Chapter 1

INTRODUCTION AND REGULATORY MEASURES OF SEBI

Introduction

Investors decide to buy securities on the basis of information provided to them. If the information is incomplete or contains misrepresentation or is fraudulent, the investor stands to lose it is important to sustain investor confidence for the healthy growth and development of the capital market in a country. It is thus essential to ensure that companies provide adequate, accurate and authentic information to the investors and to safeguard them against unscrupulous to the investors and to safeguard them against unscrupulous promoters tying to hoodwink them.

The investor need to be protected from delays in listing of securities with the stock exchange, dispatch allotment letters refund orders, transfer of securities, non-payment of interest and dividend, issue of notices regarding meetings and issues of copies of the audited accounts directors report and other relevant information which help them to take considered decision in keeping or disposing of their shares.

Scope of the study

The study is designed to identify problems relating and working of remedial and redressal agencies. To suggest improvement in the work of remedial and redressal agencies after known facts of services to persons with its protection.

Since the study covers a view of different districts of Kerala it is operated through the district and state commission view of investor protection. The development of investor protection through its structure, financial aspects, procedural aspects adopted by the remedial and redressal agencies and perceptions of investors in context to the remedial and redressal agencies.
Statement of the problem

It is evident that huge of our investment were dealt with the stock exchanges. As capital market employs an eminent role in the investment of our economy. It is very essential to safeguard all the trading activities especially to save the investor from any unscrupulous malpractices and misappropriation of funds. Investors have complaints against brokers regarding the price, quantity etc, at which transactions are put through. Defective delivery or delayed payment or non-payment, etc, the investors also have complaints against non receipt or allotment letters, refunds orders, non receipt of dividend, interest etc, delay in transfer of shares and in splitting and consolidation. The rights of the investors to receive share certificates, copies of the annual report containing balance sheet, profit and loss account, to participate in voting rights, to receive corporate benefits like rights, bonus etc, are exploited. There are defects and deficiencies in the action plan of the agencies and its execution. The operational infrastructure and administrative line up of these agencies still exclude perfection. So far no attempt has been made to coordinate the workings of these agencies and there interactions and contribution towards the protection of rights of investors.

Objectives of the study

1. To study the policy of investor protection in the relevant laws.
2. To review the procedures adopted by the redressal agencies
3. To examine whether the regulatory machineries are conducive to investor protection.
4. To examine the effectiveness of consumer disputes redressal agencies towards protecting investor rights.
5. To study the nature and magnitude of investor exploitation
6. To examine the role of SEBI in protecting the investor right.
Hypothesis of the study

1. The performance of consumer disputes redressal agencies is not effective to eliminate investor exploitation.

2. Investors are not satisfied with the SEBI regulations imposed to the securities market.

3. The status of consumers does not influence the success rate of consumer complaints.

4. The relationship between investor and Business Corporation has not improved even after the implementation of companies act.

5. The procedures established under SEBI guidelines are not effective to ban malpractices.

6. The investor protection education is ineffective.

7. The investor protection fund is insufficient.

Methodology of the Study

The study has been based on survey method. The data are collected through several sources. It includes both primary and secondary sources of published and unpublished office records, observations and questionnaires interview schedules, etc. However, literature available in the form of books, reports of the central administration office, related booklets and pamphlets used by the authorities were consulted. The annual reports and judgement of the commission and the forum helped to collect primary data and drawing inferences.

The interview schedule was basically used. The schedules were administered carefully in personal interview with the respondents. A random sample of 50 burnt out cases each from the district forum and the state commission has been taken up for intensive study. The respondents and opposite parties involved in these cases were interviewed to testify the complaints received by the district forum and the state commission. Random sample of 600 investors were picked up for identifying the problems of the investors. As regards the selection of 120 cases each from the district forum and the state commission. For analyzing the
data, simple tools of statistical analysis like chi-square test, Ftest,, standard deviation, anova and correlation are worked out to draw reliable conclusions from the complaints under study. Computer with spss are used for various analysis of the data.

Limitations of the study

The authorities of the state commission are restrictive in revealing their procedures and showing documents because the redressal are given through online and available to all at websites. The data given in the study are considered to be correct on their face values. The opinions and claims of the respondents are considered true. Subjective views are not excluded without expressing. The period of the study is December 2004 to December 2014.

Introduction of the company

The Company is form together voluntarily by the association of persons carrying on the capital in a specified ratio by the companies act 1956. The capital of the company is raised through issue of share. Indian share market is a big market comprising of 1500 company. It is a legal entity and has a separate existence of life. The market is high volatile in the trading of shares so leverage funds are there to the investor to enjoy the sector of investment. The company has a regular monitoring of its share capital and the assets backed securities. As a big organization its structure is divided in to many parts of business. Each part is represented by different authorities of management. The routine activities are undertaken at their own and new activities are incorporated by the management through efficient team of persons associated in the company. They are fast and elegant in specified sectors of investment. The changes of the company are made known to the investors by publishing their news in a daily newspaper and other magazines. The company produces different products and distributes to its customers depending upon their requirement. So that the need and wants of the customers are to be satisfied and can made through the formation of companies. So company has to be formed and registered to the registrar of company specifying their name and areas of business including the geographical location.
The companies are formed and incorporated by registering with the registrar of the company. There are large and small organizations which raises capital by the form of issuing shares. The share capital are raises by the company for the purpose of its promotional activities and continuous existence. The promoters of the company are the pre-employer who generates capital through memorandum. He is at the stage of beginning contacts the authorities of the financial institutions and lenders are providing financial assistance to the companies for the expenses of share issue. There are four stages before an issue to the company. The incorporation stage where a unit establishes with employer and employees. The promotional stage of the undertaking by operational activities, the growth stage is the stage of receiving new projects and receiving rewards of those projects. During that stage the company issues share. The existence is the complete stage of maturity of an organization known to handle all requirements and meet all resources of the company as it own.

The company can be a private or public company established as a financial enterprise. The company have management comprising of members, board of directors, managing directors and secretary. There are three level of management taken place in the company. The control of the business are vests with them. The economic policies of the country have concentrated more in the existence of the company. The company is a body corporate of small company and large company. The government through banks has administered to give long and short term loans to the entrepreneurs for the formation of the more company. There must be held continuous activities in a firm like planning, coordinating, staffing, directing and controlling otherwise it is not termed as company. The various affairs of the company are coordinated by its owners and controlled by the ministry of company affairs.

The company enters in to the stock exchange by listing to a specified fee. It must fulfill all listing requirements so that to issue shares, bonds, debentures and derivatives at different fee. The brokers is which are corporatized under corporate governance undertake the activities of share issue, distribution and selling of shares on the part of the companies. There are certain intermediaries who handle
intermediary services of dispatch of securities. The intermediaries have name of their own, working place and sound financial back ground. The intermediaries are registered with Securities and exchange board of India. The intermediaries are stockbrokers, share transfer agent, custodian of securities, underwriters, portfolio managers, bankers to an issue, debenture trustee, foreign institutional investors and mutual funds. The shares of companies are bought and sell through online by portfolio managers or superiors. The companies are limited by shares and limited by guarantee.

The first stock exchange was started on 1875 at Bombay in India. After the liberalization and privatization the activities of share trading, etc is liberalized in to a world economy. Many company are MNC’s having investors of different origin. Foreign direct investment in to India are emerging at large volume. The online share trading is mainly on BSE and NSE. The stock index are BSE sensex and NSE nifty of trading shares at large scale compared to other stock exchanges in the country. Individual investors, retail investors, body corporate, financial institutions, aims at profit over investments can have investment in shares and other securities of the stock exchange. The stock exchange is undertaken their trading activities with the permission of central government. The stock exchanges have appointed investigating officer, compliance officer at securities appellate tribunal and also recommended to establish district, state and national commission for dispute redressal.

The BSE & NSE stock exchange issues stocks of BSE sensex is otherwise called BSE sensitive index, The 30 companies representing various sectors on the exchange are selected from specified groups only and is updated continuously. BSE national index includes scrips in major stock exchanges of Delhi, Calcutta, Ahmedabad and madras, BSE 200 consists of equity shares of 200 companies selected on the basis of market capitalization, volume of turnover and strength of the companies. Dollex is BSE 200 expressed in dollar values useful to foreign investors. BSE 500 was treated to be a standard index covering all sections of the economy as well as the major part of capitalization. The nse major indices are S&P CNX nifty, S&P CNX Diety, CNX Nifty junior, S&P CNX 500 equity index, CNX
The midcap 200 index, CNXS segment indices, NSE government security index. The Indian investors have interest to investment at equities and futures. Some of the retail investors are even invest at commodity trades.

The indices of BSE are stocks and exchange traded funds. The indices of NSE are stocks, futures, options, exchange traded funds. The shares of the stock exchanges can be traded by the investors when issues take place on the companies. The daily newspaper publication advertises the matter of public issue, offer of sale, private placement and right issue. The other sides are the brokers of the exchange accepts application of shares, from different places receives application money. The stock brokers for the investors opens trading and demat account and deposits money to purchase shares. The application money are transferred into depositories of NSDL and CDSL. The brokerage commission charged from the depository account. The shares can be issued to the participants in dematerialised from for preferring issues without having delay in trade counters. Due to this the traditional form of non allotment and non refund of shares does not happen. The shares are then issued based on a contract note. The client verification are made by the agent with the proof required and are collected for further reference as evidence of trade. The record of transactions held at the stock exchange are given to the investor for protection and enquiry. Individual investors who approach first the stockbrokers have the opportunity of trade on the method like first in first out the odd lots of the company. The individuals and institutional investor now wait to get maturity of shares. The investor position towards shares are called as short position and long position. The investor is in long position during buying shares and at short position it sells, the other investors who may in need to invest on shares can purchase shares from those who is ready to sell. The companies also issue security to exchange traded funds of GTFS, persons who maintains margin at gold trade can use to exchange this fund into mutual funds.

Nse futures and options are the other types of the securities, futures trading is on stocks and indices like it index, auto index, pharma index etc. NSE Stock future trading is one future contract is a group of stocks has to be bought with certain expiry period and has to be sold within that expiry period and.
Suppose if you buy futures of wipro of one month expiry then you have to sell it within that one month period. Future contract get expires at every last Thursday of every month. NSE stock option trading is basically a bond market in the combination of forwards by two counterparties. It is arranged to reap the benefits arising from the fluctuations in the market either in currency market or interest rate market or any other market for that matter. The rate of interest differs from market to market and within the market itself. It varies from borrowers to borrowers due to the relative credit worthiness of borrowers. So the floating interest rate debt is not welcome by the investors but expects fixed interest rate debt like bond investment.

The issue takes place during required in a year. The share evaluation are made by the firm by applying different models like William sharpe has a model for evaluating the funds performance on a risk adjusted basis. His model is based on the comparison of excess return per unit of risk for both the fund and the benchmark. The risk is measured by the standard deviation. The excess return is ascertained with the help of risk free rate. Treynor’s model for evaluation under this method the return per unit of risk is measured with the lop of standard deviation (risk) R1 represents return on fund, Rf is risk free rate of return and Bi is beta of the fund. A high and positive treynors ratio shows a superior risk adjusted performance of a fund and vice versa. Jenson model, is a differential return method. It measures the performance of a fund by comparing the actual returns with the returns actually expected out of it over a given period at the given level of its systematic risk. The surplus between the two returns is called Alpha. Higher the Alpha, superior is the performance of the fund and vice versa.

The companies issues different shares to raises capital namely authorized capital, issued capital, subscribed capital, called up capital, uncalled capital, paid up capital and reserved capital. The authorized capital are the maximum capital raised through share issue which is otherwise termed as nominal capital. The issue houses of new issue of the share market are raising the authorized capital. The part of the nominal capital is called issued capital.

The issued capital are specifically for the founders of memorandum, friends and relatives of the directors, vendors for consideration other than cash, shares
reserved and allotted to employees of the company and specialized institutions like LIC, UTI, and IFCI. The right issue and the bonus issue. The right issue are given to the shareholders who have procuring investment from long years along with voting rights. The new issue shareholders are also eligible to right issue. After generating huge profit of an organization the companies are issuing bonus shares.

**Issue of Company**

There are two types of companies public limited company and private limited company. The public limited companies are having 51% shares of the government. The other 49% is the shares of the private limited company. Both the companies can issue shares for its requirements. The venture capital is the seed capital for starting new projects of an undertaking. It takes number of years for its growth and maturity. There are more than 1500 companies in the country. The company willing to issue shares must be compulsorily listed at the stock exchange.

Issues are two types primary issue and secondary issue. The primary market is the new issue market and securities market are the secondary issue market take care of the intermediaries. The primary issue is like ordinary issue made at par can be participated by the investors through published information with minimum days. The secondary issue are called intermediary issue is opted to those investors who are the clients and can be the clients of the intermediaries by way of their financial earning. Composite issue is the right cum public issue where different prices can be opted by the listed companies. Bonus issue is the issue made to the existing shareholders by the market without giving dividend to them. Right issue is to the shareholders who have rights on the company shares by participating meeting and voting. There are many problems on the regulatory aspects of share issue due to unfair trade practice.

The book building and green shoe option of share trading is the protected mode of trading by SEBI. Without considering the investors value the prior fixing of value of shares to be invested at the process. The excess investment is enhanced with the name of institutional buyers other than the retail buyers. The red herring prospectus contains the price of the issuing shares with its numbers and the total
value of issue. Before a day of issue all the matters of issue are disclosed to the investor. The offer document is like a prospectus filed with the registrar and stock exchange detailing the offer of shares like public issue, offer for sale, right issue.

