INTERNATIONAL LAW JOURNAL

WHITE BLACK LEGAL LAW JOURNAL ISSN: 2581-8503

Peer - Reviewed & Refereed Journal

The Law Journal strives to provide a platform for discussion of International as well as National Developments in the Field of Law.

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ABOUT US

WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal providededicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

A DETAILED ANALYSIS OF ‘FUNCTIONALITY OF SEBI IN CONTEXT TO INDIA`S CORPORATE ECOSYSTEM’

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Abstract

The Securities and Exchange Board of India (SEBI), a regulatory body that has a major influence on the development of the Indian financial industry, is examined in detail in this article. The essay starts with a brief historical review before tracing the development of SEBI’s roles and showing how important it has become for preserving market integrity, safeguarding investors, and promoting growth. The SEBI Act of 1992 established the organization’s goals, which include investor protection, effective market operation, and general market growth. By analyzing SEBI’s regulatory structure, the article clarifies the authority and duties granted to the organization as well as the main rules and regulations that control the securities market. SEBI’s dedication to maintaining openness and fair play is demonstrated by its emphasis on market monitoring, which includes rules against insider trading and fraudulent activities as well as surveillance systems.

Keywords: *SEBI, Securities Market, Investor Protection, Securities Regulation, Insider Trading*

Introduction

The SEBI, with its extensive regulatory powers over the securities market, is a key player in the complex and ever-changing financial landscape of India. Founded on April 12, 1988 by Ministry of Finance and granted legislative authority in 1992, SEBI functions as the watchful keeper of market integrity, guaranteeing the equitable and transparent operation of the financial markets. Its foundation was the urgent need for a strong regulatory agency that could protect investor trust, uphold the integrity of the market, and promote the securities market’s orderly expansion. It is impossible to overestimate SEBI’s importance in the Indian financial system given the variety of roles it plays in defending investor interests, maintaining market efficiency, and encouraging the growth of a thriving securities ecosystem. Serving as the top regulatory body, SEBI carefully enforces laws that serve as a deterrent against misconduct and fraudulent activity, hence fostering a strong feeling of confidence and credibility in the market. Its broad duty covers the supervision of different market players, such as issuers, intermediaries, and investors, levelling the playing field and promoting just competition and opportunity.[1]

SEBI's position goes beyond simple supervision; via introducing novel financial products, rationalizing regulatory frameworks, and promoting investor education, it actively contributes to the growth of the securities market. By use of its attentive oversight techniques, SEBI detects and expeditiously tackles nascent predicaments, guaranteeing the steadiness and durability of the financial sector. Basically, SEBI shapes the Indian financial market's shape and directs it toward sustainable expansion, acting as the custodian of financial integrity. It is imperative that all stakeholders recognize the critical role that SEBI plays in helping them navigate the intricate landscape of India's financial sector.[2] Through its unwavering oversight, SEBI not only preserves the values of openness and justice but also clears the path for a robust and thriving securities market, which greatly advances India's economy as a whole.

Research Questions

- How far has investor safety in the Indian securities market been aided by SEBI's regulatory framework?
- What role does SEBI play in promoting innovation and sustainability in the securities market?

Research Objectives

- To evaluate how well SEBI's investor protection measures are working and how they affect the level of openness and confidence in the Indian securities market.
- To evaluate the regulatory structure that SEBI has put in place and its function in fostering stability, integrity, and sustainable growth in the market, with an emphasis on the regulatory body's recent struggles and advancements.

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[1] Parikshit Sharma, "The SEBI's Role in the Indian Stock Exchange," 2, *Indian Journal of Integrated Research in Law*, 1 (2022).

[2] *Ibid*.

Research Methodology

Using a doctrinal research technique, the SEBI is the subject of a thorough evaluation and analysis of current laws, statutes, and regulations in this article. The study attempts to give a thorough grasp of SEBI's operations inside the Indian financial market by means of a methodical analysis of the law, legislation like the SEBI Act, 1992, and other reliable sources.

Literature Review

Parikshit Sharma, "The SEBI's Role in the Indian Stock Exchange," 2, *Indian Journal of Integrated Research in Law*, 1 (2022)

The SEBI is the regulatory body in charge of the nation's stock markets. It was formally established in 1988 and was granted legal status by the SEBI Act of 1992. SEBI, which is tasked with protecting investors' interests, is essential to the growth and administration of India's securities markets. This study provides valuable insights into current market patterns, investor protection rules, and the development of safeguards during the previous 20 years. Individual investors, regional institutional investors, and foreign institutional investors can all participate in the stock market. Significantly, in March 1992, SEBI obtained legal standing.

