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Corporate and Allied/Economic Laws

CA-Final **Notes** for NOV., 2019

Securities Laws

- ✓ *Covers SEBI Act and SCRA excluding removed topics*
- ✓ *Compiled for exam time revision*
- ✓ *No lengthy explanations or examples*
- ✓ *Updated with all relevant amendments*
- ✓ *Print Friendly*

<u>Important Instructions</u>:

1. Several topics have recently been excluded by BOS, ICAI from the scope of syllabus of CA-Final (New course) in Paper: 4 Corporate and Allied/Economic Laws w.e.f. Nov., 2019 Examination. The official notification for the same with can be accessed at https://resource.cdn.icai.org/55778bos45147fnew.pdf. **Similiarly, exclusions in Old Course may be accessed at** https://resource.cdn.icai.org/55779bos45147fold.pdf. The excluded topics have already been removed from these notes and hence **EVERYTHING IN THESE NOTES ARE PART OF SYLLABUS FOR NOV., 2019** and nothing is to be further excluded.

2. These notes are meant for REVISION only and therefore suggested to be referred by only those who have either read and understand the provisions of concerned laws in detail from ICAI Study Material or any other Study Material/Classes.

3. These notes are prepared with intention to help students on the paper day for complete revision of PAPER 4 syllabus in limited time. There is **NO NEED TO DO MCQs SEPERATELY** as they are also asked from same syllabus content**.**
<u>At least two reading</u> of these notes is **suggested**, **one before beginning of exams** (in which student may put markings in these notes as per his/her convenience) **and second** in days just before the Paper.

4. Interpretation/Analysis (i.e. simplified version) of provisions has not been included in these notes at most places as the same would have defeated the purpose of these notes making them lengthy and difficult to cover in entirety**. However, necessary effects such as <u>underlining</u> or making the font Bold have been made at appropriate places for easy interpretation and highlighting importance. (Light coloured text <u>may</u> be skipped <u>in last</u> day revision)**

5. AMENDMENTS
These notes are fully updated as per the amended provisions of Concerned Laws effective on 30/04/2019 which is cut-off date for Nov., 2019 Exams. ***Font of recent amendments has been made in Italics at relevant places***.

6. Whether all "Sections/Rules/Regulations/Schedules" covered?
All **relevant** Sections/Rules/Regulations/Schedules/Circulars have been covered in these notes to the extent made part of syllabus by BOS, ICAI.

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<u>Disclaimer</u>: In case of any inadvertent error in notes, students themselves will be responsible for referring to the correct provision of Law and the author of these notes shall not be responsible for any loss, if any, incurred.

Note: These Notes are part of **free self study resources and can be freely shared amongst students, <u>but without any modification</u>**.

You may give your valuable SUGGESTIONS/FEEDBACK/REVIEWS at https://forms.gle/LWAheiNqYZ7juPHP6.

SECURITIES LAWS

The Securities Exchange Board of India Act, 1992

With SEBI (Listing Obligations and Disclosure Requirement) Regulations, **2015**

QUICK INTRODUCTION

As per the preamble of The Securities Exchange Board of India Act, 1992 (hereinafter referred to as "SEBI Act"), it is an Act to provide for the **establishment of a Board** to **protect the interests of investors** in securities and to **promote the development of, and to regulate, the securities market and for matters connected therewith** or incidental thereto.

The Securities and Exchange Board of India ("SEBI") was established on April 12, 1992 in accordance with the provisions of the SEBI Act.

Note: SEBI Act extends to the whole of India. (No exception to J&K, even before abrogation of Article 370**)**

Sec 2 Definitions

"**Board**" means the Securities and Exchange Board of India established under section 3. [i.e. "SEBI" itself]
"Collective Investment Scheme" means any scheme or arrangement which satisfies the conditions specified in section 11AA
"**Judicial Member**" means a Member of the Securities Appellate Tribunal (SAT) appointed u/s 15MA(1) and includes the Presiding Officer.
"**Member**" means a member of the Board and includes the Chairman.
"**Regulations**" means the regulations made by the Board under this Act. (**IMPORTANT TO NOTE THAT THE "REGULATIONS" ARE MADE BY SEBI ITSELF AND NOT CG, WHEREAS "RULES" ARE MADE BY CG**)
As per section 2(2), Words and expressions used and not defined in SEBI Act but defined in the SCRA, 1956 or the Depositories Act, 1996, shall have the meanings respectively assigned to them in that Act.

Sec 3: Establishment and incorporation of Board.

3.(1) With effect from such date as the CG may, by notification, appoint, there shall be established, for the purposes of this Act, a Board by the name of the Securities and Exchange Board of India.
(2) The Board shall be a **body corporate** by the name aforesaid, having **perpetual succession** and a **common seal**, with power subject to the provisions of this Act, to acquire, hold and dispose of property, both movable and immovable, and to contract, and shall, **by the said name, sue or be sued**.
(3) The **head office** of the Board shall be at **Bombay**.
(4) The Board **may** establish offices at other places in India.

Sec 4 Management of the Board

4.(1) The Board shall consist of the following members, namely:— (a) a Chairman; (b) two members from amongst the officials of the Ministry of the CG dealing with Finance and administration of the Companies Act, 1956 (c) one member from amongst the officials of RBI (d) five other members of whom at least three shall be the whole-time members, to be appointed by the CG.
(2) The general superintendence, direction and management of the affairs of the Board shall vest in a Board of

members, which may exercise all powers and do all acts and things which may be exercised or done by the Board.
(3) Save as otherwise determined by regulations, the Chairman shall also have powers of general superintendence and direction of the affairs of the Board and may also exercise all powers and do all acts and things which may be exercised or done by that Board.
(4) The Chairman and members referred to in clauses (a) and (d) of sub-section (1) shall be appointed by the CG and the members referred to in clauses (b) and (c) of that sub-section shall be nominated by the CG and the RBI respectively.
(5) The Chairman and the other members referred to in clauses (a) and (d) of sub-section (1) 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 the CG, shall be useful to the Board.

Sec 5 Term of office and conditions of service of Chairman and members of the Board.

5 (1) The term of office and other conditions of service of the Chairman and the members referred to in clause (d) of sub-section (1) of section 4 shall be such as may be prescribed.
(2) Notwithstanding anything contained in sub-section (1), the CG shall have the right to terminate the services of the Chairman or a member appointed under clause (d) of sub-section (1) of section 4, at any time before the expiry of the period prescribed under sub-section (1), by giving him notice of not less than three months in writing or three months' salary and allowances in lieu thereof, and the Chairman or a member, as the case may be, shall also have the right to relinquish his office, at any time before the expiry of the period prescribed under sub-section (1), by giving to the CG notice of not less than 3 months in writing.

Sec 6 Removal of member from office (IMPORTANT)

The CG **shall** remove a member from office if he— (a)is, or at any time has been, adjudicated as **insolvent**; (b)is of **unsound mind** and stands so **declared by** a competent **court**; (c)has been **convicted** of an **offence** which, **in the opinion of the CG**, **involves a moral turpitude**; (d) {omitted} (e)has, **in the opinion of the CG**, so **abused his position** as to render his continuation in office detrimental to the public interest Provided that no member shall be removed under this clause unless he has been given a reasonable **opportunity of being heard** in the matter.

Sec 7 Meetings

7.(1) The Board shall meet at such times and places, and shall observe such rules of procedure in regard to the transaction of business at its meetings (including quorum at such meetings) as may be provided by regulations.
(2) The Chairman or, if for any reason, he is unable to attend a meeting of the Board, any other member chosen by the members present from amongst themselves at the meeting shall preside at the meeting.
(3) All questions which come up before any meeting of the Board **shall be decided by a majority votes of the members present and voting, and, in the event of an equality of votes, the Chairman, or in his absence, the person presiding, shall have a second or casting vote.**

Sec 7A Member not to participate in meetings in certain cases

Any member, who is a director of a company **and who as such director has** any direct or indirect **pecuniary interest** in any matter coming up for consideration at a meeting of the Board, **shall**, as soon as possible after relevant circumstances have come to his knowledge, **disclose** the nature of his interest at such meeting and such disclosure shall be recorded in the proceedings of the Board, **and** the member **shall not take any part** in any deliberation or decision of the Board with respect to that matter.

Sec 8 Vacancies, etc., not to invalidate proceedings of Board No act or proceeding of the Board shall be invalid merely by reason of— (a) any vacancy in, or any defect in the constitution of, the Board; or (b)any defect in the appointment of a person acting as a member of the Board; or (c)any irregularity in the procedure of the Board not affecting the merits of the case.

Sec 9 Officers and employees of the Board

9(1) The Board may appoint such other officers and employees as it considers necessary for the efficient discharge of its functions under this Act.
(2) The **term and other conditions of service** of officers and employees of the Board appointed under sub-section (1) shall be such as may be **determined by regulations**.

Sec 11 Functions of Board

11.(1) Subject to the provisions of this Act, it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.
(2) Without prejudice to the generality of the foregoing provisions, the measures referred to therein may provide for— (a) regulating the business in stock exchanges and any other securities markets; (b) registering and regulating 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 manner; (ba) registering and regulating the working of the depositories, participants, custodians of securities, foreign institutional investors, credit rating agencies and such other intermediaries as the Board may, by notification, specify in this behalf; (c) registering and regulating the working of venture capital funds and collective investment schemes], including mutual funds;(d)promoting and regulating self-regulatory organizations; (e)prohibiting fraudulent and unfair trade practices relating to securities markets; (f)promoting investors' education and training of intermediaries of securities markets; (g)prohibiting insider trading in securities; (h)regulating substantial acquisition of shares and take over of companies; (i)calling for information from, undertaking inspection, conducting inquiries and audits of the stock exchanges, mutual funds, other persons associated with the securities market], intermediaries and self-regulatory organisations in the securities market; (ia) calling for information and records from any person including any bank or any other authority or board or corporation established or constituted by or under any Central or State Act which, in the opinion of the Board, shall be relevant to any investigation or inquiry by the Board in respect ofany transaction in securities; (ib) calling for information from, or furnishing information to, other authorities, whether in India or outside India, having functions similar to those of the Board, in the matters relating to the prevention or detection of violations in respect of securities laws, subject to the provisions of other laws for the time being in force in this regard Provided that the Board, for the purpose of furnishing any information to any authority outside India, may enter into an arrangement or agreement or understanding with such authority with the prior approval of the CG; (j)performing such functions and exercising such powers under the provisions of SCRA,1956, as may be delegated to it by the CG; (k)levying fees or other charges for carrying out the purposes of this section; (l)conducting research for the above purposes; (la) calling from or furnishing to any such agencies, as may be specified by the Board, such information as may be considered necessary by it for the efficient discharge of its functions; (m) performing such other functions as may be prescribed.
(3) Notwithstanding anything contained in any other law for the time being in force while exercising the powers under clause (i) or clause (ia) of sub-section (2) or sub-section (2A)], the **Board shall have the same powers as are vested in a civil court** under the Code of Civil Procedure, 1908, while trying a suit, in respect of the

following matters, namely :—
(i)the discovery and production of books of account and other documents, at such place and such time as may be specified by the Board;
(ii)summoning and enforcing the attendance of persons and examining them on oath;
(iii)inspection of any books, registers and other documents of any person referred to in section 12, at any place;
(iv) inspection of any book, or register, or other document or record of the company referred to in sub-section (2A);
(v)issuing commissions for the examination of witnesses or documents.

[IMPORTANT]
11(4) Without prejudice to the provisions contained in sub-sections (1), (2), (2A) and (3) and section 11B, the **Board may, by an order, for reasons to be recorded in writing, in the interests of investors or securities market, take any of the following measures, either pending investigation or inquiry or on completion of such investigation or inquiry**, namely:—
(a)**suspend the trading** of any security in a recognised stock exchange;
(b)**restrain persons from accessing the securities market and prohibit any person** associated with securities market to buy, sell or deal in securities;
(c)**suspend any office-bearer** of any stock exchange or self-regulatory organisation from holding such position;
(d) **impound and retain the proceeds or securities** in respect of any transaction which is under investigation;

(e) ***(RECENTLY AMENDED)*** ***attach**, **for** a period **not exceeding 90 days**, **bank accounts or other property of** any **intermediary or any person associated** with the securities market in any manner involved in violation of any of the provisions of this Act, or the rules or the regulations made there under:*

***Provided** that the Board shall, within 90 days of the said attachment, obtain confirmation of the said attachment from the Special Court, established under section 26A, having jurisdiction and on such confirmation, such attachment shall continue during the pendency of the aforesaid proceedings and on conclusion of the said proceedings, the provisions of section 28A shall apply.*

***Provided further** that only property, bank account or accounts or any transaction entered therein, so far as it relates to the proceeds actually involved in violation of any of the provisions of this Act, or the rules or the regulations made there under shall be allowed to be attached;*

(f) direct any intermediary or any person associated with the securities market in any manner not to dispose of or alienate an asset forming part of any transaction which is under investigation.

Provided that the Board may, without prejudice to the provisions contained in sub-section (2) or sub-section (2A), take any of the measures specified in clause (d) or clause (e) or clause (f), in respect of any listed public company or a public company (not being intermediaries referred to in section 12) which intends to get its securities listed on any recognised stock exchange where the Board has reasonable grounds to believe that such company has been indulging in insider trading or fraudulent and unfair trade practices relating to securities market

Provided further that the Board shall, either before or after passing such orders, give an opportunity of hearing to such intermediaries or persons concerned.

(4A)Without prejudice to the provisions contained in sub-sections (1), (2), (2A), (3) and (4), section 11B and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

(5) The amount disgorged, pursuant to a direction issued, under section 11B of this Act or section 12A of the SCRA,1956 or section 19 of the Depositories Act, 1996, *or under a settlement made under section 15JB or section 23JA of the SCRA, 1956 or section 19-IA of the Depositories Act, 1996*, as the case may be, shall be credited to the Investor Protection and Education Fund established by the Board and such amount shall be utilised by the Board in accordance with the regulations made under this Act.

Sec 11A Board to regulate or prohibit issue of prospectus, offer document or advertisement soliciting money for issue of securities
11A.(1) Without prejudice to the provisions of the Companies Act, 1956, **the Board may**, for the protection of investors,— (a)**specify, by regulations**— (i)the matters relating to issue of capital, transfer of securities and other matters incidental thereto; and (ii)the manner in which such matters shall be disclosed by the companies; (**b)by general or special orders**— (i)prohibit any company from issuing prospectus, any offer document, or advertisement soliciting money from the public for the issue of securities; (ii)specify the conditions subject to which the prospectus, such offer document or advertisement, if not prohibited, may be issued.
(2) Without prejudice to the provisions of section 21 of the SCRA,1956, the Board may specify the requirements for listing and transfer of securities and other matters incidental thereto.

Sec 11AA Collective investment scheme

11AA.(1) Any scheme or arrangement which satisfies the conditions referred to in **<u>sub-section (2) or sub-section (2A)</u>** **<u>shall be</u> a collective investment scheme.** Provided that any pooling of funds under any scheme or arrangement, which is not registered with the Board or is not covered under sub-section (3), involving a corpus amount of Rs. 100 Cr or more **<u>shall be deemed to be</u> a collective investment scheme**.
(2) Any scheme or arrangement made or offered by any person under which,— (i)the contributions, or payments made by the investors, by whatever name called, are pooled and utilized for the purposes of the scheme or arrangement; (ii)the contributions or payments are made to such scheme or arrangement by the investors with a view to receive profits, income, produce or property, whether movable or immovable, from such scheme or arrangement; (iii)the property, contribution or investment forming part of scheme or arrangement, whether identifiable or not, is managed on behalf of the investors; (iv)the investors do not have day-to-day control over the management and operation of the scheme or arrangement.
(2A) Any scheme or arrangement made or offered by any person satisfying the conditions as may be specified in accordance with the regulations made under this Act.
(3) Notwithstanding anything contained in sub-section (2) or sub-section (2A),**any scheme or arrangement**— (i) made or offered by a co-operative society registered under the Co-operative Societies Act, 1912 or a society being a society registered or deemed to be registered under any law relating to co-operative societies for the time being in force in any State; (ii) under which deposits are accepted by NBFC as defined u/s 45-I of the RBI Act, 1934 (iii) being a contract of insurance to which the Insurance Act, 1938 applies; (iv) providing for any Scheme, Pension Scheme or the Insurance Scheme framed under the Employees Provident Fund and Miscellaneous Provisions Act, (v) under which deposits are accepted under section 58A of the Companies Act, 1956; (vi) under which deposits are accepted by a company declared as a Nidhi or a mutual benefit society under section 620A of the Companies Act, 1956; vii)falling within the meaning of Chit business as defined in clause (d) of section 2 of the Chit Fund Act, 1982; (viii)under which contributions made are in the nature of subscription to a mutual fund; (ix) such other scheme or arrangement which the CG may, in consultation with the Board, notify, **<u>shall not be</u> a collective investment scheme.**

Sec 11B Power to issue directions and levy penalty

(1 Save as otherwise provided in section 11, if after making or causing to be made an enquiry, the Board is satisfied that it is necessary,— (i)in the interest of investors, or orderly development of securities market; or

(ii)to prevent the affairs of any intermediary or other persons referred to in section 12 being conducted in a manner detrimental to the interest of investors or securities market; or
(iii)to secure the proper management of any such intermediary or person, it may issue such directions,—
(a)to any person or class of persons referred to in section 12, or associated with the securities market; or
(b)to any company in respect of matters specified in section 11A, as may be appropriate in the interests of investors in securities and the securities market.

Explanation.—For the removal of doubts, it is hereby declared that the power to issue directions under this section shall include and always be deemed to have been included the power to direct any person, who made profit or averted loss by indulging in any transaction or activity in contravention of the provisions of this Act or regulations made thereunder, to disgorge an amount equivalent to the wrongful gain made or loss averted by such contravention.

(2) Without prejudice to the provisions contained in sub-section (1), sub-section (4A) of section 11 and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

Sec 11C Investigation

11C.(1) Where the Board has reasonable ground to believe that—
(a)the transactions in securities are being dealt with in a manner detrimental to the investors or the securities market; or
(b)any intermediary or any person associated with the securities market has violated any of the provisions of this Act or the rules or the regulations made or directions issued by the Board thereunder,
it may,
at any time by order in writing, direct any person (hereafter in this section referred to as the Investigating Authority) specified in the order to investigate the affairs of such intermediary or persons associated with the securities market and to report thereon to the Board.

