

A decorative graphic on the left side of the image, consisting of a network of light blue lines and small circles, resembling a circuit board or a neural network diagram. The lines are vertical and horizontal, with some diagonal connections, and the circles are placed at various points along these lines.

# INVESTOR PROTECTION

# INTRODUCTION

- Investors protection is fundamental to healthy growth of a capital market. Protection should not be conceived as a system which guarantees to an investor that his investment will not diminish in value or that return on his investment will remain assured for all time. There was also the need to protect the interests of investors and frame rule and regulation for regulating the securities market. It established SEBI on 12 April 1988.

# MEANING OF SEBI

- SEBI stand for Securities and Exchange Board of India. It was set up on 12 April 1988. To start with, SEBI was set up as a non statutory body later on it become a statutory body under the Securities Exchange Board of India Act 1992. The act entrusted SEBI with comprehensive powers over practically all the aspects of capital market operations.

# PURPOSE OF SEBI

- SEBI was set up with the main purpose of keeping a check on malpractices and protect the interest of investors. It was set up to meet the needs of three groups
- Issuers: For issuers, it provides a market place in which they can raise finance fairly and easily.
- Investors: For investors, it provides protection and supply of accurate and correct information.
- Intermediaries: For intermediaries , it provides a competitive professional markets

# OBJECTIVES OF SEBI

1. To regulate the activities of stock exchange
2. To protect the right of investors and ensuring safety and security to their investment
3. To prevent fraudulent and malpractices by having balance between self regulation of business and its statutory regulations.
4. To regulate and develop a code of conduct for intermediaries such as brokers, underwriters. etc
5. To prohibit insider trading in securities.

# ROLE FUNCTION OF SEBI

- To protect the interest of investors through proper education and guidance as regards their investment in securities
- To regulate and control the business on stock exchanges and other security markets.
- To make registration and to regulate the function of intermediaries such as stock brokers, sub-brokers, share transfer agents, merchant banker and others intermediaries operating in the security market.
- To Register and regulate the working of mutual funds including UTI. SEBI has made rule and regulations to be followed by mutual fund.
- to regulate mergers, takeovers and acquisitions of companies in order to protect the interest of investors.
- To restrict insider trading activity through suitable measures. This function is useful for avoiding undesirable activities of brokers and securities scams.

# Functions of SEBI

## Regulatory Function

**To register agents and brokers.**  
**To notify rules and regulations for smooth functioning of securities market.**  
**Levying penalties and fees for contravening rules and orders.**  
**To prevent unfair and fraudulent practices**

## Development Function

**To register agents and brokers.**  
**To notify rules and regulations for smooth functioning of securities market.**  
**Levying penalties and fees for contravening rules and orders.**  
**To prevent unfair and fraudulent practices**

## Protective Function

**To prevent insider trading**  
**To promote fair trade practices**  
**To educate investors**  
**To prevent unfair and fraudulent trade activities.**

# THE ORGANISATIONAL STRUCTURE OF SEBI

1. SEBI is working as a corporate sector.
2. Its activities are divided into five departments. Each department is headed by an executive director.
3. The head office of SEBI is Mumbai and it has branch office in Kolkata, Chennai and Delhi.
4. SEBI has formed two advisory committees to deal with primary and secondary markets.



# SEBI GUIDELINES

- SEBI advise certain guidelines in issue of fresh share capital, first issue by new companies in primary market and functioning of secondary market in order to maintain standards.

# SEBI GUIDELINES FOR ISSUE OF FRESH SHARE CAPITAL

1. All applications should be submitted to SEBI in the prescribed form.
2. Applications should be accompanied by true/ original copies of industrial license.
3. Cost of the project should be furnished with scheme of finance.
4. Company should have the shares issued to the public and listed in one or more recognized stock exchanges.

# SEBI GUIDELINES FOR FIRST ISSUE BY NEW COMPANIES IN PRIMARY MARKET:

1. A new company which has not completed 12 months of commercial operations will not be allowed to issue shares at a premium.
2. If an existing company with a 5-year track record of consistent profitability is promoting a new company , then it is allowed to price its issue.
3. A draft of the prospectus has to be given to the SEBI before public issue.

# SEBI GUIDELINES FOR SECONDARY MARKET:

1. All the companies entering the capital market should give a statement regarding fund utilization of previous issue.
2. Brokers are to satisfy capital adequacy norms so that the member firms maintain adequate capital in relation to outstanding positions.
3. The stock exchange authorities have to alter their bye-laws with regard to capital adequacy norms.

# INVESTORS' PROTECTION

SEBI has four focal areas:

1. Companies issuing seCurities.
2. Primary market intermediaries.
3. Secondary market intermediaries, and
4. Investors.

# INVESTORS' GRIEVANCES

- Some of the areas of grievance are:
  1. Disclosure in prospectus,
  2. Misleading advertisements,
  3. Delay in listing of securities,
  4. Non- payment of interest and dividends,

Name of grievance	Can be taken up with
In case of puplic issue - Delay in refund amount - Interest on delay amount	SEBI Department of company affairs
In case of listed Debentures - Interest Due - Redemption proceeds - Interest on delay payment	SEBI Department of company affairs Debenture trustees
In case of unlisted Debentures	Department of company affairs
In case of units of Mutual funds	SEBI
In case of FD in banks and NBFCs	RBI
In case of FD in companies	Department of company Affairs