The green shoe option is a post issue pricing option available to the non allocated investors to the extent of only 15% of the total issue. Company can exercise this option with caution through a stabilizing agent published for a period not exceeding 30 days. The red herring prospectus contains the price band fixed on the shares.

The rating of securities are insisted compulsory for the protection of shareholders. There is adequate disclosure of information for protection and permission of short selling by institutional buyers to restrict volatility of the market.

So the investors are educated to not enter into unscrupulous trading activity to maintain their good margin of investment. SEBI has issued an advertisement code to investors to not enter into mislead them with vitiate judgement. Investor cell handles the grievances of shareholders complaints.

Without actual price publication knowing the actual price of the shares and try to sell it to earn huge profit of the listed company by the investors with his office influence are regulated by SEBI by imposing penalty.

**Investor**

An individual who commits money to investment products with the expectation of financial return. Generally the primary concern of an investor is to minimize risk while maximizing return as opposed to a speculatory who is willing to accept a higher level of risk in the hopes of collecting higher than average profits.

A new investor may start with new issues of good companies after as study of the prospectus and then follow up with stock market investments in debentures and equities in that order which requires analytical abilities in the form of fundamental and technical analysis of scrips in the market. An efficient investor
with proper training can reduce the risk and maximize returns. He can avoid pitfalls and protect his interests.

SEBI in consultation with RBI and bank as an additional facility for making applications for new issue. The stock invest envisages that the investors accounts gets debited only on the allotment of shares. The investor has to part with his funds only when he is eligible to get allotment of shares. Till such time the investors fund remains in his account and continues to earn interest for normally four months.

It is a viable proposition to investors to sell back the shares instead of going through the secondary market. It will improve return on capital and net profitability, increased the earning per share and provide higher price to investors.

Investors comprising of stock market investors having rich investment background overcoming their regular income. The investors invest at high priced shares of high return. They by looking and getting the help of brokers trade at the securities of high value willing to earn even though it is risky. Such investor wants investor protection by its regulations. Though the regulations are not heavy and protective they invest and concentrates themselves more to the regular movement of share market. The profitable return always vests in the hands of the information of the investors.

Investing is the key to building wealth, but investing in and of itself is not enough. You have to invest wisely. The possible protection given to the investors from false and unfair deceptive trade practice are discussed so to get inform the investors the manner of cheating them to be investors. Later the required investigation and protection given by the investigating authority preferring to the submission of books of accounts of their respective traders to identify the invested registry of the complaining investor. The complaints of the shareholders by known and unknown are redressed by the SEBI and concerned commission on their face value.

Individual investors and institutional investors. Investors may be individuals and institutions. Individual investors operate longside institutional
investors in the investment arena. However, their characteristics are different. Individual investors are large in number but their investable resources are comparatively smaller. They generally lack the skill to carry out extensive evaluation and analysis before investing. Moreover they do not have the time and resources to engage in such an analysis.

Institutional investors on the other hand are the organisation with surplus funds who engage in investment activities. They are few in number.

The study is about individual investors having investment at their own, with other intermediaries like stock brokers and underwriters. The individual investor can be body corporate have investment of the securities market with the new issues and other continuous issues. Whereas broking clients and underwriters are trading shares of new issue and the issue of intermediary. The act of committing money or capital to an endeavor (a business, project, real estate, etc) with the expectation of obtaining an additional income or profit. Investing also can include the amount of time you put into the study of a prospective company, especially since time is money.

An investor is a person who allocates capital with the expectation of a future financial return. Types of investments include: equity, debt securities, real estate, currency, commodity derivatives such as put and call options, etc. This definition makes no distinction between those in the primary and secondary markets. That is, someone who provides a business with capital and someone who buys a stock are both investors. An investor who owns a stock is a shareholder.

The assumption of risk in anticipation of gain but recognizing a higher than average possibility of loss. The term "speculation" implies that a business or investment risk can be analyzed and measured, and its distinction from the term "investment" is one of degree of risk. It differs from gambling which is based on random outcomes.

Investors are stock traders of separate establishing character. Investors are owners of a company which entails responsibilities.
Types of investors

There are two types of investors, retail investors and institutional investors

Retail investor

- Individuals gambling in games of chance.
- Individual investors formed pool investment funds from umbrella companies
- Collectors of art, antiques, and other things of value
- Angel investors (individuals and groups)
- Sweat equity investor

Institutional investor

- Venture capital and equity funds, which serve as investment collectives on behalf of individuals, companies, pension plans, insurance reserves, or other funds.
- Business that make investments, either directly or via a captive fund
- Investment trust including real estate business
- Mutual funds, hedge funds and other funds, ownership of which may or may not be publicly traded (these funds typically pool money raised from their owner-subscribers to invest in securities)
- Wealth funds

Investors might also be classified according to their style, investor psychology and trait at risk attitude.

Investor protection

The term "investor protection" defines the entity of efforts and activities to observe, safeguard and enforce the rights and claims of a person in his role as an investor. This includes advice and legal action. The assumption of a need of protection is based on the experience that financial investors are usually
structurally inferior to providers of financial services and products due to lack of professional knowledge, information or experience. Countries with stronger investor protections tend to grow faster than those with poor investor protections. Investor protection includes accurate financial reporting by public companies so the investors can make an informed decision. Investor protection also includes fairness of the market which means all participants in the market have access to the same information.

**Through government**

Investor protection through government is regulations and enforcements by government agencies to ensure that market is fair and fraudulent activities are eliminated. An example of a government agency that provides protection to investors is the U.S. exchange commission (SEC), which works to protect reasonable investors in America.

**As individuals**

Investor protection through individual is the strategy that one utilizes to minimize loss. Individual investors can protect themselves by purchasing only shares of businesses that they understand, or only those that remain calm through market volatility.

An individual investor may be protected by the strategy he uses in investment. The strategy includes an appropriate price of the stocks or assets in the right time he enters. It's hard to fix what "an appropriate price" is, and when it is appropriate because no one makes a purchase or a sale absolutely in his most favorable situation. However, determination may be made when the price of such share or assets are "undervalued" comparing to its potentiality. This is called the margin of safety where an investor can feel at east when the price of the stocks is alarmingly down.

**Understand the investor plan**

In various instances, the term “investor” is associated with a means of getting rich quickly. Historically, the road to successful investment is founded on
preparation, with various short-term goals that help smooth the journey to the ultimate and determined financial achievement. To be successful, authorities, such as advise that an investment plan must include a defined objective, a determined period of time for completion and the resources needed. A planned investment structure would be dependent on the desired investment target.

Knowledge, related to the various aspects of the investment process, and the optimization of portfolios, is emphasized by the need for diversification, which influences the investment procedure towards the fundamentals of finance. For an investor, understanding the influencing factors related to finance is a valuable asset, which can be gained from various sources. A financial awareness will help any investor learn and understand the mechanism of the investment marketplace, with the rules and guidelines that can prove successful. Warren Buffett, an established and recognized expert on the subject of successful investing, has a simple philosophy; "If I cannot understand it, I will not invest in it."

Various researches conducted, support the approach of Warren Buffett, with the most favorable results related to investment portfolios, being achieved, by the individual investor, who has a developed analytical behavior pattern and confidence. Investment success is achievable, with the appropriate strategy and core assets being managed with systematic and disciplined methods.

**Investment tax structures**

While a tax structure may change, it is generally accepted by Market watch that long-term capital gains will maintain their position of providing an advantage to investors. This is countered by the opinion that after-tax returns should be considered, especially during retirement, on the basis that allocation to equities is in general, lower, than any returns and should be maximized, to the most lucrative extent. In the current circumstances, long-term capital gains offer one of the best opportunities in the United states tax structure.

It is made easier for investors to generate long-term capital gains by the employment of exchange traded funds (ETFs); the process if investment in broad-based index funds, without required indicators. Although some outlandish ETFs
could provide investors with the opportunity to venture into previously inaccessible markets and employ different strategies, the unpredictable nature of these holdings frequently result in short-term transactions, surprising tax equations and general performance results issues. Market watch believes that it is not necessary for any retiree to become involved in this aspect of investment.

Company dividends are paid from after-tax profits, with the tax already deducted. Therefore, shareholders are given some respite with a preferential tax rate of 15% on “qualified dividends” in the event of the company being domiciled in the United States. Alternatively, in another country having a double-taxation treaty with the USA, accepted by the IRS: Non-qualified dividends paid by other foreign companies or entities; for example, those receiving income derived from interest on bonds held by a mutual fund, are taxed at the regular and generally higher rate of income tax. When applied to 2013, this is on a sliding scale up to 39.6%, with an additional 3.8% surtax for high-income taxpayers ($200,000 for singles, $250,000 for married couples).[4]

 Discipline

A disciplined and structured investment plan prevents emotional investing which can be related to impulsive buying. This factor can be utilized to counteract the sentiments of a marketplace, which is often reflective of the emotional state of an entire population. Short-term activity in stock prices or the broader markets can frequently be compared to impulsive actions. This is seen in the term "bull run" which can induce investors to leap into an investment, as opposed to a "bearish market" that could influence a "sell-off". It is these types of market scenarios that can cause investors to abandon their investment strategies. Investor discipline is the ability to maintain an investment strategy even in the most tempting, or extreme conditions in the marketplace.

An established and popular method for stock market investors is systematic investment plans (SIPs) especially for those who have a regular, monthly surplus income. The provision for reaping maximum benefits from these plans is that a
disciplined strategy is maintained, one of the foremost advantages for a successful investor.

According to Market watch, consistency is closely associated with an investment strategy and can be related to various, adopted, proven techniques; for example, predicting outperforming funds, valuation, or a technical strategy. A strategic advantage that meets the required consistency is long-term investment, which in turn, offers investors long-term capital gains tax advantages. While many investors try to exercise a long-term disciplined approach, the investment marketplace can provide various, tempting options; for instance, a sudden drop in the marketplace, or a pending worldwide event. This is particularly prevalent for retired investors, who are preserving their capital with care.

Disciplined investment strategies say Market watch should be maintained in any eventuality, including taking advantage of available, favorable opportunities, such as, following a downturn in the market or the ability to remain steady in times of severe market fluctuations.

**Constant advantage for retirees**

In general, core indexes remain constant making it unnecessary for investors to move from one to another. Although an investor could transfer holdings; despite a maturation of the companies and their markets; a large-cap exchange-traded fund would never require being switched for a similar holding. A large-cap ETF will always remain so and an investor will usually want to retain at least a part allocation to large-cap equities in their portfolio.

It is consistency that is a significant advantage for ETF investors and one that makes it convenient to retain investment positions and benefit from long-term capital gains tax. Despite a potential reduction in the capital gains tax advantage, it is an advantage that should continue to provide some positive benefits in producing after-tax returns. This is a factor that could become an important issue in the future as taxes increase, affecting the lifestyles of retirees. It can be added to by additional taxes generated in short-term trading, exacerbating the situation, due to normal income-tax rates increases.
**Functions of stock exchange**

1. It provides ready market for securities liquidity.
2. Easy negotiability
3. Helps in the distribution of new securities.
4. Its members provide expert investment advice in capital formation process spreads equity cult and raising habit.

**Scope of stock market in India**

1. Due to increase in number of stock exchanges in the country the scope of stock market operations in India has widened.
2. The stock exchange of a country are the important segment of its capital market. If the stock exchange are well regulated and function smoothly then it is an indicator of healthy market. In our country also, the stock exchange provide a good leverage to the capital market. The relationship between two is in separable, if the state of stock exchange is better then the overall capital market will grow and otherwise it can suffer a great set back which is injurious to the health of a nation.
3. Financial assets are claims of holders over issuers enters two different segments of financial markets. The one for shorter maturities that are non-transferable like bank savings and current accounts get the identification of monetary financial assets. The market that deals with these is known as “money market”. Equity, preference shares, bonds and debentures issued by companies, bonds and securities issued by government constitute the other part of financial assets which are traded on capital markets.
4. Money market and capital market together form the ‘financial markets.’ Capital market may be perceived as financial markets which provide and facilitate an orderly exchange of long-term financial claims, capital market are generally known as securities/ stock exchange.
5. The stock exchanges is a key financial institution which plays an important role in the course of the issue and sale of various types of securities. This is
an institution and a pivot around which every activity of the national capital market revolves. It is continuously engaged in the capital mobilization process. The stock exchange provides opportunity to the fund users for the continuous trading in securities. Through the medium of stock exchange the investor gets an impetus and motivation to invest in securities without which they would not have a chance to liquidate their investments or adjust their portfolios. Had there been no institution of stock exchange many of the savers would have simply hold on to their savings either in cash or in the banks. another consequence of non-existence of stock exchange would have been lower aggregate savings of the community.

6. The stock exchange provides safety, liquidity to the investing public and generates a sense to save and put their money in securities instead of investing in small firms and whose integrity and competence they could never judge themselves accurately.

The main stock exchanges of India are BSE and NSE.