(2) Without prejudice to the provisions of sections 235 to 241 of the Companies Act, 1956, it shall be the duty of every manager, managing director, officer and other employee of the company and every intermediary referred to in section 12 or every person associated with the securities market to preserve and to produce to the Investigating Authority or any person authorised by it in this behalf, all the books, registers, other documents and record of, or relating to, the company or, as the case may be, of or relating to, the intermediary or such person, which are in their custody or power.

(3) The Investigating Authority may require any intermediary or any person associated with securities market in any manner to furnish such information to, or produce such books, or registers, or other documents, or record before him or any person authorised by it in this behalf as it may consider necessary if the furnishing of such information or the production of such books, or registers, or other documents, or record is relevant or necessary for the purposes of its investigation.

(4) The Investigating Authority may keep in its custody any books, registers, other documents and record produced under sub-section (2) or sub-section (3) for six months and thereafter shall return the same to any intermediary or any person associated with securities market by whom or on whose behalf the books, registers, other documents and record are produced
Provided that the Investigating Authority may call for any book, register, other document and record if they are needed again
Provided further that if the person on whose behalf the books, registers, other documents and record are produced requires certified copies of the books, registers, other documents andrecord produced before the Investigating Authority, it shall give certified copies of such books, registers, other documents and record to such person or on whose behalf the books, registers, other documents and record were produced.

(5) Any person, directed to make an investigation under sub-section (1), may examine on oath, any manager, managing director, officer and other employee of any intermediary or any person associated with securities market in any manner, in relation to the affairs of his business and may administer an oath accordingly and for that purpose may require any of those persons to appear before it personally.

(6) If any person fails without reasonable cause or refuses—
(a)to produce to the Investigating Authority or any person authorised by it in this behalf any book,

register, other document and record which is his duty under sub-section (2) or sub-section (3) to produce; or (b)to furnish any information which is his duty under sub-section (3) to furnish; or (c)to appear before the Investigating Authority personally when required to do so under sub-section (5) or to answer any question which is put to him by the Investigating Authority in pursuance of that sub-section; or (d)to sign the notes of any examination referred to in sub-section (7), he shall be punishable with imprisonment for a term which may extend to one year, or with fine, which may extend to one crore rupees, or with both, and also with a further fine which may extend to five lakh rupees for every day after the first during which the failure or refusal continues.
(7) Notes of any examination under sub-section (5) shall be taken down in writing and shall be read over to, or by, and signed by, the person examined, and may thereafter be used in evidence against him.
(8)Where in the course of investigation, the Investigating Authority has reasonable ground to believe that the books, registers, other documents and record of, or relating to, any intermediary or any person associated with securities market in any manner, may be destroyed, mutilated, altered, falsified or secreted, the Investigating Authority may make an application to the Magistrate or Judge of such designated court in Mumbai, as may be notified by the CG]for an order for the seizure of such books, registers, other documents and record.
(8A) The authorised officer may requisition the services of any police officer or any officer of the CG, or of both, to assist him for all or any of the purposes specified in sub-section (8) and it shall be the duty of every such officer to comply with such requisition.
(9) After considering the application and hearing the Investigating Authority, if necessary, the Magistrate or Judge of the Designated Court]may, by order, authorise the Investigating Authority – (a) to enter, with such assistance, as may be required, the place or places where such books, registers, other documents and record are kept; (b) to search that place or those places in the manner specified in the order; and (c) to seize books, registers, other documents and record, it considers necessary for the purposes of the investigation Provided that the Magistrate or Judge of the Designated Court shall not authorise seizure of books, registers, other documents and record, of any listed public company or a public company (not being the intermediaries specified under section 12) which intends to get its securities listed on any recognised stock exchange unless such company indulges in insider trading or market manipulation.
(10) The Investigating Authority shall keep in its custody the books, registers, other documents and record seized under this section for such period not later than the conclusion of the investigation as it considers necessary and thereafter shall return the same to the company or the other body corporate, or, as the case may be, to the managing director or the manager or any other person, from whose custody or power they were seized and inform the Magistrate or Judge of the Designated Court] of such return: Provided that the Investigating Authority may, before returning such books, registers, other documents and record as aforesaid, place identification marks on them or any part thereof.
(11) Save as otherwise provided in this section, every search or seizure made under this section shall be carried out in accordance with the provisions of the Code of Criminal Procedure, 1973 relating to searches or seizures made under that Code.

Sec 11D Cease and desist proceedings

If the Board finds, after causing an inquiry to be made, that any person has violated, or is likely to violate, any provisions of this Act, or any rules or regulations made thereunder, it may pass an order requiring such person to cease and desist from committing or causing such violation Provided that the Board shall not pass such order in respect of any listed public company or a public company (other than the intermediaries specified under section 12) which intends to get its securities listed on any recognised stock exchange unless the Board has reasonable grounds to believe that such company has indulged in insider trading or market manipulation.

Sec 12 Registration of stock brokers, sub-brokers, share transfer agents, etc

12.(1) No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in

accordance with the regulations made under this Act

Provided that a person buying or selling securities or otherwise dealing with the securities market as a stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market immediately before the establishment of the Board for which no registration certificate was necessary prior to such establishment, may continue to do so for a period of three months from such establishment or, if he has made an application for such registration within the said period of three months, till the disposal of such application

Provided further that any certificate of registration, obtained immediately before the commencement of the Securities Laws (Amendment) Act, 1995, shall be deemed to have been obtained from the Board in accordance with the regulations providing for such registration.

(1A) No depository, participant, custodian of securities, foreign institutional investor, credit rating agency, or any other intermediary associated with the securities market as the Board may by notification in this behalf specify, shall buy or sell or deal in securities except under and in accordance with the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act:

Provided that a person buying or selling securities or otherwise dealing with the securities market as a depository, participant, custodian of securities, foreign institutional investor or credit rating agency immediately before the commencement of the Securities Laws (Amendment) Act, 1995, for which no certificate of registration was required prior to such commencement, may continue to buy or sell securities or otherwise deal with the securities market until such time regulations are made under clause (d) of sub-section (2) of section 30.

(1B) No person shall sponsor or cause to be sponsored or carry on or caused to be carried on any venture capital funds or collective investment schemes including mutual funds, unless he obtains a certificate of registration from the Board in accordance with the regulations.

Provided that any person sponsoring or causing to be sponsored, carrying or causing to be carried on any venture capital funds or collective investment schemes operating in the securities market immediately before the commencement of the Securities Laws (Amendment) Act, 1995, for which no certificate of registration was required prior to such commencement, may continue to operate till such time regulations are made under clause (d) of sub-section (2) of section 30.

Explanation-For the removal of doubts, it is hereby declared that, for purposes of this section, a collective investment scheme or mutual fund shall not include any unit linked insurance policy or scrips or any such instrument or unit, by whatever name called, which provides a component of investment besides the component of insurance issued by an insurer.

(2) Every application for registration shall be in such manner and on payment of such fees as may be determined by regulations.(3) The Board may, by order, suspend or cancel a certificate of registration in such manner as may be determined by regulations.

Provided that no order under this sub-section shall be made unless the person concerned has been given a reasonable opportunity of being heard.

Sec 12A Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control [IMPORTANT]

12A. **No person shall directly or indirectly**—
(a) **use or employ**, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, **any manipulative or deceptive device or contrivance in contravention of the provisions** of this Act or the rules or the regulations made thereunder;

(b)employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange; (c)engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder; (d)**engage in insider trading**; (e)deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder; (f) acquire control of any company or securities more than the percentage of equity share capital of a company whose securities are listed or proposed to be listed on a recognised stock exchange in contravention of the regulations made under this Act.

Sec 13 Grants by the CG
The CG may, after due appropriation made by Parliament by law in this behalf, make to the Board grants of such sums of money as that Government may think fit for being utilized for the purposes of this Act.

Sec 14 Fund
14.(1) There shall be constituted a Fund to be called the Securities and Exchange Board of India General Fund and there shall be credited thereto— (a) all grants, fees and charges received by the Board under this Act; (b) all sums received by the Board from such other sources as may be decided upon by the CG.
(2) The Fund shall be applied for meeting— (a) the salaries, allowances and other remuneration of the members, officers and other employees of the Board;(b)the expenses of the Board in the discharge of its functions under section 11; (c)the expenses on objects and for purposes authorised by this Act.

Sec 15 Accounts and audit

15.(1) The Board shall maintain proper accounts and other relevant records and prepare an annual statement of accounts in such form as may be prescribed by the CG in consultation with the C&AG of India.
(2) The accounts of the Board shall be audited by the C&AG of India at such intervals as may be specified by him and any expenditure incurred in connection with such audit shall be payable by the Board to the C&AG of India.
(3) The C&AG of India and any other person appointed by him in connection with the audit of the accounts of the Board shall have the same rights and privileges and authority in connection with such audit as the C&AG generally has in connection with the audit of the Government accounts and, in particular, shall have the right to demand the production of books, accounts, connected vouchers and other documents and papers and to inspect any of the offices of the Board.
(4) The accounts of the Board as certified by the C&AG of India or any other person appointed by him in this behalf together with the audit report thereon shall be forwarded annually to the CG and that Government shall cause the same to be laid before each House of Parliament.

Sec 15A Penalty for failure to furnish information, return, etc

15A If any person, who is required under this Act or any rules or regulations made thereunder,— (a) to **furnish** any document, return or report to the Board, fails to furnish the same or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents, he shall be liable to a penalty which shall not be less than **<u>one lakh rupees</u>** but which may extend to **<u>one lakh rupees for each day</u>** during which such failure continues subject to a **<u>maximum of one crore rupees</u>**; (b)to **file** any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the

regulations or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.

(c)to **maintain** books of account or records, fails to maintain the same, he shall be liable to 68 a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees. **[PENALTY SAME IN ALL CASES]**

Sec 15B Penalty for failure by any person to enter into agreement with clients

15B.If any person, who is registered as an intermediary and is required under this Act or any rules or regulations made thereunder to enter into an agreement with his client, fails to enter into such agreement, he shall be liable to a penalty which shall not be less than **one lakh rupees** but which may extend to **one lakh rupees for each day** during which such failure continues subject to a **maximum of one crore rupees. [PENALTY SAME AS IN 15A]**

Sec 15C Penalty for failure to redress investors' grievances

15C.If any listed company or any person who is registered as an intermediary, after having been called upon by the Board in writing, to redress the grievances of investors, fails to redress such grievances within the time specified by the Board, such company or intermediary shall be liable to a penalty which shall not be less than **one lakh rupees** but which may extend to **one lakh rupees for each day** during which such failure continues subject to a **maximum of one crore rupees**. **[PENALTY SAME AS IN SECTION 15A]**

Sec 15D Penalty for certain defaults in case of mutual funds

15D If any person, who is—

(a)required under this Act or any rules or regulations made thereunder to obtain a certificate of registration from the Board for sponsoring or carrying on any collective investment scheme, including mutual funds, sponsors or carries on any collective investment scheme, including mutual funds, without obtaining such certificate of registration, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which he sponsors or carries on any such collective investment scheme including mutual funds subject to a maximum of one crore rupees;

(b) registered with the Board as a collective investment scheme, including mutual funds, for sponsoring or carrying on any investment scheme, fails to comply with the terms and conditions of certificate of registration, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees

(c)registered with the Board as a collective investment scheme, including mutual funds, fails to make an application for listing of its schemes as provided for in the regulations governing such listing, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees;

(d)registered as a collective investment scheme, including mutual funds, fails to despatch unit certificates of any scheme in the manner provided in the regulation governing such despatch, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees;

(e)registered as a collective investment scheme, including mutual funds, fails to refund the application monies paid by the investors within the period specified in the regulations, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees;

(f)registered as a collective investment scheme, including mutual funds, fails to invest money

collected by such collective investment schemes in the manner or within the period specified in the regulations, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees. **[PENALTY SAME AS IN SECTION 15A]**

Sec 15E Penalty for failure to observe rules and regulations by an asset management company
15E.Where any asset management company of a mutual fund registered under this Act, fails to comply with any of the regulations providing for restrictions on the activities of the asset management companies, such asset management company shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees. **[PENALTY SAME AS IN SECTION 15A]**

Sec 15EA	Penalty for default in case of alternative investment funds, infrastructure investment trusts and real estate investment trusts	Culprit shall be liable to penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees. **[PENALTY SAME AS IN SEC 15A]**
Sec 15EB	Penalty for default in case of **investment adviser and research analyst** to comply with the regulations made by the Board or directions issued by the Board	

Sec 15F Penalty for default in case of stock brokers

If any person, who is registered as a stock broker under this Act,-

Clause (a)	**fails to issue contract notes** in the form and manner specified by the stock exchange of which such broker is a member	penalty which shall **not be less than one lakh** rupees but which may extend **to for which** the **contract note was required to be issued** by that broker
Clause (b)	fails to deliver any security or fails to make payment of the amount due to the investor in the manner within the period specified in the regulations,	**[PENALTY SAME AS IN SEC 15A/15C/15D/15E/15EA/15EB]**
Clause (c)	charges an amount of brokerage which is in excess of the brokerage specified in the regulations, [**IMPORTANT]**	a penalty which shall not be less than **one lakh rupees** but which may extend to **FIVE TIMES the amount of brokerage charged in excess of the specified brokerage**, whichever is **HIGHER**

Sec 15G Penalty for insider trading [V. IMPORTANT]

If **any insider** who,—   (i) either on his own behalf or on behalf of any other person, **deals** in securities of a body corporate listed on any stock exchange **on the basis** of any **unpublished price-sensitive information**; or   (ii)**communicates** any unpublished price-sensitive information to any person, **with or without his request** for such information **<u>except as required in the ordinary course of business or under any law</u>**; or   (iii)**counsels**, **or procures for any other person to deal** in any securities of any body corporate on the basis of unpublished price-sensitive information,   —shall be liable to a **penalty which shall NOT BE LESS THAN TEN LAKH rupees** but which **MAY EXTEND TO TWENTY-FIVE CRORE** rupees **OR THREE TIMES the amount of profits** made out of insider trading, whichever is **HIGHER**

Sec 15H Penalty for non-disclosure of acquisition of shares and takeovers

If any person, who is required under this Act or any rules or regulations made thereunder, **fails to**,—   (i)disclose the aggregate of his shareholding in the body corporate before he acquires any shares of that body corporate; or   (ii)make a public announcement to acquire shares at a minimum price; or   (iii) make a public offer by sending letter of offer to the shareholders of the concerned company; or   (iv)make payment of consideration to the shareholders who sold their shares pursuant to letter of offer,   **he shall be liable** to a penalty which shall not be less than ten lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher.   **[PENALTY SAME AS IN SEC <u>15G</u>]**

Sec 15HA	If any person **indulges in fraudulent and unfair trade practices** relating to securities	PENALTY OF MIN. Rs. <u>5</u> LAKH AND MAX UPTO Rs. 25 CR OR 3 TIMES OF AMOUNT OF PROFIT MADE, WHICHEVER IS HIGHER
Sec 15HB	whoever fails to comply with any provision of this Act/rules/regulations made or directions issued by the Board thereunder **for which no separate penalty has been provided**	PENALTY OF MIN. Rs. 1 LAKH AND MAX UPTO Rs. 1 CR.

Sec 15-I Power to adjudicate
(1) For the purpose of adjudging under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB, the Board may appoint any officer not below the rank of a Division Chief to be an adjudicating officer for holding an inquiry in the prescribed manner after giving any person concerned a reasonable opportunity of being heard for the purpose of imposing any penalty.
(2) While holding an inquiry the adjudicating officer shall have power to summon and enforce the attendance of any person acquainted with the facts and circumstances of the case to give evidence or to produce any document which in the opinion of the adjudicating officer, may be useful for or relevant to the subject-matter of the inquiry and if, on such inquiry, he is satisfied that the person has failed to comply with the provisions of any of the sections specified in sub-section (1), he may impose such penalty as he thinks fit in accordance with the provisions of any of those sections.
(3) The Board may call for and examine the record of any proceedings under this section and if it considers that the order passed by the adjudicating officer is erroneous to the extent it is not in the interests of the securities market, it

may, after making or causing to be made such inquiry as it deems necessary, pass an order enhancing the quantum of penalty, if the circumstances of the case so justify.

Provided that no such order shall be passed unless the person concerned has been given an opportunity of being heard in the matter.

Provided further that nothing contained in this sub-section shall be applicable after an expiry of a period of three months from the date of the order passed by the adjudicating officer or disposal of the appeal under section 15T, whichever is earlier.

Sec 15J Factors to be taken into account while adjudging quantum of penalty
While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely :— (a)the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default; (b)the amount of loss caused to an investor or group of investors as a result of the default; (c)the repetitive nature of the default. Explanation.—For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.

Sec 15JA All sums realised by way of penalties under this Act shall be credited to **the Consolidated Fund of India.**

Sec 15JB Settlement of administrative and civil proceedings (1) Notwithstanding anything contained in any other law for the time being in force, any person, against whom any proceedings have been initiated or may be initiated under section 11, section 11B, section 11D, sub-section (3) of section 12 or section 15-I, may file an application in writing to the Board proposing for settlement of the proceedings initiated or to be initiated for the alleged defaults.
(2) The Board may, after taking into consideration the nature, gravity and impact of defaults, agree to the proposal for settlement, on payment of such sum by the defaulter or on such other terms as may be determined by the Board in accordance with the regulations made under this Act.
(3) The settlement proceedings under this section shall be conducted in accordance with the procedure specified in the regulations made under this Act.
(4) No appeal shall lie under section 15T against any order passed by the Board or adjudicating officer, as the case may be, under this section.
(5) All settlement amounts, excluding the disgorgement amount and legal costs, realised under this Act shall be credited to the Consolidated Fund of India.

Securities Appellate Tribunal (SAT)

Sec 15K Establishment of Securities Appellate Tribunals ("SAT")

(1) The **CG shall, by notification**, establish a Tribunal to be known as the Securities Appellate Tribunal ("**SAT**") to exercise the jurisdiction, powers and authority conferred on it by or under this Act or any other law for the time being in force.

