CA- Final (New)

Corporate and Economic Laws

REVISION NOTES FOR MAY, 2020

Part B: Securities Law

- ✓ *Covers entire applicable Securities Laws Syllabus*
- ✓ *Ideal for exam time revision*
- ✓ *No lengthy explanations or examples*
- ✓ *Updated with all relevant amendments (**Incl. RTP May, 2020**)*
- ✓ *Print Friendly*

2nd Edition

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Important Instructions:

1. *These notes contain all exam relevant topics applicable for Part B (Securities Law) of CA-Final (New) Paper 4: Corporate and Economic Laws for May, 2020 Exams (NOTES FOR PART A & C i.e. COMPANY LAW AND ECONOMIC LAWS ARE RELEASED SEPERATELY). Therefore* ***everything in these notes is part of syllabus for May, 2020 Exams*** *and nothing is to be excluded anyway unless ICAI specifically excludes any topic by way of Announcement/Notification etc.*

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 Securities Law 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 Securities law syllabus in less than 1 day.* ***There is no need to do MCQs separately*** *as they are also from same syllabus.*
At least 2 readings *of these notes are* ***suggested, 1st before beginning of exams (in which student may put markings in these notes as per his/her convenience)*** *and 2nd in days just before the Paper.*

4. *Interpretation (i.e. Analysis) of most provision has not been included in these notes 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 underlining or making the font Bold/Coloured have been made at appropriate places for easy interpretation and highlighting importance. (Light coloured text may be skipped in last revision)***

5. ALL AMENDMENTS COVERED

These notes are fully updated as per the amended relevant provisions of Securities Laws effective on ***31/10/2019*** *which is cut-off date for May, 2020 Exams.* ***Font of recent amendments has been made in Italics at relevant places. Further****, these* ***notes cover updates of RTP for May, 2020*** *issued by BOS, ICAI recently. Complete RTP may be accessed at https://www.icai.org/post.html?post_id=14473 .*

6. Whether all "Rules" covered?

All ***relevant Rules/Regulations/Schedules/Case Laws/Circulars*** *have been* ***covered*** *in these notes to the extent made part of syllabus by BOS, ICAI and most of them are given with relevant section(s). YOU NEED NOT REFER ANY THING OTHER THAN THESE NOTES FOR SECURITIES LAWS in Paper 4 except RTP as mentioned on Point 5.*

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7. What if there is any ERROR in any part of these notes?
Although due care has been taken while preparing these notes, in spite of this, if any error (typographical or otherwise) is noticed by you, then you may bring the same into my notice at below mentioned feedback link so that the same can be taken care of in next edition.
Note*: These Notes are part of* ***free self study resources*** *and can be freely shared by and among CA- Final students but with no modification(s) of any kind.*

Disclaimer: *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.*

You may give your valuable Feedback including suggestions for these notes at https://forms.gle/eA3XD4n5QoCoA5EA9

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. **SEBI Act extends to the whole of India.**

Section 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.

Section 3: Establishment and incorporation of Board

(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 SEBI.
(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.

Section 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.

Section 5 Term of office and conditions of service of Chairman and members of the Board

(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

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.

Section 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 u**nable 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.**

Section 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**.

Section 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.

Section 11 Functions of Board

(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;

(b) 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.
11(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.
(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) 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.

Section 11A Board to regulate or prohibit issue of prospectus, offer document or advertisement soliciting money for issue of securities

(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.

Section 11AA Collective investment scheme

(1) Any scheme or arrangement which satisfies the conditions referred to in **sub-section (2) or sub-section (2A) shall be 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 **shall be deemed to be 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**, **SHALL NOT BE a collective investment scheme.**

Section 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.

Section 11C Investigation

(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 6 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 ₹ 1 crore , or with both, and also with a further fine which may extend to ₹ 5 Lakh 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.

Section 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 u/s 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.**

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

(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 3 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**.

12(2) Every application for registration shall be in such manner and on payment of such fees as may be determined by regulations.
12(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.

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

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.

Section 14 Fund
(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.

Section 15 Accounts and audit

(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**.

