

23. The Securities Contracts (regulation) Act, 1956

Objects

- To provide for the regulation of stock exchanges
- To provide for the regulation of transaction in securities
- To prevent undesirable speculation in securities
- To regulate the buying and selling of securities outside the limits of stock exchanges.
- To provide for ancillary matters, e.g., promoting healthy stock market

Definitions

- **Contract:** means a contract for or relating to the purchase or sale of securities
- **Securities:** includes the following:
 - ✓ Shares, scrips, stocks, bonds, debenture, debenture stocks or other marketable securities of a like nature in any incorporated company or any other body corporate.
 - ✓ Derivative
 - ✓ Units or any other instrument issued by any collective investment scheme to the investors in such schemes
 - ✓ Government securities
 - ✓ Security receipt as defined in SRFAESI Act, 2002.
 - ✓ Such other instruments as may be declared by the CG to be securities.
 - ✓ Rights or interests in securities.
 - ✓ Units or any other such instrument issued by the investors under any mutual fund scheme.
 - ✓ Any certificate or instrument, issued to an investor by any issuer being a special purpose distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt, as the case may be.
- **Government Security:** means a security created and issued, whether before or after the commencement of this act, by the CG or a SG for the purpose of raising a public loan and having one of the forms specified in clause (2) of the public debts act, 1944.
- **Spot delivery contract:** means a contract which provides for –
 - ✓ Actual delivery of securities and the payment of a price therefore either on the same day as the date of the contract or on the next day. The actual period taken for the despatch of the securities or the remittance of money therefore, through the post shall be excluded from the composition of the period aforesaid if the parties to the contract do not reside in the same town or locality.
 - ✓ Transfer of securities by the depository from the account of a beneficial owner to the account of another beneficial owner when such securities are dealt with a depository.
- **Derivative:** includes
 - ✓ A security derived from a debt instrument, share, loan whether secured or unsecured, risk instrument or contract for differences or any other form of security.
 - ✓ A contract which derives its value from the prices, or index of prices, of underlying securities.
- **Corporatisation:** means the succession of a RSE, being a body of individuals or society registered under the societies regulation act, 1860, by another such stock exchange being a

company incorporated for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities carried on by such individual or society.

- **Demutualisation:** means the segregation of ownership and management from the trading rights of the members of a recognised stock exchange in accordance with a scheme approved by SEBI.

Stock exchange:

- means
 - ✓ Any body of individuals, whether incorporated or not, constituted before corporatisation and demutualisation under section 4A and 4B; or
 - ✓ A body corporate incorporated under the companies act, whether under a scheme or corporatisation and demutualisation or otherwise, for the purpose of assisting, regulating or controlling the business of buying, selling and dealing in securities.
- In the ordinary course stock exchange is any organisation or a group of persons which constitutes, maintains or provides a market place or facilitate for bringing together purchasers and sellers of securities, and includes the market place and facilities maintained by such an exchange.
- Stock exchange other than recognised stock exchange prohibits (Section 19): following activities are prohibited, unless the permission of CG is obtained:
 - ✓ Organising or assisting in organising stock exchange (other than RSE)
 - ✓ Becoming a member of any stock exchange (other the RSE)
- Compulsory Corporatisation and demutualisation of SE (Section 4)
 - ✓ Every SE before the appointed date
 - 'appointed date' means the date appointed by SEBI by notification in OG.
 - Different appointed dates may be appointed for different SE.
 - ✓ Relaxation from appointed date may be given by SEBI

Procedure for Corporatisation & Demutualisation (C and D) (section 4B)

- **Requirement**
 - ✓ Every RSE shall submit a scheme for C and D to SEBI for its approval within such time as may be specified by SEBI.
 - ✓ If a RSE is already been C and D before appointed date, it shall not require submitting a scheme for C and D.
- **Approval of scheme by SEBI**
 - ✓ SEBI grant, with or without modification
 - ✓ Before granting approval, SEBI may make such enquiry as may be necessary in this behalf.
 - ✓ SEBI shall grant the approval if it is satisfied that it is in the interest of trade and also in the public interest.
- **Imposition of restrictions by SEBI.**