Manmohan Sain & Dr. V.K. Gupta, "Role of SEBI in Indian Capital Market," 8, *Inspira-Journal of Commerce, Economics & Computer Science*, 57 (2022)

This article highlights a number of important issues, including the development of investor protection regulations over the last 20 years, the critical role played by SEBI in investor protection measures, and current market developments. All things considered; it is made clear that further changes are required to bring India's capital market up to par with other significant international markets.

Objectives & Role/ Functions of SEBI

The SEBI's main goal is to create a vibrant market environment that makes large-scale fund operations possible. Ensuring the protection of investors' financial assets in the stock market is a top priority for the SEBI as it works toward this objective. As a regulatory organization, SEBI aggressively encourages investing activity transparency. This dedication to openness is seen by the strict guidelines placed on listed companies, which oblige them to provide information about their investments on a regular basis. By implementing these disclosure rules, SEBI hopes to increase stakeholders' trust and confidence in the stock market by fostering a genuine and transparent knowledge of investing operations.[3]

In addition, SEBI is essential in safeguarding the rights and interests of investors by closely monitoring the veracity and correctness of data that market participants give. By means of consistent and methodical distribution of investment-related data, SEBI guarantees that investors are knowledgeable about market dynamics, enabling them to make well-informed decisions. SEBI prioritizes regular training and development programs for market intermediaries as part of its continuing efforts to uphold market integrity. SEBI hopes to improve the overall competency of market participants and create a more stable and responsible investment environment by teaching these intermediaries about the complexities of investment operations.

Explicit aims are in place to guarantee the best possible operation and promotion of a well-regulated stock market. Facilitating sustainable development in the capital market by proactive guidance, education, and protection of individual and retail investor rights and interests is a primary goal. This entails a dedication to creating an atmosphere in which investors are knowledgeable, safeguarded, and equipped to make wise financial decisions. Preventing trading misconduct at all levels is essential to reaching these objectives. This necessitates keeping a careful balance between government monitoring and securities sector self-regulation. The objective is to improve market efficacy and efficiency in the Indian economy by doing this. The main goal is to provide conditions that reduce trading and investment mistakes, protecting the stability and dependability of the financial system.[4]

The establishment and promotion of a complete code of conduct is essential for the governance, development, and advancement of these objectives. This code instils a feeling of accountability and ethical duty among brokers and merchant brokers by providing a framework for guidance. The regulatory system aims to improve the competitiveness and professionalism of these market actors by promoting just procedures and moral conduct. In the end, this diverse strategy strengthens the stock

[3] Manmohan Sain & Dr. V.K. Gupta, "Role of SEBI in Indian Capital Market," 8, *Inspira-Journal of Commerce, Economics & Computer Science*, 57 (2022).
[4] Greeshma Jayakumar Patil, "Role of SEBI in Investor Protection," 4, *Indian Journal of Law and Legal Research*, 1 (2022).

market's overall integrity and resilience, highlighting its significance as a pillar of the financial system.[5]

Corporate Scenario of the Stock Exchange

India's industrial strategy has changed significantly since the Seventh Five-Year Plan began in 1985, mostly due to a conscious shift towards deregulation. The founding of UTI (Unit Trust of India) in 1987, whose main goal was to raise funds from the common public, was a crucial factor in this development. The goal of this calculated move was to encourage a financial engagement culture among the general public. On the other hand, investors saw a paradigm change in the advantages of stock market participation. Along with making market access simpler, the liberalized industrial strategy also brought in a number of tax breaks to promote increased capital mobilization and investment. Interestingly, dividend income up to INR 15,000 was no longer subject to income tax, offering investors a generous incentive to participate in the stock market.[6]

These policy adjustments had a noticeable effect on the whole economy. India saw a sharp increase in the number of registered businesses, reaching almost 2 lakhs, which was unparalleled in its speed. This increase was especially noticeable for businesses looking to improve their financial position by using the stock market to raise capital. As businesses jumped at the chance to promote their goods, shares in both the new issue and secondary markets proliferated. As such, there was a noticeable surge of firms onto the stock markets. More than 8,000 companies were represented on all of the main stock exchanges, indicating a healthy and active market.[7]

Concurrent with these advancements, a regulatory structure was developed to guarantee the authenticity and steadiness of the changing financial terrain. Market makers had to approve companies before they could list on the stock market, provided they had been producing commercial goods for at least two years. Instilling a degree of maturity and dependability in the listed firms was the goal of this condition, which enhanced the market's overall reputation. Additionally, the bank funding route was customized especially for companies listed on traditional stock markets or the

[5] *Supra* note 3.
[6] *Supra* note 3.
[7] Manisha Singh, "Role of SEBI in Preventing Insider Trading," 5, *Indian Journal of Law and Legal Research*, 1 (2023).