(2) The CG shall also specify in the notification referred to in sub-section (1), the matters and places in relation to which the SAT may exercise jurisdiction.

Sec 15L Composition of SAT

1) The SAT shall consist of a Presiding Officer and such number of Judicial Members and Technical Members as the CG may determine, by notification, to exercise the powers and discharge the functions conferred on the SAT under this Act or any other law for the time being in force.

(2) Subject to the provisions of this Act,—
(a) the jurisdiction of the SAT may be exercised by Benches thereof;
(b) a Bench may be constituted by the Presiding Officer of SAT with two or more Judicial or Technical Members as he may deem fit
Provided that every Bench constituted shall include at least one Judicial Member and one Technical Member;
(c) the Benches of the SAT shall ordinarily sit at Mumbai and may also sit at such other places as the CG may, in consultation with the Presiding Officer, notify.
(3) Notwithstanding anything contained in sub-section (2), the Presiding Officer may transfer a Judicial Member or a Technical Member of the SAT from one Bench to another Bench.

Sec 15M Qualification for appointment as Presiding Officer or Member of SAT

A person shall not be qualified for appointment as the Presiding Officer or a Judicial Member or a Technical Member of the SAT, unless he—
(a) is, or has been, a Judge of the SC or a Chief Justice of a HC or a Judge of HC for at least seven years, in the case of the Presiding Officer; and
(b) is, or has been, a Judge of HC for at least five years, in the case of a Judicial Member; or
(c) in the case of a Technical Member—
(i) is, or has been, a Secretary or an Additional Secretary in the Ministry or Department of the CG or any equivalent post in the CG or a SG ;or
(ii) is a person of proven ability, integrity and standing having special knowledge and professional experience, of not less than 15 years, in financial sector including securities market or pension funds or commodity derivatives or insurance.

Sec 15MA
The Presiding Officer and Judicial Members ofthe SAT shall be appointed by the CG in **consultation** with the Chief Justice of India ("CJI") or his nominee.

Sec 15MB (1) The Technical Members of the SAT shall be appointed by the CG on the recommendation of a Search-cum-Selection Committee consisting of the following, namely:—
(a) Presiding Officer, Securities Appellate Tribunal—Chairperson;
(b) Secretary, Department of Economic Affairs—Member;
(c) Secretary, Department of Financial Services—Member; and
(d) Secretary, Legislative Department or Secretary, Department ofLegal Affairs—Member.

(2) The Secretary, Department of Economic Affairs shall be the Convener of the Search-cum-Selection Committee.

(3) The Search-cum-Selection Committee shall determine its procedure for recommending the names of persons to be appointed under sub-section (1).

Sec 15MC.(1) No appointment of the Presiding Officer, a Judicial Member or a Technical Member of the SAT shall be invalid merely by reason of any vacancy or any defect in the constitution of the Search cum-Selection Committee.
(2) A member or part time member of the Board or the Insurance Regulatory and Development Authority or the Pension Fund Regulatory and Development Authority, or any person at senior management level equivalent to the Executive Director in the Board or in such Authorities, shall not be appointed as Presiding Officer or Member of the SAT, during his service or tenure as such with the Board or with such Authorities, as the case may be, or within two years from the date on which he ceases to hold office as such in the Board or in such Authorities.
(3) The Presiding Officer or such other member of the SAT ,holding office on the date of commencement of Part VIII of Chapter VI of the Finance Act, 2017 shall continue to hold office for such term as he was appointed and the other provisions of this Act shall apply to such Presiding Officer or such other member, as if Part VIII of Chapter VI of the Finance Act, 2017 had not been enacted.

Sec 15N Tenure of office of Presiding Officer and other Members of SAT
The Presiding Officer or every Judicial or Technical Member of SAT shall hold office for a **term** of **5 years** from the date on which he enters upon his office, and shall be **eligible for reappointment** for **another term of maximum five years**: Provided that **no** Presiding Officer or the Judicial or Technical **Member shall hold office after** he has attained the **age of 70 years.**

Sec 15-O	**Salary** and allowances and other terms and conditions of service of Presiding Officers and other Members	- shall be such as may be prescribed. - PROVIDED neither the salary and allowances nor the other terms and conditions shall be varied to their disadvantage after appointment.
Sec 15P	For reason other than temporary absence, any **vacancy** occurs in SAT (Presiding Officer or any other Member)	- CG shall appoint another person in accordance with the provisions of the Act and the proceedings may be continued from the stage at which the vacancy is filled.
Sec 15PA	any **vacancy** in the office of the Presiding Officer of the SAT by **reason of his death, resignation or otherwise**	senior-most Judicial Member of the SAT shall act as the Presiding Officer until the date on which a new Presiding Officer is appointed.

Sec 15Q Resignation and removal

(1) The Presiding Officer or any other Member of a SAT may, by notice in writing under his hand addressed to the CG, **resign** his office: Provided that the Presiding Officer or any other Member shall, unless he is permitted by the CG to relinquish his office sooner, continue to hold office, until the expiry of THREE MONTHS from the date of receipt of such notice or until a person duly appointed as his successor enters upon his office or until the expiry of his term of office, whichever is the earliest.
(2) CG may, after an inquiry made by the Judge of the SC, **remove** the Presiding Officer or Judicial Member or Technical Member of the SAT, if he— (a) is, or at any time has been adjudged as an insolvent; (b) has become physically or mentally incapable of acting as the Presiding Officer, Judicial or Technical Member; (c) has been convicted of any offence which, in the opinion of the CG, involves moral turpitude;

(d) has, in the opinion of the CG, so abused his position as to render his continuation in office detrimental to the public interest; or (e) has acquired such financial interest or other interest as is likely to affect prejudicially his functions as the Presiding Officer or Judicial or Technical Member Provided that he shall not be removed from office under clauses (d) and (e), unless he has been given a reasonable opportunity of being heard in the matter.
(3) The CG may, by rules, regulate the procedure for the investigation of misbehavior or incapacity of the Presiding Officer or any other Member.

Sec 15QA	RELATED TO APPLICATION SEC 184 OF FINANCE ACT, 2017 ON T&C OF SERVICE OF MEMBERS OF SAT- NOT COVERED	
Sec 15R	-No order of the CG appointing any person AS MEMBER OF SAT	Shall be called in question in any manner,
	- no act or proceeding before a SAT	shall be called in question in any manner on the ground merely of any defect in the constitution of a SAT
Sec 15S	**Staff of the SAT**	- CG shall give staff to SAT as CG may deem fit - all discharge their functions under general superintendence of the Presiding Officer - salaries and other conditions of service of staff shall be as may be prescribed

Sec 15T Appeal to the Securities Appellate Tribunal [IMPORTANT]

(1) Save as provided in sub-section (2), any person aggrieved,— (a)by an order of the Board made, on and after the commencement of the Securities Laws (Second Amendment) Act, 1999, under this Act, or the rules or regulations made thereunder; or (b)by an order made by an adjudicating officer under this Act or (c) by an order of the IRDA or the Pension Fund Regulatory and Development Authority, may prefer an appeal to a SAT having jurisdiction in the matter.
(2) OMITTED
3) Every appeal under sub-section (1) shall be filed within a period of **forty-five days** from the date on which a copy of the order made by the Board or the Adjudicating Officer or the IRDA or the Pension Fund Regulatory and Development Authority, as the case may be, is received by him and it shall be in such form and be accompanied by such fee as may be prescribed Provided that the SAT may entertain an appeal after the expiry of the said period of forty-five days if it is satisfied that there was sufficient cause fornot filing it within that period.
(4) On receipt of an appeal under sub-section (1), the SAT may, after giving the parties to the appeal, an opportunity of being heard, pass such orders thereon as it thinks fit, confirming, modifying or setting aside the order appealed against.
(5) The SAT shall send a copy of every order made by it to the Board or the IRDA or the Pension Fund Regulatory and Development Authority, as the case may be, the parties to the appeal and to the concerned Adjudicating Officer.
(6) The appeal filed before the SAT under sub-section (1) shall be dealt with by it as expeditiously as possible and endeavour shall be made by it to dispose of the appeal finally within six months from the date of receipt of the appeal.

Sec 15U Procedure and powers of the SAT

(1) The SAT **shall not be bound** by the procedure laid down by the Code of Civil Procedure, 1908, but **shall be guided by the principles of natural justice** and, subject to the other provisions of this Act, and of any rules, the SAT shall have powers to regulate their own procedure including the places at which they shall have their sittings.
(2) The SAT shall have, for the purposes of discharging their functions under this Act, the same powers as are vested in a civil court under the Code of Civil Procedure, 1908, while trying a suit, in respect of the following matters, namely :— (a)summoning and enforcing the attendance of any person and examining him on oath;

(b)requiring the discovery and production of documents; (c)receiving evidence on affidavits; (d)issuing commissions for the examination of witnesses or documents; (e)reviewing its decisions; (f)dismissing an application for default or deciding it ex parte; (g)setting aside any order of dismissal of any application for default or any order passed by it ex parte ; (h)any other matter which may be prescribed.
(3) Every proceeding before the SAT shall be deemed to be a judicial proceeding within the meaning of sections 193 and 228, and for the purposes of section 196 of the Indian Penal Code, and the SAT shall be deemed to be a civil court for all the purposes of section 195 and Chapter XXVI of the Code of Criminal Procedure, 1973
(4) Where Benches are constituted, the Presiding Officer of the SAT may, from time to time make provisions as to the distribution of the business of the SAT amongst the Benches and also provide for the matters which may be dealt with, by each Bench.
(5) On the application of any of the parties and after notice to the parties, and after hearing such of them as he may desire to be heard, or on his own motion without such notice, the Presiding Officer of the SAT may transfer any case pending before one Bench, for disposal, to any other Bench.
(6) <u>If a Bench of the SAT consisting of two members differ in opinion on any point, they shall state the point or points on which they differ, and make a reference to the Presiding Officer of the SAT who shall either hear the point or points himself or refer the case for hearing only on such point or points by one or more of the other members of SAT and such point or points shall be decided according to the opinion of the majority of the members of the SAT who have heard the case, including those who first heard it.</u>

Sec 15V Right to legal representation.
The appellant may either appear in person or authorise one or more CAs or CSs or cost accountants or legal practitioners (Advocate, vakil or any attorney of any HC, and includes a pleader in practice) or any of its officers to present his or its case before the SAT.

SEC 15W	provisions of the Limitation Act, 1963	Shall Apply to an appeal made to a SAT
SEC 15X	Presiding Officer, Members and staff of SAT	Deemed to be public servants
SEC 15Y	No civil court shall have jurisdiction to entertain any suit or proceeding in respect of any matter which an adjudicating officer Appointed under this Act or SAT is empowered to determine and no injunction shall be granted by any court or other authority in respect of any action taken or to be taken in pursuance of any power conferred by or under this Act	
SEC 15Z	**Appeal to Supreme Court [IMPORTANT]** Any person aggrieved by any decision or order of the SAT may file an appeal to the SC within **60 days** from the date of communication of the decision or order of the SAT to him **ON ANY QUESTION OF LAW** arising out of such order. Provided that the SC may, if it is satisfied that the applicant was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed within a further period not exceeding sixty days.	

SEC 23	**No suit, prosecution or other legal proceedings shall lie against** the CG or Board or any officer of the CG or any member, officer or other employee of the Board **for anything** which is **in good faith done or intended to be done** under this Act or the rules or regulations made thereunder
SEC 24	(1) Without prejudice to any award of penalty by the adjudicating officer or the Board under this Act, if any person contravenes or attempts to contravene or abets the contravention of the provisions of this Act or of any rules or regulations made thereunder, he shall be punishable with imprisonment for a term which may extend to 10 years, or with fine, which may extend to 25 CR rupees or with both.
	(2) If any person fails to pay the penalty imposed by the adjudicating officer or the Board or fails to comply with any directions or orders, he shall be punishable with imprisonment 39for a term which shall not be less than one month but which may extend to 10 years, or with fine, which may extend to 25CR rupees or with both.
SEC 24A	**Composition of certain offences** Notwithstanding anything contained in the Code of Criminal Procedure, 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 any proceeding, **be compounded** by a SAT or a court before which such proceedings are pending. [ANALYSIS: • ALL OFFENCES ARE COMPUNDABLE IF THEY SATISFY ALL THE FOLLOWING CONDITIONS: 1. IT SHOULD NOT BE PUNISHABLE WITH ONLY IMPRISONMENT 2. IT SHOULD NOT BE PUNISHABLE WITH FINE AND IMPRISONMENT • -COMPUNDING MAY BE DONE BY SAT OR COURT, BEFORE WHICH PROCEEDINGS ARE PENDING • COMPOUNDING MAY BE BEFORE OR AFTER INSTITUTION OF PROCEEDING]
SEC 24B	**Power to grant immunity** (1)The CG may, on recommendation by the Board, if the CG is satisfied, that any person, who is alleged to have violated any of the provisions of this Act or the rules or the regulations made thereunder, has made a full and true disclosure in respect of the alleged violation, grant to such person, subject to such conditions as it may think fit to impose, immunity from prosecution for any offence under this Act, or the rules or the regulations made thereunder or also from the imposition of any penalty under this Act with respect to the alleged violation Provided that no such immunity shall be granted by the CG in cases where the proceedings for the prosecution for any such offence have been instituted before the date of receipt of application for grant of such immunity Provided further that recommendation of the Board under this sub-section shall not be binding upon the CG.
	(2) An immunity granted to a person under sub-section (1) may, at any time, be withdrawn by the CG , if it is satisfied that such person had, in the course of the proceedings, not complied with the condition on which the immunity was granted or had given false evidence, and thereupon such person may be tried for the offence with respect to which the immunity was granted or for any other offence of which he appears to have been guilty in connection with the contravention and shall also become liable to the imposition of any penalty under this Act to which such person would have been liable, had not such immunity been granted.
SEC 25	**Exemption from tax on wealth and income** The Board AND the existing Securities and Exchange Board from the date of its constitution to the date of establishment of the Board shall not be liable to pay wealth-tax, income-tax or any other tax in respect of their wealth, income, profits or gains derived.
SEC 26	**Cognizance of offences by courts** No court shall take cognizance of any offence punishable under this Act or any rules or regulations made thereunder, save on a complaint made by the Board

SEC 26A	**Establishment of Special Courts** (1) The CG may, for the purpose of providing speedy trial of offences under this Act, by notification, establish or designate as many Special Courts as may be necessary. (2) A Special Court shall consist of a single judge who shall be appointed by the CG with the concurrence of the Chief Justice of the HC within whose jurisdiction the judge to be appointed is working. (3) A person shall not be qualified for appointment as a judge of a Special Court unless he is, immediately before such appointment, holding the office of a Sessions Judge or an Additional Sessions Judge, as the case may be.
SEC 26B	**Offences triable by Special Courts** Notwithstanding anything contained in the Code of Criminal Procedure, 1973, all offences under this Act committed prior to the date of commencement of the Securities Laws (Amendment) Act, 2014 or on or after the date of such commencement, shall be taken cognizance of and tried by the Special Court established for the area in which the offence is committed or where there are more Special Courts than one for such area, by such one of them as may be specified in this behalf by the HC concerned.
SEC 26C	**Appeal and revision** The HC may exercise, so far as may be applicable, all the powers conferred by Chapters XXIX and XXX of the Code of Criminal Procedure, 1973 on a HC, as if a Special Court within the local limits of the jurisdiction of the HC were a Court of Session trying cases within the local limits of the jurisdiction of the HC.

Sec 27 Contravention by companies [IMPORTANT]

(1) Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, 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, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly: Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention.
(2) Notwithstanding anything contained in sub-section (1), where a contravention under this Act has been committed by a company and it is proved that the contravention has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly. Explanation: For the purposes of this section,— (a)“company” means any body corporate and includes a firm or other association of individuals; and (b)“director”, in relation to a firm, means a partner in the firm.

Sec 30 Power to make regulations

(1) The Board [i.e SEBI] may, by notification, make regulations consistent with this Act and the rules made thereunder to carry out the purposes of this Act.
(2) In particular, and without prejudice to the generality of the foregoing power, **such regulations may provide for all or any of the following matters, namely** :— (a)the times and places of meetings of the Board and the procedure to be followed at such u/s 7(1) including quorum necessary for the transaction of business; (b)the terms and other conditions of service of officers and employees of the Board under sub-section (2) of section 9; (c) the matters relating to issue of capital, transfer of securities and other matters incidental thereto and the manner in which such matters shall be disclosed by the companies under section 11A; (ca) the utilisation of the amount credited under sub-section (5) of section 11; (cb) the fulfilment of other conditions relating to collective investment scheme under sub-section (2A) of section 11AA; (d)the conditions subject to which certificate of registration is to be issued, the amount of fee to be paid for certificate of registration and the manner of suspension or cancellation of certificate of registration under section 12. (da) the terms determined by the Board for settlement of proceedings under sub-section (2) and the procedure for conducting of settlement proceedings under sub-section (3) of section 15JB; (db) any other matter which is required to be, or may be, specified by regulations or in respect of which provision is to be made by regulations.

Sec 31 Rules and regulations to be laid before Parliament
Every rule and every regulation made under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of 30 days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or regulation or both Houses agree that the rule or regulation should not be made, the rule or regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or regulation.

SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 [SEBI(LODR)REGULATIONS] (Not for Old Course Students)

QUICK INTRODUCTION

The **SEBI** (and not CG), by using the powers conferred to it by section 11, 11A (2) and section 30 of the SEBI Act, 1992; read with section 31 of the SCRA, 1956, **made these Regulations**. These were initially issued in Sept., 2015 with the view to streamline the provisions of existing listing agreements for different segment of capital market. They, thereafter, have been amended from time to time. These notes cover amendments only up to the cutoff date relevant for Nov., 2019 Exams. These Regulations intend to make several obligations related to Disclosures, Corporate Governance etc. for listed entities.

Applicability

These regulations shall apply to the **listed entity** who has listed any of the following designated securities on recognised stock exchange(s):

(a)specified securities listed on main board or SME Exchange or institutional trading platform;

(b) non-convertible debt securities, non-convertible redeemable preference shares, perpetual debt instrument, perpetual non-cumulative preference shares;

(c) IDRs;

(d)securitised debt instruments;

(da) security receipts;

(e)units issued by **mutual funds**;

(f)any other securities as may be specified by the Board. [Board here means SEBI]

NOTE: THESE REGULATIONS HAVE BEEN FURTHER DIVIDED INTO TWO PARTS:

1. **Substantive Provisions,** incorporated in main body of Regulations
2. **Procedural Requirements**, in form of schedules to Regulations. [NOT COVERED as not in syllabus]

Regulation 6: Compliance Officer and his Obligations

(1) A listed entity shall appoint a qualified CS as the compliance officer.