SEBI may, while approving the scheme, make an order restricting-

 - ✓ The voting rights of the shareholders who are also the stock brokers;
 - ✓ The right of shareholder or a stock broker of the RSE to appoint the representatives on the governing board of the RSE;

- ✓ The maximum number of representatives of the stock brokers of the RSE to be appointed on the governing board if the RSE, which shall not exceed 1/4th of the total strength of the governing board.
- Condition on approval
 - ✓ 51% of its share capital is held by public other than shareholders having trading rights;
 - ✓ The RSE shall comply with such provisions within 12 months of the publication of order of SEBI. SEBI may extend it by another 12 months.
 - ✓ The RSE may comply with such provisions either by fresh issue of equity shares to the public or in any other manner as may be specified by the regulation made by SEBI.
- Publication of scheme
 - ✓ Published when it is approved by SEBI.
 - ✓ Published by SEBI in OG.
 - ✓ The approved scheme shall be published by the RSE in such 2 daily newspapers circulating in India, as may be specified by SEBI.
- Effects of publication: this shall apply with notwithstanding anything contained in any law
 - ✓ The scheme shall become effective;
 - ✓ The scheme shall be binding on all persons having any contract, rights, power, obligation or liability with, against, over, to, or, in connection with, the RSE or its members.
- Rejection of the scheme
 - ✓ SEBI may reject if is not in a public interest
 - ✓ The order of rejection shall be published in OG.
 - ✓ Before rejecting, SEBI shall give a reasonable opportunity for being heard to all the persons concerned and the RSE concerned.

Recognition of Stock Exchanges

- Application (Section 3)
 - ✓ To CG by any SE.
- Requisites of an application
 - ✓ Prescribed particulars: the application shall comply with the rules 3,4, and 5 of securities contract act, 1956, as per these rules-
 - The application shall be made in 'Form A' appended to the rules
 - The fees for making application shall be Rs. 500
 - ✓ Bye laws
 - The application shall be accompanied by 4 copies of the bye-laws of the SE.
 - The bye-laws contain matters relating to the regulation and control of contracts.
 - ✓ Rules
 - The application shall be accompanied by 4 copies of the rules of the SE.
 - In particular, the rules shall specify the following matters:
 - Governing body – its constitution and powers of management and manner in which its business is to be transacted
 - Office bearers – the powers and duties of the office bearers
 - Members – the qualification of membership, and the exclusion, suspension, expulsion and readmission of members.
 - Admission of 'firm' as a member – the procedure for such type of member

➤ **Grant of recognition to stock exchange (Section 4)**

- ✓ The CG shall make inquiry and obtain further information which he requires for such process.
 - ✓ No application for the grant of recognition is refused unless an opportunity for being heard is given. And reason for refusal shall be given in writing
 - ✓ Recognition subject to satisfaction of CG: for following matters
 - That the rules and bye-laws of the SE are in conformity with such conditions as may be prescribed with a view to ensure fair dealing and to protect investors.
 - That the SE is willing to comply with any other conditions which the CG may impose for the purposes of carrying out the objects of this Act.
 - That it would be in the interest of Public
 - ✓ Recognition subject to conditions
 - The qualification for membership of SE;
 - The manner in which contracts shall be entered into and enforced as between members;
 - The appointment of representatives of the CG (not exceeding three) on the SE;
 - The maintenance of accounts of members and their audit by CA.
 - ✓ No rules of a RSE shall be amended except with the approval of the CG.
- Every grant of recognition shall be published in OG of India and State where the principal office of such RSE shall be situated.

Withdrawal of recognition (Section 5):

Empower the CG to withdraw the recognition to a SE. The procedures for withdrawal are as follows:

- If, considering the interest of the trade or the public interest, the CG is of the opinion that the recognition granted should be withdrawn, it shall serve a written notice on the governing body of the stock exchange.
- The notice shall specify the reasons for withdrawal
- The CG shall give an opportunity for being heard to the governing body of the SE.
- If the CG is satisfied that the recognition should be withdrawn, it may, by notification in the OG, withdraw the recognition granted to the stock exchanges.
- No withdrawal of recognition shall affect the validity of any contract entered into or made before the date of the notification. In respect of any contract is outstanding as on the date of notification, the CG may, after consultation with the SE, make such provision as it deems fit.

