

**DURGA MAHAVIDYALAYA**

**ROLE OF SEBI  
IN THE STOCK MARKET**

**Presented by - Chetna Sona (Asst. Prof.)**

# Constitution of SEBI

The **Securities and Exchange Board of India (SEBI)** was first set up in **1988** as a non-statutory body to regulate the securities market. Later, the **SEBI Act, 1992** gave it statutory powers. It functions under the **Ministry of Finance, Government of India**, and has its headquarters in Mumbai.

The **Board of SEBI** is the main governing body, consisting of:

- ❖ A **Chairman** appointed by the Central Government,
- ❖ **Two members** representing finance and legal department of central Government,
- ❖ **One member** from the **Reserve Bank of India**, and
- ❖ **Two experts** in **securities matters** to be appointed by the central Government.

# Reason for establishment of SEBI

Investors in India began losing faith and confidence in the stock exchanges because of widespread malpractices such as insider trading, price rigging, and lack of transparency. To address these issues and protect investors, the Government established the **Securities and Exchange Board of India (SEBI)**

# Purpose and role of SEBI

## Purpose of SEBI

The main purpose of SEBI is to create a safe environment for investors and to build confidence in the securities market. It was established to regulate the functioning of stock exchanges, prevent unfair practices, and ensure that companies raise funds in a transparent manner.

## Role of SEBI

- **Investor Protection** – safeguards the interest of small and large investors.
- **Market Regulation** – keeps a check on stock exchanges, brokers, and other intermediaries.
- **Fair Practices** – prevents insider trading, fraud, and manipulation of prices.
- **Market Development** – introduces modern systems like online trading and reforms for smooth operations.
- **Balancing Interests** – ensures fair treatment of investors, companies, and market participants.

# Objectives of SEBI

- ❖ **Protection of Investors** : SEBI's primary goal is to safeguard the rights of investors. It provides guidance and ensures that investments are secure.
- ❖ **Prevention of Fraud** : SEBI aims to prevent fraudulent practices and malpractices in trading and regulate regulate the activities of the stock exchange.
- ❖ **Development of Code of Conduct** : SEBI develops a code of conduct for financial intermediaries like underwriters and brokers.
- ❖ **Maintenance of Balance**: SEBI strives to maintain a balance between statutory regulations and self-regulation.

# Functions of SEBI

## 1. Protective Functions

**Investor protection** : SEBI works to safeguard investor's interests by ensuring they receive complete and accurate information from companies issuing securities.

**Combating Malpractices** : It prohibits and take action against fraudulent activities, such as insider trading, price rigging, and other unfair trade practices in the market.

**Investor Education** : SEBI conducts awareness programs and workshops to educate investors about safe investing and help them make informed decisions.

## 2. Regulatory Functions

**Market Regulations** : SEBI regulates the activities of stock exchanges, mutual funds, depositories, and other market players to ensure fairness and transparency.

**Registering and Supervising Intermediaries** : It register and supervises entities like brokers, advisors, merchant bankers, and credit rating agencies, ensuring they adhere to its regulations.

**Setting Rules** : SEBI establishes and enforces rules for companies, investors, and market intermediaries, creating a disciplined market environment.

### 3. Development Functions

**Market Growth** : SEBI promotes the growth and development of the Indian Securities market by creating a favourable environment for all participants.

**Market Efficiency** : It enhances market efficiency and innovation through research and introduction of new regulatory frameworks and technologies.

**Financial Literacy** : SEBI encourages financial literacy among investors, empowering them with knowledge about the market and investment options.

# Powers of SEBI

**Quasi- Legislative :** This means SEBI can create its own rules and regulations for the securities market. It has the authority to make rules for things like market operations, the requirements for listing on stock exchange, and how intermediaries should behave.

**Quasi- Judicial:** SEBI can act like a court to settle disputes. It can hold hearings, look at evidence, and issue orders to solve problems between market participants, investors, and intermediaries.

**Quasi-Executive :** SEBI has the power to carry out its decisions. This includes the ability to inspect records, summon people for questioning, and conduct investigations. It can also issue directives and impose penalties, or even suspend a company's registration if they are not following the rules.

**THANKYOU**