

Handbook on SEBI laws relevant to illegal fund mobilization by Entities

For Law Enforcement Agencies of Bihar

(Not for circulation to general public)

The handbook draws attention to the relevant sections and provisions of the Acts, Rules and Regulations. This cannot be cited in itself in any legal proceeding or in any court of law.

Further, the Acts, Rules and Regulations cited in the handbook may undergo a change and the respective user agencies are required to update themselves on the developments in this regard.



SECURITIES AND EXCHANGE BOARD OF INDIA

Handbook for District Level Officials:

1. Introduction:

- **Establishment of SEBI:** Securities Exchange Board of India was constituted under the Resolution of the Government of India in the Department of Economic Affairs No. 1(44) SE/86, dated the 12th day of April, 1988 and later Parliament passed the Securities and Exchange Board of India Act, 1992 (SEBI Act, 1992) constituting SEBI as a body corporate and armed it with statutory powers and functions.
- **Preamble of SEBI:** The main purposes of SEBI are to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market.
- **Role and Functions:** In addition to the powers and functions prescribed under the SEBI Act, SEBI also administers the provisions of Securities Contracts (Regulation) Act, 1956 (SCRA), Depositories Act, 1996 and certain provisions of the Companies Act, 2013.

In common parlance, 'Securities market' is also known by various names such as 'stock market', 'share market' or 'capital market'. The term 'securities' has been defined under Section 2(h) of SCRA and it refers to various instruments issued by the company like share, stock, debenture, bond, units of mutual fund, units issued by collective investment scheme etc. However, the term 'securities' does not include other financial products like 'fixed deposit, recurring deposit, insurance scheme etc. and therefore any issue/ dispute relating to these products does not fall within the purview and jurisdiction of SEBI.

The powers and functions of SEBI may be divided into three categories:

- (a) **Executive** - As an executive role, SEBI grants registration to various market participants also known as market intermediaries like stock exchange, stock broker, merchant banker, depository, depository participants, clearing member, mutual funds, collective investment schemes etc. Such intermediaries cannot function/ act in the securities market without obtaining registration from SEBI and SEBI conducts inspection, investigation of these registered intermediaries, as and when required. Besides this, these registered intermediaries are also required to submit various reports on quarterly/ annual basis to SEBI. They are required to adhere to well defined code of conduct and strict provision of Rules/ Regulations / Circular/ Bye-laws framed by SEBI.
- (b) **Legislative** - In legislative role, SEBI Act, 1992, has empowered SEBI to frame subordinate legislation in the form of Regulations/ Circular/ Bye- Laws/ Guidelines etc. for carrying out the purposes of the SEBI Act i.e. protecting the interest of investors, regulating and developing the securities market. The Regulations framed by SEBI covers various aspects of market functioning like regulating the