Power to call for information (Section 6)

- Every SE should furnish periodical returns to SEBI in the prescribed format. These returns contain information on current affairs of the exchange including volume and value of transaction, short deliveries, important decisions taken by board etc.
- Every SE has to maintain BOA for a period of 5 years and these books may be inspected by SEBI at any point of time.
- SEBI may by order in writing call for information or explanation relating to affairs of an exchange or its members. SEBI also has the power to appoint one or more inquiry officers who may submit the report to SEBI.
- Every director, manager, secretary or officer of the exchange is bound to provide information to enquiry officer of SEBI

- If market condition warrants it carries special investigation into the affairs of SEs.

Annual Report and rules restricting voting rights (Section 7 & 7A)

- Every SE is required to furnish a copy of Annual report to SEBI as well as CG
- A SE is empowered to amend rules to provide for all or any of the following matters:
 - ✓ Restriction on voting rights to members only in respect of any matter placed before the stock exchange at any meeting.
 - ✓ Regulation of voting rights by specifying that each member is entitled to one vote only irrespective of number of shares held.
 - ✓ Restriction on right of members to appoint another person as his proxy to attend and vote at a meeting of the stock exchange.
- Currently all exchanges provide for one member one vote. Only member can be appointed as proxy.

Power of CG to make or amend the rules of SE (Section 8)

- Order
 - ✓ By CG to direct RSE or any particular RSE to make any rules or to amend any rules already made
 - ✓ Requisition for making order
 - The CG shall consult the governing bodies of SE generally or with the governing body of the SE in particular, as the case may be
 - The CG must form an opinion that it is necessary or expedient to make such as order.
 - The CG shall specify the reasons for making such order.
 - The order to make any rules or to amend any rules already made shall be given only in respect of the matters specified.
- Compliance
 - ✓ Within 2 months from the order of CG.
- Making or amendment of rules by CG
 - ✓ If any RSE fails to comply with the order of the CG, the CG may make or amend the rules which specified in order. However, no such modification shall be made unless the stock exchanges agree to make such notification.
- Publication of rules
 - ✓ In OG of India and OG of state in which PO of RSE situated.
- Effect if the rules
 - ✓ As if they has been made or amended by the RSE or SE, as the case may be
 - ✓ Notwithstanding anything contained in the Companies Act or in any other law for the time being in force.

Clearing Corporation (Section 8A)

- Means a company which is incorporated in companies act, for the purpose of
 - ✓ The periodical settlement of contracts and differences hereunder;
 - ✓ The delivery of, and payment for, securities;
 - ✓ Any other matter incidental to, or connected with, such transfer.

- Benefits: a RSE may transfer the duties and function of a clearing house to clearing corporation. (subject to prior approval of SEBI)
- Bye-laws for CC
 - ✓ Every CC shall make bye-laws and submit the same to SEBI for its approval
 - ✓ SEBI may grant approval to the bye-laws submitted to it by the CC.
 - ✓ SEBI shall not grant such approval, unless it is satisfied that such approval is in the interest of the trade and also in the public interest
- Provision 4 to 12 shall apply to CC.

Power of recognised stock exchange to make bye-laws (Section 9)