Bombay Stock Exchange BSE

In 2005, BSE was given the status of a full-fledged public limited company along with a new name as "Bombay Stock Exchange Limited". The BSE has computerized its trading system by introducing BOLT (Bombay on Line Trading) since March 1995. BSE is operating BOLT at 275 cities with 5 lakh (0.5 million) traders a day. Average daily turnover of BSE is near Rs. 200 crores. BSE is the leading and the oldest stock exchange in India as well as in Asia. It was established in 1887 with the formation of "The Native Share and Stock Brokers' Association". BSE is a very active stock exchange with highest number of listed securities in India. Nearly 70% to 80% of all transactions in the India are done alone in BSE. Companies traded on BSE were 3,049 by March, 2006. BSE is now a national stock exchange as the BSE has started allowing its members to set-up computer terminals outside the city of Mumbai (former Bombay). It is the only stock exchange in India which is given permanent recognition by the government. At present, (Since 1980) BSE is located in the "Phiroze Jeejeebhoy Towers" (28 storey building) located at Dalal Street, Fort, Mumbai. Pin code - 400021.
National Stock Exchange NSE

Formation of National Stock Exchange of India Limited (NSE) in 1992 is one important development in the Indian capital market. The need was felt by the industry and investing community since 1991. The NSE is slowly becoming the leading stock exchange in terms of technology, systems and practices in due course of time. NSE is the largest and most modern stock exchange in India. In addition, it is the third largest exchange in the world next to two exchanges operating in the USA.

Functions

The NSE boasts of screen based trading system. In the NSE, the available system provides complete market transparency of trading operations to both trading members and the participates and finds a suitable match. The NSE does not have trading floors as in conventional stock exchanges. The trading is entirely screen based with automated order machine. The screen provides entire market information at the press of a button. At the same time, the system provides for concealment of the identify of market operations. The screen gives all information which is dynamically updated. As the market participants sit in their own offices, they have all the advantages of back office support, and facility to get in touch with their constituents.

The Wholesale debt market segment, Capital market segment and Futures & options trading are the other trading segment.

The study is about the discussion of the BSE and NSE. Here the regulations and redressal of the stock exchanges and other regulatory bodies for investors protection are discussed. The companies at public in large have to give their offer documents of share issue for acquiring investors for investment. The known and unknown investors can take part in the issue. The regular and updated information of the securities market are published in the daily newspapers. The other inclusive information to the public are provided through articles, magazines and journals. Taking part of investors for subscription is the main aim of the intermediaries, brokers, and stock exchange. Investors who are having the capacity of investment
can invest at shares. The share investment is like a form of other fixed investment. The enabled fulfillment of different criteria for being shareholders are necessary.

The SEBI is the important regulatory body of the securities market in India. The regulations of SEBI to securities market and intermediaries are as follows.

The study comprises of different elements necessary for trading shares of the company.

What are the difficulties of the shareholders in the purchase and sale of securities. What are the necessary things not given to them at earlier. Without proper security what happen to their investment it is beneficial to them or it is non beneficial to them. The unknown investor later what did they do for recovering investment and return. Which redressal agency they have met or complaint with for granting remedy to them. What are the manner to be followed for seeking redressals. The income of the shareholders are not mishandled by the brokers of the securities market. The proper advise of the intermediaries are received by the shareholder. The total problems of the shareholders are learnt here to protect them from all crisis of investment for reaping profit. The shareholder who is out of understanding with the brokers are termed out without protection and later they held to adhere all the sufferings they met and again they survives in the market.

Making aware the shareholders there are regulations and redressals to the securities they buy from the securities market. The types of regulation given to each complaint and conditions inherent in the investment of the securities. The free movement of shareholder without assistance of others are recommended by the brokers to avoid their risk of selection of shareholders. It is enhanced by certain popular brokers of India. The regulations are the provisions put to the shareholder for the smooth investment of securities. The SEBI is the board who decided about the regulation of the securities market. Any misconduct predicted by the investor can be immediately complaint with the regulatory body of the securities market and the intermediaries. Frequently happen grievances of the share market are question and gives immediate redressal by the self agency of the intermediaries and other are transferred to the SEBI scores system. The highest price investments
are complained with the judicial commissions because the large amount cannot be repaid by the company or the intermediary without proper legal applications of suit of case. On those circumstances it is settled through arbitration or prompt payment of capital to the shareholder by the consent party.

The judicial forum searches the provisions and compensations of the regulatory bodies to know which one suits best their clients and proposes to invite their clients for hearings for receiving cash and giving judicial remedy. The maximum compensation is awarded to the shareholder. What are the provisions applicable to shareholders for judicial protection of them are discussed in this study. The SEBI act, SCRA act, ministry of companies act, are included for making aware the investors in which are the manner of things are get protected during issue and post issue are given for the protection of investors in the securities market. The penalties of regulatory bodies are expressed orderly by the securities board. The responsibility of investors protection is inherent in all matters of trading of securities.

The listing agreement of companies, offer documents, disclosure of financial statements, the adequate disclosure of market information is for the convenience of the shareholders for investing and have a protection of trade related matters. The SEBI also ensures the same protection to the shareholders in all their concentrated path of securities by conveying that these are the basic manner of investment ensures to one in the securities market while trading with the securities. But when the investment scale is small and dependent shareholder then he cannot bother of the cumbersome procedures of the share market. Every evidences of trade is the proof to detainment of profit with highest liquidity and safety. The non safeguard of investors right is the great problem in the securities market. The safety of the investors is given theoretical with all the essential disclosures of the regulatory body. The shareholders who may have regular knowledge of securities market cannot suffer to collect information during required or otherwise must approach friends for information without have fall in his investment career.

The investment matters essential for the shareholders for clear investment is discussed in this study.
Listing requirements

The company issuing securities must have compulsory listing agreement with their concerned trading stock exchanges. The listed securities are more safe for investment by known facts like whether it is public, central or state government, quasi government or other financial institution, corporations, municipalities etc. the listing is made with free consent of the stockexchange with fulfilled requirement. The listing agreement is the permission to make certain disclosures and perform duties like falling of some disciplinary actions, suspension or delisting of securities. Listing is important and executed under a common seal. It provides facilities for prompt transfer, registration, subdivision and consolidation of securities to gives proper notices of closure of transfer books and record dates to forward 6 copies of unabridged annual reports. Balance sheet and profit and loss accounts to bse, to file shareholding patterns and financial results on a quarterly basis to intimate the exchanges the performance of the company for corporate governance etc., The listing department of BSE monitors the compliance by the companies with the provisions of the listing agreement especially with regard to timely payment of annual listing fees, submission of results, share holding patterns and corporate governance reports on a quarterly basis. Penal action is taken against the defaulting companies.

The eligibility criteria for listing has become effective on 1st august , 2006 for companies listing on BSE through initial public offerings (IPOS) and follow on public offerings (FPOS) to a large cap company is a minimum issue size of Rs.10core and market capitalization of not less than Rs. 25 crore. A small company other than a large cap company have the minimum post-issue paid up capital of Rs. 3 crore and the minimum issue sixe shall be Rs. 10 crore and the minimum market capitalization of the company shall be Rs. 25 crore.

A due diligence study may be conducted by an independent team of chartered accountants or merchant bankers appointed by BSE, the cost of which will be borne by the company. The requirement of a due diligence study may be waived if a financial institution or a scheduled commercial bank has appraised the project in the preceding 12 months.
1. For all companies:

   a. In respect of the requirement of paid-up capital and market capitalization, the issuers shall be required to include in the disclaimer clause forming a part of the offer document that in the event of the market capitalization (product of issue price and the post issue number of shares) requirement of BSE not being met, the securities of the issuer would not be listed on BSE.

   b. The applicant, promoters and/or group companies, shall not be in default in compliance of the listing agreement.

   c. The above eligibility criteria would be in addition to the conditions prescribed under SEBI (Disclosure and investor protection) Guidelines, 2000.

   d. Listing clarifies the issue size. During the situation of investor loss the SEBI can extend its financial support to the investors from the reserves of the company. After an issue the complaints are first reached to the intermediaries and the SEBI who have to find out solution to the risk. Other than this the different issue are to be listed on what manner and criteria are expressed in the listing requirement. It envisages relisting to the delisting companies during initial public offerings

   • The company get permission for listing before the registrar of company in the letter of acceptance for filing the prospectus. Allotment of securities as per listing agreement with in 30 days of approval to the public from the concerned stock exchange and later subscription as decided.

   • Requirement of trading permission on top after listing the allotment are made within 7 working day. A company should scrupulously adhere to the time limit specified in SEBI (Disclosure and investor protection) guidelines 2000 for allotment of all securities and dispatch of allotment letters/share certificates/ credit in depository accounts and refund orders and for obtaining the listing permissions of all the exchanges whose names are stated in its prospectus or offer document. In the event of listing permission denied by any stock exchange it had applied the company cannot proceed
with the allotment of shares. However, the company may file an appeal before SEBI under section 22 of the securities contracts (Regulation) act, 1956.

The company cannot be a fraud company requiring compliance for default. The requirement of 1% security during the non-payment of underwriting commission to underwriters, brokers, non-refund/non-issue of shares for handling the risk arises due to the investors.

It gives the guidelines to companies during issue of offer of sale the necessary things to be concluded in the prospectus before filing with the registrar of companies. During issue the committee decides to give its exchange and other stability of the company through prospectus/offer document. The report evaluates the promoters, company, projects, risks financial, feasibility study, and other report convenient for the company. The payment of listing fee to BSE during annually 30th April from time to time. Separate fee for equity and derivative segment is divided during delay 12% interest is inclusive in payment. Service tax is paid on applicable rates.

**Collection of listing fees**

For simplify the system of payment of listing fees, BSE has entered into an arrangement with HDFC bank branches to collect the listing fee from 141 location all over the country. The details of fees is given in the website of HDFC bank. Companies intending to utilize this facility for payment of listing fee should furnish the information in the cash management cash deposit slip. These slips are available at all the HDFC Bank branches.

**Disclosure requirements in offer documents**

After listing requirements are fulfilled the companies issue the draft offer documents of shares to the public. The SEBI constituted a committee” to review the existing disclosure requirements in offer documents and recommend additions thereto and modifications thereof so that the disclosure assist in achieving the objects for which SEBI has been set up” i.e. to protect the interest of investors and to promote the development of and regulate the securities market.
Apart from disclosures the committee have been asked to discuss other matters.

The financial projections determined by the analysts. The price of the issue disclosed in the prospectus. The other prices determined during the time of trade at each day and published in the stock indices. The assistance evaluations of companies, promoters and associates. The cases handled for the free participations of share issue

a. The prospects of the following part I and part II clauses be included.

b. Additional disclosures about following matter should be included in the prospectus
   a. Expenditure
   b. Accounting ratios
   c. Stock market data
   d. Financial ratios and issue price
   e. Management’s discussion of financial condition and results of operations
   f. Buy back and similar arrangements
   g. Special disclosures for financial services companies
   h. Details regarding 10 largest shareholders.

c. Disclosures regarding listed companies under the same management

d. Financial performance of last 5 years

e. Detailed suggestive for the manner in which financial information should be disclosed in the prospectus.

f. Consequent cost to companies will increase

g. SEBI guidelines require that the application form may be stapled to form part of the memorandum or alternatively perforated part of the memorandum.
Advertisement about the public issue and preservation of the same for future reference. Right issuers sec 56 do not apply to an offer of shares, or debentures to existing members or debenture holders of a company. The disclosure of specific trade are maintained between various shareholders due to unsmooth trade. There must be clarity and specific in the disclosure document. The time of the offer and its extinguishing are given in a prescribed manner to be clear with shareholders. The price rigging have taken place the cases for its entry are disclosed. The management of fund of the applicants with committee to avoid risk. The new matters like proposal of new issues are incorporated in the disclosure document. The prices and issue size must be disclosed for the public to buy including its premium. The difference between the normal subscription of the listed company or it has been unlisted under certain circumstances. The rules to be enforced at public importance and the preparation of the adequate financial statements of the company during the years are the matters disclosed in the offer document. It is like a prospectus issued by the registrar of the company stating information of the particular issue.

SEBI Takeover Regulations 2011 Overview

In addition to other disclosures the SEBI has also discloses its takeover regulations of shares of the company. During takeover and acquisitions of shares the latest actions of Sebi are implemented.

Acquisition of shares

SEBI at their Board Meeting held on 28 July 2011, had considered the report of Takeover Regulations Advisory Committee [TRAC] and accepted most of the recommendations made by TRAC. SEBI has, on 23 September 2011, notified SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 [SAST 2011].

SEBI act 1992, the acquisition of shares are discussed in five chapters the first chapter gives information about who are the acquirer directly or indirectly acquired shares or voting rights in a target company either by himself or with any person in his family, or huf or co-pacener. Acquirer means any person who directly
or indirectly acquires or agrees to acquire shares or voting rights in the target company either by himself or with any person acting concert acquirer. Body corporate, individuals and their spouse, promoters and his family members, company, partners, HUF or co-pacener, public financial institutions, scheduled commercial banks, foreign institutional investors, mutual fund, merchant banker, underwriter, venture capitalists, foreign collaborators, can be the holder of shares and voting rights of the acquirer company or his concert.

Control includes right to appoint majority of the directors or management or policy decisions exercisable by person acting individually or in concert directly or indirectly by virtue of shareholding or management rights or shareholders agreement or voting agreement in any other manner. When 2 or more persons in control over the target company the cesser of any one of such persons from that control shall not deemed to change in the control, nature and quantum of control amongst them constitutes change in control of management. Provided if change in control shall be given to joint or sole is effected in the clause. After application of regulation 3 the control now acquired is equal to or less than the control exercised by persons or acquisition and not be changed.

Disinvestment means sales of shares by central government either shares / voting rights/ control in a public sector undertaking. Investigating officer means any person for common purpose gains control over the target company. Unless contrary a company or its holding company or subsidiary company under the same management either individually or together with each other, directors or any person entrusted with the funds of the company directors or their associates. Mutual fund with sponsor or trustee or asset management company. FII with sub accounts merchant banker with their clients as acquirer. The various offer prices included with the schemes are discussed later. The acquisition, succession, inheritance of shares held in the company is also promote by the acquirer of the company.