(2)The compliance officer of the listed entity shall be responsible for-

(a)ensuring conformity with the regulatory provisions applicable to the listed entity in letter and spirit.

(b)co-ordination with and reporting to the Board, recognized stock exchange(s) and depositories with respect to compliance with rules, regulations and other directives of these authorities in manner as specified from time to time.

(c)ensuring that the correct procedures have been followed that would result in the correctness, authenticity and comprehensiveness of the information, statements and reports filed by the listed entity under these regulations.

(d)monitoring email address of grievance redressal division as designated by the listed entity for the purpose of registering complaints by investors

Provided that the requirements of this regulation shall not be applicable in the case of units issued by mutual funds which are listed on recognised stock exchange(s) but shall be governed by the provisions of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

Regulation 7 Share Transfer Agent

(1) The listed entity shall appoint a share transfer agent or manage the share transfer facility in-house: Provided that in the case of in-house share transfer facility, as and when the total number of holders of securities of the listed entity exceeds one lakh, the listed entity shall either register with the Board as a Category II share transfer agent or appoint Registrar to an issue and share transfer agent registered with the Board.

(2)The listed entity shall ensure that all activities in relation to share transfer facility are maintained either in

house or by Registrar to an issue and share transfer agent registered with the Board.
(3)The listed entity shall submit a compliance certificate to the exchange, duly signed by both the compliance officer of the listed entity and the authorised representative of the share transfer agent, wherever applicable,within one month of end of each half of the financial year, certifying compliance with the requirements of sub-regulation (2).
(4)In case of any change or appointment of a new share transfer agent, the listed entity shall enter into a tripartite agreement between the existing share transfer agent, the new share transfer agent and the listed entity, in the manner as specified by the Board from time to time:
Provided that in case the existing share transfer facility is managed in-house, the agreement referred above shall be entered into between the listed entity and the new share transfer agent.
(5)The listed entity shall intimate such appointment, referred to in sub-regulation (4), to the stock exchange(s) within seven days of entering into the agreement.
(6)The agreement referred to in sub-regulation (4) shall beplaced in the subsequent meeting of the board of directors
Provided that the requirements of this regulation shall not be applicable to the units issued by mutual funds that are listed on recognised stock exchange(s).

Regulation 19 Nomination and remuneration committee
(1) The board of directors shall constitute the nomination and remuneration committee as follows:
(a)the committee shall comprise of atleast three directors ;
(b)all directors of the committee shall be non-executive directors; and
(c)atleast fifty percent of the directors shall be independent directors ~~and in case of a listed entity having outstanding SR equity shares, two thirds of the nomination and remuneration committee shall comprise of independent directors.~~
(2)The Chairperson of the nomination and remuneration committee shall be an independent director: Provided that the chairperson of the listed entity, whether executive or non-executive, maybe appointed as a member of the Nomination and Remuneration Committee and shall not chair such Committee.
(2A) The quorum for a meeting of the nomination and remuneration committee shall be either two members or one third of the members of the committee, whichever is greater, including atleast one independent director in attendance.
(3)The Chairperson of the nomination and remuneration committee may be present at the annual general meeting, to answer the shareholders' queries; however, it shall be up to the chairperson to decide who shall answer the queries.
(3A) The nomination and remuneration committee shall meet at least once in a year.
(4)The role of the nomination and remuneration committee shall be as specified as in Part D of the Schedule II.

Regulation 20 Stakeholders Relationship Committee
(1) The listed entity shall constitute a Stakeholders Relationship Committee to specifically look into *various aspects of interest* of shareholders, debenture holders and other security holders.
(2)The chairperson of this committee shall be a non-executive director.
(2A) At least three directors, with at least one being an independent director, shall be members of the Committee ~~and in case of a listed entity having outstanding SR equity shares, at least two thirds of the Stakeholders Relationship Committee shall comprise of independent directors.~~
(3) The Chairperson of the Stakeholders Relationship Committee shall be present at the annual general meetings to answer queries of the security holders.
(3A) The stakeholders relationship committee shall meet at least once in a year.
(4)The role of the Stakeholders Relationship Committee shall be as specified as in Part D of the Schedule II.

Regulation 21 Risk Management Committee
(1)The board of directors shall constitute a Risk Management Committee.
(2)The majority of members of Risk Management Committee shall consist of members of the board of directors ~~and in case of a listed entity having outstanding SR equity shares, at least two thirds of the Risk Management Committee shall comprise of independent directors.~~

(3)The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee.
(3A) The risk management committee shall meet at least once in a year.
(4)The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit *such function shall specifically cover cyber security*.
(5)The provisions of this regulation shall be applicable to top **500** listed entities, determined on the basis of market capitalisation, as at the end of the immediate previous financial year.

Regulation 24 Corporate governance requirements with respect to subsidiary of listed entity
(1) At least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, whether incorporated in India or not.
Explanation-For the purposes of this provision, notwithstanding anything to the contrary contained in regulation 16, the term "material subsidiary" shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.
(2)The audit committee of the listed entity shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.
(3)The minutes of the meetings of the board of directors of the unlisted subsidiary shall be placed at the meeting of the board of directors of the listed entity.
(4)The management of the unlisted subsidiary shall periodically bring to the notice of the board of directors of the listed entity, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary. Explanation.-For the purpose of this regulation, the term "significant transaction or arrangement" shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted subsidiary for the immediately preceding accounting year.
(5)A listed entity shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal*, or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.*
(6)Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders by way of special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal *or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.*
(7)Where a listed entity has a listed subsidiary, which is itself a holding company, the provisions of this regulation shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

Regulation 34 Annual Report
(1) The listed entity shall submit to the stock exchange and publish on its website-
(a)a copy of the annual report sent to the shareholders along with the notice of the annual general meeting not later than the day of commencement of dispatch to its shareholders;
(b)in the event of any changes to the annual report, the revised copy along with the details of and explanation for the changes shall be sent not later than 48 hours after the annual general meeting.
(2)The annual report shall contain the following:
(a)audited financial statements i.e. balance sheets, profit and loss accounts etc, and Statement on Impact of Audit Qualifications as stipulated in regulation 33(3)(d), if applicable;
(b)consolidated financial statements audited by its statutory auditors;
(c)cash flow statement presented only under the indirect method as prescribed in Accounting Standard-3 or Indian Accounting Standard 7, as applicable, specified in Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or as specified by the ICAI, whichever is applicable;

(d)directors report;
(e)management discussion and analysis report -either as a part of directors report or addition thereto;
(f)for the top 500 listed entities based on market capitalization (calculated as on March 31 of every financial year), business responsibility report describing the initiatives taken by them from an environmental, social and governance perspective, in the format as specified by the Board from time to time:
Provided that listed entities other than top 500 listed companies based on market capitalization and listed entities which have listed their specified securities on SME Exchange, may include these business responsibility reports on a voluntary basis in the format as specified.
(3)The annual report shall contain any other disclosures specified in Companies Act, 2013 along with other requirements as specified in Schedule V of these regulations.

Regulation 36 Documents & Information to shareholders
(1) The listed entity shall send the annual report in the following manner to the shareholders:(a)Soft copies of full annual report to all those shareholder(s) who have registered their email address(es) *either with the listed entity or with any depository;*
(b)Hard copy of statement containing the salient features of all the documents, as prescribed in Section 136 of Companies Act, 2013 or rules made there under to those shareholder(s) who have not so registered;(c)Hard copies of full annual reports to those shareholders, who request for the same.

(2)The listed entity shall send annual report referred to in sub-regulation (1), to the holders of securities, not less than twenty-one days before the annual general meeting.

(3)In case of the appointment of a new director or re-appointment of a director the shareholders must be provided with the following information:
(a)a brief resume of the director;
(b)nature of his expertise in specific functional areas;
(c)disclosure of relationships between directors inter-se;
(d)names of listed entities in which the person also holds the directorship and the membership of Committees of the board; and
(e)shareholding of non-executive directors.

(4) The disclosures made by the listed entity with immediate effect from date of notification of these amendments-
(a) to the stock exchanges shall be in XBRL format in accordance with the guidelines specified by the stock exchanges from time to time; and
(b) to the stock exchanges and on its website, shall be in a format that allows users to find relevant information easily through a searching tool
Provided that the requirement to make disclosures in searchable formats shall not apply in case there is a statutory requirement to make such disclosures in formats which may not be searchable, such as copies of scanned documents.
(5) The notice being sent to shareholders for an annual general meeting, where the statutory auditor(s) is/are proposed to be appointed/re-appointed shall include the following disclosures as a part of the explanatory statement to the notice:
(a)Proposed fees payable to the statutory auditor(s) along with terms of appointment and in case of a new auditor, any material change in the fee payable to such auditor from that paid to the outgoing auditor along with the rationale for such change;
(b)Basis of recommendation for appointment including the details in relation to and credentials of the statutory auditor(s) proposed to be appointed.

[**NOTE**: **Sub-Regulations (4) and (5) above have recently been added** by the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 **w.e.f. 01/04/2019, but are not covered in RTP** of Nov., 2019 Exams **by ICAI**, hence may be skipped.]

QUARTERLY COMPLIANCES BY LISTED ENTITIES

1. **Regulation 13(3)** The listed entity shall file with the recognized stock exchange(s) on a quarterly basis, within 21 days from the end of each quarter, a statement giving the number of investor complaints pending at the beginning of the quarter, those received during the quarter, disposed of during the quarter and those remaining unresolved at the end of the quarter.

2. **Regulation 27(2) (a)** The listed entity shall submit a quarterly compliance report on corporate governance in the format as specified by the Board from time to time to the recognised stock exchange(s)within 15 days from close of the quarter.
   (b)Details of all material transactions with related parties shall be disclosed along with the report mentioned in clause (a) of sub-regulation (2).
   (c)The report mentioned in clause (a) of sub-regulation (2) shall be signed either by the compliance officer or the chief executive officer of the listed entity.

3. **Regulation 31(1)** The listed entity shall submit to the stock exchange(s) a statement showing holding of securities and shareholding pattern separately for each class of securities, in the format specified by the Board from time to time within the following timelines -
   (a)one day prior to listing of its securities on the stock exchange(s);
   (b)on a quarterly basis, within twenty one days from the end of each quarter; and,
   (c)within 10 days of any capital restructuring of the listed entity resulting in a change exceeding 2 per cent of the total paid-up share capital:
   Provided that in case of listed entities which have listed their specified securities on SME Exchange, the above statements shall be submitted on a half yearly basis within 21 days from the end of each half year.

4. **Regulation 32(1)** The listed entity shall submit to the stock exchange the following statement(s) on a quarterly basis for public issue, rights issue, preferential issue etc.,-
   (a)indicating deviations, if any, in the use of proceeds from the objects stated in the offer documentor explanatory statement to the notice for the general meeting, as applicable;
   (b)indicating category wise variation (capital expenditure, sales and marketing, working capital etc.) between projected utilisation of funds made by it in its offer document or explanatory statement to the notice for the general meeting, as applicable and the actual utilisation of funds.

5. **Regulation 33(3)** The listed entity shall submit the financial results in the following manner:
   (a)The listed entity shall submit quarterly and year-to-date standalone financial results to the stock exchange within 45 days of end of each quarter, other than the last quarter.
   (b)In case the listed entity has subsidiaries, in addition to the requirement at clause (a) of sub-regulation (3), the listed entity ***shall*** *also submit quarterly/year-to-date consolidated financial results.*
   (c)The quarterly and year-to-date financial results may be either audited or unaudited subject to the following:
   (i)In case the listed entity opts to submit unaudited financial results, they shall **be subject to limited review** by the **statutory auditors** of the listed entity and shall be accompanied by the **limited review report**.
   Provided that in case of public sector undertakings this limited review may be undertaken by any practicing CA.
   (ii)In case the listed entity opts to submit audited financial results, they shall be accompanied by the audit report.
   [NOTE: Regulation 33(3) also contain clauses (d) to (i), but are NOT COVERED BY ICAI, hence not covered.]

PRIOR INTIMATION OF BOARD MEETING

1. **Regulation 29(1)** The listed entity shall give prior intimation to stock exchange about the meeting of the BOD in which any of the following proposalsvis due to be considered:
   (a)**financial results** viz. quarterly, half yearly, or annual, as the case may be;
   (b)proposal for **buyback** of securities;
   (c)proposal for **voluntary delisting** by the listed entity from the stock exchange(s);
   (d)**fund raising** by way of further public offer, rights issue, American Depository Receipts/Global Depository Receipts/Foreign Currency Convertible Bonds, qualified institutions placement, debt issue, preferential issue or any other method and for determination of issue price:
   Provided that intimation shall also be given in case of any AGM or EGM or postal ballot that is proposed to be held for obtaining shareholder approval for further fund raising indicating type of issuance.
   (e)declaration/recommendation of **dividend**, **issue** of convertible securities including convertible debentures or of debentures carrying a right to subscribe to equity shares or the passing over of dividend.
   (f)the proposal for declaration of **bonus securities** where such proposal is communicated to the board of directors of the listed entity as part of the agenda papers.

2. **Regulation 29(2)** The intimation required under sub-regulation (1), shall be given atleast **<u>2 working days</u>** in advance, excluding the date of the intimation and date of the meeting
   Provided that intimation regarding item specified in clause (a) of sub-regulation (1), to be discussed at the meeting of BOD shall be given **atleast five days** in advance (excluding the date of the intimation and date of the meeting), and such intimation shall include the date of such meeting of BOD.

3. **Regulation 29(3)** The listed entity shall give intimation to the stock exchange(s) at least eleven working days before any of the following proposal is placed before the board of directors -
   (a)any **alteration** in the **form** or nature of any of its securities that are listed on the stock exchange or in the rights or privileges of the holders thereof.
   (b)any **alteration** in the **date** on which, the interest on debentures or bonds, or the redemption amount of redeemable shares or of debentures or bonds, shall be payable

4. **Regulation 42(2)** The listed entity shall give **notice** in advance of **<u>atleast seven working days</u>**(excluding the date of intimation and the record date) to stock exchange(s) of record date specifying the purpose of the record date.

5. **Regulation 42(3)** The listed entity shall **recommend** or declare all dividend and/or cash bonuses **<u>at least five working days</u>** (excluding the date of intimation and the record date)before the record date fixed for the purpose.

6. **Regulation 46(3)**
   (a)The listed entity shall ensure that the contents of the WEBSITE are **correct**.
   (b)The listed entity shall update any change in the content of its website within **two working days** from the date of such changein content.

ANNUAL COMPLIANCES

1. **Regulation 33(3)(d) ON FINANCIAL RESULTS**
   -The listed entity shall submit annual audited standalone financial results AND if the listed entity has subsidiaries it shall for the FY also submit annual audited consolidated financial results, within **<u>sixty days</u>** from the end of the FY along with the audit report and Statement on Impact of Audit Qualifications (applicable only for audit report with modified opinion).
   Provided further that, in case of audit reports with unmodified opinion(s), the listed entity shall furnish a declaration to that effect to the Stock Exchange(s) while publishing the annual audited financial results.

2. **Regulation 34 <u>ANNUAL REPORT</u>** AMENDED RECENTLY AND IMPORTANT

   *<u>The listed entity shall **submit** to the **stock exchange** and publish on its website-</u>*
   *<u>(a)a copy of the annual report sent to the shareholders along with the notice of the AGM **not later than the day of commencement of dispatch** to its shareholders;</u>*

   <u>(b)in the **event of any changes** to the annual report, the revised copy along with the details of and explanation for the changes shall **be sent not later than 48 hours after the AGM.**</u>

   [NOTE: Complete Regulation 34 already given on page 26]

3. **Regulation 36(2) DOCUMENTS AND INFORMATION TO SHAREHOLDERS**
   The listed entity **<u>shall</u> <u>send</u> annual report <u>to</u> the <u>holders</u> of securities**, not less than **21 days** before the AGM.

COMPLIANCE REPORT ON CORPORATE GOVERNANCE

- QUARTERLY- to be submitted within 15 days from end of quarter
- COMPLIANCE REPORT **TO BE SUBMITTED WITHIN 6 MONS. From the end of FY-** MAY BE SUBMITTED ALONG WITH SECOND QUARTER REPORT
- ANNUAL COMPLIANCE REPORT

[NOTE: There Are Certain Powers/Functions Given To SEBI Under SCRA, 1956 Too, They Have Been Given In Next Chapter.]

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The Securities Contract (Regulation) Act, 1956

(with Securities Contract (Regulation) Rules, 1957)

QUICK INTRODUCTION

SCRA, 1956 is an Act enacted with the purpose to prevent undesirable transactions in securities by regulating the business of dealing therein, by providing for certain other matters connected therewith.

The Act deals with provisions related to recognition of Stock Exchanges (Earlier Stock Exchanges were not recognised AND were managed in a non-corporate manner), licensing of dealers, listing of securities etc.

Note: SCRA,1956 also extends to the whole of India^. (No exception to J&K, even before abrogation of Article 370**)**

^SCRA, 1956 does not applies to certain Entities specified in section 28 which is given on subsequent pages.

For the sake of brevity "The Securities Contract (Regulation) Act, 1956" is referred to as "SCRA, 1956" in these notes.