- (1) Any recognised stock exchange may, subject to the previous approval of the Securities and Exchange Board of India, make bye-laws for the regulation and control of contracts.
- (2) In particular, and without prejudice to the generality of the foregoing power, such bye-laws may provide for:
 - (a) the opening and closing of markets and the regulation of the hours of trade;
 - (b) a clearing house for the periodical settlement of contracts and differences thereunder, the delivery of and payment of securities, the passing on of delivery orders and the regulation and maintenance of such clearing house;
 - (c) the submission to the Securities and Exchange Board of India by the clearing house as soon as may be after each periodical settlement of all or any of the following particulars as the Securities and Exchange Board of India may, from time to time, require, namely:
 - (i) the total number of each category of security carried over from one settlement period to another;
 - (ii) the total number of each category of security, contracts in respect of which have been squared up during the course of each settlement period;
 - (iii) the total number of each category of security actual delivered at each clearing;
 - (d) the publication by the clearing house of all or any of the particulars submitted to the Securities and Exchange Board of India under clause (c) subject to the directions, if any, issued by the Securities and Exchange Board of India in this behalf;
 - (e) the regulation or prohibition of blank transfers;
 - (f) the number and classes of contracts in respect of which settlements shall be made or differences paid through the clearing house;
 - (g) the regulation, or prohibition of budlas or carry-over facilities;
 - (h) the fixing, altering or postponing of days for settlements;
 - (i) the determination and declaration of market rates, including the opening, closing, highest and lowest rates for securities;
 - (j) the terms, conditions and incidents of contracts, including the prescription of margin requirements, if any, and conditions relating thereto, and the forms of contracts in writing.
 - (k) the regulation of the entering into, making, performance, rescission and termination, of contracts, including contracts between members or between a member and his constituent or between a member and a person who is not a member, and the consequences of default or insolvency on the part of a seller or buyer or intermediary, the consequences of a breach or omission by a seller or buyer and the responsibility of members who are not parties to such contracts;
 - (l) the regulation of taravani business including the placing of limitation thereon;

- (m) the listing of securities on the stock exchange, the inclusion of any security for the purpose of dealings and the suspension or withdrawal of any such securities, and the suspension or prohibition of trading in any specified securities;
 - (n) the method and procedure for the settlement of claims or disputes, including settlement by arbitration;
 - (o) the levy and recovery of fees, fines and penalties;
 - (p) the regulation of the course of business between parties to contracts in any capacity;
 - (q) the fixing of a scale of brokerage and other charges;
 - (r) the making, comparing, settling and closing of bargains;
 - (s) the emergencies in trade which may arise, whether as a result of pool or syndicated operations or cornering or otherwise, and the exercise of powers in such emergencies, including the power to fix maximum and minimum prices for securities;
 - (t) the regulation of dealings by members for their own account;
 - (u) the separation of the functions of jobbers and brokers;
 - (v) the limitations on the volume of trade done by any individual member in exceptional circumstances;
 - (w) the obligation of members to supply such information or explanation and to produce such documents relating to the business as the governing body may require.
- (3) The bye-laws made under this section may:
- (a) specify the bye-laws, the contravention of which shall make a contract entered into otherwise than in accordance with the bye-laws void under sub-section (1) of section 14;
 - (b) provide that the contravention of any of the bye-laws shall render the member concerned liable to one or more of the following punishments, namely:
 - (i) fine
 - (ii) expulsion from membership
 - (iii) suspension from membership for a specified period
 - (iv) any other penalty of a like nature not involving the payment of money.
- (4) Any bye-laws made under this section shall be subject to such conditions in regard to previous publication as may be prescribed, and, when approved by the Securities and Exchange Board of India, shall be published in the Gazette of India and also in the Official Gazette of the State in which the principal office of the recognised stock exchange is situated, and shall have effect as from the date of its publication in the Gazette of India:

Provided that if the Securities and Exchange Board of India is satisfied in any case that in the interest of the trade or in the public interest any bye-laws should be made immediately, it may, by order in writing specifying the reasons therefor, dispense with the condition of previous publication.

Power of SEBI to amend any rules of SE (section 10)

- SEBI on its own consultation with Board of exchange or on request of exchange may amend any bye-laws relating to matters covered under section 9 above after recording reasons for doing so.
- The amendment or revision shall be subject to the condition of previous publication.
- If an exchange has objection for such amendment by SEBI than within 2 months apply to SEBI for revision.
- In respect of amendments by exchange keeping public interest in mind SEB in its discretion may specifically waive the conditions for pre publication.

Powers of CG to supersede governing body of a RSE (Section 11)

- SEBI/CG are vested with power to supersede the Board of Stock exchange after serving a notice in writing after giving opportunity of being heard
- SEBI may be OG declares governing body as superseded and may appoint person/s to perform and exercise all power of board.