The share holding pattern of the holders are disclosed to the acquirer company with proper record for evaluating their assets and giving dividends. The majority shareholders and minority shareholders are divided into groups and
determines their voting rights due their share holding pattern. The announcement necessary for purchase or sale or rights or shares get informed by the shareholders and realize with cash or other shares. The acquiring company also provide the facility of conversion of shares and buy back of shares during given time to the shareholders. The reconstruction and enactment of securities and assets are their with their acquirer for protecting the interest of the shareholders. The rehabilitated sick industrial undertaking also by adopting measures of the statutory protections are governed and managed by the acquirer company. They appoints the investigation board for investigating into the affairs of the parties holding shares and compliance given to the required shareholders. The representations of assets from the acquirer are received only after paying his fees in favouring demand draft. They maintains bank account for the shareholders who do not receive cash but have shown sign for sale of assets. The holders of the instrument can within the time receive the cash from the account maintained in his name. For large acquisitions the name of the holders like his shareholding percentage and voting rights and positions held by him among investors are adequate and based on that only allocations are held in the undertaking. The acquisition once sold shares is also possible by applying relevant laws of the acquirer. The pledging of shares and rights of the shareholders are also applicable under substantial acquisition of shares. Likewise the bailout takeovers of sick industrial undertaking is enhanced for protecting the interest of investment of holders of shares by the acquirer.

The letter of offer and documents including offer period are discussed with importance in this study. The possession of shares are understands with the documents and can receive the cash of their shares at an announced time. The equity and preferential share allotment are takes place in the acquirer company.

The transfer of securities is become effective by the permission of the acquirer to his legal representative or other family members. Due to the violations of such regulation of prescribed body the investigating authority of the board may not get effected transfer or freezed or restricted he or his proxy cannot make effective of such transfer for violations after approval of the investigating officer and his permission in writing have been received.
SAST aims at protecting interest of the investors in securities of a listed company providing amongst others, an opportunity for the public shareholders to exit where there is a substantial acquisition of shares or voting rights or control over a listed company, consolidation of holdings by existing shareholders and related disclosures and penalties for non-compliance etc. SAST requires an acquirer to make an offer to shareholders of the target company on acquiring shares exceeding stipulated thresholds. It also contains provisions relating to open offer size and price, time bound process for making an open offer, exemption from making an open offer etc.

Applicability SAST 2011 will come into force on the 30th day from the date of its publication in the Official Gazette. In view of this requirement, SAST 2011 will be effective from 22 October 2011 and SAST 1997 stands repealed from said date.

There are regulation in the take over and acquisition of shares of public shareholding pattern. The duties to be performed for open offer, voluntary offer, minimum open offer, minimum price, bonus issue and other related activities. The protection of investors interest are considered while framing all the offers. The shareholder receives the knowledge of information of this acquisition from publication of SEBI guidelines and captures the positions of shares held by them. The shareholders settlement itself requires expenses inclusive in the cost of acquisition. The shareholders can acquire 5% shares during share issue and after SEBI substantial acquisition and take over and sarfaresi act it is extended to 25% share holding. Shareholders trading under escrow account is open to contribution of 100% for the period of 21 days of Dps. During different offers the shareholders are allowed to maintain 10% having 5% more shareholding pattern, 15%, 20% having more 5% shareholding, 25% and no prevention at Sast then more 5% shares from the acquirer. The indirect acquisition are deemed direct acquisition held 10% to 26% shareholding in other cases. All such open offers must be received from the acquirer within 57 working days of offer and with three applications the offers can be utilized by the shareholders. Otherwise the share holders have to be paid interest for the more days held for acquisition. Shareholders having more than 25% share
holding pattern can acquire maximum shares and voting rights without an open offer unless any exemption in the provision of SEBI Sast is permissible. There are no problems to the offer announcement of acquirer but during when regulated the shareholders are exit. For the easy of the shareholders the schemes of offers has made and satisfy the clients of unknown pattern of trade on the another. The maximum permissible non public shareholding is 25% and the maximum permissible public shareholding is 55%. There are parameters for determining prices of shares and the date of primary acquisition announcement along other functions essential to its secondary acquisition etc.

**Investor protection**

There are several regulatory act passed in the law for the safe trade of investors through protection at the securities market. The acts are companies act, securities contract act, sebi act and consumer protection act 1986. The companies act envisages the formalities of the company towards share issue to be adhered by its investors during purchasing and selling of shares. The companies are the institution who introduces the share issue among public for raising funds to meet their expenses of starting new business and ventures. The company on its formulation of principles of trading creates some objective in the mind of investors. Like thinking about share investment is a good means of investment generates high return of liquidity than other modes of investment. The procedures and evaluation mode of securities are made by using expressed applied models. The company decides the distribution of dividend and other interest to be given to the investors. The company law board have appointed its board members in various names have authority and seal to protect the investment of the investors with its prescribed bye-laws. There are 41 modes of complaints accompanying transactions are takes place in the securities market. Each grievances are analysed by the company by receiving complaints and gives its remedy through the envisaged reply while delivering share the essential notices of investors to going to take part in the issue are scrutinized well to calculate about his total risk carrying capacity. It does not mean that he is going to lose his return but determines well in advance to know that the market conditions are better tackled by him with
alternatives or not can known by the issuer intermediaries. The repayment of deposits and its return are made as per companies act 1956. Everything relates to share trading are done on the formulated principles prescribed by the company law board. It is known to the investors to concentrate themselves to not to enter into mistakes taking place in the stock market. The initial public offer and the new issues are taking place as determined by the company regulated by SEBI. The SEBI initiates with care and action that how securities are traded in the market. The securities contract and regulation act gives the different penalties and fines charged towards the defaulting party who commits mistakes against the company. There are different unscrupulous mistakes from the brokers, market participants, board members, companies to destroy the investment of the investors the board of SEBIS prior hand looks into all the affairs creates struggle to investors are identified and punished with suitable actions. They are punished like examples of nothing happen any after such nature from them. The SEBI educates investors by giving investor awareness programmes and conducts training programmes in the campus of the intermediaries. Through online services it published the various notes required to investors protection. The problem creating services of the intermediaries are investigated as per consumer protection act 1986 by giving suitable remedial action. The board of SEBI cancels the listing agreement of the company by restricts the trade of the company through sending notices to pay definite sum of amount as additional fee to stop the illegal mode of trade considering that it has taken place as last time and cannot welcome it again in the share market to destroy the investment of the public. The low income investors are severely suffered due to unfair trade practices. The complaints of them are received and redressed by SEBI to enhance smooth trade in future. No deposit of the investors are invested with the aim of cheating them, so proper watching of SEBI through its board are conducted for investors protection. The service defects are individually equated and the magnitude of its happening are measured to not to take place any such practice towards further trade at future in the share market.

The investors are also protected by giving their rights emerging through the trading of the shares. While participating with adequate facility of cash to meet all
kinds of expenses taken place in the trading the financial capacity of the investors
are studied by the share trader. Such knowledge of him will always boost the
trading and earning capacity of the investors. Very close relationship can emerge
between the broker and the clients like disclosing the new issues having
opportunity for investment. More often if the investor is a regular income earning
person of a family having good societal relationship the searching opportunity of
the broking agent or the underwriter becomes reduces and allocation to such
investor becomes easy to them. Such opportunity may get reduced to self traders
but any have if he is an emerging client of meeting all new trades and taking
opportunity of investment then there are no possibilities of getting pity on that
traders and they may also get definite sanctioning of shares from his concerned
servicer. The investor trading rights are given eventually for protecting them.
While issues takes place they must be allocated with the shares of right issue,
declaration of voting rights, prospectus, disclosure of financial statement,
inspection of minutes books of the company and taking copies of it, declaration of
dividend, issue of bonus shares and protection toward fraud and unfair trade
practices. While issuing debentures the distribution of trust deed of the company is
protected. The debenture interest when procures are listened and must be paid.
In case of failure of prompt payment of debenture the grievances are registered to
company and must initiate winding approach of the company. Being a shareholder
his rights of receiving share certificate during issue and while transfer of his shares
are ensured. The shareholder must be provided with the annual report containing
balance sheet, profit and loss account and the auditor’s report. The investor would
have been called to vote in general meetings either himself or anybody on his
behalf. It is to analyse whether the dividend declared on general meetings
distributed or not so. Failure of discharging informed decisions of the company
with misconduct and mismanagement are stop with proper trade restriction.

On the part of protecting investors from bad transactions its different types
and prescribed punishments are disclosed for the purpose of the reduction of non
profitable trade at the share market. The investors have many grievances which are
after disclosing cannot be completely removed. It is studied and given to the regulatory for taking remedial action.

Industry analysis have taken to the continuous problems of the investors while investing at the instruments like to know any typical changes have taken place in the area of investment. The guidelines to trade at the scrips in the specified name without entering into other expected risk of the investment career is advised in this study. The unknown women investors and household sector of investment of mutual funds are large seen in the study. The investors complaints at mutual funds are analysed by searching the industry profile. The losers of the mutual funds can wait till the half of the current year for the progress of the industry. The investors have invested at different schemes of the fund through routine mode of transactions. The all investors other than body corporates have invested at regular return giving instruments of the industry.

The investor grievances are collected and given to SEBI for redressal. The sebi have resolved complaints of investors of the non-protected trading exchanges and non access of information. The investors are now convenient to have their investment at mutual funds. The redressal commission of higher authority level received complaints creates chaos among investors on the regulation of company issue and remedied satisfactorily. Higher level remedy is required then the parties must wait till its completion of regulations of new trade.

Companies Act 1956

The companies act 1956 explains the various types of companies registered under the companies act. The companies are incorporated with its stages of operation and fulfilment of different voluntary business projects. The companies are first determining the requirement of its share capital into 200 shares or 100 shares in the composition of equity and debentures. The companies limited by shares has its own liability. The free reserves are maintained by the company for meeting the contingencies. The company limited by guarantee is also have limited liability. The unlimited company is limited with its liability to the extent of share capital. The companies have registered office and place of business. The share
capital and nature of business along its purpose are given in the memorandum of understanding. The article of association of companies clarifies the different clauses under which the company operations are associated and emerged. The provisions of the company cannot be violated according to its laws. The company furnishes its five years immediately preceding the current years profit and loss account, reserves and surplus, and finds out the expenses and losses happen for making the above such statements. The exact profit are arrived for filing the returns of the concerned years. The companies act gets complete only after its filing of the financial necessities of the company.

The formation of members of share capital like shares or debentures and its composition are determined to have a number of persons having record of register about the assets of the company. The vote of the member are conducted in the annual general meeting. The general meeting are conducted to discuss the operation of the company. But the other meeting are for determining the board of members like directors, managing directors, managers and chairman. Among the members the chairman is elected in the absence of him. When the chairman shows hands to caste vote the member or their proxies present are required to caste vote. If there is no chairman to conduct meeting with in 15 minutes the meeting gets adjourned and conducted on the same day of next week. The adjourned meeting is later the first discussing meeting as per the terms of the company. The proceedings of the board must always bear the required post to be appointed. During the non – appointment the reasons are given to the company law board. The company law board decides the qualifications of the vacant post to be get appointed and published in the newspaper. There should not be restrictions or delay in the proceedings of the board. The board must capable of carrying on the business activities. The assets and liabilities of the business are registered for reference while starting the business. The decisions like shares or debenture or its conversion to other assets are for meeting contingencies are discussed there for the smooth working of the company. The company law board receiving the complaints about the company and solve it by its suggestions. The offences committed against members and companies are enquire and punished with necessary fine and
imprisonment. The penalties are of the activities of the company. The offences are cognizable or not if yes the code of civil procedure or criminal procedure are analysed and judged by the magistrate. The judiciary for punishment of the company law board are the court other than the high court. The necessary hearings are conducted among the related parties and announces the judgement.

The companies act 1956 envisages the different regulations on the repayment of the investment at regular time. In case if it is not repaid then it is treated as irregular regulation and imposes fine and imprisonment by the company law board. the provisions are repayment of the deposit money, protection towards non allotment of dividend, protection towards misstatement on prospectus, protection to transfer and transmission of shares, failure to send financial statement and protection to wards debenture payment and interest.

**Offences**

No court shall take cognisance of offence against this act which is alleged to have been committed by company or officer except the complaint in writing to registrar, a shareholder of the company or person authorized by central government in this behalf. Nothing is taken for prosecution at a company or any of its officer issues relating to offence to issue and transfer of securities and non - payment of dividend on complaint in writing by person authorized by SEBI. The personal attendance of the complainant is not necessary unless the court orders the concerned parties attendance.

**Composition of certain offences**

Nothing in this code of criminal procedure 1973, is a punishable offence committed by a company or any officer being an offence punishable with imprisonment only or with imprisonment along fine either before or after the beginning of the prosecution be compounded by central government on payment or credit by company or officer as the case may be to the central government sums and additional fee compounded is taken into account. The similar offence is not charged with in the period of 3 years. After 3 years the previous offences charged is the first offence. Before the compounding of such offence within 7 days necessary
clarifications must be given to the registrar, the complainant of the central government about the offence to be compoundable must service additional documents and records relevant for compounding with in such time specified in the order.

Any officer of employee of the company fails to comply the order of central government shall be punishable with imprisonment for a term which may extend to 6 months or with fine not exceeding 50000 rupees or with both.

No offence is punishable except under the provisions of this section.

**Jurisdiction of offences**

It is the presidency magistrate or a magistrate of first class shall try the offence. Every offence in the code of criminal procedure 1898 shall be deemed to be non – cognizable.

