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ROLE OF SEBI IN INDIAN CAPITAL MARKET

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ABSTRACT

The capital market in India stretches back to the 18th century, when East India Company securities were exchanged. The Indian capital market has come a long way from its inception in the early 1900s. The SEBI legislation of 1992 created India's securities and exchange board, or SEBI, as a regulator of the country's stock markets. SEBI's principal responsibilities include safeguarding the interests of investors and developing and regulating the Indian securities markets. SEBI was established in 1999. A new set of reforms by SEBI can bring India up to par with other major global capital markets in terms of market fairness and freedom. In order to make this possible, it must reexamine its internal structure and operation in great detail. SEBI must balance the costs of regulation with the benefits of market expansion.. Investors' faith in the Indian Capital Market has been undermined by the global economic slump, depressions, mal-practices, and other frauds in the Capital Markets. Because of the rapid globalisation of financial markets, SEBI's function as a regulator and market development has grown increasingly difficult. Several important points are made in this article, including the importance of SEBI in investor protection policies, as well as current market trends and the evolution of investor protection laws over the last two decades.

***KEYWORDS**: Securities Exchange Board of India, Stock Exchange, Capital Market.*

Introduction

Government of India founded the Securities Exchange and Board of India on April 12, 1988, via the administrative body to promote various corporate securities through various stock exchanges in all of India, and the fundamental goal is to encourage investors by safeguarding their interests. In operation, it functions as a part of the Ministry of Finance. A formal ordinance established the SEBI on January 30, 1992, and it was eventually superseded by a law passed by parliament with certain revisions, known as the Securities and Exchange Board of India Act, 1992. There had been so many shifts in the financial markets throughout the 1980s. India's Securities and Exchange Board of India (SEBI) is responsible for monitoring and regulating the country's stock market, which includes more than 26 stock exchanges. In the stock market, investors may purchase and sell stocks, mutual funds, and other financial instruments. When compared to the prior several decades, the percentages of investors and traders have climbed dramatically in the current situation. As stock market procedures were improved, there were also instances of misconduct in the security market. Unauthorized transactions between banks, unofficial private placement in the economy, rigging of stock prices by people unaffiliated with stock exchange rules and regulations, and violations of stock exchange listing requirements lead to penalties, cancellation of trading shares, authority, and delays in delivering shares, to name just a few examples of malpractices in the financial sector. Due to a lack of appropriate criminal sanctions in Indian law, the governments of India, stock exchanges, and stock market intermediaries were unable to address investor concerns.

The following are the Paper's Objectives and Methodology

The below are the paper's primary objectives

- To find out the role of Security Exchange Board in India in Stock market Scenario.
- To bring valid points about SEBI reforms.

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The primary goal of this research was to evaluate SEBI's capital market oversight and Investor Protection Measures, both of which the agency has been tasked with overseeing since 1992. SEBI's website, books, and other pertinent materials were used to compile this report.

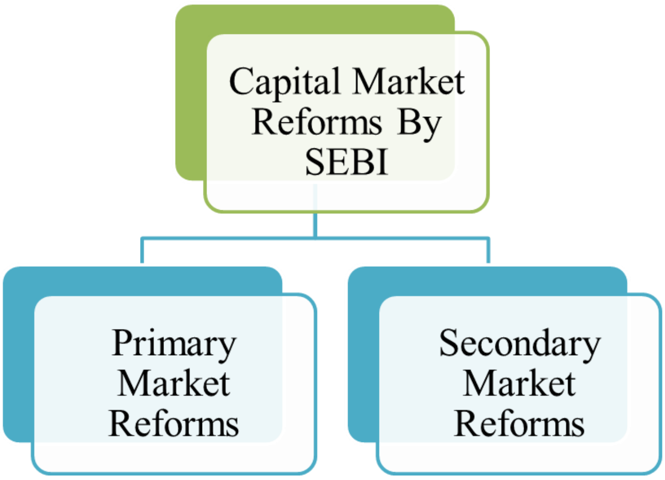
Role of Securities and Exchange Board of India in Indian Capital Market

Their aim is to create a market where they can produce substantial revenue operations. First and foremost, the Securities and Exchange Board of India (SEBI) puts the interests of investors first. For greater transparency in investing operations, the listed businesses are required to provide regular disclosures of investment information. Investors' rights and interests are always safeguarded by SEBI via the provision of accurate and genuine investment information and the continual disclosure of information in order to increase transparency in stock market activity. Continuous training and development in investment activities for market intermediaries provides a competitive, professionalised edge while increasing market operations in an appropriate and efficient manner to provide better service to investors and issuers.

