertisement soliciting money from the public for the issue of securities
- Specify the conditions subject to which the prospectus, such offer document or advertisement, if not prohibited, may be issued.

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CA FINAL SEBI ACT 1992

INVESTIGATION OF INTERMEDIARIES BY SEBI sec 11C

SEBI appoints an **INSPECTING OFFICER**

GROUNDS:

Intermediaries are:

- Functioning detrimentally
- Violating provisions.

DUTIES OF EMPLOYEES & OFFICERS OF INTERMEDIARIES

- Assist in investigation

PENALTY

- 1 Yr imprisonment or
- Fine upto Rs 1cr + Rs 5 lacs per day till default

POWER OF INSPECTING OFFICER

- Power to retain books & doc. For 6 mths
- Enforce attendance of any person & examine on oath
- Note on examination.

SEIZURE OF DOCUMENTS BY INSPECTING OFFICER

- An application to Magistrate of 1st class to be make if there are reasonable ground to believe that the documents will be destroyed, mutilated, altered, falsified etc
- Magistrate if satisfied orders enter & search the place & seizure such documents.

INSIDER TRADING SEC 15 G

INSIDER

Person connected directly/ indirectly with the co
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Having access to **UNPUBLISHED PRICE SENSITIVE INFORMATION.**

UNPUBLISHED PRICE SENSITIVE INFORMATION

Information, if published will directly/ indirectly affect the price of the securities

Penalty= Rs 25 crs or 3 times of amt of profit (higher)

- If he deals himself or
- Communicate such information.

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CA FINAL SEBI ACT 1992

PENALTIES ON STOCK BROKERS SEC 15 F

FAIL TO ISSUE CONTRACT NOTE

5 times of amt of contact note

FAIL TO MAKE PAYMENT TO INVESTOR

RS1 LAC/day OR Rs1 crs (lower)

CHARGE COMMISSION MORE THEN SPECIFIED

Rs 1 lac or 5 times of excess (higher)

Factors considered before imposing penalty:

- Amt of loss suffered by investor
- Amt of unfair gain to stock broker
- Repetitive nature of default.

APPEAL AGAINST ORDER OF SEBI

SAT

- Against the order of
  - Adjudicating authority
  - SEBI
- Within 45 days of date of passing order. (extension on logical grounds)
- Pass following order:
  - Confirm
  - Modify
  - Set aside

SUPREME COURT

If SQL is involved

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Against SATs order

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Within 60 days from the date of order(extension on logical grounds)

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