Power of CG to suspend business of the RSE (Section 12)

- If in the opinion of the CG an emergency has arisen and for the purpose of meeting the emergency the CG considers it expedient to do so, it may, by notification n OG, suspend such of its business for period not exceeding 7 days.
- The CG has also power to extend this period by a like notification

Contracts in notified area (Section 13)

- The CG may declare applicability of this section to a state or states or area whereupon every contract entered into between members of a RSE or RSE will be legal.
- Contracts entered into between persons other than members of RSE or RSE will be illegal.
- This provision is not applicable to spot delivery transaction.
- Further conditions for validity of contract as legal
 - ✓ Be subject to such terms and conditions as may be stipulated by the respective stock exchanges with prior approval of SEBI.
 - ✓ Require prior permission from the respective stock exchange if so stipulated by the stock exchange with prior approval of SEBI.

Establishment of Additional Stock exchange (Section 13A)

- SE may establish additional trading floor with the prior approval of the SEBI in accordance with the terms and conditions stipulated by the said board
- 'additional floor' means a trading ring or trading facility offered by a RSE outside its area of operation to enable the investor to buy and sell securities through such trading floor under the regulatory framework of that exchange.

Member not to act as principles (Section 15)

No member of a RSE shall enter into any contract as a principal with any other person other than a member of a RSE, except in the following cases

- Where the member of the RSE-
 - ✓ Secures the consent of such other person in writing;
 - ✓ Makes a disclosure in the notice, memorandum or agreement of sale or purchase that he is acting as a principal.
- Where the member secures the consent of such other person otherwise than in writing, he shall secure written confirmation by such person of such consent *within 3 days* from the date of the contract.
- A member may, without obtaining any written consent of such person, close out any outstanding contract entered into by such person in accordance with the bye-laws of the stock exchange. However, the member shall disclose in the note, memorandum or agreement if sale or purchase in respect of such closing out that he is acting as a principal.
- Where the contract is a spot delivery contract.

Contracts In derivatives (Section 18A)

Be legal and valid if-

- Traded in a RSE;
- Settled on the clearing house of the RSE, in accordance with the rules and bye-laws of such SE.

Listing of Securities (Section 21 to Section 22F)

- Condition (21)
 - ✓ Where securities are listed on the application of any person in RSE, such person shall comply with the condition of the listing agreement with that SE
- Right to appeal against refusal to list securities (22A)
 - ✓ Where a RSE refuses to list the securities of a Public company, it shall furnish the reasons for such refusal to the company
 - ✓ The company may appeal to the Securities appellate tribunal (SAT) to list the securities.
 - ✓ Time period
 - Within 15 days from the date on which refusal is furnished; or
 - Where the SE fails to discharge the application for listing of share within *specified time* (i.e., 10 weeks) than within 15 days of closing if such subscription.
 - ✓ The appeal file before the SAT shall be dealt with by it as expeditiously as possible and endeavour shall be made by it to dispose of the appeal within 6 months from the date of receipt of appeal.
 - ✓ The SAT may, after giving the SE, an opportunity of being heard-
 - Vary or set aside the decision of the SE; or
 - Where the SE has omitted or failed to dispose of the application within time, grant or refuse the permission.
 - ✓ The SAT shall send a copy of every order made by it to SEBI and parties to the appeal.
 - ✓ Where the SAT sets aside the decision of the SE or grants the permission, the SE shall act in conformity with the orders of SAT.
- Appeal to supreme court (22F)
 - ✓ By whom – any party aggrieved by decision of SAT
 - ✓ Time period – within 60 day
 - ✓ Extension of time period may be granted, but shall not exceed 60 days
 - ✓ Appeal can be filed only on a question of law.
- Procedures adopted by SAT (22B)
 - ✓ The SAT shall not be bound by procedure laid down in CPC
 - ✓ It shall be guided by the principal of justice
 - ✓ It shall have power to regulate its own procedure including the places at which it shall have its sittings.
 - ✓ Every proceedings before the Sat shall be deemed to be a judicial proceedings.
- Power of SAT (22B)
 - ✓ Summoning and enforcing the attendance of any person and examining him on oath;
 - ✓ Requiring the discovery and production of documents;
 - ✓ Receiving evidence on affidavits;
 - ✓ Issuing commissions for the examination of witness or documents;
 - ✓ Reviewing its decisions;
 - ✓ Dismissing an application for default or deciding it *ex parte*;