Objectives of SEBI

- The goal of a well-regulated stock market is to help it grow and operate well.
- In order to establish a healthy capital market, it is essential to educate, protect, and assist individual and retail investors.
- Achieve a balance between self-regulation by the securities industry and legislative regulation to avoid trading malpractices at any level. Increase efficiency and effectiveness in Indian financial markets by preventing trading and investment fraud.
- Merchant brokers need to be regulated, developed, and promoted in order to maintain their competitiveness and professionalism.
- The regulatory role is critical in the market to guarantee fairness and openness
- Regulating brokers and sub-brokers as well as providing authorization to other essential players in the business
- It is possible to establish an array of investment vehicles, including mutual funds.
- Identification and retaliation against stock market fraud and unfair trade practises
- Keeping an eye on insider trading and enforcing adequate punishments for those who engage in it.
- In order to educate investors, several awareness camps will be held
- Educating and empowering those who serve as go-betweens
- Making the required information available to all market players by doing thorough research and development.
- In response to Serene Industries' failure to address an investor complaint within a reasonable amount of time, SEBI imposed a Rs 5 lakh punishment on the company.

Capital Market Reforms By SEBI



Primary Market Reforms by the SEBI

India's capital market has been given new regulations and standards by the Securities and Exchange Board of India (SEBI). In their offer papers, the issuing firms must provide information about the risks they face, and their debt instruments must be rated. In order to allow investors to compare promises with actual results, steps have been taken to guarantee that companies provide continual disclosures. The merchant bankers are now held more accountable for the offer document and the issue procedure as a result of this new responsibility. Lead managers' due diligence certificates, which verify the accuracy of disclosures in the offer document, are now an official part of the document itself, in an effort to increase the level of responsibility and openness.

SEBI has implemented new primary market reforms, including as increased disclosure requirements, prudential regulations, and simplified offering processes. SEBI has made these changes. By law, businesses must now make public all relevant data and particular risks related with their initiatives. Additionally, SEBI has implemented a code of advertising for public concerns in order to provide a fair and accurate depiction of the situation. As a result of the underwriting of issues having been made optional, all money received from investors will be returned to them if subscriptions are less than 90 percent of the amount issued.

SEBI Formulated the following Reforms for Primary Markets

- **Disclosure and Investor Protection (DIP) guidelines:** This rule mandates that all relevant and accessible information about an issuer be made available to investors so that they may make an educated choice about whether or not to invest.
- **Eligibility Criteria for issuers (DIP-2000):** If a company qualifies to issue a security, it has the option to choose its own standard denomination and pricing. It is important to include factors such as minimum promoter holdings, public issue size, issue expenditures as well as information disclosure and advertising in offer papers.
- **Transparency:** All offer papers submitted with SEBI may be seen on the SEBI website and through process release. Within 21 days following filing, companies are encouraged to apply from the general public.
- **Free Pricing of Securities:** The issuer has complete control over the price of security. Small investors benefit from the Book-building process since it aids in the discovery of pricing and the formulation of an investing strategy.
- **Number of Financial Instruments:** The goal of the issuer is to have a low-cost capital structure. There is now a greater variety of financial instruments accessible to issuers and investors on the Indian Capital Market than there was before.
  - Intermediaries who violate the prohibition on insider trading are subject to financial fines.
  - After registering with SEBI, foreign institutional investors may participate in Indian capital markets.
  - Euro-issues are authorised for Indian enterprises to access overseas capital markets.
  - With countrywide stock trading and electronic display, clearing and settlement capabilities, the National Stock Exchanges (NSE) developed multiple regional Stock Exchanges to switch from floor-based trading to screen trading.
  - Allowance for the use of private mutual funds
  - Allotments at rates that were not in accordance with the current market price have been discontinued, and new rules have been published by SEBI.
  - As of now, SEBI is considering rolling settlements, and they are also considering a T+1 settlement plan for the Capital Market.
  - Regulations, 1999 established by the Securities and Exchange Board of India for new credit rating agencies and the introduction of a code of conduct for all credit rating companies operating in India were issued.

