

Role of SEBI in Investors Protection

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ABSTRACT:- The Securities and Exchange Board of India(SEBI) was setup on April 12,1988 through an administrative Order, but it became a statutory and really powerful organizations in there year 1992.Investor protection is among the most talked topics in the securities market and safeguarding investor interest in one of the top priorities of the regulatory bodies. Investors can seek their protection within the provisions of the Indian Companies Act 1956,the Securities Contract Act 1956 and various measures taken by stock exchanges. Investors protection means ensuring that the stock market and participants are fair to the investors and should not do anything which may appear deliberate attempts on their part to inflict loss to the investors. With a view to protect the investors and to reduce their grievances and complaints SEBI has an Investor Grievance cell, Investor protection fund, web based centralized complaint redressal system etc.

Key words:-Investor protection, SEBI, Measures, Complaints, Grievances, Redressal t, Securities contract act, Companies act.

I. INTRODUCTION:

Investors are the pillars of the financial and Securities market. They determine the level of activity in the securities market and also the level of activity in the economy. They may not be familiar with the market mechanism and the practices as well as their rights and obligations. Some investors may not be fully aware of the precautions they should take while dealing with market intermediaries and dealing in different securities. There occurs a need of organization which protect the interest of investors, help them to gain confidence in the capital market. It gives them adequate knowledge to take right investment decision.

NEED FOR INVESTOR PROTECTION:-

Investors are the backbone of the Securities market. Investor is a person who allocates capital with the expectation of a financial return. Strong investor protection is essential for

the healthy growth of financial markets. It is very important to protect the interest of the investor and the investor protection affects significantly the financial structure of an economy. Investor protection involves various measures established to protect the interest of investor from malpractices in share, stock market, mutual fund, etc.

INTRODUCTION OF SEBI:-

Investors are making their investments with the expectations to maximize their returns and to achieve their financial objectives. By increasing investor population and growth in the dealings of stock market has lead to variety of malpractices on the part of the companies, brokers, investment consultants in stock market etc in the form of price rigging, unofficial premium on new issue, delay in delivery of shares, violation of rules and regulations listing requirements etc. Due to these malpractices the customers started losing confidence and faith in the stock exchange. Hence, to protect the interest of investors, Government of India has established Securities Exchange Board India (SEBI) in the year 1988 and given statutory powers in 1992 through SEBI Act 1992,as a regulator of the Indian financial market. SEBI permit investor to form an Association of investors and register the same under SEBI. This will provide an immediate forum to investors to discuss their difficulties and to take measures for speedy removal of their problems.

OBJECTIVES OF SEBI:-

- To protect the rights and interests of investors.
- To promote the development of the securities market.
- To regulate the stock exchanges and Securities industry to ensure their systematic functioning.
- To prevent the trading malpractices.
- To attain a balance between self regulation by Securities and it's statutory regulation.

FUNCTIONS OF SEBI:-

- To control and monitor the stock exchanges business and other securities market.

- To record and control the operations of collective investment schemes inclusive of mutual funds.
- To develop and govern autonomous companies.
- To prevent illegal and unfair trade practices in securities market.
- To encourage the investors education and provide training to intermediaries in the securities market.
- To prevent insider trading in Securities.

REGULATORY FUNCTIONS:-

- Regulating substantial acquisitions of shares and take over of companies.
- Regulation of stock exchange and self regulatory organizations.
- Registration and regulation of the working of collective investment schemes including mutual funds.

DEVELOPMENTALFUNCTIONS:-

- Promoting self regulatory organizations.
- Training of intermediaries.
- Conducting research and published information useful to all market participants.

INVESTOR PROTECTION MEASURE BY SEBI:-

Sec 11(2) of the SEBI Act contains measures available with SEBI to implement the registered desire of investor protection. It includes ,

- Prohibiting fraudulent and unfair trade practices relating to securities market.
- Regulating substantial acquisition of shares and take over of companies.
- Promoting and regulating self regulatory organizations.
- Regulating the business in stock exchanges and any other securities market.
- Promoting investors education and training of intermediaries of securities market.
- Registering and regulating the working of venture capital funds and collective investment schemes including mutual funds.

INVESTOR AWARENESS PROGRAMME:-

SEBI has launched the Securities Market Awareness Campaign in 2003. Such Programmes are now regularly organized by SEBI to educate and create awareness among the investors. The programme covers major subjects like portfolio management, mutual funds, tax provisions, investor protection fund, investors grievance redressal

system of SEBI. It also conducts workshops on derivatives, stock exchanges trade sensx etc. SEBI has now conducted these workshops in more than 500 cities across the country through various formats like radio, television, print media, internet.

ISSUE OF GUIDELINES:-

SEBI has issued guidelines to companies. These guidelines are for bringing transparency in their operations and also for avoiding exploitation of investors. SEBI keeps watch on all intermediaries and see that they follow the guidelines in the right spirit.

UNIQUE ORDER CODE NUMBER:-

All stock exchanges have been required to ensure that a system is put in place whereby each transaction is assigned a unique order code number which is intimated by the broker to his client. Once the order is executed, this number is to be printed on the contract note.

TIME STAMPING OF CONTRACTS:-

Stock brokers have been required to maintain a record of time when the client has placed the order and reflect the same in the contract note along with the time of the execution of the order. This will ensure that the broker gives due preference in execution of clients order and charges the correct price to his client without taking advantage of any intra day price fluctuation for himself.

TYPES OF COMPLAINTS HANDLED BY SEBI:-

- Complaints arising out of activities that are covered under SEBI Act 1992.
- Depositories Act 1996 and Rules and Regulations made there under the provisions that are covered under sec 55A of companies act 1956 are handled by SEBI.
- Securities Contract Regulation Act 1956.

Complaints Against Sebi Registered Entities:-

- ❖ Stock Exchanges
- ❖ Stock Broker/ Authorised agent
- ❖ Credit rating agency
- ❖ Portfolio managers
- ❖ Mutual funds
- ❖ Debenture trustees
- ❖ Custodian of securities
- ❖ Investment advisors
- ❖ Collective investment schemes
- ❖ Banker to an issue
- ❖ Merchant banker
- ❖ Depository

- ❖ Depository participants
- ❖ Share transfer agent

OTHER MEASURES:-

SEBI has taken various measures such as screen based trading system, dematerialization of securities, T+2 rolling settlement and framed various regulations to regulate intermediaries issue and trading of securities, corporate restructuring etc to protect the interest of investor in securities.

II. CONCLUSION:-

It may be concluded that SEBI performs its role extremely well through various programmes and measures like Investor Awareness Programme, Investor Education and Protection fund, Grievance Redressal Mechanism etc. Which has made the Indian Security Market as one among the safest and most efficient trading destination globally. It is also advisable that investors should approach SEBI through SCORES for redressal of their grievances, complaints and any other difficulty transactions. It is in the interest of investors themselves to be fully aware about the provisions of various act, SEBI guidelines and grievance redressal mechanism with regard to their protection.

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