**Appeal against acquittal**

Appeal against acquittal can be made by company prosecutors to any court other than a high court and an appeal presented by prosecutor shall be deemed to have been cluly presented to the appellate court. Payment of compensation incase of frivolous and vexatious prosecution. Production and inspection of books where offences are suspected. Penalty for false statements. Penalty for specific cases, penalty for wrongful holding of property, penalty for improper use of words limited and private limited.

**Enforcement of order of company law board**

Any order enforceable by the company law board shall send the suit incase of its inability to execute such order to the court within the local limits of jurisdiction. The section 17,18,19,79,141 or 186 omitted under companies act 1988 shall be jurisdicted by the company law board.

Schedule I: Table A

Regulations for management of a company limited by shares.

Statutory regulations binding on company

Share capital and variation of rights
Subject to sec. 80 by special resolution any preference shares with the sanction of an ordinary resolution on the terms of the company can be redeemed.

If at any time the share capital divided into different classes of shares the rights attached to any class may subject to the provisions of secs. 106 and 107 whether or not the company is wound up be varied with the consent in writing of the holders three fourth of the issued shares on special resolution passed at a separate meeting. The necessary quorum must be 2 persons including proxy when one third of the issued shares of the class.

The rights are varied on the issue of further shares

Commissions are payable at sec. 76

The rate of commission does not exceed 5 % of the price.

The commission must be paid on cash or the allotment of fully or partly paid shares or partly in one way or other.

The company pays such brokerage is lawful.

No person is recognized by the company as holder of share before the absolute right to the entirety there of in the registered holder.

Different forms of business are discussed under companies act for determining the rights of conducting it and deciding the board of the member for conducting the said business. The board of members and public at the company have get legal existence of business only after its incorporation at law.

The companies act 1956 has been formed for regulating the activities of the companies under which issuing of the securities also taken place in the stockexchange. Other than this it is also concentrating and working at other functions of the companies. The activities of the companies are performed with the prior approval of their board called company law board. The company law board comprising of members monitors the duties performed by the company during share issue. The law board decides to award provisions for the offences of the company. The ignorance are caused by whom are learned by the committee and gives suggestion of it. The complaints with regard to the services of the
intermediaries or agents or contractors of securities market are given to the
corporate sector in accordance with law. The competition act of the ministry replaces MRTP act which is functioning
and exercises the other three professional bodies like ICAI, ICSI and ICWAI in the
country. The ministry also carrying out functions of the administration of the
Partnership Act 1932, the companies donations to national funds act 1951 and
societies registration act, 1980

Comprehensive revision of the companies Act, 1956

During may 2005 a comprehensive revision of the act have drawn up in
legislative format for viewing on the electronic means so that all interested may not
only express their opinions on the concepts involved but may also suggest
formulations on various aspects of company law. According to the changes of the
national and international economic environment committee of chairmanship of
parties are advised the company. This is an input received from experts, after
suitable legislation in the parliament. The committee included representatives of
statutory professional councils, trade and industry bodies, government ministries,
regulatory bodies and independent experts.

Terms of reference of the expert committee were as follows:

1. Issues arising from the revision of the companies Act, 1956.
2. Response received from stakeholders on the concept paper.
3. Bringing about compactness by reducing the size of the act and removing
redundant provisions.
4. Enabling easy and unambiguous interpretation by recasting the provisions
of the law.
5. Providing greater flexibility in rule making to enable timely responses to ever-evolving business models.

6. Protecting the interest of stakeholders and investors, including small investors.

7. Any other issue related, or incidental to the above.

**Investment of securities**

The securities contract regulation act prescribes the penalties imposed to different claims for the securities market for the growth of the industry. The investors are investing at huge amount by expecting higher returns sophisticating him the expansion of his own business and property. But when once he suffers losses like to not tackle and spent for his own business he becomes disappointed of the continuity of his existing ventures. Hence he borrows fund from sources to meet his business needs. The investors file suit at the companies for his return.

The investors are approaching the brokers to have investment of huge money and its more return. The speculated investment changes frequently with creating exemptions on its regulations and brings more return on investment. No matter to wonder about this because the excess supply of fund helps to bring new projects and ventures to businessmen. The body corporate having share investment fulfills the dreams of the society by creating and facilitating job opportunities. In the case of individuals the more return earned from investment are utilized to buy land and other valuables which could they can let out and uses for instalment and hire purchase sale. The money lending institutions may let the hypothecated and mortgaged property to others on low cost than its original cost. The actual cost is not calculated due to its depreciation. The plant and premise of one can let out to the business peoples requiring office space, the association of investors protection educated the shareholders and gives them investors protection fund during their loss at equity investment. Like the expectation of others and usual act takes place there is no problem to anyone but anything happens like malpractice then it makes to earn silent income and fills greedy pocket could definitely curtails the development of the society on one hand and on the other side the hidden money is
to be protected in making self-property without requiring financial clearance. The uncleared valuables are kept as constant there cannot be continuity and earning capacity. It gets depreciated and become obsolete. Those assets are not used to regular or its involved working conditions cannot highlights than new one. Then it is calculated after taking into account the various modes of depreciation. The value of the fixed assets are determined only after its reduction. Otherwise the estimation of the valuables or resources are used to start new business, ventures, firms, corporations, financial enterprises, government institutions, etc cannot be determined by the entrepreneurs and authority concerned. There should not be frauds or misleading practices on this property.

The firm before using funds for other business projects and social activities valuates the shareholders wealth which has to be distributed during required by the company. The finance manager prepares the accounts of the firm on the category of shares and debentures including other securities. The firms have decided to raise funds by issue of shares. The business of the firm are valued with different entities to understand its asset weighing capacity. This could help the manager to decide earlier the various expenses taken place during issue and meeting during issue.

**Valuation of firm**

For valuing the shareholders wealth the product of number of shares and the current market price per share is known. The number of shares each shareholder owns with the higher the stock price per share, the greater will be the stockholders wealth. Thus the firm maximizes the market value per share in the market. To maximize the stock price a valuation model and identify the variables that determine the stock price. The value of the firm depends on two things (i) the rate of return and (ii) the element of risk. The concept of return refers to the profits that the firm can earn for the shareholders, and the concept of risk refers to the uncertainty of these profits.

The return and risk of a firm are influenced by three financial factors namely, (i) investment decisions (ii) financing decisions and (iii) dividend decisions.
The valuation models

1. Book value

   The book value of shares can be ascertained from the firms balance sheet which is prepared to the accounting concepts and conventions. The assets are generally recorded in the balance sheet at cost less depreciation. The principle of convention of conservatism is used ie. the assets are shown at cost or market price whichever is less. The book value per share is can be determined by dividing the shareholders equity by the number of shares outstanding.

2. Market value

   The market value of an security is the value at which it can be sold at present. Market price is a definite price applied to a particular situation which maximizes the subjectivity of other methods in favour of a known yardstick of value

3. Going concern value

   The share issue and its valuations are a going concern concept. The going concern value is the rice which a firm could realize if it is sold as an operating business. The concern value is always higher than the liquidation value. The difference between these two values will be due to value of organization, reputation etc.

For example

   If the profits of a firm are estimated to be Rs. 5 lakhs per annum and the expected normal rate of return is 10% the going concern value of the firm then would be

   \[ 500000 \times \frac{100}{10} = Rs. \ 50,00,000 \]

1. Liquidation value

   After terminating the business, the amount which will be realized from sale of assets is known as liquidation value. The liquidation value is the lowest value and the true value of the firm will be greater than the liquidation value.
The liquidation value is useful from the creditors point of view of that they are paid out of cash inflows. The realized value are more than the value to be fully paid.

2. **Replacement value**

The assets are shown on historical cost in the balance sheet. It is an improvement over book value method with certain limitations. It is very difficult to ascertain the value of assets which is using, so it is calculated after taking into account the replacement value of assets. It is not necessary after this the assets or business would worth.

3. **True concept of value or intrinsic value**

A business enterprise keeps or uses various assets from where they generate cash inflows. When cash inflows are discounted at the required rate of return to account for their timing and risk, we get the fair value or the present value of the asset. In financial decision making valuation of securities under present value concept is relevant.

For example

An investor who uses a 10% discount rate would value an asset that is expected to provide an annual cash inflow of Rs. 1000 per year for the next ten years as being worth Rs. 6145 as calculated below.

\[ V_o = \sum_{t=1}^{10} \frac{1000}{(1.10)^t} = 1000 \]

\[ T = 1 \]

\[ = 1000 \times 6145 = Rs. 6,145 \]

**Valuation of securities**

The securities of bonds, debentures, equity shares, and dividend to be distributed are valued by the firm before utilizations of funds to other resourceable ventures.

Calculate the price of an equity share from the following data:

Earnings per share (Eps) Rs. 20
Internal rate of return \( (r) \) 20%
Equity capitalization rate \( (k_e) \) 20%
Price of an equity \( = E_0 / k_e \)
\[ \frac{20}{20} = \text{Rs. 100} \]

**SECURITIES CONTRACT REGULATION ACT 1956**

The securities contract regulation act (SCRA) is to prevent undesirable transactions in securities by regulating the dealing of business and matters connected thereto. The act was enacted by parliament in the 7th year of republic of India. SCRA is extended to the whole of India. It shall come into force on such date by central govt. by notification in the official gazette.

According to SCRA it is given that the shareholder whose name has bearing in the books of company has the right to receive dividend, income from collective investment schemes and mutual funds. During consideration the transferee has to receive the rights of the investment. Otherwise the holders of the security has capable to receive the income. Incase of death of transferor his legal representative whose name bearing in the security receives the income, incase of lost of transfer deed for receiving new one it is waited to the transferee to receive the income, during the term of postal delay the person who have the custody of the security can extend the time from the usual time to receive the income. Unless other wise the transferor or the transferee receives the income arises from the units or mutual funds or shares grown in maturity.

The act envisages that any problems or causes on the security to be non tradable by the shareholders due to such act, it can go to appeal to the civil code and later supreme court for justification. The appointed adjudicating officer shall punish the company for such act and impose penalty. Any person who still don’t believes it is possible to punish him under the act for contravention by any manner punished with fine and imprisonment of 2 years and penalty of 25 crores to the stock exchange. During dematerialization it is recommended for purposing investors.
PENALTIES AND PROCEDURE

This is given to the companies on various grounds of offences made by them. The individual shareholders are not suffer due this but knowing these conditions of the SCRA by all the self protection from following mistakes can be taken in pursuance of trading.

Penalties.

23. (1) Any person who-

(a) Without reasonable excuse (the burden of proving shall be on him) fails to comply with any requisition made under sub-section (4) of section 6; or

(b) Enters into any contract in contravention of any of the provisions contained in section 13 or section 16; or

(c) Contravenes the provisions contained in section 17, or section 19; or

(d) Enters into any contract in derivative in contravention of section 18A or the rules made under section 30.

(a) owns or keeps a place other than that of a recognised stock exchange which is used for the purpose of entering into or performing any contracts in contravention of any of the provisions of this Act and knowingly permits such place to be used for such purposes; or

(f) manages, controls, or assists in keeping any place other than that of a recognised stock exchange which is used for the purpose of entering into or performing any contracts in contravention of any of the provisions of this Act or at which contracts are recorded or adjusted or rights or liabilities arising out of contracts are adjusted, regulated or enforced in any manner whatsoever; or

(g) not being a member of a recognised stock exchange or his agent authorised as such under the rules or bye-laws of such stock exchange or not being a dealer in securities licensed under section 17 wilfully represents to or induces any person to believe that contracts can be entered into or performed under this Act through him; or
(h) Not being a member of a recognised stock exchange or his agent authorised as such under the rules or bye-laws of such stock exchange or not being a dealer in securities licensed under section 17, canvasses, advertises or touts in any manner either for himself or on behalf of any other persons for any business connected with contracts in contravention of any of the provisions of this Act; or

(i) Joins, gathers or assists in gathering at any place other than the place of business specified in the bye-laws of a recognised stock exchange any person or persons for making bids or offers or for entering into or performing any contracts in contravention of any of the provisions of this Act; shall, without prejudice to any award of penalty by the Adjudicating Officer under this Act, on conviction, be punishable with imprisonment for a term which may extend to ten years or with fine, which may extend to twenty-five crore rupees, or with both.

Substituted for "shall, on conviction, be punishable with imprisonment for a term which may extend to one year, or with fine, or with both." vide the The Securities Laws (Amendment) Act, 2004.

(2) Any person who enters into any contract in contravention of the provisions contained in section 15 fails to comply with the provisions of section 21 or section 21A or with the orders of or section 22 or with the orders of the Securities Appellate Tribunal shall, without prejudice to any award of penalty by the Adjudicating Officer under this Act, on conviction, be punishable with imprisonment for a term which may extend to ten years or with fine, which may extend to twenty-five crore rupees, or with both.

Penalty for failure to furnish information, return, etc.

23A. Any person, who is required under this Act or any rules made there under,-

(a) to furnish any information, document, books, returns or report to a recognised stock exchange, fails to furnish the same within the time specified therefore in the listing agreement or conditions or bye-laws of the recognised stock exchange, shall be liable to a penalty of one lakh rupees for each day during
which such failure continues or one crore rupees, whichever is less for each such failure;

b. to maintain books of account or records, as per the listing agreement or conditions, or bye-laws of a recognised stock exchange, fails to maintain the same, shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less.

Penalty for failure by any person to enter into an agreement with clients.

23B. person who is required under this Act or any bye-laws of a recognised stock exchange made there under, to enter into an agreement with his client, fails to enter into such an agreement, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less for every such failure.

Penalty for failure to redress investors’ grievances.

