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Tiruchirappalli – 620102

Phone : +91 94896 71437 – [info@iledu.in](mailto:info@iledu.in) / [Chairman@iledu.in](mailto:Chairman@iledu.in)



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## THE ROLE OF SEBI IN SAFEGUARDING INVESTORS

**AUTHOR** – AVISHIKTA GUHA, AMITY UNIVERSITY KOLKATA

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### ABSTRACT

The Securities and Exchange Board of India plays a major role in safeguarding the interests of investors while promoting the development of a transparent and efficient securities market in India. SEBI as established in 1988 and is granted statutory powers in 1992. It operates under the ministry of finance, serving as the principal regulator of the Indian securities market its central objectives include protecting investors, regulating market participants and promoting market development.

SEBI guarantees investor protection through strict regulations directed at preventing malpractices. It mandates comprehensive disclosure requirements for listed companies ensuring that investors have access to correct information. SEBI aims to apply strict regulations in the market so that it is safe for the investors to be in this market.

SEBI educates investor about their rights and responsibilities through awareness campaign and grievance redressal mechanisms, this article directs the rules, regulations and the procedure for the investors and it seeks to understand each and every point which are beneficial for the investors and so that the investors remain aware of the provision as in India it is very necessary to be aware of the market to be in the current time.

### I. Introduction

The Securities and Exchange board of India is the apex regulatory body the primary function of this body is to look over the securities and commodity markets in India. It was Established on 12<sup>th</sup> April 1988 as a non – statutory body, SEBI gained statutory powers on 30<sup>th</sup> January 1992 under the SEBI act. It operates under the jurisdiction of Ministry of Finance & Government of India Its primary directive is to protect investor interests, regulate market participants and ensure the development of an open and impartial securities market. The headquarters of SEBI is located at Mumbai and it also operates in regional offices in various states to expand their reach.

<sup>424</sup>The primary function of SEBI is a versatile regulator with quasi-legislative, quasi-judicial,

and quasi-executive powers. It creates rules and regulations and enforces compliance by inspections and investigations and solves disputes by its adjudication process under its jurisdiction. The board consists of members which comprises of a chairman nominated by the union government, two members from the union finance ministry, one member from the RBI and five members nominated by the union government out of which three members are full-time members. Its primary responsibilities include regulating stock exchanges, brokers, merchant bankers and to ensure that the listed companies strictly follow the disclosure norms.

SEBI has also introduced various measures to curb speculative trading, enhance clarity in transactions and improve the market infrastructure. By building investor confidence, SEBI contributed to the structure of Indian capital markets.

<sup>424</sup> Marg erp ltd <https://margcompusoft.com/m/the-role-of-sebi/> ( last visited April 4<sup>th</sup> 2025)

## A. NEED FOR INVESTORS PROTECTION

Investors protection is mandatory for maintaining the integrity and stability of financial markets, it serves as a protection against fraudulent activities, market manipulation and misrepresentation of various investor policies and due to this strict measures are created to prevent these activities. By upholding Honesty and clarity investor protection helps to maintain the financial market ensuring that all the participants are provided equal opportunities and they uphold this by being transparent in n

### II.Objectives of sebi

- <sup>425</sup>Protection for investors
- Curb Fraudulent practices
- To promote transparency and fair practices
- To uphold market regulation and development
- To promote the market efficiently

### A.Functions of sebi

SEBI has multiple functions to perform but the functions are segregated in these three categories

- Protective Function
- Development Function
- Regulative function

1.<sup>426</sup>Protective function: These functions are performed by the SEBI to uphold and protect the interests of the investors and to create a secure environment in the market and to provide financial safety in the market. Under the SEBI these are following activities which fall under SEBI.

- Price rigging: When the prices of a share are manipulated with an intention to inflate or reduce the prices this activity creates unhealthy competition due to this SEBI prevents this type

of activities and thus protect the interest of the investors.