- ✓ Setting aside any order of dismissal of any application for default or any order passé by it;
- ✓ Any other matter which may be prescribed.
- Other precisions
 - ✓ The appellant may either appear in person or authorise one or CAs or CSs or Cost accountants or legal practitioners or any of its officers to present his or case before the SAT. (22C)
 - ✓ No civil court shall have jurisdiction to entertain any suit or proceeding in respect of any matter which a SAT is empowered. (22E)

Delisting of Securities (21)

- Grounds
 - ✓ On any which prescribed under this act
- Condition
 - ✓ The RS shall record the reasons for delisting
 - ✓ The securities of a company shall not be delisted unless the company concerned has been given a opportunity of being heard.
- Appeal against order of delisting
 - ✓ By whom – listed company or aggrieved investor
 - ✓ To whom – SAT
 - ✓ Time limit – within 15 days
 - ✓ Extension for time limit is given by SAT, but shall not exceed 1 month
- Procedures adopted by SAT
 - ✓ Issue of show cause notice to such SE
 - ✓ Dispose appeal within 6 month
 - ✓ SAT may aside or confirm the order of SE
 - ✓ Copy of order shall sent to the party at appeal
 - ✓ The SE shall comply with the order of SAT

Penalties (Section 23)

As per this section, a person shall be punishable with imprisonment for a term up to 10 years, or with fine up to Rs. 25 Crore, or with both, if he is convicted in respect of any of the following defaults:

- a. Where non compliance is made with section 6(4)
- b. Person enter into contract with contravention of section 13 and 16
- c. Where a person contravene section 17 or 17A or 19
- d. Where a person enters into a contract in derivative in contravention of section 18A or the rules made under section 30.
- e. Where a person owns or keeps a place other than that of a RSE which is used for the purpose of entering into or performing any contracts in contravention of any of the provisions of this act and knowingly permits such place to be used for such purposes.
- f. Where a person manages, controls, or assists in keeping any place other than that of a RSE which is used for this purpose of entering into or performing any contracts contravention of any of the provisions of this Act or at which contracts are recorded or adjusted or rights or liabilities arising out of contracts are adjusted, regulated or enforced in any manner whatsoever.

- g. Where a person not being a member of RSE wilfully represents to or induces any person to believe that contracts can be entered into or performed under this act through him.
- h. If he enters into any contract in contravention of the provisions contained in section 15
- i. If he fails to comply with the provision of section 21 (conditions for listing)
- j. If he fails to comply with 21A (delisting of securities)
- k. If he fails to comply with 22 (appeal against SG to list securities)

New Penalties (Section 23A to 23H)

Section	Nature of offence, Contravention, default	Penalty
23A	a. Failure to furnish information b. Failure to maintain BOA	Lesser of – a. Rs. 1 Lakh/day b. Rs. 1 crore
23B	Failure to any person to enter into an agreement with clients	
23C	Failure to redress investors' grievance	
23D	Failure to segregate securities or moneys of clients using the securities or moneys for self or for any other client	Up to Rs. 1 Crore
23E	Failure to comply with provisions of listing conditions or delisting conditions	Up to Rs. 25 Crore
23F	Excess dematerialisation or delivery of unlisted securities	
23G	Failure to furnish periodical returns	
23H	Any contravention for which no separate penalty has been provided	Up to Rs. 1 Crore

Offence by companies (Section 24)

- If by company than following person shall be liable to be punished against and punished accordingly;
 - a. The company;
 - b. Every person who, at the time the contravention was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company.
However person shall not be liable to imprisonment if he proves that,
 - i. The contravention took place without his knowledge;
 - ii. He exercises due diligence to prevent such contravention.
 - c. Every director, manager, secretary or other office of the company.
- Here,
 'Company' means any body corporate and includes a firm or association of individuals
 'Director' included in relation to the firm- partner in a firm.