23C. If any stock broker or sub-broker or a company whose securities are listed or proposed to be listed in a recognised stock exchange, after having been called upon by the Securities and Exchange Board of India or a recognised stock exchange in writing, to redress the grievances of the investors, fails to redress such grievances within the time stipulated by the Securities and Exchange Board of India or a recognised stock exchange, he or it shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less.

66 Substituted by the Securities Laws (Amendment) Act, 2004 “shall, on conviction, be punishable with fine which may extend to one thousand rupees” Inserted by Securities Laws (Amendment) Act, 2004.

Penalty for failure to segregate securities or moneys of client or clients.

23D. persons registered under section 12 of the Securities and Exchange Board of India Act, 1992 as a stock broker or sub-broker, fails to segregate securities or moneys of the client or clients or uses the securities or moneys of a client or clients for self or for any other client, he shall be liable to a penalty not exceeding one crore rupees.
Penalty for failure to comply with provision of listing conditions or delisting conditions or grounds.

23E. Any company or any person managing collective investment scheme or mutual fund, fails to comply with the listing conditions or delisting conditions or grounds or commits a breach thereof, it or he shall be liable to a penalty not exceeding twenty-five crore rupees.

Penalty for excess dematerialisation or delivery of unlisted securities.

23F. If any issuer dematerialises securities more than the issued securities of a company or delivers in the stock exchanges the securities which are not listed in the recognised stock exchange or delivers securities where no trading permission has been given by the recognised stock exchange, he shall be liable to a penalty not exceeding twenty-five crore rupees.

Penalty for failure to furnish periodical returns, etc.

23G. If a recognised stock exchange fails or neglects to furnish periodical returns to the Securities and Exchange Board of India or fails or neglects to make or amend its rules or bye-laws as directed by the Securities and Exchange Board of India or fails to comply with directions issued by the Securities and Exchange Board of India, such recognised stock exchange shall be liable to a penalty which may extend to twenty-five crore rupees.

Penalty for contravention where no separate penalty has been provided.

23H. Whoever fails to comply with any provision of this Act, the rules or articles or byelaws or the regulations of the recognised stock exchange or directions issued by the Securities and Exchange Board of India for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees.

Power to adjudicate.

23-I. (1) For the purpose of adjudging under sections 23A, 23B, 23C, 23D, 23E, 23F, 23G and 23H, the Securities and Exchange Board of India shall appoint any officer not below the rank of a Division Chief of the Securities and Exchange Board of India 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.

Factors to be taken into account by adjudicating officer.

23J. While adjudging the quantum of penalty under section 23-I, 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;

(a) the repetitive nature of the default.

23K. All crediting sums realised by way of penalties under this Act shall be credited to the Consolidated Fund of India.

Appeal to Securities Appellate Tribunal.

23L. (1) the person aggrieved, by the order or decision of the recognised stock exchange or the adjudicating officer or any order made by the Securities and Exchange Board of India under section 4B, may prefer an appeal before the Securities Appellate Tribunal and the provisions of sections 22B, 22C, 22D and 22E of this Act, shall apply, as far as may be, to such appeals.

(2) Every appeal under sub-section (1) shall be filed within a period of forty-five days from the date on which a copy of the order or decision is received by the appellant and it shall be in such form and be accompanied by such fee as may be
prescribed: the Securities Appellate Tribunal may entertain an appeal after the expiry of the said period of forty-five days if it is satisfied that there was sufficient cause for not filing it within that period.

(3) On receipt of an appeal under sub-section (1), the Securities Appellate Tribunal 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.

(4) The Securities Appellate Tribunal shall send a copy of every order made by it to the parties to the appeal and to the concerned adjudicating officer.

(5) The appeal filed before the Securities Appellate Tribunal 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.

Power to grant immunity.

23-O. (1) The Central Government may, and satisfactory on recommendation by the Securities and Exchange Board of India, that any person, who is alleged to have violated any of the provisions of this Act or the rules or the regulations made there under, has made a full and true disclosure in respect of 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 there under or also from the imposition of any penalty under this Act with respect to the alleged violation:

No immunity shall be granted by the Central Government 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:

Further that the recommendation of the Securities and Exchange Board of India under this sub-section shall not be binding upon the Central Government.

(2) Any immunity granted to a person under sub-section (1) may, at any time, be withdrawn by the Central Government, 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.

Act not to apply in certain cases.

28. The provisions is not applicable to Govt. the RBI, any local authority or any corporate by special law or any person who has any transaction with or through the agency of any authority referred to convertible bond or share warrant or any option or right in relation thereto entitles the person in favour of any of the following are issued to obtain option from the company or other body corporate for issuing the same by conversion of the bond or warrant or otherwise is on the basis of agreed price . if the central govt satisfied that it is interest of trade and commerce or the economic development of the country it is necessary to do so by notification at the official gazette specifies the contract and its provisions is not apply except with its conditions, limitations or restrictions subject to apply or vice-versa.

Protection of action taken in good faith

29. No suit, prosecution or other legal proceeding shall lie in any court against the governing body or any member, office bearer or servant of any recognized stock exchange against any person or persons appointed under sub-section (1) of section 11 for anything which is in good faith done or intended to be done in pursuance of this Act or of any rules or bye-laws made there under.

Power to delegate

29A. The Central Government by order published in the Official Gazette, direct that the powers (except the power under section 30) exercisable by it under any provision of this Act shall, in relation to such matters and subject to such conditions, if any, as may be specified in the order, be exercisable also by the Securities and Exchange Board of India or the Reserve Bank of India constituted
under section 3 of the Reserve Bank of India Act, 1934 (2 of 1934).]

**Power to make rules**

The clients have to follow the following manner while trading securities of stock exchange because it is a central government enterprise and can be questioned by adopting the prescribed mode of trading by one yourself and other intermediaries.

30. (1) The Central Government may, by notification in the Official Gazette, make rules for the purpose of carrying into effect the objects of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for,-

(a) the manner in which applications may be made, the particulars which they should contain and the levy of a fee in respect of such applications;

(b) the manner in which any inquiry for the purpose of recognising any stock exchange may be made, the conditions which may be imposed for the grant of such recognition, including conditions as to the admission of members if the stock exchange concerned is to be the only recognised stock exchange in the area; and the form in which such recognition shall be granted;

(c) the particulars which should be contained in the periodical returns and annual reports to be furnished to the Central Government;

(d) the documents which should be maintained and preserved under section 6 and the periods for which they should be preserved;

(e) the manner in which any inquiry by the governing body of a stock exchange shall be made under section 6;

(f) the manner in which the bye-laws to be made or amended under this Act shall before being so made or amended be published for criticism;

(g) the manner in which applications may be made by dealers in securities for licences under section 17, the fee payable in respect thereof and the period of such licences, the conditions subject to which licences may be granted, including conditions relating to the forms which may be used in making contracts, the
documents to be maintained by licensed dealers and the furnishing of periodical information to such authority as may be specified and the revocation of licences for breach of conditions;

(h) the requirements which shall be complied with—

(A) by public companies for the purpose of getting their securities listed on any stock exchange;

(B) by collective investment scheme for the purpose of getting their units listed on any stock exchange;

[(a) the grounds on which the securities of a company may be delisted from any recognised stock exchange under sub-section (1) of section 21A;

(b) the form in which an appeal may be filed before the Securities Appellate Tribunal under sub-section (2) of section 21A and the fees payable in respect of such appeal;

(c) the form in which an appeal may be filed before the Securities Appellate Tribunal under section 22A and the fees payable in respect of such appeal;

(d) the manner of inquiry under sub-section (1) of section 23-I;

(e) the form in which an appeal may be filed before the Securities Appellate Tribunal under section 23L and the fees payable in respect of such appeal

(i) any other matter which is to be or may be prescribed.

(3) Every rule made under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.
Power of Securities and Exchange Board of India to make regulations.

Other than sec. 30 the SEBI make regulations consistent with the provision of the act and rules are made there under to carry out the purpose of this act.

The regulations provide the manner in which at least fifty one present of equity share capital of a recognized stock exchange is held within twelve months from the date of publication of the order under sub-section (7) of section 4B by the public other than the shareholder having trading rights under subsection 8 of that section.

(3) Every regulation made under this Act shall be laid, as soon as may be after it is made, before. In the opinion of the central government any emergence has arisen for meeting the purpose of central Govt. which has to do earlier gives notice in the official gazette for suspending the regulation of trade for 7 days and subject to conditions it is required in that case then it can be extended from time to time. The extension for suspending business is given by the governing board after hearing the complaint.

**Securities and exchange board of India**

The SEBI which was set up as an administrative body in April 1988 was given statutory status on 30.1.1992 by promulgation of SEBI ordinance which has since become an act of parliament. The SEBI with its over 8 years of existence has made considerable dent in the capital market through its various development and regulatory measures for investor protection and healthy development and regulation of the capital market.

SEBI has two advisory committees, one each for the primary and securities market to provide advisory inputs in framing policies and regulations. These are constituted from among the market players, recognized investor associations and eminent persons associated with the capital market.

The committees are however, non-statutory in nature. SEBI is not bound by their advisory committees. Besides the above departments SEBI has opened regional offices at New Delhi, Calcutta and Madras. Bombay being the headquarters. The regional offices shall cover operations in northern, eastern and
southern regions respectively. The organizational set up of SEBI has been depicted in the chart.

Objectives of SEBI

SEBI is to protect the interest of investors in securities and to promote the development and to regulate the securities market. SEBI has thus 3 objectives or duties cast upon it by the Act:

a) To protect the interest of investors in securities
b) To promote the development of securities market
c) To regulate the securities market

The powers of SEBI can be exercised by way of registration. SEBI cannot act independently. It is bound by directions on questions of policy given by central government from time to time in writing. SEBI is obliged to make an annual report to the government each year giving there in a true and full account of its activities, policies and program. A copy of the report and also that of rules and regulations made by SEBI are to be laid before the parliament.

Recent organizations of SEBI in securities market.

The Primary function of Securities and Exchange Board of India under the SEBI Act, 1992 is the protection of the investors’ interest and the healthy development of Indian financial markets. No doubt, it is very difficult and herculean task for the regulators to prevent the scams in the markets considering the great difficulty in regulating and monitoring each and every segment of the financial markets and the same is true for the Indian regulator also. But what are the responsibilities of the regulators to set the system right once the scam has taken place, especially the responsibility of redressing the grievances of the investors so that their confidence is restored.

The nature of trading causes problems in the trading of the securities by influential parties along with their family members for possessing more shares than the natural allocation of shares. The such complaints are large received from the
NRI investors. The huge manner of these trade creates to raise more complaints to
the concerned authorities later they consult meeting and takes amendment
regulations for the protection of the shareholders having fortune in investment. The
SEBI reforms after receiving and analyzing chaos created by the promoters of the
companies are given for the benefit of the potential investors. They can concentrate
the amendment regulations during required with their formal understanding of the
implementations of the securities market. For protecting shareholders and their
rights the reforms given to the members are given below. It promotes further trade
with the stockexchanges on an improved manner. The consistent regulations of
take care of investors account and assets are undertaken by the regulators. SEBI
insisted compulsory audit and inspection of stock exchanges and their brokers
accounts. They are asked to give transparent prices and brokerage shown on their
contract notes. During reconstitution board of directors of stock exchange are
changed so as to include non-brokers, public representative, and govt,
representative to the extent of 50% of the total members.

The investment of clients are kept as separate account rather than in pool
account. Formerly it is kept on a open pool as common account and put money
received from a set of clients and invest it in the whole group. The portfolio
managers handled the clients in a very transparent manner.

Capital adequacy norms are laid for different stock exchanges separately
depending upon the turn over. The introduction of ASBA supplementary process in
public issues contains an authorized blocked application money from the account
holders which utilizes to buy shares in another issue the remained sum till
finalization of allotment or withdrawal/failure or till withdrawal / rejection of the
application.

The disclosures specified in Schedule II of the Companies Act, 1956, the
prospectus shall also contain all material information which shall be true and
adequate so as to enable the investors to make informed decision on the
investments in the issue.
Grading of all IPO of equity shares or other securities convertible into equity shares is mandatory. Grading shall be obtained from at least one credit rating agency registered with SEBI and shall be disclosed in the Prospectus or Red Herring Prospectus.

For promoters contribution the securities under pledged at different banks are not taken and those securities taken are only pledged with the objective of taking loan thereby preventing misapplication of pledging. Other assets are considered as promoters contribution. The lock in requirements are not taken for the computation of promoters contribution.

SEBI (Prohibition of Insider Trading) Regulations, 1992[Insider Trading Regulations] deals with prohibition on dealing, communicating or counseling on matters relating to insider trading based on unpublished Price sensitive information etc. The following shall be deemed to be price sensitive information.

- periodical financial results of the company;
- intended declaration of dividends (both interim and final);
- issue of securities or buy-back of securities;
- any major expansion plans or execution of new projects;
- amalgamation, mergers or takeovers;
- disposal of the whole or substantial part of the undertaking; and
- significant changes in policies, plans or operations of the company

The directors of the stockexchange are using more friendly relations in securities market and enters the market with the aim of occupying securities. The complaints from other shareholders have received by SEBI in the manner so as to introduce the SEBI code of ethics to be follow while trading in the stockexchanges. The securities and Exchange Board of India (SEBI) has formulated a code of ethics for directors and functionaries of stock exchanges aimed at establishing professional and ethical standards for creating a fair and transparent market place.

The silent features of this code of ethics includes Fairness and transparency in dealing with the matters relating to the exchange and investors
• Prohibition on dealing in securities in proprietary accounts by elected office bearers such as President, Vice President, Treasurer etc.
• Disclosure of dealing in securities by functionaries and directors of exchange,
• Avoidance of conflict of interest in decision-making
• Compliance with the regulatory laws exercising due diligence in the performance of duties.