Sec 2 Definitions **[Only Relevant Covered]**

"Contract" means a contract for or relating to the purchase or sale of securities'
'**Corporatisation**" means the succession of a recognised stock exchange, being a body of individuals or a society registered under the Societies Registration Act,1860, by another 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 individuals 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 the SEBI.
'**Derivative**"—includes (A) 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; (B) a contract which derives its value from the prices, or index of prices, of underlying securities; (C) commodity derivatives; and (D)such other instruments as may be declared by the CG to be derivatives.
"**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 section 2 of the Public Debt Act, 1944.
"**goods**" mean every kind of movable property other than actionable claims, money and securities.
"**Commodity derivative**" means a contract — (i)for the delivery of such goods, as may be notified by the CG in the Official Gazette, and which is not a ready delivery contract; or (ii)for differences, which derives its value from prices or indices of prices of such underlying goods or activities, services, rights, interests and events, as may be notified by the CG, in consultation with the Board, but does not include securities as referred to in sub-clauses (A) and (B) of "Derivative" definition given above.
"non-transferable specific delivery contract" means a specific delivery contract, the rights or liabilities under

which or under any delivery order, railway receipt, bill of lading, warehouse receipt or any other documents of title relating thereto are not transferable.
"option in securities" means a contract for the purchase or sale of a right to buy or sell, or a right to buy and sell, securities in future, and includes a teji, a mandi,a teji mandi, a galli, a put, a call or a put and call in securities.
"Ready delivery contract" means a contract which provides for the delivery of goods and the payment of a price therefor, either immediately, or within such period not exceeding 11 days after the date of the contract and subject to such conditions as the CG may, by notification in the Official Gazette, specify in respect of any goods, the period under such contract not being capable of extension by the mutual consent of the parties thereto or otherwise: Provided that where any such contract is performed either wholly or in part: (I)by realisation of any sum of money being the difference between the contract rate and the settlement rate or clearing rate or the rate of any offsetting contract; or (II)by any other means whatsoever, and as a result of which the actual tendering of the goods covered by the contract or payment of the full price therefor is dispensed with, then such contract shall not be deemed to be a ready delivery contract.
"scheme" means a <u>scheme for corporatisation or demutualisation</u> of a recognised stock exchange which **may** provide for— (i) the issue of shares for a lawful consideration and provision of trading rights in lieu of membership cards of members of a recognised stock exchange; (ii) the restrictions on voting rights (iii) the transfer of property, business, assets, rights, liabilities, recognitions, contracts of the recognised stock exchange, legal proceedings by, or against, the recognised stock exchange, whether in the name of the recognised stock exchange or any trustee or otherwise and any permission given to, or by, the recognised stock exchange; (iv) the transfer of employees of a recognised stock exchange toanother recognised stock exchange; (v) any other matter required for the purpose of, or in connection with, the corporatisation or demutualisation, as the case may be, of the recognised stock exchange.
"**Securities Appellate Tribunal**" means a Securities Appellate Tribunal established under sub-section (1) of section 15K of the Securities and Exchange Board of India Act, 1992. [**It means SAT for the purpose SCRA, 1956 is also the <u>same</u> as in SEBI Act discussed in last chapter]**
Sec 2(h) "<u>securities</u>"—include 2(h)(i) shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate; 2(h)(ia) derivative; 2(h)(ib) units or any other instrument issued by any collective investment scheme to the investors in such schemes; 2(h)(ic) security receipt as defined in clause (zg) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 2(h)(id) units or any other such instrument issued to the investors under any mutual fund scheme Explanation.—For the removal of doubts, it is hereby declared that "**securities" shall not include** any unit linked insurance policy or scrips or any such instrument or unit, by whatever name called, which provides a combined benefit risk on the life of the persons and investment by such persons and issued by an insurer referred to in clause (9) of section 2 of the Insurance Act, 1938.

2(h)((ie) any certificate or instrument (by whatever name called), 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;

2(h)(ii) Government securities;
2(h)(iia) such other instruments as may be declared by the CG to be securities; and
2(h)(iii) rights or interest in securities.

"specific delivery contract" means a commodity derivative which provides for the actual delivery of specific qualities or types of goods during a specified future period at a price fixed thereby or to be fixed in the manner thereby agreed and in which the names of both the buyer and the seller are mentioned.

"spot delivery contract" means a contract which provides for,-
(a) actual delivery of securities and the payment of a price therefor 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 therefor through the post being excluded from the computation of the period aforesaid if the parties to the contract do not reside in the same town or locality;
(b) transfer of the securities by the depository from the account of a beneficial owner to the account of another beneficial owner when such securities are dealt with by a depository.

"stock exchange" means -
(a) **any body** of individuals, whether incorporated or not, constituted before corporatisation and demutualisation under sections 4A and 4B, or
(b) a **body corporate** incorporated under the Companies Act, 1956 whether under a scheme of corporatisation and demutualisation or otherwise, for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities.

"transferable specific delivery contract" means a specific delivery contract which is not a non-transferable specific delivery contract and which is subject to such conditions relating to its transferability as the CG may by notification in the Official Gazette, specify in this behalf.

"recognised stock exchange" means a stock exchange **which is for the time being recognised** by the CG **u/s 4**.

It is pertinent to note that certain powers of that CG have under SCRA, 1956 have been delegated to SEBI which mean that those certain powers are exercisable by both SEBI and CG, hence there can be places where these two are used interchangeably..

(NOT RELEVANT FOR EXAM):

NOTIFICATION DATED 30.7.1996

S.O. No. 573(E) In exercise of the powers conferred by section 29A of the Securities Contracts (Regulation) Act, 1956 , the CG hereby directs that the powers exercisable by it under sub-section (5) of section 4, section 7, section 8, section 11, section 12 and section 16 of the said Act shall also be exercisable by the SEBI.
F. No. 1(27)SE/92

NOTIFICATION DATED 13.09.1994

In exercise of the powers conferred by section 29A of the Securities Contracts (Regulation) Act, 1956, the CG hereby directs that the powers exercisable by it under section 3, sub-sections (1), (2), (3) and (4) of section 4, section 5, sub-section (2) of section 7A, section 13, sub-section (2) of section 18, section 22 and sub-section (2) of section 28 of the Act shall also be exercisable by SEBI.
[Notification issued by Ministry of Finance, Department of Economic Affairs,
vide F.No. 1/57/SE/93 dated 13th September 1994]

CRUX: The powers of CG under following provisions are delegated to SEBI:
Section: 3, 4(1) to 4(5), 5, 7, 7A(2), 8, 11, 12, 13, 16, 18(2), 22, 28(2).

Sec 3 Application for recognition of stock exchanges

(1) Any stock exchange, which is desirous of being recognised for the purposes of this Act, may make an application in the prescribed manner to the CG.

[Rule 3 and 4 relevant extract:

- An application u/s 3 of the Act for recognition of a stock exchange shall be made **to CG/SEBI in Form A along with fees of Rs. 500/-.** Fee shall be deposited in the nearest Government treasury or the nearest branch of **SBI,** but in case of fee payable at Bombay, Calcutta, Madras, Delhi and Kanpur, the amount shall be deposited in **RBI]**

(2) Every application under sub-section (1) shall contain such particulars as may be prescribed, and shall be accompanied by a copy of the bye-laws of the stock exchange for the regulation and control of contracts and also a copy of the rules relating in general to the constitution of the stock exchange and in particular,to—
(a) the governing body of such stock exchange, its constitution and powers of management and the manner in which its business is to be transacted;
(b) the powers and duties of the office bearers of the stock exchange;
(c) the admission into the stock exchange of various classes of members, the qualifications for membership, and the exclusion, suspension, expulsion and re-admission of members therefrom or thereinto;
(d) the procedure for the registration of partnerships as members of the stock exchange in cases where the rules provide for such membership; and the nomination and appointment of authorised representatives and clerks.

[Rule 5: Every application shall be accompanied by **4 copies** of the rules (including the MOA and AOA where the applicant stock exchange is an incorporated body) and bye-laws of the stock exchange applying for recognition as specified in section 3 of the Act **and** the receipt granted by the Government treasury, or as the case may be, the SBI or RBI, in respect of the amount of the fee deposited **and** shall contain clear particulars as to the matters specified in the Annexure to Form A]

Sec 4 read with Rule 5A Grant of recognition to stock exchanges

(1) **If the CG is satisfied**, after making such inquiry as may be necessary in this behalf and after obtaining such further information, if any, as it may require,—
(a) **that** the rules and bye-laws of a stock exchange applying for registration are in conformity with such conditions as may be prescribed with a view to ensure fair dealing and to protect investors;
(b) **that** the stock exchange is willing to comply with any other conditions (including conditions as to the number of members) which the CG, after consultation with the governing body of the stock exchange and having regard to the area served by the stock exchange and its standing and the nature of the securities dealt with by it, may impose for the purpose of carrying out the objects of this Act; **and**
(c) **that** it would be in the interest of the trade and also in the public interest to grant recognition to the stock exchange
-It may grant recognition to the stock exchange **(in Form B)** subject to the conditions imposed upon it as aforesaid and in such form as may be prescribed.

[**Rule Extract**: The recognition granted **shall** be subject to the **following conditions**, namely :—
(a)that the recognition unless granted on a permanent basis, shall be for such period not less than one year as may be specified in the recognition;
(b)that the stock exchange shall comply with such conditions as are or may be prescribed or imposed under the provisions of the Act and these rules from time to time]

(2) The conditions which the CG may prescribe under clause (a) of sub-section (1) for the grant of recognition to the stock exchanges may include, among other matters, conditions relating to,—
(i) the qualifications for membership of stock exchanges **[See Rule 8 {Important} at page 55]**;
(ii) the manner in which contracts shall be entered into and enforced as between members;
(iii) the representation of the CG on each of the stock exchange by such number of persons not exceeding three as the CG may nominate in this behalf; and

(iv) the maintenance of accounts of members and their audit by CAs whenever such audit is required by the CG.

[**Rule 9:** All contracts between the members of a recognised stock exchange shall be confirmed in writing and shall be enforced in accordance with the rules and bye-laws of the stock exchange of which they are members

Rule 12: Every member shall get his accounts audited by a CA whenever such audit is required by the SEBI.

Rule 14 and 15: Related to books to be maintained - see at page 57]

(3) Every grant of recognition to a stock exchange under this section shall be published in the Gazette of India and also in the Official Gazette of the State in which the principal office as of the stock exchange is situate, and such recognition shall have effect as from the date of its publication in the Gazette of India.

(4)No application for the grant of recognition shall be refused except after giving an opportunity to the stock exchange concerned to be heard in the matter; and the reasons for such refusal shall be communicated to the stock exchange in writing.

(5)No rules of a recognised stock exchange relating to any of the matters specified in sub-section (2) of section 3 shall be amended except with the approval of CG.

[Rule 7 Extract: <u>Renewal of recognition</u>

(1) 3 months before the expiry of the period of recognition, a recognised stock exchange desirous of renewal of such recognition may make an application with **fees of Rs. 200/- to SEBI/CG in Form A** subject to fulfillment of all conditions applicable at time of initial recognition.**]**

Sec 4A Corporatisation and demutualisation of stock exchanges

On and from the appointed date, all recognised stock exchanges (if not corporatised and demutualised before the appointed date) shall be corporatised and demutualised in accordance with the provisions contained in section 4B

Provided that the SEBI may, if it is satisfied that any recognised stock exchange was prevented by sufficient cause from being corporatised and demutualised on or after the appointed date, specify another appointed date in respect of that recognised stock exchange and such recognised stock exchange may continue as such before such appointed date.

Explanation.—For the purposes of this section, “appointed date” means the date which SEBI may, by notification in the Official Gazette, appoint and different appointed dates may be appointed for different recognised stock exchanges.

Sec 5 Withdrawal of recognition

(1) If the CG is of opinion that the recognition granted to a stock exchange under the provisions of this Act should, **<u>in the interest of the trade or in the public interest</u>**, be withdrawn, the CG may serve on the governing body of the stock exchange a written notice **[in Form C]** that the CG is considering the withdrawal of the recognition for the reasons stated in the notice and after giving an opportunity to the governing body to be heard in the matter, the CG may withdraw, by notification in the Official Gazette, the recognition granted to the stock exchange.

Provided that <u>no such withdrawal shall affect the validity of any contract entered into or made before the date of the notification, and the CG may, after consultation with the stock exchange, make such provision as it deems fit in the notification of withdrawal or in any subsequent notification similarly published for the due performance of any contracts outstanding on that date.</u>

5(2) Where the recognised stock exchange **has not been corporatised or demutualised or it fails to submit the scheme referred to in sub-section (1) of section 4B within the specified time therefor or the scheme has been rejected by the SEBI under sub-section (5) of section 4B, the recognition granted to such stock exchange under section 4, shall**, notwithstanding anything to the contrary contained in this Act, **stand withdrawn and the CG shall publish**, by notification in the Official Gazette, such withdrawal of recognition Provided that no such withdrawal shall affect the validity of any contract entered into or made before the date of the notification, and the SEBI may, after consultation with the stock exchange, make such provisions as it deems fit in the order rejecting the scheme published in the Official Gazette under sub-section (5) of section 4B.

Sec 6 Power of CG to call for periodical returns or direct inquiries to be made

(1) Every recognised stock exchange shall furnish to SEBI such **periodical returns** relating to its affairs as may be prescribed. [**Rule 17A:** Every recognised stock exchange shall furnish SEBI periodical returns relating to— (i)the official rates for the securities enlisted thereon; (ii)the number of shares deliveredthrough the clearing house; (iii)the making-up prices; (iv)the clearing house programmes; (v)the number of securities listed and de-listed during the previous 3 months; (vi)the number of securities brought on or removed from the forward list during the previous three months; and (vii)any other matter as may be specified by SEBI.]
2) Every recognised stock exchange and every member thereof shall maintain and preserve for such periods not exceeding 5 years such books of account, and other documents as the CG, after consultation with the stock exchange concerned, may prescribe in the interest of the trade or in the public interest, and such books of account, and other documents shall be subject to **inspection at all reasonable times by the SEBI.**
(3)Without prejudice to the provisions contained in sub-sections (1) and (2), SEBI, if it is satisfied that it is in the interest of the trade or in the public interest so to do, may, by order in writing,— (a) call upon a recognised stock exchange or any member thereof to furnish in writing such information or explanation relating to the affairs of the stock exchange or of the member in relation to the stock exchange as SEBI may require; or (b) appoint one or more persons to make an inquiry in the prescribed manner in relation to the affairs of the governing body of a stock exchange or the affairs of any of the members of the stock exchange in relation to the stock exchange and submit a report of the result of such inquiry SEBI within such time as may be specified in the order or, in the case of an inquiry in relation to the affairs of any of the members of a stock exchange, direct the governing body to make the inquiry and submit its report to SEBI.
(4) Where an inquiry in relation to the affairs of a recognised stock exchange or the affairs of any of its members in relation to the stock exchange has been undertaken under sub-section (3),— (a) every director, manager, secretary or other officer of such stock exchange; (b) every member of such stock exchange; (c) ifthe member of the stock exchange is a firm, every partner, manager, secretary or other officer of the firm; and (d) every other person or body of persons who has had dealings in the course of business with any of the persons mentioned in clauses (a), (b) and (c), whether directly or indirectly; shall be bound to produce before the authority making the inquiry all such books of account, and other documents in his custody or power relating to or having a bearing on the subject-matter of such inquiry and also to furnish the authorities within such time as may be specified with any such statement or information relating thereto as may be required of him.

Sec 7 Annual reports to be furnished to CG by stock exchanges
Every recognised stock exchange shall furnish the CG with a copy of the annual report, and such annual report shall contain such particulars as may be prescribed.

[**Rule 17 Submission of annual report**
(1) Every recognised stock exchange shall before the 31st day of January in each year or within such extended time as SEBI may, from time to time, allow, furnish SEBI annually with a report about its activities during the preceding calendar year, which shall inter alia contain detailed information about the following matters :
(a)changes in rules and bye-laws, if any;
(b)changes in the composition of the governing body;
(c)any new sub-committees set up and changes in the composition of existing ones;
(d)admissions, re-admissions, deaths or resignations of members;
(e)disciplinary action against members.
(f)arbitration of disputes (nature and number) between members and non-members;
(g)defaults;
(h)action taken to combat any emergency in trade;
(i)securities listed and de-listed; and
(j)securities brought on or removed from the forward list.
(2) Every recognised stock exchange **shall within 1 month of the date of the holding of its AGM**, furnish SEBI with a copy of its audited balance-sheet and profit and loss account for its preceding FY.]

Sec 7A Power of recognised stock exchange to make rules restricting voting rights, etc

(1) A recognisedstock exchange may make rules or amend any rules made by itto provide for all or any of the following matters, namely :—
(a) the restriction of voting rights to members only in respect of any matter placed before the stock exchange at any meeting;
(b) the regulation of voting rights in respect of any matter placed before the stock exchange at any meeting so that each member may be entitled to have one vote only, irrespective of his share of the paid-up equity capital of the stock exchange;
(c) the restriction on the right of a member to appoint another person as his proxy to attend and vote at a meeting of the stock exchange;
(d) such incidental, consequential and supplementary matters as may be necessary to give effect to any of the matters specified in clauses (a), (b) and (c).

(2) No rules of a recognised stock exchange made or amended in relation to any matter referred to in clauses (a) to (d) of sub-section (1) shall have effect until they have been approved by the CG and published by that Government in the Official Gazette and, in approving the rules so made or amended, the CG may make such modifications therein as it thinks fit, and on such publication, the rules as approved by the CG shall be deemed to have been validly made, notwithstanding anything to the contrary contained in the Companies Act, 1956.

Sec 8 Power of CG to direct rules to be made or to make rules

(1) Where, after consultation with the governing bodies of stock exchanges generally or with the governing body of any stock exchange in particular, the CG is of opinion that it is necessary or expedient so to do, it may, by order in writing together with a statement of the reasons therefor, direct recognised stock exchanges generally or any recognised stock exchange in particular, as the case may be, to make any rules or to amend any rules already made in respect of all or any of the matters specified in sub-section (2) of section 3 within a period of 2 months from the date of the order.

(2)If any recognised stock exchange fails or neglects to comply with any order made under sub-section (1) within the period specified therein, the CG may make the rules for, or amend the rules made by, the recognised stock exchange, either in the form proposed in the order or with such modifications thereof as may be agreed to between the stock exchange and the CG.

(3)Where in pursuance of this section any rules have been made or amended, the rules so made or amended shall be published in the Gazette of India and also in the Official Gazette or Gazettes of the State or States in which the principal office or offices of the recognised stock exchange or exchanges is or are situate, and, on the publication thereof in the Gazette of India, the rules so made or amended shall, notwithstanding anything to the contrary contained in the Companies Act, 1956, or in any other law for the time being in force, have effect as if they had been made or amended by the recognised stock exchange or stock exchanges, as the case may be.