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

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 **₹ 1 lakh** but which may extend to **₹ 1 lakh for each day** during which such failure continues subject to a **maximum of ₹ 1 Crore**; (b)to **file** any return or furnish any information, books or other documents within the time specified there for in the regulations, fails to file return or furnish the same within the time specified there for 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 ₹ 1 lakh but which may extend to ₹ 1 lakh for each day during which such failure continues subject to a maximum of ₹ 1 Crore. (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]**

Section 15B Penalty for failure by any person to enter into agreement with clients
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 **₹ 1 lakh** but which may extend to **₹ 1 lakh for each day** during which such failure continues subject to a **maximum of ₹ 1 Crore**. **[PENALTY SAME AS IN Section 15A]**

Section 15C Penalty for failure to redress investors' grievances

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 **₹ 1 lakh** but which may extend to **₹ 1 lakh for each day** during which such failure continues subject to a **maximum of ₹ 1 Crore**. **[PENALTY SAME AS IN SECTION 15A]**

Section 15D Penalty for certain defaults in case of MUTUAL FUNDS

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 ₹ 1 lakh but which may extend to ₹ 1 lakh for each day during which he sponsors or carries on any such collective investment scheme including mutual funds subject to a maximum of ₹ 1 Cr;

(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 ₹ 1 lakh but which may extend to ₹ 1 lakh for each day during which such failure continues subject to a maximum of ₹ 1 Crore

(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 ₹ 1 lakh but which may extend to ₹ 1 lakh for each day during which such failure continues subject to a maximum of ₹ 1 crore;

(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 ₹ 1 lakh but which may extend to ₹ 1 lakh for each day during which such failure continues subject to a maximum of ₹ 1 crore;

(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 ₹ 1 lakh but which may extend to ₹ 1 lakh for each day during which such failure continues subject to a maximum of ₹ 1 crore;

(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 ₹ 1 lakh but which may extend to ₹ 1 lakh for each day during which such failure continues subject to a maximum of ₹ 1 crore.
[PENALTY SAME AS IN SECTION 15A]

Section 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 ₹ 1 lakh but which may extend to ₹ 1 lakh for each day during which such failure continues subject to a maximum of ₹ 1 crore. **[PENALTY SAME AS IN SECTION 15A]**

Section 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 ₹ 1 lakh but which may extend to ₹ 1 lakh for each day during which such failure continues subject to a maximum of ₹ 1 crore. **[PENALTY SAME AS IN SEC 15A]**
Section 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	

[**NOTE**: The above two sections were inserted w.e.f. 08-03-2019 but are not covered by ICAI as of now]

Section 15F Penalty for default in case of stock brokers [IMPORTANT]

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 ₹ 1 lakh** 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 SECTION 15A**
Clause (c)	**charges an amount of brokerage which is in excess** of the brokerage specified in the regulations	a penalty which shall not be less than **₹ 1 lakh** but which may extend to **FIVE TIMES the amount of brokerage charged in excess of the specified brokerage**, whichever is **HIGHER**

Section 15G Penalty for insider trading [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 **except as required in the ordinary course of business or under any law**; 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 ₹ 10 LAKH** but which **may extend TO ₹ 25 CRORE** rupees **OR THREE TIMES the amount of profits** made out of insider trading, **whichever is HIGHER**

Section 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 ₹ 10 lakh but which may extend to ₹ 25 crore or three times the amount of profits made out of such failure, whichever is higher. **[PENALTY SAME AS IN SEC 15G]**

Sec 15HA	If any person **indulges in fraudulent and unfair trade practices** relating to securities	PENALTY OF MIN. ₹ 5 LAKH AND MAX UPTO ₹ 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. ₹ 1 LAKH AND MAX UPTO ₹ 1 CR.

Section 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 3 months from the date of the order passed by the adjudicating officer or disposal of** the **appeal** under section 15T, **whichever is earlier**.

Section 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.

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

Section 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 u/s 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)

Section 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.

Section 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.

Section 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 5 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.

Section 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.

Section 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).

Section 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.

15MC(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.

Section 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.

Section 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 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

Section 15T Appeal to the SAT [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 **45 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 45 days if it is satisfied that there was sufficient cause for not 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) 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.

Section 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]

<table>
<tr><td rowspan="2">SEC 24B</td><td>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.</td></tr>
<tr><td>(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.</td></tr>
<tr><td>SEC 25</td><td>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.</td></tr>
<tr><td>SEC 26</td><td>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</td></tr>
<tr><td>SEC 26A</td><td>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.</td></tr>
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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.

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