Secondary Market Reforms by the SEBI

Trading systems on Indian stock exchanges have been under scrutiny since the founding of the Securities and Exchange Board of India in 1992. The system's principal flaws were discovered in two areas:

- The stock exchange's clearing and settlement procedure, whereby the seller delivered the shares and the buyer paid for them, and (iii)
- The company's process for transferring ownership of stock in the buyer's name.

Paperwork, settlement delays, and a lack of clarity on transactional charges and pricing characterised the process. Stock exchanges throughout India were ordered by the SEBI to guarantee that all securities transactions were completed by delivery and payment alone, and that no carryovers were permitted. An electronic method has replaced the floor-based open outcry. The old method of period settlement has been replaced with a new one known as rolling settlement. Share certificates have been overtaken by electronic depository systems in terms of efficiency. Different sorts of margins have been added to the risk management system, broadening its scope. The stock market now welcomes foreign institutional investors (FIIs). A number of measures have been implemented to ensure that insider trading does not occur. Introducing a takeover code safeguards the interests of minority shareholders. For hedging, a number of different forms of derivative contracts have been developed. Government and regulatory changes have updated the market structure as a consequence of the reforms. Investors now have more options when it comes to putting their money to work. On April 1, 2003, the securities market switched from a T+3 to a T+2 rolling settlement time. For all institutional transactions on the stock market, straight through processing (STP) has been made obligatory.

Institutional investors, world-quality securities trading, world-class payment and settlement systems, and an educated class of investors are all things that SEBI aims to foster. Self-regulatory organisations (SROs) and the establishment of a monitoring system for depository institutions are also included. Further, SEBI has brought new financial products (derivatives) into the Capital Market as part of this effort. These financial contracts and instruments draw their pricing from the price of something else, which is referred to as a derivative (known as the underlying). An asset (such as commodities, equities, residential mortgages, commercial real estate, loans and bonds) or index (such as interest rates, currency exchange rates, stock market indices, consumer price index (CPI)) may serve as the basis for a derivative's underlying pricing. Loans, bonds, and other types of credit constitute the basis for credit derivatives. Futures and options are part of the derivatives family of financial instruments. A so-called underlying product is used to determine the pricing of these items, which is why the name was given. Futures and option contracts are BSE derivatives. Price discovery and risk transfer are two of the most important functions that these may play in increasing market efficiency.

Conclusion

The capital market system has a long history dating back more than 100 years, and the SEBI is an approved regulating agency with a twenty-one-year history. Capital market authorities and professional investors and traders should work together across borders. The Securities and Exchange Board of India has had great success as a regulator because it has actively and consistently implemented changes. Many changes were made by the Securities and Exchange Board of India in the main and secondary markets. Taking mail delays as an example, the Depositories Act of 1996 began by isolating the solution action from being sluggish and lowering the amount of time it took to reach depositaries and ensure the depositaries' security. The Security Exchange Board of India has also played an important role in enhancing the engagement of retail and institutional investors and traders by adopting quick and beneficial moves in liberalisation, privatisation, and globalisation. Investors, dealers, and stockholders in Indian corporations may now make more disclosures under the new rules, which went into effect in October 2011. By decreasing regulatory frameworks, the takeover code has been liberalised in the globalisation context. From rupees 1 lakhs to rupees 2 lakhs, the Securities Exchange Board of India has raised the application limit for retail investors. SEBI must balance the costs of regulation with the benefits of market expansion. Cooperation between authorities and the industry should be cross-border in nature.

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