Sec 8A Clearing corporation
(1) A recognised stock exchange may, with the prior approval of the SEBI, transfer the duties and functions of a clearing house to a clearing corporation, being a company incorporated under the Companies Act, 1956, for the purpose of— (a) the periodical settlement of contracts and differences thereunder; (b) the delivery of, and payment for, securities; (c) any other matter incidental to, or connected with, such transfer.
(2)Every clearing corporation shall, for the purpose of transfer of the duties and functions of a clearing house to a clearing corporation referred to in sub-section (1), make bye-laws and submit the same to the Securities and Exchange Board of India for its approval.
(3)SEBI may, on being satisfied that it is in the interest of the trade and also in the public interest to transfer the duties and functions of a clearing house to a clearing corporation, grant approval to the bye-laws submitted to it under sub-section (2) and approve the transfer of the duties and functions of a clearing house to a clearing corporation referred to in sub-section (1).
(4)The provisions of sections 4, 5, 6, 7, 8, 9, 10, 11 and 12 shall, as far as may be, apply to a clearing corporation referred to in sub-section (1) as they apply in relation to a recognised stock exchange.

Sec 9 Power of recognised stock exchanges to make bye-laws
(1) Any recognised stock exchange may, subject to the previous approval of SEBI, 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 for securities, the passing on of delivery orders and the regulation and maintenance of such clearing house; (c) the submission to SEBI by the clearing house as soon as may be after each periodical settlement of all or any of the following particulars as SEBI 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 actually delivered at each clearing; (d) the publication by the clearing house of all or any of the particulars submitted to the SEBI under clause (c) subject to the directions, if any, issued by SEBI 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 budlasor 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 limitations 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 andrecovery 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 intootherwise 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 SEBI, 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 situate, and shall have effect as from the date of its publication in the Gazette of India :Provided that if SEBI is satisfied in any case that in the interest of the trade or in the public interest any bye-law should be made immediately, it may, by order in writing specifying the reasons therefor, dispense with the condition of previous publication.

Sec 10 Power of SEBI to make or amend bye-laws of recognised stock exchanges

(1) SEBI may, either on a request in writing received by it in this behalf from the governing body of a recognised stock exchange or on its own motion, if it is satisfied after consultation with the governing body of the stock exchange that it is necessary or expedient so to do and after recording its reasons for so doing, make bye-laws for all or any of the matters specified in section 9 or amend any bye-laws made by such stock exchange under that section.
(2)Where in pursuance of this section any bye-laws have been made or amended the bye-laws so made or amended 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 situate, and on the publication thereof in the Gazette of India, the bye-laws so made or amended shall have effect as if they had been made or amended by the recognised stock exchange concerned.
(3)Notwithstanding anything contained in this section, where the governing body of a recognised stock exchange objects to any bye-laws made or amended under this section by SEBI on its own motion, it may, within 2 months of the publication thereof in the Gazette of India under sub-section (2), apply to SEBI or revision thereof, and SEBI may, after giving an opportunity to the governing body of the stock exchange to be heard in the matter, revise the bye-laws so made or amended, anywhere any bye-laws so made or amended are revised as a result of any action taken under this sub-section, the bye-laws so revised shall be published and shall become effective as provided in sub-section (2).
(4)The making or the amendment or revision of any bye-laws under this section shall in all cases be subject to the condition of previous publication : Provided that if SEBI is satisfied in any case that in the interest of the trade or in the public interest any bye-laws should be made, amended or revised immediately, it may, by order in writing specifying the reasons therefor, dispense with the condition of previous publication.

Sec 11 Power of CG to supersede governing body of a recognised stock exchange

(1) Without prejudice to any other powers vested in the CG under this Act, where the CG is of opinion that the governing body of any recognised stock exchange should be superseded, then, notwithstanding anything contained in any other law for the time being in force, in the CG may serve on the governing body a written notice that the CG is considering the supersession of the governing body for the reasons specified in the notice and after giving an opportunity to the governing body to be heard in the matter, it may, by notification in the Official Gazette, declare the governing body of such stock exchange to be superseded, and may appointany person or persons to exercise and perform all the powers and duties of the governing body, and, where more persons than one are appointed, may appoint one of such persons to be the chairman and another to be the vice-chairman thereof.

(2) On the publication of a notification in the Official Gazette under sub-section (1), the following consequences shall ensue, namely:—

(a) the members of the governing body which has been superseded shall, as from the date of the notification of supersession, cease to hold office as such members;

(b) the person or persons appointed under sub-section (1) may exercise and perform all the powers and duties of the governing body which has been superseded;

(c) all such property of the recognised stock exchange as the person or persons appointed under sub-section (1) may, by order in writing, specify in this behalf as being necessary for the purpose of enabling him or them to carry on the business of the stock exchange, shall vest in such person or persons.

(3)Notwithstanding anything to the contrary contained in any law or the rules or bye-laws of the recognised stock exchange the governing body of which is superseded under sub-section (1), the person or persons appointed under that sub-section shall hold office for such period as may be specified in the notification published under that sub-section and the CG may from time to time, by like notification, vary such period.

(4)The CG may at any time before the determination of the period of office of any person or persons appointed under this section call upon the recognised stock exchange to re-constitute the governing body in accordance with its rules and on such re-constitution all the property of the recognised stock exchange which has vested in, or was in the possession of, the person or persons appointed under sub-section (1), shall re-vest or vest, as the case may be, in the governing body so re-constituted

Provided that until a governing body is so re-constituted, the person or persons appointed under sub-section (1) shall continue to exercise and perform their powers and duties

Sec 12 Power to suspend business of recognised stock exchanges

If in the opinion of the CG an emergency has arisen and for the purpose of meeting the emergency the CG considers it expedient so to do, it may, by notification in the Official Gazette, for reasons to be set out therein, direct a recognised stock exchange to suspend such of its business for such period not exceeding 7 days and subject to such conditions as may be specified in the notification, and, if, in the opinion of the CG , the interest of the trade or the public interest requires that the period should be extended, may, by like notification extend the said period from time to time

Provided that where the period of suspension is to be extended beyond the first period, no notification extending the period of suspension shall be issued unless the governing body of the recognised stock exchange has been given an opportunity of being heard in the matter.

Sec 12A Power to issue directions

(1) If, after making or causing to be made an inquiry, SEBI is satisfied that it is necessary—

(a) in the interest of investors, or orderly development of securities market; or

(b) to prevent the affairs of any recognised stock exchange or clearing corporation, or such other agency or person, providing trading or clearing or settlement facility in respect of securities, being conducted in a manner detrimental to the interests of investors or securities market; or

(c) to secure the proper management of any such stock exchange or clearing corporation or agency or person, referred to in clause (b),it may issue such directions,—

(i) to any stock exchange or clearing corporation or agency or person referred to in clause (b) or any person or class of persons associated with the securities market; or

(ii) to any company whose securities are listed or proposed to be listed in a recognised stock exchange,as may be appropriate in the interests of investors in securities and the securities market. **Explanation**. —For the removal of doubts, it is hereby declared that power to issue directions under this section shall include and always be deemed to have been included the power to direct any person, who made profit or averted loss by indulging in any transaction or activity in contravention of the provisions of this Act or regulations made thereunder, to disgorge an amount equivalent to the wrongful gain made or loss averted by such contravention
(2) Without prejudice to the provisions of sub-section (1) and section 23-I, the Securities and Exchange Board of India may, by an order, for reasons to be recorded in writing, levy penalty under sections 23A, 23B, 23C, 23D, 23E, 23F, 23G, 23GA and 23H after holding an inquiry in the prescribed manner.

Sec 13 Contracts in notified areas illegal in certain circumstances

If CG is satisfied, having regard to the nature or the volume of transactions in securities in any State or States or area that it is necessary so to do, it may, by notification in the Official Gazette, declared this section to apply to such State or States or area, and thereupon every contract in such State or States or area which is entered into after the date of the notification otherwise than between members of a recognised stock exchange or recognised stock exchanges in such State or States or area or through or with such member shall be illegal Provided that any contract entered into between members of two or more recognised stock exchanges in such State or States or area, shall— (i) be subject to such terms and conditions as may be stipulated by the respective stock exchanges with prior approval of SEBI; (ii) require prior permission from the respective stock exchanges if so stipulated by the stock exchanges with prior approval of SEBI.

Sec 13A Additional trading floor

A stock exchange may establish additional trading floor with the prior approval of SEBI in accordance with the terms and conditions stipulated by the said Board. **Explanation**: For the purposes of this section, “additional trading floor” means a trading ring or trading facility offered by a recognised stock exchange outside its area of operation to enable the investors to buy and sell securities through such trading floor under the regulatory framework of that stock exchange

Sec 14 Contracts in notified areas to be void in certain circumstances
(1) Any contract entered into in any State or area specified in the notification u/s 13 which is in contravention of any of the bye-laws specified in that behalf under clause (a) of sub-section (3) of section 9 shall be void: (i) as respects the rights of any member of the recognised stock exchange who has entered into such contract in contravention of any such bye-law,and also. (ii) as respects the rights of any other person who has knowingly participated in the transaction entailing such contravention.
(2) Nothing in sub-section (1) shall be construed to affect the right of any person other than a member of the recognised stock exchange to enforce any such contract or to recover any sum under or in respect of such contract if such person had no knowledge that the transaction was in contravention of any of the bye-laws specified in clause (a) of sub-section (3) of section 9.

Sec 15 Members may not act as principals in certain circumstances

No member of a recognised stock exchange **shall** in respect of any securities e**nter into any contract as a principal with any person other than a member of a recognised stock exchange, unless** he has secured the consent or authority of such person and discloses in the note, memorandum or agreement of sale or purchase that he is acting as a principal:
Provided that **where** the member has secured the conse**nt or authority of such person otherwise than in writing he shall secure written confirmation** by such person or such consent or authority **within 3 days** from the date of the contract:
Provided further that **no such written consent or authority of such person shall be necessary for closing out any outstanding contract** entered into by such person in accordance with the bye-laws, **if** the **member discloses** in the note, memorandum or agreement of sale or purchase **in respect of such closing out that he is acting as a principal**.

Sec 16 Power to prohibit contracts in certain cases

(1) If the CG is of opinion that it is necessary to prevent undesirable speculation in specified securities in any State or area, it may, by notification in the Official Gazette, declare that no person in the State or area specified in the notification shall, save with the permission of the CG, enter into any contract for the sale or purchase of any security specified in the notification except to the extent and in the manner, if any, specified therein.

(2) All contracts in contravention of the provisions of sub-section (1) entered into after the date of notification issued thereunder shall be illegal.

Sec 17 Licensing of dealers in securities in certain areas

(1) Subject to the provisions of sub-section (3) and to the other provisions contained in this Act, no person shall carry on or purport to carry on, whether on his own behalf or on behalf of any other person, the business of dealing in securities in any State or area to which section 13 has not been declared to apply and to which the CG may, by notification in the Official Gazette, declare this section to apply, except under the authority of a licence granted by the SEBI] in this behalf.

(2)No notification under sub-section (1) shall be issued with respect to any State or area unless the CG is satisfied, having regard to the manner in which securities are being dealt with in such State or area, that it is desirable or expedient in the interest of the trade or in the public interest that such dealings should be regulated by a system of licensing.

(3)The restrictions imposed by sub-section (1) in relation to dealings in securities shall not apply to the doing of anything by or on behalf of a member of any recognised stock exchange.

Sec 17A Public issue and listing of securities referred to in section 2(h)(ie) [See page 33 for Sec 2(h)(ie)]

(1) Without prejudice to the provisions contained in this Act or any other law forthe time being in force, no securities of the nature referred to in sub-clause (ie) of clause (h) of section 2 shall be offered to the public or listed on any recognised stock exchange unless the issuer fulfils such eligibility criteria and complies with such other requirements as may be specified by regulations made by the SEBI.

(2)Every issuer referred to in section 2(h)(ie) intending to offer the certificates or instruments referred therein to the public shall make an application, before issuing the offer document to the public, to one or more recognised stock exchanges for permission for such certificates or instruments to be listed on the stock exchange or each such stock exchange.

(3)Where the permission applied for under sub-section (2) for listing has not been granted or refused by the recognised stock exchanges or any of them, the issuer shall forthwith repay all moneys, if any, received from applicants in pursuance of the offer document, and if any such money is not repaid within 8 days after the issuer becomes liable to repay it, the issuer and every director or trustee thereof, as the case may be, who is in default shall, on and from the expiry of the eighth day, be jointly and severally liable torepay that money with interest at the rate of 15 per cent per annum.

Explanation.—In reckoning the eighth day after another day, any intervening day which is a public holiday under the Negotiable Instruments Act, 1881, shall be disregarded, and if the eighth day (as so reckoned) is itself such a public holiday, there shall for the said purposes be substituted the first day thereafter which is not a holiday.
(4) All the provisions of this Act relating to listing of securities of a public company on a recognised stock exchange shall, mutatis mutandis, apply to the listing of the securities of the nature referred to in section 2(h)(ie) by the issuer, being a special purpose distinct entity.

Sec 18 Exclusion of spot delivery contracts from sections 13, 14, 15 and 17

(1) **Nothing contained in sections 13, 14, 15 and 17 shall apply to spot delivery contracts.**
(2) Notwithstanding anything contained in sub-section (1), if the CG is of opinion that in the interest of the trade or in the public interest it is expedient to regulate and control the business of dealing in spot delivery contracts also in any State or area (whether section 13 has been declared to apply to that State or area or not), it may, by notification in the Official Gazette, declare that the provisions of section 17 shall also apply to such State or area in respect of spot delivery contracts generally or in respect of spot delivery contracts for the sale or purchase of such securities as may be specified in the notification, and may also specify the manner in which, and the extent to which, the provisions of that section shall so apply.

Sec 18A Contracts in derivative
Notwithstanding anything contained in any other law for the time being in force,contracts in derivative shall be legal and valid if such contracts are— (a) traded on a recognised stock exchange; (b) settled on the clearing house of the recognised stock exchange; or in accordance with the rules and bye-laws of such stock exchange. (c) between such parties and on such terms as the CG may, by notification in the Official Gazette, specify.

Sec 19 Stock exchanges other than recognised stock exchanges prohibited
(1) No person shall, except with the permission of the CG, organise or assist in organising or be a member of any stock exchange (other than a recognised stock exchange) for the purpose of assisting in, entering into or performing any contracts in securities.
(2) This section shall come into force in any State or area on such date as the CG may, by notification in the Official Gazette, appoint.

Sec 21 Conditions for listing
Where securities are listed on the application of any person in any recognised stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange.

Sec 21A Delisting of securities

(1) A recognised stock exchange may delist the securities, after recording the reasons therefor, from any recognised stock exchange on any of the ground or grounds as may be prescribed under this Act : Provided that the securities of a company shall not be delisted unless the company concerned has been given a reasonable opportunity of being heard.
(2) A listed company or an aggrieved investor may file an appeal before the SAT against the decision of the recognised stock exchange delisting the securities within fifteen days from the date of the decision of the recognised stock exchange delisting the securities and the provisions of sections 22B to 22E of this Act, shall apply, as far as may be, to such appeals: Provided that the Securities Appellate Tribunal may, if it is satisfied that the company was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed

within a further period not exceeding one month.

[Rule 21(1)

A recognized stock exchange may, without prejudice to any other action that may be taken under the Act or under any other law for the time being in force, delist any securities listed thereon on any of the **following grounds** in accordance with the regulations made by SEBI, namely:—

(a)the company has incurred losses during the preceding 3 consecutive years and it has negative networth;

(b)trading in the securities of the company has remained suspended for a period of more than 6 months;

(c)the securities of the company have remained infrequently traded during the preceding three years;

(d)the company or any of its promoters or any of its director has been convicted for failure to comply with any of the provisions of the Act or SEBI Act, 1992 or the Depositories Act, 1996 or rules, regulations, agreements made thereunder, as the case may be and awarded a penalty of not less than rupees one crore or imprisonment of not less than three years;

(e)the addresses of the company or any of its promoter or any of its directors, are not known or false addresses have been furnished or the company has changed its registered office in contravention of the provisions of the Companies Act, 1956; or

(f)shareholding of the company held by the public has come below the minimum level applicable to the company as per the listing agreement under the Act and the company has failed to raise public holding to the required level within the time specified by the recognized stock exchange

Providedthat no securities shall be delisted unless the company concerned has been given a reasonable opportunity of being heard.**]**

Sec 22 Right of appeal against refusal of stock exchanges to list securities of public companies

Where a recognised stock exchange acting in pursuance of any power given to itby its bye-laws, refuses to list the securities of any public company or collective investment scheme, the company or scheme shall be entitled to be furnished with reasons for such refusal, and may,—

(a) within 15 days from the date on which the reasons for such refusal are furnished to it, or

(b) where the stock exchange has omitted or failed to dispose of, within the time specified in sub-section (1) of section 73 of the Companies Act, 1956 (hereafter in this section referred to as the "specified time"), the application for permission for the shares or debentures to be dealt with on the stock exchange, within 15 days from the date of expiry of the specified time or within such further period, not exceeding one month, as the CG may, on sufficient cause being shown, allow,appeal to the CG against such refusal, omission or failure, as the case may be, and thereupon the CG may, after giving the stock exchange an opportunity of being heard,—

(i) vary or set aside the decision of the stock exchange, or

(ii) where the stock exchange has omitted or failed to dispose of the application within the specified time, grant or refuse the permission, and where the CG sets aside the decision of the recognised stock exchange or grants the permission, the stock exchange shall act in conformity with the orders of the CG.

Provided that no appeal shall be preferred against refusal, omission or failure, as the case may be, under this section on and after the commencement of the Securities Laws (Second Amendment) Act, 1999.