Over-the-Counter Exchange of India. By addressing the particular requirements and difficulties encountered by these listed companies, this customized financing strategy promoted a positive financial climate.

Since the landmark 1993 legal framework revisions, notable progress has been made in two critical areas of the primary and secondary sectors of the economy. The framework under consideration entails strict respect to the regulatory criteria established by the Exchange Act of 1992 and the SEBI. Significantly, the Indian stock exchange gained notoriety on April 12, 1992, which was a turning point in its development. Strategically, SEBI's committed efforts have been focused on building a strong stock market system within the securities industry. At the same time, SEBI has taken up the admirable task of encouraging accountability and responsible behaviour among all parties involved. This includes important market participants, who have an obligation to use caution in order to provide institutional and individual investors with accurate and trustworthy information.[8]

The empowering of intermediates to serve as efficient self-regulating entities is essential to accomplishing this goal. Understanding the importance of self-regulation, SEBI has promoted it as a vital tool for maintaining and overseeing the regulatory structure. This strategy, which is similar to the management by exception concept, eventually aims to become regulation by exception. However, the effectiveness of self-regulation depends on how well it integrates into the whole range of securities market operations, from start to finish.[9]

The goal of this all-encompassing strategy to self-regulation is increased market efficiency. As a result, it becomes easier to provide vital services to investors, enterprises, and traders in the most effective and efficient way possible. Additionally, this dedication to self-regulation acts as a stimulant for innovative confidence, competitiveness, and accessibility to worldwide improvements. As a result, the capital market environment has a dynamic market that supports long-term growth.

[8] Sidharth Kumar Pathak, "Role of SEBI: Cross Border Merger, Takeover Code," 2, *Indian Journal of Integrated Research in Law*, 1 (2022).
[9] *Ibid*.

Investor Protection Initiatives

As the regulatory guardian of the Indian financial system, SEBI is essential to maintaining openness. SEBI guarantees that firms listed on stock exchanges provide the public with accurate and timely information by enforcing strict norms and standards. This covers financial performance, corporate governance guidelines, and any noteworthy occurrences that could influence the choices made by investors. By providing equal access to information for all investors, the goal is to level the playing field, lessen information asymmetry, and promote ethical business activities. Investor interests are protected by SEBI's regulation in this area, which also enhances the securities market's overall reputation and integrity.[10]

Understanding the value of a knowledgeable investor base, SEBI has taken the initiative to launch a number of initiatives aimed at educating and raising awareness among investors. The purpose of these programs is to educate investors on risk management, investment products, and financial markets. Through workshops, seminars, and instructional initiatives, SEBI works with media outlets, educational institutions, and market players to spread knowledge. By providing investors with information, SEBI hopes to improve their capacity to make wise investment choices and lower their risk of being a victim of dishonest schemes. The focus on financial literacy is consistent with SEBI's overarching goal of building a community of knowledgeable and dependable investors.

Establishing efficient grievance redressal procedures is highly valued by SEBI as a means of addressing investor complaints and concerns. Investors can file complaints about problems such share transfers, market manipulation, and dividend non-receipt using the SCORES (SEBI Complaints Redress System) portal.[11] By forwarding these complaints to the relevant intermediaries or firms and keeping an eye on the proceedings through a methodical tracking system, SEBI guarantees a timely resolution. This serves as a disincentive for market firms who engage in unfair tactics, while also giving investors' confidence about the regulatory structure. By resolving complaints, SEBI is demonstrating its commitment to upholding the rights and interests of individual investors and promoting a reliable and robust financial system.

[10] Aishwarya Patil, "Role of SEBI in Protecting the Interests of Investors," 5, *Indian Journal of Law and Legal Research*, 1 (2023).
[11] S. M. D. Azash; S. V. Pulla Reddy, "Investor Awareness and Uses of SEBI Score (SEBI Complaints Redress System): A Socio-Legal Study," 2, *Indian Journal of Integrated Research in Law*, 1 (2022).