Due to the nature of non protection of trading the grievance cell at various forms are started for grievance redressal. Investors Grievances Redressal Cell also takes up grievances against the various intermediaries registered with it and related issues.

However, investors don’t find this move to be sufficient. That is why many investor representatives have approached SEBI, saying that only separate accounts won’t help and that they should be able to see transactions in their accounts. Lots of complaints have also come from NRI investors. In view of these complaints, SEBI is now contemplating linking investor accounts in PMS to depositories, so that PMS investors can see transactions taking place in their accounts run by portfolio managers.¹

IPO grading is a relative assessment of the fundamentals of the company comprising primarily the management quality, business prospects, corporate governance, financial performance and compliance track record. However, it is not a comment on the pricing of the equity. Thus a company with the highest grade could turn out to be a poor investment if the issue is overpriced. The investor could in fact, become all the more vulnerable if he were to blindly go by grades and hence the need to caution him on the constraints of the grading exercise².

"Insider" means any person who, is/was connected/deemed to have been connected with the company, and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of the company, or has received or has had access to such unpublished price sensitive information.³
"Price sensitive information" has been defined to mean any information which is directly or indirectly related to a company and which if published is likely to materially affect the price of securities of company.

SEBI ACT 1992

Interms of sec.3 of the act SEBI is a body corporate having perpetual succession and a common seal with power to acquire, hold and dispose of property both movable and immovable and to contract sue and be sued in its own name. Chapter iv of the act lays down the following measures as it thinks fit to regulate the securities market.

a. Regulating the business in stock exchanges and any other securities markets

b. Registering and regulating the working of intermediaries associated with the securities market in any manner.

c. Registering and regulating the working of the depositories, participants, custodian of securities, foreign institutional investors, credit rating agencies and such other intermediaries as the board may by notification specify in this behalf.

d. Registering and regulating the working of venture capital funds and collective investment schemes, including mutual funds.

e. Promoting and regulating self regulatory organizations

f. Prohibiting fraudulent and unfair trade practices relating to securities market.

g. Promoting investors education and training of intermediaries of securities market.

h. Prohibiting insider trading in securities

i. Regulating substantial acquisition of shares and takeover of companies

j. 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 organizations in the securities market.

k. Calling for information and record from any bank or any other authority or board or corporation established or constituted by or under any central, state or provincial act in respect of any transaction in securities which is under investigation or inquiry by the board.

l. Corporation established or constituted by or under any central, state or provincial act in respect of any transaction in securities which is under investigation or inquiry by the board.

   Penalty by adjudicating officer rules 1995.

**Penalty of defaults**

a. Mutual funds

   If any person who is required under this act or any rules or regulations made there under to obtain a certificate of regulation from the board for sponsoring or carrying or any collectives investment scheme, including mutual funds without obtaining such certificate of regulation he shall be liable to a penalty not exceeding ten thousand rupees for each day during which he carries on any such collectives investment scheme, mutual funds or ten lakh rupees whichever is higher.

b. Registered with the collective investment scheme fails to comply on terms and conditions of certificate of registration he shall be liable to a penalty not exceeding ten thousand rupees or ten lakh rupees, whichever is higher.

c. Fails to make application for listing of its schemes as provided for in the regulation governing such listing shall be liable to 5000 rupees for each day during which such failure continues.

d. Fails to dispatch unit certificates of any scheme in the regulation provided shall be liable to a penalty not exceeding 1000 rupees for each day during such failure.
e. Failure to refund application money he shall be liable to a penalty not exceeding 5 lakh rupees for each such failure.

2. Penalty by an asset management company for failure to observe rules and regulations he shall be liable to a penalty not exceeding 5 lakh rupees.

3. Penalty for failure in case of stock brokers
   a. If he fails to issue contract notes then shall be liable to a penalty not exceeding 5 times the amount of the contract note.
   b. Fails to deliver any security or fails to make any payment of amount due to the investor in the manner he shall be liable to a penalty of not exceeding 5000 rupees till such failure continues.
   c. Charges an amount of brokerage excess of the regulations shall be liable to the penalty of 5000 rupees or five times the amount of the brokerage

4. Penalty for insider trading
   If any insider who either on his own behalf or on behalf or 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 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 counsels or procures for any other person to deal in any securities of body corporate on the basis of unpublished price sensitive information shall be liable to a penalty not exceeding 5 lakh rupees.

5. Penalty for non disclosure of acquisition of shares and takeovers
   If any person who is required under this act or any rules or regulation made there under, fails to
   i. Disclose the aggregate of his share holding in the body corporate before he acquires any share of that body corporate; or
ii. make a public announcement to acquire shares at a minimum price he shall be liable to a penalty not exceeding 5 lakh rupees.


The board shall appoint any of its officers not below the rank of division chief to be an adjudicating officer for holding are inquiry in the prescribed manner after giving any person concerned a reasonable opportunity of being heard for the purpose of imposing any penalty. 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 provision so any of the secs. Specified I sub sec (1) he may impose such penalty as he thinks fit in accordance with the provisions of any of those sections.

7. Factors to be considered by the adjudicating officer

While adjudging the quantum of penalty u/s 15I the adjudicating officer shall have due regard to the following functions; namely

a) The amount of disproportionate gain or unfair advantage, wherever quantifiable made as a result of 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

SEBI gets sweeping powers under the securities law (amendment) ordinance, 1995.

In a far reaching move, the government has empowered the SEBI with a quasi-judicial role and extended its regulatory powers over all corporate entities. Corporates will now come under SEBI for matters relating to issue of capital, transfer of shares and other related aspects. Besides the government has allowed
SEBI to impose monetary penalties on capital market intermediaries. With the formation of securities appellate tribunal, the government has also provided SEBI with quasi-judicial powers by creating an adjudicating mechanism within the Board. An officer of SEBI will look into each complaint for the time being the adjudication will be only over monetary penalties. An appeal will be allowed to a tribunal against the adjudicating authority.

SEBI had been provided these powers through securities laws (amendment) ordinance, 1995 amending the SEBI Act, 1992 and the SCRA, 1956 which has since become an act of parliament.

The formation of the tribunal will make SEBI function independent of the lower civil courts. The appellate authority against orders of the tribunal will be only the high court. This will allow quick disposal of cases by SEBI without being hamstrung by stay orders from the lower courts.

It has been clarified that the powers provided to SEBI will be “concurrent with” those enjoyed under the companies Act by the DCA, which works under the ministry of law.

In the course of an audit of capital market intermediaries the investigation often leads to the door steps of companies but so far SEBI did not have the wherewithal to pursue the trail to its logical conclusion. Under the fresh empowerment, the investigation can be chased up with companies. The idea is to extend SEBI’s act to all participants of the capital market.

Earlier, the SEBI act only provided for suspension and cancellation of registration and prosecution of intermediaries. As suspension and cancellation, lead to stoppage of business often adversely affecting others who had business with the affected intermediary, money penalties will now constitute an effective mechanism for dealing with capital market violations.

The amendments to the SEBI act also provide for deletion of the existing provision relating to disqualification of a member of the Board of SEBI on his being appointed as a director of a company. This amendment will enable
government to appoint directors with expertise and experience of the capital market.

The board has been empowered to summon the attendance of and call for documents from all categories of market intermediaries, including persons in the securities market, inorder to enable SEBI to investigate irregularities.

SEBI will also now have powers to issue directions to all intermediaries and persons associated with the securities market with a view to protecting investors for securing the orderly development of the securities market.

SEBI has also been empowered to file complaints in courts without the prior approval of the central government and to notify its registration without the prior approval of the central government. This will reinforce SEBI’s autonomy and enable it to respond speedily to changing market conditions.

Amendments have also been effected to the SCRA these include the deletion of the reference in the Act to the ‘prohibition of options’ reducing the time limit from 6 months to 2 months for stock exchanges to amend their bye-laws. If so directed by SEBI and providing for a stock exchange to establish trading floors with the prior approval of SEBI.

It is also specifically provided that any corporate seeking listing on a stock exchange would have to comply with provisions of the listing agreements of the stock exchange with violations of the listing agreements being punishable under the Act.

Matters to be disclosed by the companies

Without prejudice to the provisions of the companies act 1956, the board may, for the protection of investors. Specify, by regulations.

1) SEBI act.

2) Dealing in securities.

3) Fraud—includes any of the following acts committed by a party to a contract or with his connivance or by his agent with intent to deceive another party thereto or his agent, or to induce him to enter in to contract;
a) The suggestion, as to a fact of that which is not true, by one who does not believe it to be true;

b) The active concealment of a fact by one having knowledge or belief of the fact.

c) A promise made without any intention of performing it;

d) Any other act fitted to deceive.

e) Any such act or omission as the law specially declares to be fraudulent;

And fraudulent shall be construed accordingly.

Mere silence as to facts likely to affect, the willingness of a person to enter into a contract is not fraud unless the circumstances of the case are such that, regard being had to them, it is the duty of the person keeping silence to speak, or unless his silence is in itself equivalent to speech.

4) Investigating officer means any person authorized by the board to undertake investigation under regulation 7.

5) Regulation means a regulation contained in these regulations and

6) Securities means securities defined in sec.2 SCRA 1956.

   a) The matters relating to issue of capital, transfer of securities, and other matters incidental there to and

   b) The manner in which such matters, shall be disclosed by the companies.

   c) Department of company affairs grants SEBI officials power to prosecute companies.

   d) The DCA has conferred the powers u/s 621 of the companies act, 1956, to prosecute corporate on 10 senior officials of SEBI.

   e) Sec.621 states that, “No court shall take cognizance of any offence against this act (other than an offence with respect to which proceedings are instituted u/s 545) which is alleged to have been committed by any company or any officer thereof. Except on the complaint in writing of
(the registrar, or of a shareholder of the company) or of a person authorized by the central government in that behalf.

f) SEBI officers will now enjoy power of prosecution for offences punishable u/s (3) of sec. 56, sub-sec (1) of sec. 59, 63, 68 and sub-sec. (2) & (2B) of sec 73; sub sec. (2) of sec. 113 & sec.207 of the companies Act, 1956.

g) The sections where in prosecution powers have been conferred on SEBI officials deal with prospectuses & frauds, Issue of share certificate, allotment of shares and debentures. penalty for failure to distribute dividends with in the stipulated period of 42 days and penalty for fraudulently inducing persons to invest money.

h) However, DCA has not abdicated its powers of prosecution against corporate in favour of SEBI. It has well-manned & equipped inspection and investigation wings and an established system of prosecution of errant corporate where in actual show-cause notices and execution of proceedings is done by registrar of companies.

i) DCA has delegated prosecution powers on SEBI after a protracted struggle and pressure-building by the latter on the plea that a regulating authority of capital market should have appropriate teeth to be really effective.

**Power to issue directions**

Sec. 11, if after making or causing to be made an enquiry, the board is satisfied that it is necessary-

1. In the interest of investors, or orderly development of securities market or

2. To prevent the affairs of any intermediary or other persons referred to in sec.12. being conducted in a manner detrimental to the interests of investors or securities markets; or

3. 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 sec.12 or associated with the securities markets; or

b) To any company in respect of matters specified in sec.11A, as may be appropriate in the interests of investors in securities and the securities markets.

Prohibition against market manipulation.

**No person shall**

a) Effect, take part in or enter into, either directly or indirectly transactions in securities, with the intention of artificially raising or depressing the price of securities and thereby inducing the sale or purchase of securities by any person.

b) Indulge in any act; which is calculated to create a false or misleading appearance of trading on the securities market.

c) Indulge in any act which results in reflection of prices of securities based on transactions that are not genuine trade transactions.

d) Enter into a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the market price of the securities.

e) Pay, offer or agree to pay or offer directly or indirectly to any person any money or money’s worth for inducing another person to purchase or sell any security with the sole object of inflating, depressing or causing fluctuations in the market price of securities.

Prohibition of misleading statements to induce sale or purchase of securities;

No person shall make any statement or disseminate any information which-

a) Is misleading in a material particular and
b) Is likely to induce the sale or purchase of securities by any person or is likely to have the effect of increasing or depressing the market price of securities; if when he makes the statement or disseminates the information.

(i) He does not care, whether the statement or information is true or false; or

(ii) He knows, or ought reasonably to have known that the statement or information is misleading in any material particular.

Nothing in this sub. Regulation shall apply to any general comments made in good faith in regard to-

a) The economic policy of the government.

b) The economic situation in the country.

c) Trends in the securities markets or

d) Any other matter of a similar nature whether such comments be made in public or in private.

Prohibition on unfair trade practice relating to securities;

No person shall in the course of his business, knowingly engage in any act or practice which would operate as a fraud upon any person in connection with the purchase or sale of or any other dealing in any securities;

On his own behalf or on behalf of a person knowing buy, sell or otherwise deal in securities, pending the execution of any order of his client relating to the same security for purchase, sale or other dealings in respect of securities.

According to the client’s instruction, the transaction for the clients is to be effected only under specified conditions or in specified circumstances.

Intentionally and in contravention of any law for the time being in force delays the transfer of securities in the name of the transferee or the dispatch of securities or connected documents to any transferee.]
Indulge in falsification of the books, accounts and records (whether maintained manually or computerized or any other form)

When acting as an agent, execute a transaction with a client at a price other than the price at which it was off-set against the transaction of another client.