Sec 22A Right of appeal to SAT against refusal of stock exchange to list securities of public companies

(1) Where a recognised stock exchange, acting in pursuance of any power given to it by its bye-laws, refuses to list the securities of any company, the company shall be entitled to be furnished with reasons for such refusal, and may,—

(a) within 15 days from the date on which the reasons for such refusal are furnished to it, or

(b) where the stock exchange has omitted or failed to dispose of, within the timespecified in sub-section (1A) of section 73 of the Companies Act, 1956, (hereafter in this section referred to as the "specified time"), the application for permission or for the shares or debentures to be dealt with on the stock exchange, within fifteen days from the date of expiry of the specified time or within such further period, not exceeding one month, as the SAT may, on sufficient cause being shown, allow, appeal to the SAT having jurisdiction in the matter against such refusal, omission or failure, as the case may be, and thereupon the SAT may, after giving the stock exchange, an opportunity of being heard,—

(i) vary or set aside the decision of the stock exchange; or

(ii) where the stock exchange has omitted or failed to dispose of the application within the specified time, grant or refuse the permission, and where the SAT sets aside the decision of the recognised stock exchange or grants the permission, the stock exchange shall act in conformity with the orders of the SAT.
(2)Every appeal under sub-section (1) shall be in such form and be accompanied by such fee as may be prescribed.
(3)The SAT shall send a copy of every order made by it to the Board and parties to the appeal.
(4)The appeal filed before the SAT under sub-section (1) shall be dealt with by it as expeditiously as possible and endeavour shall be made by it to dispose of the appeal finally within 6 months from the date of receipt of the appeal.

Sec 22B Procedure and powers of SAT [Similar provision was also in SEBI Act]

(1) The SAT shall **not be bound** by the procedure laid down by the Code of Civil Procedure, **but shall be guided by the principles of natural justice** and, subject to the other provisions of this Act and of any rules, the SAT shall have powers to regulate their own procedure including the places at which they shall have their sittings.
(2) The SAT shall have, for the purpose of discharging their functions under this Act, the same powers as are vested in a civil court under the Code of Civil Procedure, while trying a suit, in respect of the following matters, namely :— (a) summoning and enforcing the attendance of any person and examining him on oath ; (b) requiring the discovery and production of documents; (c) receiving evidence on affidavits; (d) issuing commissions for the examination of witnesses or documents; (e) reviewing its decisions; (f) dismissing an application for default or deciding it ex parte; (g) setting aside any order of dismissal of any application for default or any order passed by it ex parte;and (h) any other matter which may be prescribed.
(3) Every proceeding before the SAT shall be deemed to be a judicial proceeding within the meaning of sections 193 and 228, and for the purposes of section 196 of the Indian Penal Code and the **SAT shall be deemed to be a civil court** for all the purposes of section 195 and Chapter XXVI of the Code of Criminal Procedure, 1973.

Sec 22C Right to legal representation [Similar provision was also in SEBI Act]
The appellant may either appear in person or authorise one or more CAs or CSs or cost accountants or legal practitioners ("**legal practitioner**" means an advocate, vakil or an attorney of any HC, and includes a pleader in practice) or any of its officers to present his or its case before the SAT.

Sec 22D Limitation [SIMILAR TO SEBI ACT]
The provisions of the Limitation Act, 1963 shall, as far as may be, apply to an appeal made to a SAT.

Sec 22E Civil court not to have jurisdiction [SIMILAR TO SEBI ACT]
No civil court shall have jurisdiction to entertain any suit or proceeding in respect of any matter which a SAT is empowered by or under this Act to determine and no injunction shall be granted by any court or other authority in respect of any action taken or to be taken in pursuance of any power conferred by or under this Act.

Sec 22F Appeal to SC [SIMILAR TO SEBI ACT]
Any person aggrieved by any decision or order of the SAT may file an appeal to the SC **within 60 days** from the date of communication of the decision or order of the SAT to him **on ANY QUESTION OF LAW** arising out of such order: Provided that the SC may, if it is satisfied that the appellant was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed within a **further period not exceeding 60 days.**

PENALTIES

Sec 23 Ground for Imposing Penalties

(1) Any person who-
(a) without reasonable excuse (the burden of proving which shall be on him) fails to comply with any requisition made under sub-section (4) of section 6; or
(b) enters into any contract in contravention of any of the provisions contained in section 13 or section 16; or
(c) contravenes the provisions contained in section 17 or section 17A, or section 19; or
(d) enters into any contract in derivative in contravention of section 18A or the rules made under section 30;
(e) owns or keeps a place other than that of a recognised stock exchange 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; or
(f) manages, controls, or assists in keeping any place other than that of a recognised stock exchange which is used for the purpose of entering into or performing any contracts in 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; or
(g) not being a member of a recognised stock exchange or his agent authorised as such under the rules or bye-laws of such stock exchange or not being a dealer in securities licensed under section 17 wilfully represents to or induces any person to believe that contracts can be entered into or performed under this Act through him; or
(h) not being a member of a recognised stock exchange or his agent authorised as such under the rules or bye-laws of such stock exchange or not being a dealer in securities licensed under section 17, canvasses, advertises or touts in any manner either for himself or on behalf of any other persons for any business connected with contracts in contravention of any of the provisions of this Act; or
(i) joins, gathers or assists in gathering at any place other than the place of business specified in the bye-laws of a recognised stock exchange any person or persons for making bids or offers or for entering into or performing any contracts in contravention of any of the provisions of this Act;

- shall, without prejudice to any award of penalty by the Adjudicating Officer ***or SEBI*** under this Act, on conviction, be punishable with imprisonment for a term which may extend to ten years or with fine, which may extend to twenty-five crore rupees, or with both.

(2) Any person who enters into any contract in contravention of the provisions contained in section 15 or who fails to comply with the provisions of section 21 or section 21A or with the orders of] or section 22 or with the orders of the SAT shall, without prejudice to any award of penalty by the Adjudicating Officer under this Act, on conviction, be punishable with imprisonment for a term which may extend to ten years or with fine, which may extend to twenty-five crore rupees, or with both.

SEC 23A Penalty for failure to furnish information, return, etc

Any person, who is required under this Act or any rules made thereunder,—

(a)to furnish any information, document, books, returns or report to a recognised stock exchange, fails to furnish the same within the time specified therefor in the listing agreement or conditions or bye-laws of the recognised stock exchange *or who furnishes false, incorrect or incomplete information, document, books, return or report*, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees for each such failure;
(b) to maintain books of account or records, as per the listing agreement or conditions, or bye-laws of a recognised stock exchange, fails to maintain the same, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.

SEC 23B	Penalty for **failure** by **any person who is required under this Act or any bye-laws of a recognized stock exchange made thereunder, to enter into an agreement with his client,** to enter into an agreement with clients	penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees for every such failure.
SEC 23C	Penalty for failure to redress investors' grievances- **any stock broker or sub-broker or a company** whose securities are listed or proposed to be listed ina recognised stock exchange after having been called upon by SEBI fails to redress such grievances within the time stipulated	penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.
SEC 23D	IF a **stock broker or sub-broker**, fails to segregate securities or moneys of the client or clients or uses the securities or moneys of a client or clients for self or for any other client,	liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.
SEC 23E	If a company or **any person managing collective investment scheme or mutual fund *or real estate investment trust or infrastructure investment trust or alternative investment fund***, fails to comply with the listing conditions or delisting conditions or grounds or commits a breach thereof	liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees.
SEC 23F	If any issuer dematerialises securities more than the issued securities of acompany or delivers in the stockexchanges the securities which are not listed in the recognised stock exchange or delivers securities where no trading permission has been given by the recognised stock exchange,	penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees
SEC 23G [IMP.]	If a **recognised stock exchange** fails or neglects to furnish periodical returns *or furnishes false, incorrect or incomplete periodical returns* to SEBI or fails or neglects to make or amend its rules or bye-laws as directed by the SEBI or fails to comply with directions issued by the SEBI	penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees
SEC 23GA [NEW]	*Where a **stock exchange or a clearing corporation** fails to conduct its business with its members or any issuer or its agent or any person associated with the securities markets in accordance with the rules or regulations made by the SEBI and the directions issued by it under this Act,*	*Penalty which shall not be less than five crore rupees but which may extend to twenty-five crore rupees or three times the amount of gains made out of such failure, whichever is higher.*
SEC 23H	Whoever fails to comply with any provision of this Act, the rules or articles or bye-laws or the regulations of the recognised stock exchange or directions issued by the SEBI for which no separate penalty has been provided	liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees

SEC 23-I Power to adjudicate

(1) For the purpose of adjudging under sections 23A, 23B, 23C, 23D, 23E, 23F,23G and 23H, SEBI ***may*** appoint any officer not below the rank of a Division Chief of SEBI to be an adjudicating officer for holding an inquiry in the prescribed manner after giving any person concerned a reasonable opportunity of being heard for the purpose of imposing any penalty.
(2) While holding an inquiry, the adjudicating officer shall have power to summon and enforce the attendance of any person acquainted with the facts and circumstances of the case to give evidence or to produce any document, which in the opinion of the adjudicating officer, may beuseful for or relevant to the subject-matter of the inquiry and if, on such inquiry, he is satisfied that the person has failed to comply with the provisions of any of the sections specified in sub-section (1), he may impose such penalty as he thinks fit in accordance with the provisions of any of those sections.
(3) The Board may call for and examine the record of any proceedings under this section and if it considers that the order passed by the adjudicating officer is erroneous to the extent it is not in the interests of the securities market, it may, after making or causing to be made such inquiry as it deems necessary, pass an order enhancing the quantum of penalty, if the circumstances of the case so justify: Provided that no such order shall be passed unless the person concerned has been given an opportunity of being heard in the matter: Provided further that nothing contained in this sub-section shall be applicable after an expiry of a period of three months from the date of the order passed by the adjudicating officer or disposal of the appeal under section 23L, whichever is earlier.

SEC 23J *Factors to be taken into account while adjudging quantum of penalty*

While adjudging the quantum of penalty under *section 12A or section 23-I*, *the* <u>SEBI</u> or the adjudicating officer shall have due regard to the following factors, namely:— (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default; (b) the amount of loss caused to an investor or group of investors as a result of the default; (c) the repetitive nature of the default Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 23A to 23C shall be and shall always be deemed to have exercised under the provisions of this section.

SEC 23JA Settlement of administrative and civil proceedings

(1) Notwithstanding anything contained in any other law for the time being in force, any person, against whom any proceedings have been initiated or may be initiated under section 12A or section 23-I, may file an application in writing to the Board proposing for settlement of the proceedings initiated or to be initiated for the alleged defaults.
(2)The Board may, after taking into consideration the nature, gravity and impact of defaults, agree to the proposal for settlement, on payment of such sum by the defaulter or on such other terms as may be determined by the Board in accordance with the regulations made under SEBI Act, 1992.
(3)For the purposes of settlement under this section, the procedure as specified by the Board under the SEBI Act, 1992 shall apply.
(4) No appeal shall lie under section 23L against any order passed by the Board or the adjudicating officer, as the case may be, under this section.
(5) All settlement amounts, excluding the disgorgement amount and legal costs, realised under this Act shall be credited to the Consolidated Fund of India.

SEC 23JB Recovery of amounts

(1) If a person fails to pay the penalty imposed *under this Act* or fails to comply with a direction of disgorgement order issued under section 12A or fails to pay any fees due to the Board, the Recovery Officer may draw up under his signature a statement in the specified form specifying the amount due from the person (such statement being hereafter in this Chapter referred to as certificate) and shall proceed to recover from such person the amount specified in the certificate by one or more of the following modes, namely:—
(a)attachment and sale of the person's movable property;
(b)attachment of the person's bank accounts;
(c)attachment and sale of the person's immovable property;
(d)arrest of the person and his detention in prison;
(e)appointing a receiver for the management of the person's movable and immovable properties, and for this purpose, the provisions of sections 220 to 227, 228A, 229, 232, the Second and Third Schedules to the Income-tax Act, 1961 and the Income-tax (Certificate Proceedings) Rules, 1962, as in force from time to time, in so far as may be, apply with necessary modifications as if the said provisions and the rules thereunder were the provisions of this Act and referred to the amount due under this Act instead of to income-tax under the Income-tax Act, 1961.

Explanation 1.—For the purposes of this sub-section, the person's movable or immovable property or monies held in bank accounts shall include any property or monies held in bank accounts which has been transferred, directly or indirectly on or after the date when the amount specified in certificate had become due, by the person to his spouse or minor child or son's wife or son's minor child, otherwise than for adequate consideration, and which is held by, or stands in the name of, any of the persons aforesaid; and so far as the movable or immovable property or monies held in bank accounts so transferred to his minor child or his son's minor child is concerned, it shall, even after the date of attainment of majority by such minor child or son's minor child, as the case may be, continue to be included in the person's movable or immovable property or monies held in bank accounts for recovering any amount due from the person under this Act.

Explanation 2. —Any reference under the provisions of the Second and Third Schedules to the Income-tax Act, 1961 and the Income-tax (Certificate Proceedings) Rules, 1962 to the assessee shall be construed as a reference to the person specified in the certificate.

Explanation 3.—Any reference to appeal in Chapter XVIID and the Second Schedule to the Income-tax Act, 1961, shall be construed as a reference to appeal before the SAT under section 23L of this Act.

(2)The Recovery Officer shall be empowered to seek the assistance of the local district administration while exercising the powers under sub-section (1).

(3)Notwithstanding anything contained in any other law for the time being inforce, the recovery of amounts by a Recovery Officer under sub-section (1), pursuant to non-compliance with any direction issued by the Board under section 12A, shall have precedence over any other claim against such person.

(4) For the purposes of sub-sections (1), (2) and (3), the expression "Recovery Officer" means any officer of the Board who may be authorised, by general or special order in writing to exercise the powers of a Recovery Officer.

SEC 23JC[NEWLY INTRODUCED] Continuance of proceedings

(1) Where a person dies, his legal representative shall be liable to pay any sum which the deceased would have been liable to pay, if he had not died, in the like manner and to the same extent as the deceased:
Provided that, in case of any penalty payable under this Act, alegal representative shall be liable only in case the penalty has been imposed before the death of the deceased person.

(2) For the purposes of sub-section (1),—
(a) any proceeding for disgorgement, refund or an action for recovery before the Recovery Officer under this Act, except a proceeding for levy of penalty, initiated against the deceased before his death shall be deemed to have been initiated against the legal representative, and may be continued against the legal representative from the stage at which it stood on the date of the death of the deceased and all the provisions of this Act shall apply accordingly;
(b) any proceeding for disgorgement, refund or an action for recovery before the Recovery Officer

under this Act, except a proceeding for levy of penalty, which could have been initiated against the deceased if he had survived, may be initiated against the legal representative and all the provisions of this Act shall apply accordingly.
(3) Every legal representative shall be personally liable for any sum payable by him in his capacity as legal representative if, while his liability for such sum remains undischarged, he creates a charge on or disposes of or parts with any assets of the estate of the deceased, which are in, or may come into, his possession, but such liability shall be limited to the value of the asset so charged, disposed of or parted with.
(4) The liability of a legal representative under this section shall, be limited to the extent to which the estate of the deceased is capable of meeting the liability. *Explanation.—For the purposes of this section "Legal representative" means a person who in law represents the estate of a deceased person, and includes any person who intermeddles with the estate of the deceased and where a party sues or is sued in a representative character, the person on whom the estate devolves on the death of the party so suing or sued.*

SEC 23K Crediting sums realised by way of penalties to Consolidated Fund of India
All sums realised by way of penalties under this Act shall be credited to the **Consolidated Fund of India**.

SEC 23L Appeal to SAT

(1) Any person aggrieved, by the order or decision of the recognized stock exchange or the adjudicating officer or any order made by SEBI under Or sub-section (3) of section 23-I, may prefer an appeal before the SAT and the provisions of sections 22B, 22C, 22D and 22E of this Act, shall apply, as far as may be, to such appeals.
(2) Every appeal under sub-section (1) shall be filed within a period of 45 days from the date on which a copy of the order or decision is received by the appellant and it shall be in such form and be accompanied by such fee as may be prescribed. Provided that the SAT may entertain an appeal after the expiry of the said period of 45 days if it is satisfied that there was sufficient cause for not filing it within that period.
(3)On receipt of an appeal under sub-section (1), the SAT may, after giving the parties to the appeal, an opportunity of being heard, pass such orders thereon as it thinks fit, confirming, modifying or setting aside the order appealed against.
(4)SAT shall send a copy of every order made by it to the parties to the appeal and to the concerned adjudicating officer. (5)The appeal filed before the SAT under sub-section (1) shall be dealt with by it as expeditiously as possible and endeavour shall be made by it to dispose of the appeal finally within six months from the date of receipt of the appeal.

SEC 23M Offences

(1) Without prejudice to any award of penalty by the adjudicating officer *or SEBI* under this Act, if any person contravenes or attempts to contravene or abets the contravention of the provisions of this Act or of any rules or regulations or bye-laws made thereunder, for which no punishment is provided elsewhere in this Act, he shall be punishable with imprisonment for a term which may extend to ten years, or with fine, which may extend to 25 crore rupees or with both.
(2) If any person fails to pay the penalty imposed by the adjudicating officer *or SEBI* fails to comply with *the direction or order*, he shall be punishable with imprisonment for a term which shall not be less than one month but which may extend to ten years, or with fine, which may extend to twenty-five crore rupees, or with both.

[SIMILAR PROVISIONS WERE IN SEBI ACT.]	**SEC 23N Composition of certain offences**	Notwithstanding anything contained in the Code of Criminal Procedure, 1973, 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 any proceeding, be compounded by a SAT or a court before which such proceedings are pending.
	SEC 23-O Power to grant immunity	(1) CG may, on recommendation by SEBI, if the CG is satisfied, that any person, who is alleged to have violated any of the provisions of this Act or the rules or the regulations made thereunder, has made a full and true disclosure in respect of alleged violation, grant to such person, subject to such conditions as it may think fit to impose, immunity from prosecution for any offence under this Act, or the rules or the regulations made thereunder or also from the imposition of any penalty under this Act with respect to the alleged violation: Provided that no such immunity shall be granted by the CG in cases where the proceedings for the prosecution for any such offence have been instituted before the date of receipt of application for grant of such immunity. Provided further that the recommendation of SEBI under this sub-section shall not be binding upon the CG. (2) An immunity granted to a person under sub-section (1) may, at any time, be withdrawn by the CG, if it is satisfied that such person had, in the course of the proceedings, not complied with the condition on which the immunity was granted or had given false evidence, and thereupon such person may be tried for the offence with respect to which the immunity was granted or for any other offence of which he appears to have been guilty in connection with the contravention and shall also become liable to the imposition of any penalty under this Act to which such person would have been liable, had not such immunity been granted

SEC 24 ***Contravention by companies*** **[IMPORTANT]**

(1) Where *a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder* has been committed by a company, every person who, at the time when the contravention was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the *contravention*, and shall be liable to be proceeded against and punished accordingly: Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the *contravention* was committed without his knowledge or that he exercised all due diligence to prevent the commission of such *contravention*.
(2) Notwithstanding anything contained in sub-section (1), *where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder* has been committed by a company and it is proved that the *contravention* has been committed with the consent or connivance of, or is attributable to any gross negligence on the part of any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer of the company, shall also be deemed to be guilty of that *contravention* and shall be liable to be proceeded against and punished accordingly. Explanation.—For the purpose of this section,— (a) "company" means any body corporate and includes a firm or other association of individuals, and (b) "director", in relation to - (i) a firm, means a partner in the firm; (ii) any association of persons or a body of individuals, means any member controlling the affairs thereof.
(3) The provisions of this section shall be in addition to, and not in derogation of, the provisions of section 22A

Sec 27 Title to dividends

(1) It shall be lawful for the holder of any security whose name appears on the books of the company issuing the said security to receive and retain any dividend declared by the company in respect thereof for any year, notwithstanding that the said security has already been transferred by him for consideration, unless the transferee who claims the dividend from the transferor has lodged the security and all other documents relating to the transfer which may be required by the company with the company for being registered in his name within fifteen days of the date on which the dividend became due.