Adjudication (Section 23I and 23J)

For penalty under 23A, 23H, 23I and 23J

- Powers (23I)
 - ✓ SEBI shall appoint any of its officer not belows the rank of divisional chief to be an adjudicating officer
 - ✓ The AO can give reasonable opportunity for being heard.
 - ✓ The AO has power to make summon and enforce the attendance of any person to give evidence and information relating to case

- Factors to be taken in account by AO (23J)
 - ✓ The amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default.
 - ✓ The amount of loss cause to an investor or group of investors as a result of the default.
 - ✓ The repetitive nature if the default.

Composition of certain offences (Section 23N)

- Notwithstanding anything contained in the CCP, any offence punishable under this Act, not being an offence punishable with imprisonment only, or with imprisonment and also with fine. May either before or after the institution of proceedings, be compounded by SAT or a court before which such proceedings are pending.

Power to grant Immunity (Section 23O)

- Conditions
 - ✓ SEBI has made recommendations to the CG that a person alleged to have violated any of the provisions of the Securities Contract Act, should be granted immunity from prosecution or imposition of penalty under this act.
 - ✓ The CG is satisfied that such person has made a full and true disclosure in respect of the violation
 - ✓ The proceedings for prosecution for any such offence have not been instituted before the date of receipt of application for grant of such immunity.
 - ✓ The CG may grant the immunity subject to such conditions as it may thinks fit to impose.
- Withdrawal of immunity
 - ✓ If he given false evidence and not comply with condition for immunity.
- Consequences of withdrawal of immunity
 - ✓ The person liable for fine and penalty as original

Cognisance of offence and jurisdiction to try offence

- Certain offence to be cognisable (Section 25)
 - ✓ Under section 23 shall be deemed to be a Cognisable offence
- Cognisance of offence (Section 26)
 - ✓ No court shall take cognisance, except on a compliant made by a CG or SG or the SEB or RSE or by any person.
 - ✓ No court inferior to that of a court or session shall try any offence punishable under this Act.

Title to dividends (Section 27)

- It shall be lawful for the holder of any security to receive and retain any dividend declared by the company. The holder shall have such a right notwithstanding that the said security has already been transferred by him for consideration.
- However, if the transferee has lodged the security and all other documents required for making the transfer of security within 15 days of the date in which the dividend became due, the holder shall have no right to retain the dividend.
- The period of 15 days shall be extended –

- ✓ In case of death of the transferee, by the actual period taken by his legal representative to establish his claim to the dividend;
- ✓ In case of loss of the transfer deed by theft or any other cause beyond the control of the transferee, by the actual period taken for the replacement thereof, and
- ✓ In case of delay in the lodging of any security and other documents relating to the transfer due to causes connected with the post, by the actual period of the delay.
- Nothing contained in the aforesaid provisions shall affect –
 - ✓ The right of a company to pay any dividend to the holder of the security; or
 - ✓ The right of the transferee of any security to enforce against the transferor or any other person his rights, if any, in relation to the transfer in any case where the company has refused to register the transfer of the security in the name of transferee.

Right to receive income from collective investment scheme (Section 27A)

- Same as per section 27
- It shall apply, where income or any other form of return is declared by a mutual fund.

Non-applicability of the Act (Section 28)

- a. The government
- b. The RBI
- c. Any local authority
- d. Any corporation set up by a special law
- e. Any person who is effected any transaction with or through the agency of any such authority referred to in the clause (a) to (d).
- f. Any convertible bond or share warrant or any option or right in relation thereto, insofar as it entails the person in whose favour any of the foregoing has been issued to obtain at his option from the company or other body corporate, issuing the same or from any of its shareholders or duly appointed agents share of the company or other body corporate whether by conversion of the bond or warrant otherwise, on the basis of the price agreed upon when the same issued.
- g. Any class of contracts in respect of which an exemption notification has been issued by the CG. However, exemption may relate only to certain provisions of the act, and may also specify certain conditions, limitations or restrictions.