Intermediary Regulations

By carefully monitoring the intermediary license and registration procedures, the SEBI plays a crucial role in maintaining the integrity of the securities market. This crucial task is putting in place a stringent screening process that evaluates the competence, dependability, and honesty of companies hoping to act as middlemen. This licensing system's main objective is to build investor trust by creating a market environment in which only reputable and capable businesses are allowed to participate.

Beyond the first license stage, SEBI's supervisory responsibility includes ongoing monitoring and enforcing strict requirements for intermediaries. This multipronged strategy includes the creation of extensive reporting systems, rigorous audits, and routine inspections. By ensuring that intermediaries follow moral business conduct, uphold financial transparency, and swiftly report any anomalies, SEBI strengthens the compliance culture. Maintaining the integrity and stability of the securities market is largely dependent on SEBI's proactive monitoring efforts.[12]

When intermediaries commit malpractices or transgress regulatory requirements, SEBI has the power to act quickly and forcefully by enforcing disciplinary actions. These actions might include license suspensions, fines, and revocations, depending on how serious the offense was. The deterrent effect of fines emphasizes how important it is to strictly conform to regulatory standards. SEBI's consistent enforcement of discipline within the intermediary environment is a testament to its unshakable commitment to establishing a securities market that is defined by equity, transparency, and compliance.

Challenges and Criticisms

SEBI, which is well-known for its regulatory expertise, has come under fire for what some consider to be an overly conservative stance that might impede market innovation. Finding a balance between market dynamism and investor protection is a complex undertaking that will never go away.

[12] Gazal Gupta; Falak Rakhecha, "Impact of New SEBI Regulations on IPO(s)' in India," 2, *Indian Journal of Integrated Research in Law*, 1 (2022).

Opponents contend that certain rules, which are distinguished by their intricacy, place a heavy compliance cost on market players, especially smaller companies.

For SEBI, navigating the complexities of implementing laws in a market that is dynamic and technologically advanced is an ongoing effort. The rapid development of trading platforms and financial products need constant regulatory framework revision. The intricacy of enforcement is increased by the global character of some market operations, which exacerbates the situation. Maintaining a proactive and flexible regulatory strategy is crucial to keep up with new hazards and close any possible loopholes in the law.

Acknowledging the need for ongoing enhancement, SEBI has exhibited a proactive approach by requesting comments and carrying out improvements. Enhancing investor education, expediting regulatory procedures, and promoting improved cooperation with other regulatory organizations are among the areas of emphasis. Finding a balance between easing market operations and maintaining regulatory rigor is still a work in progress, and SEBI is dedicated to improving its approaches to better meet the changing requirements of the securities market. With this commitment, SEBI hopes to prevent future problems in the constantly changing financial sector in addition to resolving existing ones.

Conclusion

Overseeing a capital market system with a rich history spanning more than a century is the SEBI, a reputable regulatory body with an impressive 31-year track record. In order to maintain the integrity and effectiveness of the market, SEBI understands how important it is for different regulators, traders, and professional investors to work together across borders. As a regulator, SEBI has succeeded because it has been aggressive and relentless in pursuing structural changes. Notably, in order to solve issues that previously beset the system, the board made major changes in both the primary and secondary markets. A prime example is the time frame during which commerce and investment receipts were negatively impacted by postal delays. Sensing the urgency of the situation, SEBI took the initiative to detach itself from solutions that caused delays in order to speed operations. Furthermore, the 1996 passage of the Depositories Act is noteworthy as a critical step in resolving delays and guaranteeing secure and timely depositary operations. In addition to these significant initiatives, SEBI has been instrumental in facilitating the involvement of institutional and retail traders and investors in the larger liberalization, privatization, and globalization processes. The increase in disclosures that Indian firm promoters were compelled to provide in October 2011 and the growth of regional investor activity were significant turning points in this journey. In a calculated move, SEBI increased the application limit from INR 1 lakh to INR 2 lakh with the goal of empowering individual investors even more. This action not only displays SEBI's responsiveness to the changing demands of market players, but also its commitment to inclusion. The expansion and stability of the Indian capital market have been greatly aided by SEBI's constant adaptation and improvement of its regulatory structure, which keeps the market compliant with international norms and meets the varied demands of traders and investors.

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