**Procedures for investigation**

a) Before investigation the board shall give notice.

b) If the board is satisfied that the investigation is to protect investor or at any public interest without notice the investigation can be undertaken by writing or recording the reason as far as practicable.

c) By an order passed under reg. 7. It shall be sufficient for the investigating officer to investigate, by production of an authenticated copy of the order the person concerned shall be bound to carry out the duty imposed in regulation 9.

That it is the board may have the power to order an investigation.

Duty to produce records;

As an investigation officer sought it shall be the duty of the person concerned to produce every records of transactions, maintenance of books, other documents in his custody or control and furnish him with such statements and information as applicable.

It is necessary to give premises of investigation to the investigating officer extending facilities for examining books, accounts and other documents in his custody or control. It is necessary to give computer printouts of the necessary documents.

The investigation officer has the right to record the oral examinations of the person concerned i.e. any director, partner, member or employee of such person.

The person concerned must extend all such assistance such as co-operation reasonably required in connection to investigation and furnish information relevant to invest as said by the investigating officer.
Submission of report to the board

The investigating officer after completion, after taking into account all relevant facts and submission made by the person concerned submit a report to the board;

Power to board to issue directions

The board may after referred report to in reg.10, give reasonable opportunity to issue directions for ensure due compliance with the provisions of the act, rules and regulation made there under for the purpose specified in regulation 12;

Purpose of directions

U / reg. 11, Issued and followed namely

a) Not to deal in securities at any particular manner by any person.
b) Refrain from dealing in securities in any particular manner.
c) Prohibiting contravening regulations and disposing of securities.
d) Disposing in such manner as the board may deem fit.

Suspension or cancellation of registrations

The board may after specifications in reg.11 and without prejudice to its power u/r 12. Initiate action for suspension or cancellation of registration of an intermediary holding certificate of registration u/s 12 of the act provided that no such certificate of registration shall be suspension or cancellation unless the procedure specified in the regulation applicable to such intermediary is complied with.

The regulatory body for the investment market in India. The purpose of this board is to maintain stable and efficient markets by creating and enforcing regulations in the market place. The SEBI is similar to the us SEC. the SEBI is relatively new but is a vital component in improving the quality of the financial markets in India, both by attracting foreign investors and protecting Indian investors. SEBI was primarily set up to regulate the activities of the merchant

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banks, to control the operations of mutual funds, to work as a promoter of the stock exchange activities and to act as a regulatory authority of new issue activities of companies.

**Prohibition of insider trading**

SEBI regulation 1992 deals with prohibition on dealing, communicating or counseling on matters relating to insider trading based on unpublished price sensitive information etc. the following are seemed to be price sensitive information ie. periodical financial results of the company intended declaration of dividends, issue of securities, buyback of securities, major expansion plans or execution of new projects amalgamation, mergers or takeovers, disposal of the whole or substantial part of the undertaking and significant changes in policies, plans, or operations of the company.

**SEBI code of ethics for directors**

The SEBI has formulated a code of ethics for directors and functionaries of stock exchanges aimed at establishing professional and ethical standards for creating a fair and transparent market place. The salient features of this code of ethics includes fairness and transparency in dealing with the matters relating to exchange and investors.

Prohibition on dealing in securities in proprietary accounts by elected office bearers such as president, vice president, treasurer etc, disclosure of dealings in securities by functionaries and directors of exchange. Avoidance of conflict of interest in decision making. Compliance with the regulatory laws to exercise due diligence in the performance of duties.

**Regulatory action against active companies**

Top 50 active in terms of number of unresolved grievances were identified in 2010-11 for closer scrutiny. Notices were issued to these companies and their replies/ action taken report on effective redressal investor grievances being examined for appropriate actions.
**Regulatory action against suspended companies**

Few companies are suspended by stock exchange for their non compliance with the listing agreement has a number of grievances remaining unresolved for a long time. It is focused on the suspended companies which are otherwise active filing their returns with ROC. It has been decided by the board to disclose the details of his directorships in the offer document. If such company is suspended for 3 months by a stock exchange in the 5 year period preceding the date of filing the draft offer document been disclosed.

**IPO Grading**

Grading is compulsory to equity shares and other securities convertible to equity shares. Grading shall be obtained from one credit rating agency registered with SEBI and shall be disclosed in prospectus or red herring prospectuses. SEBI had loopholes in the computation of promoters contribution and the lock in requirements there of. Hence securities pledged by the promoters as collaterals will not be eligible in the computation of promoters contribution, thus upholding spirit of the legislation. Investors says that only account maintainence is not possible but also can see transactions in accounts. Lots of complaints in this regard have come from NRI’s. SEBI is now contemplating linking investor accounts in portfolio management scheme to deposit so that PMS investors can see transactions taking place in their accounts run by portfolio manager.

IPO grading has made as a relative assessment of the fundamentals of the company comprising primarily the management quality, business prospects, corporate governance, financial performance and compliance track record. If an issue is overpriced then a company with highest grade could turn out to a poor investment. While at grade itself the cautions are excused to know the investors.

1. Given below are types of grievances for which investors could Approach SEBI

   Type-I  :  Refund Order/ Allotment Advise

   Type-II  :  Non-receipt of dividend.
Type-III: Non-receipt of share certificates after transfer.

Type-IV: Debentures.

Type-V: Non-receipt of letter of offer for rights.

Type VI: Collective Investment Schemes

Type VII: Mutual Funds/ Venture Capital Funds/ Foreign Venture Capital Investors/ Foreign Institutional Investors/ Portfolio Managers, Custodians.

Type VIII: Brokers/ Securities Lending Intermediaries/ Merchant Bankers/ Registrars and Transfer Agents/ Debenture Trustees/ Bankers to Issue/ Underwriters/ Credit Rating Agencies/ Depository Participants

Type IX: Securities Exchanges/ Clearing and Settlement Organizations/ Depositories

Type X: Derivative Trading

Type XI: Corporate Governance/ Corporate Restructuring/ Substantial Acquisition and Takeovers/ Buyback / Delisting / Compliance with Listing Conditions.

Complaints of the said nature with other are collected from the different places of the region. The regulations to the complaint with the permitted transactions and model of shares evaluations for trading are expressed in detail for settling the complaints of shareholders. After scrutiny the board of SEBI handles it with its regulations. SEBI have regularly watching the grievances and enhances different regulations of techniques to protect the shareholders. SEBI provides investors education and protection fund to tackle the changes and risk of the securities market. The investors have to know that to follow the manner of things to which they can cope at the market trading.

The causes are due to unregulated company transactions then how to be redressed it for the long dealings are analysed by it with the research team and implements the awareness among the shareholders.
13. **Action against Directors of Vanishing Companies**

The vanishing companies have worried the investor deep faith in investment. Hence matter was campaigned and representation are made to ensure that it does not occur in future, by forming a committee under SEBI for examining and exploring various courses of action indicating authenticated photographs, pass port numbers, PAN number etc. of the promoters /directors during incorporation and preparation of prospectus to known the use of funds.

14. **INVESTOR AWARENESS CAMPAIGN**

An informed investor is a safe investor is clear and educated and informed investors are clearly evident. During 2003 there was an announcement of” jaagte raho ‘organized by more than 1000 investors conference, exhibitions, melas, seminars, public meetings to small investors to all over India. More than 5 lakhs investors are participated in the mela. 2188 workshops have been conducted across 500 cities /towns all over the country.

- **ADVERTISEMENT**- SEBI has prepared simple “dos and don’ts” for investors relating to various aspects of the securities market. There are 700 advertisements relating to various aspects of Securities Market have appeared in 48 different newspapers/ magazines, covering approximately 111 cities and 9 regional languages, apart from English and Hindi.

- **EDUCATIVE MATERIALS**-SEBI has prepared a standardized reading material and presentation material for the workshops

- **ALL INDIA RADIO**- With regard to educating investors through the medium of radio, SEBI Officials regularly participate in programme aired by All India Radio.

- **CAUTIONARY MESSAGE ON TELEVISION**- With a view to use the electronic media to reach out to a larger number of investors, a short cautionary message, in the form of a 40 seconds film let, has been prepared and the same is being aired on television
• PROTECTION OF RETAIL INVESTOR: Retail investors are not in a position to identify or appreciate the risk factors associated with certain scrips or schemes. With the result they are not able to make informed investment decisions. SEBI has strongly requested small investors to take adequate precaution before investing in any forthcoming IPO issues. It is observed that 8 out of 37 companies have dubious promoters and merchant bankers. Investors also cautioned not to invest in certain B2 & Z category listed companies who are declaring excellent quarterly results as its authenticity is doubtful.

15. Reduction in D-Mat Charges

One of the major grievances in this Information Technology environment affecting the investors was decartelisation charges being very high as compared to keeping securities in physical form.

This was limiting many investors in getting their securities converted to D-mat form. Matter was taken up and resulted in reduction of D-mat charges benefiting lakhs of investors where 90% of the securities in India are traded through NSDL.

Tackling false promise of assured returns by banks sponsored mutual funds

Many banks sponsored mutual fund had launched assured return schemes and lured the investor's huge contribution. However at the time of maturity could not match the assured return.

Sponsored bank also tried to raise their hands eg. Canara Bank, Indbank, State Bank etc.

Campaigned and fought heavily the matter with the SEBI / mutual fund / finance ministry and insisted that all the assured returns should be paid to the investors.

The SEBI gave directive to sponsor bank to honour the commitment made by the mutual funds. Shortfall of more than Rs. 2000 crores was met by sponsor banks for benefit of small investors.
17. **Compensation from Investor Protection Fund**

Investor protection fund of stock exchange provided for Rs.5 lacs / 10 lacs compensation per client in case of default by the broker. It is applicable to sub broker. Thereby all the clients of a sub broker were getting benefit of Rs.10 / Rs.5 lacs in aggregate only. Took up the issue with the stock exchanges and insisted upon applicability of the limit vis-à-vis client of a sub broker and not per sub broker. In case of Century consultants defaults at least 100 clients took benefit of this and avoided losses of more than 10 crores to frame and effectively implement the measures to protect the interests of investors, and restore their confidence in the stock market finger printing and collected close to 100 crores .The scheme was scrapped; then why money was not returned by SEBI ? Had it been by other market players SEBI would have demanded them to pay .There is one yard stick for the Ruler and the other for the Ruled.

SEBI practices its clients signing POAs while opening accounts with brokers. They fail to read each and every line of the huge papers so POAs are open to misuse. So brokers may include in the POA a clause for debit of shares from the clients DEMAT account with delivery instruction slip and an unsuspecting client can sign it.

SEBI have come across several obstacles on the development of capital market with due care for investors interest and transparency in the affairs of organizations and stock exchanges to hundred percent. Each steps are analysed to protect investors like investor education campaigns which yielded positive result, than others. Indian interests are fleeing the market after the apparent spread of equity cult, which makes immediate attention of SEBI to frame and implement measures to protect the interest of investors and restore their confidence in the stock market.

**The Consumer Protection act 1986**

The intermediaries while advising their investors about investment makes them aware of their problems and the conditions to be applied by them at the stage of investment on their practices. Online traders are learners of matters important to
smooth trade. They may receive services of goods and related terms by websites and friends. The shareholders resides at non economic areas and house hold sectors does not aware of consumer protection, measures and benefits. By conducting awareness programme to these investors at the office of intermediaries, and making them, voters at the right issues can only get aware of them on the necessities of knowledge adequate to investment. Later of small investors among them with more financial background are asked to invest at equalities and different sectors of investment. Investors protection will always protect them from the unfair trade practices brings happy to them for future investment. Later the small investors among them with more financial background are asked to invest at equalities and different sectors of investment. Thus the Acts giving protection and the rules giving regulated trade to the investors are wide spread and better investor intermediary environment would emerge between them. The securities market industry have earlier developed on such manner. Now a days there is no relevancy on that because the business dailies and available to any group of income holders and learners. The duties of consumer protection act and other acts gets changes and its implementations are taken place for allocating all kinds of investors with whole heart in to the securities market.

The act describes the services provided to the consumers by different financial servicers. The rules and regulation of the act is made up of for giving good services to their investors without losing their securities. The rules and regulations of the act is made up of for giving good securities to their investors without losing their securities to confer and deceptive trade practices. Many of the investors are non, aware of their associated risk of investment without proper communication aligned to the recommending agency services. But this act makes clear in its legislation the intermediaries are serving the investors for the brokerage they received from the shareholders and cannot monopolistic thinking in between the heart of the traders are entered about the practices to be provided for the benefit of the individuals. The consumer protection act protects the value of the securities of the investors which are by the companies and the agency relationship. The cash to be received by the shareholders from the various sources of
investments they made are required for the purpose of retaining such amount to them, with the aid of the act. Under this act there are three forums who categorized the complained amount. When a trading process have published and investors gets aware of the information they grab then opportunity of investment one before the another.

During the situation no investors find out that they will not receive good service or command at their investment. Only of see certain mouths they realizes what happened to their cash at actually. Hence registers their complaints to agents and seeks compliance. The suitable actions on the grounds of action taken place are examined by the benches and judgment are announced to them, by the judges.

The consumer protection act not only gives clarification to complaints but also it tells about the various goods and services of securities market. The investors get informed at this act from the websites and get more beneficial information’s relevant to them, for investing at the securities.

The consumer protection act on the part of extending protection to their clients to not to enter at the fraud trade recommends to pay proper insecurities to their brokers or intermediaries. Thus at all trading practices fix charges are prescribed as far must be compulsorily paid for availing of valuable services. The determination of investors when one new schemes are to be learnt are followed or not are the later scrutiny of the board members to give punishment of additional charges with the fee.

During non-repayment of excess investment at large investment projects it has been judged with the district, state and national commission of stock change with suitable remedial action.