Explanation.—The period specified in this section shall be extended—

(i) in case of death of the transferee, by the actual period taken by his legal representative to establish his claim to the dividend;

(ii) 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

(iii) 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.

(2) Nothing contained in sub-section (1) shall affect—

(a) the right of a company to pay any dividend which has become due to any person whose name is for the time being registered in the books of the company as the holder of the security in respect of which the dividend has become due; or

(b) the right of the transferee of any security to enforce against the transferor or any other personhis 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 the transferee.

Sec 27A Right to receive <u>income</u> <u>from</u> <u>collective investment scheme</u>

(1) It shall be lawful for the holder of any securities, being units or other instruments issued by the collective investment scheme, whose name appears on the books of the collective investment scheme issuing the said security to receive and retain any income in respect of units or other instruments issued by the collective investment scheme declared by the collective investment scheme in respect thereof for any year, notwithstanding that the said security, being units or other instruments issued by the collective investment scheme, has already been transferred by him for consideration, unless the transferee who claims the income in respect of units or other instruments issued by the collective investment scheme from the transfer or has lodged the security and all other documents relating to the transfer which may be required by the collective investment scheme with the collective investment scheme for being registered in his name within fifteen days of the date on which the income in respect of units or other instruments issued by the collective investment scheme became due.

Explanation.—The period specified in this section shall be extended—

(i) in case of death of the transferee, by the actual period taken by his legal representative to establish his claim to the income in respect of units or other instrument issued by the collective investment scheme;

(ii) 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

(iii) in case of delay in the lodging of any security, being units or other instruments issued by the collective investment scheme, and other documents relating to the transfer due to causes connected with the post, by the actual period of the delay.

(2) Nothing contained in sub-section (1) shall affect—

(a) the right of a collective investment scheme to pay any income from units or other instruments issued by the collective investment scheme which has become due to any person whose name is for the time being registered in the books of the collective investment scheme as the holder of the security being units or other instruments issued by the collective investment scheme in respect of which the income in respect of units or other instruments issued by the collective scheme has become due; or

(b) the right of transferee of any security, being units or other instruments issued by the collective investment scheme, 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 being units or other instruments issued by the collective investment scheme in the name of the transferee

Sec 27B Right to receive income from mutual fund

(1) It shall be lawful for the holder of any securities, being units or other instruments issued by any mutual fund, whose name appears on the books of the mutual fund issuing the said security to receive and retain any income in respect of units or other instruments issued by the mutual fund declared by the mutual fund in respect thereof for any year, notwithstanding that the said security, being units or other instruments issued by the mutual fund, has already been transferred by him for consideration, unless the transferee who claims the income in respect of units or other instruments issued by the mutual fund from the transferor has lodged the security and all other documents relating to the transfer which may be required by the mutual fund with the mutual fund for being registered in his name within fifteen days of the date on which the income in respect of units or other instruments issued by the mutual fund became due.
Explanation.—The period specified in this section shall be extended—
(i) in case of death of the transferee, by the actual period taken by his legal representative to establish his claim to the income in respect of units or other instrument issued by the mutual fund;
(ii) in case of loss of the transfer deed by theft or any other cause beyond the control of transferee, by the actual period taken for the replacement thereof; and
(iii) in case of delay in the lodging of any security, being units or other instruments issued by the mutual fund, and other documents relating to the transfer due to causes connected with the post, by the actual period of the delay.

(2) Nothing contained in sub-section (1) shall affect—
(a) the right of a mutual fund to pay any income from units or other instruments issued by the mutual fund which has become due to any person, whose name is for the time being registered in the books of the mutual fund as the holder of the security being units or other instruments issued by the mutual fund in respect of which the income in respect of units or other instruments issued by the mutual fund has become due; or
(b) the right of transferee of any security, being units or other instruments issued by the mutual fund, to enforce against the transferor or any other person, his rights, if any, in relation to the transfer in any case where the mutual fund has refused to register the transfer of the security being units or other instruments issued by the mutual fund in the name of the transferee.

[SIMILAR PROVISIONS AS IN SEC 27A]

Sec 28 Act not to apply in certain cases [IMPORTANT]

(1) The provisions of **this Act shall not** apply to—
(a)the **Government**, the **RBI**, any **local authority** or any **corporation** set up **by a special law or any person** who has effected any transaction with or through the agency of any such authority as is referred to in this clause;
(b) any **convertible bond** or **share warrant** or **any option or right** in relation thereto, in so far as it entitles 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' shares of the company or other body corporate, whether by conversion of the bond or warrant or otherwise, **on the basis of the price agreed upon when the same was issued**.

(2) Without prejudice to the provisions contained in sub-section (1), if the CG is satisfied that in the interests of trade and commerce or the economic development of the country it is necessary or expedient so to do, it may, by notification in the Official Gazette, specify any class of contracts as contracts to which this Act or any provision contained therein shall not apply, and also the conditions, limitations or restrictions, if any, subject to which it shall not so apply.

RELEVANT CASE LAW

- The principal objectives of listing are to provide ready marketability and impart liquidity and free negotiabitily to stocks and shares and protect the interest of shareholders and of the general investing public.
  The public limited company has NO obligation to have its shares listed on a recognized stock exchange; however, if the company intend to offer its shares or debentures to public for subscription by issue of a prospectus it must before issuing such prospectus, apply to one or more recognized stock exchanges for permission to have its shares or debentures intended to be so offered to public to be dealt at each such recognized stock exchange in terms of provisions of Companies Act.**{Raymond Synthetic Ltd. V. Union of India (SC)}**

Securities Contracts (Regulations) Rules, 1957, (which are not given with sections):

Rule 8 Qualifications for membership of a recognised stock exchange [IMPORTANT] (TO BE READ WITH SECTION 4)
The rules relating to admission of members of a stock exchange seeking recognition shall **inter alia** provide that : (1)**No person shall be eligible to be elected as a member if**— (a)he is less than twenty-one years of age; (b)he is not a citizen of India; provided that the governing body may in suitable cases relax this condition with the prior approval of SEBI; (c)he has been adjudged bankrupt or a receiving order in bankruptcy has been made against him or he has been proved to be insolvent even though he has obtained his final discharge; (d)he has compounded with his creditors unless he has paid sixteen annas in the rupee; (e)he has been convicted of an offence involving fraud or dishonesty; (f)he is engaged as principal or employee in any business other than that of securities or commodity derivatives except as a broker or agent not involving any personal financial liability unless he undertakes on admission to sever his connection with such business Provided that nothing herein shall be applicable to any corporations, bodies corporate, companies or institutions referred to in clauses (a) to (n) of sub-rule (8). (g) Omitted (h)he has been at any time expelled or declared a defaulter by any other stock exchange;(i)he has been previously refused admission to membership unless a period of 1 year has elapsed since the date of such rejection.
(2)No person eligible for admission as a member under sub-rule (1) shall be admitted as a member unless :— (a)he has worked for not less than 2 years as a partner with, or an authorised assistant or authorised clerk or remisier or apprentice to, a member; or (b)he agrees to work for a minimum period of 2 years as a partner or representative member with another member and to enter into bargains on the floor of the stock exchange and not in his own name but in the name of such other member ; or (c)he succeeds to the established business of a deceased or retiring member who is his father, uncle, brother or any other person who is, in the opinion of the governing body, a close relative Provided that the rules of the stock exchange may authorise the governing body to waive compliance with any of the foregoing conditions if the person seeking admission is in respect of means, position, integrity, knowledge and experience of business in securities, considered by the governing body to be otherwise qualified for membership.
(3)**No person who is a member at the time of application for recognition or subsequently admitted as a member shall continue as such if**— (a)he ceases to be a citizen of India : Provided that nothing herein shall affect those who are not citizens of India but who were members at the time of such application or were admitted subsequently under the provisions of clause (b) of sub-rule (1) of this rule, subject to their complying with all other requirements of this rule; (b)he is adjudged bankrupt or a receiving order in bankruptcy is made against him or he is proved to be insolvent; (c)he is convicted of an offence involving fraud or dishonesty; (d) Omitted (e) Omitted (f)he engages either as principal or employee in any business other than that of securities or commodity derivatives except as a broker or agent not involving any personal financial liability, provided that— (i)the governing body may, for reasons, to be recorded in writing, permit a member to engage himself as principal or employee in any such business, if the member in question ceases to carry on business on the stock exchange either as an individual or as a partner in a firm, (ii)in the case of those members who were under the rules in force at the time of such application permitted to engage in any such business and were actually so engaged on the date of such application, a period of three years from the date of the grant of recognition shall be allowed for severing their connection with any such business, (iii)nothing herein shall affect members of a recognised stock exchange which are corporations, bodies

corporate, companies or institutions referred to in items [(a) to (n)of sub-rule (8).

(4)**A company as defined in the Companies Act, 1956, shall be eligible to be elected as a member of a stock exchange if—**
(i)such company is formed in compliance with the provisions of section 322 of the said Act;
(ii)a majority of the directors of such company are shareholders of such company and also members of that stock exchange; and
(iii)the directors of such company, who are members of that stock exchange, have ultimate liability in such company.

(4A)A company as defined in the Companies Act, 1956, shall also be eligible to be elected as a member of a stock exchange if—
(i)such company is formed in compliance with the provisions of section 12 of the said Act;
(ii)such company undertakes to comply with such financial requirements and norms as may be specified by SEBI for the registration of such company under sub-section (1) of section 12 of SEBI Act, 1992;
(iii) OMITTED
iv)the directors of the company are not disqualified from being members of a stock exchange under clause (1) [except sub-clause (b) and sub-clause (f) thereof] or clause (3) [except sub-clause (a) and sub-clause (f) thereof] and the Directors of the company had not held the offices of the Directors in any company which had been a member of the stock exchange and had been declared defaulter or expelled by the stock exchange; and(v)not less than two directors of the company are persons who possess a minimum 2 years' experience:
(a)in dealing in securities; or
(b)as portfolio managers; or
(c)as investment consultants.

(5)**Where any member of a stock exchange is a firm, the provisions of sub-rules (1), (3) and (4), shall, so far as they can, apply to the admission or continuation of any partner in such firm**.

(6)A LLP as defined in the Limited Liability Partnership Act, 2008, shall also be eligible to be elected its a member of a stock exchange if
(i) such "limited liability partnership" undertakes to comply with such financial requirements and norms as may be provided by SEBI for registration of such limited liability partnerships U/S 12(1) of SEBI Act, 1992;
(ii) the designate partners of the 'limited liability partnership' are not disqualified from being members of a stock exchange under sub-rule (1) [except clause (b) and (f) thereof] or sub-rule (3) [except clause (a) and clause (f) thereof and the designated partners of the 'limited liability partnership' had not held the offices of Directors in any company or body corporate or partner in any firm or 'limited liability partnership', which had been a member of the stock exchange and had been declared defaulter or expelled by the stock exchange; **and**
(iii) not less than two designated partners of the 'limited liability partnership' are persons who possess a minimum experience of 2 years:-
(a) in dealing in securities; or
(b) as portfolio managers; or
(c) as investment consultants.

(7)Any provident fund represented by its trustees, of an exempted establishment under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, shall also be eligible to be elected as a member of a stock exchange.

(8) Where the SEBI makes a recommendation, the governing body of a stock exchange shall, admit as member the following corporations, bodies corporate, companies or institutions, namely :-
(a) the Industrial Finance Corporation, established under the Industrial Finance Corporation Act, 1948
(b) the Industrial Development Bank of India, established under the Industrial Development Bank Act, 1964
(c) any insurance company granted registration by the IRDA under the Insurance Act, 1938;
(d) the Unit Trust of India, established under the Unit Trust of India Act, 1963;
(e) the Industrial Credit and Investment Corporation of India, a company registered under the Companies Act, 1956;
(f) the subsidiaries of any of the corporations or companies specified in clauses (a) to (e) and any subsidiary of the State Bank of India or any nationalised bank set up for providing merchant banking services, buying and selling securities and other similar activities;
(g) any bank included in the Second Schedule to the Reserve Bank of India Act,
(h) the Export Import Bank of India, established under the Export Import Bank of India Act, 1981

(i) the National Bank for Agriculture and Rural Development, established under the National Bank for Agriculture and Rural Development Act,
(j) the National Housing Bank, established under the National Housing Bank Act;
(k) Central Board of Trustees, Employees' Provident Fund, established under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
l) any pension fund registered or appointed or regulated by the Pension Fund Regulatory and Development Authority under the Pension Fund Regulatory And Development Authority Act, 2013
(m) any Standalone Primary Dealers authorised by the Reserve Bank of India constituted under the RBI Act; and
(n) Category I and Category II foreign portfolio investors registered under the SEBI (Foreign Portfolio Investors) Regulations, 2014:
Provided that such foreign portfolio investors shall engage only in proprietary trades in such class of securities as may be specifically permitted for them by SEBI.

Rule 14: Books of account and other documents to be maintained and preserved by every recognised stock exchange

Every recognised stock exchange shall maintain and preserve the following books of account and documents for a period of **five** years:
(1)Minute books of the meetings of—
(a)members;
(b)governing body;
(c)any standing committee or committees of the governing body or of the general body of members.
(2)Register of members showing their full names and addresses. Where any member of the stock exchange is a firm, full names and addresses of all partners shall be shown.
(3)Register of authorised clerks
(4)Register of remisiers of authorised assistants.
(5)Record of security deposits.
(6)Margin deposits book.
(7)Ledgers.
(8)Journals.
(9)Cash book.
(10)Bank pass-book.

Rule 15 Books of account and other documents to be maintained and preserved by every member of a recognised stock exchange

(1) Every member of a recognised stock exchange shall maintain and preserve the following books of account and documents for a period of **five** years :
(a)Register of transactions (Saudabook).
(b)Clients' ledger.
(c)General ledger.
(d)Journals.
(e)Cash book.
(f)Bank pass-book.
(g)Documents register showing full particulars of shares and securities received and delivered.
(2) Every member of a recognised stock exchange shall maintain and preserve the following documents for a period of **two** years:
(a)Member's contract books showing details of all contracts entered into by him with other members of the same exchange or counterfoils or duplicates of memos of confirmation issued to such other members.
(b)Counterfoils or duplicates of contract notes issued to clients.
(c)Written consent of clients in respect of contracts entered into as principals.

FUNCTIONS/POWERS OF SEBI UNDER SCRA, 1956

SCRA, 1956 provides for some additional functions/powers of SEBI apart from those provided under SEBI Act. They have although already been discussed in the chapter (SCRA) at relevant places, but they are briefed below so that they can easily be recollected from one place. (Refer Relevant Section for complete provision)
They are as follows:

Section 6	• Power to receive for Periodical returns from recognized stock exchange • Power to inspect at all reasonable times books of accounts and other documents maintained by Stock exchanges for periods not exceeding 5 years in public interest and in interest of trade by CG/SEBI (Power delegated to SEBI). • Power of SEBI to call for information/explanation in writing relating to affairs of the stock exchanges from stock exchanges or members thereof in interest of trade and public interest • SEBI may appoint, by order in writing, any no. of person(s) to make inquiry in prescribed manner in affairs of governing body of stock exchange or of members thereof and submit report of such enquiry to SEBI. • SEBI may also direct the governing body of stock exchange to conduct enquiry into affairs of of any member(s) and submit its report
Section 9	• Recognised Stock Exchange may make its own bye-laws for regulation and control of contracts with previous approval of SEBI. Such bye-laws provide for submission of periodical settlements carry out by clearing House to SEBI or publication of such particulars subject to SEBI's direction. • Such bye-laws have to be PUBLISHED for public comments and after approval of SEBI to be published in Official Gazatte,
Section 10	• SEBI has the power to amend the bye-laws of recognized stock exchange either suo-moto or on request.
Section 17	• SEBI has the power to grant license to any person for the business of dealing in securities in any state or area to which section 13 has not been declared to apply.
Section 17A	• Securities referred in Section 2(h)(ie), before their issue requires fulfillment of certain eligibility criteria and complies with other requirements as SEBI may specify by regulations.
Section 29A	• This Section empowers CG, by order published in Official Gazatte, to delegate its powers under this Act to SEBI/RBI. • CG has exercised this power and has delegated certain powers to CG (as discussed earlier), hence due to this the scope of functions and powers of SEBI is increased.

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OTHER IMPORTANT LINKS

1. Revision Test Paper (RTP)	https://www.icai.org/post.html?post_id=14473.
2. Mock Test Papers (MTPs)	https://www.icai.org/post.html?post_id=14629.
3. Suggested Answers	https://www.icai.org/post.html?post_id=14910.
4. Admit Card	https://icaiexam.icai.org/
5. BOS Announcements	https://www.icai.org/new_category.html?c_id=438
6. TOLL FREE No. for Students' Query (ICAI)	18001211330
7. Faculty, BOS Contacts	https://resource.cdn.icai.org/29574contact-bos-faculty-19221.pdf
8. Part A: **Company Law** Notes (For Nov., 2019)	https://www.caclubindia.com/share_files/details.asp?mod_id=78113
Give your suggestions/ reviews at https://forms.gle/LWAheiNqYZ7juPHP6	

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