- Prohibits fraudulent and unfair trade practices: SEBI tracks the misleading behavior of Companies which follow unfair trade practices in the market as these practices affect the market due to which SEBI has to check on these practices for the protection of investors.

- Educate investors: SEBI organize various investor awareness programs and seminars to make them understand about the market so their protection is always instilled.

2.Development function: These functions are performed by the SEBI for the promotion and development of the market the primary function of SEBI is the following.

- Intermediate training: SEBI organizes training for the stockbrokers and other intermediaries as this training program helps to enhance their knowledge in the market.

- Promotion of Stock Exchange activities: SEBI has permitted and granted them the right for internet trading by various apps so that the investors can get the proper opportunity to do trading online.

3.Regulative function: The major function of the SEBI is to create regulations in the stock market for the protection of investors the following functions under this are.

- Rules, regulations are framed by the SEBI to regulate the functioning of intermediaries in the market for merchants, brokers and other intermediaries

- Stock brokers, sub-brokers, share transfer agents, trustees, merchant banker all are under the purview of SEBI as they are in the share market so to manage and oversee them is the duty of the SEBI.

## III Investor protection measures by sebi

Under Section <sup>427</sup>11(2) of the SEBI act it mentions the protection measures

<sup>425</sup> Vinayak Hagargi, What is SEBI, aliceb, (April 4<sup>th</sup> 2025 3:40 pm) <https://aliceblueonline.com/antiq/organization/sebi-full-form-and-meaning/>

<sup>426</sup> Deepa Singh Yadav & Dr MP Verma Regulatory role and functions of securities exchange board of India,4, Int. J. Criminal Common Statutory Law,41,42 (2024).

<sup>427</sup> Securities and Exchange Board of India 1992 § 11(2), No.15, Acts of Parliament 1992 (India)



- To prevent unfair and deceptive trade practices in the securities the market.
- To regulate significant share acquisitions and corporate takeovers.
- To foster and policing self-governing organizations.
- To govern the activity on stock exchanges and other securities markets.
- To encourage the education of investors and the training of securities market intermediaries.

SEBI has introduced some guidelines for investors for simplification of shares and allotment procedure

<sup>428</sup>SEBI appointed a committee under the chairman Shri R. Chandrasekaran managing director of the stock holding corporation of India limited to suggest a procedure to simplify the process of share transfer and allotment. The committee has submitted a draft report which will circulated to various market intermediaries for their comments after the feedback is received the report will be finalized and then the proper action will be taken to implement the recommendations through this the committee would considerably ease the difficulties faced by the investors in share transfers.

Unique order code number

For all the stock exchanges it is mandatory in a system where each transaction will be assigned a unique code number which will be disclosed by the broker to the client after the order is executed the number will be printed on the contract note.

Time stamping of contracts

Stock brokers are required to maintain the record time when the client has placed the order and to reflect the same in the contract note with time mentioned when the order was executed this ensures that the brokers give proper preference to client's order and charges

the correct price to the client and will not take any advantage of any intra-day price fluctuation for himself.

Role of sub-brokers

The brokers are currently operating through a network of sub-brokers who form an important link between the brokers and investors only 1,798 sub-brokers are registered with SEBI to uphold the interest of investors and bring sub-brokers under the framework of SEBI and stock exchanges the following measures have been initiated

- The revival of institution of remiser under the rules and bye-laws of stock exchange has been made. Remiser is the agent of a broker and is registered with the stock exchange he is not permitted to issue a confirmation note to his investor accordingly the contract is issued by the broker and the broker takes full responsibility of the deal and through this investor's protection is maintained
- All the transfer deed dated 1<sup>st</sup> June 1997 and later stock exchange would treat as bad delivery any transfer deed having rubber stamps on the back will be invalid if it is not from a clearing member, clearing house, clearing corporation, SEBI registered sub-broker, or a remiser registered with stock exchange
- Stock broker should not deal with a person who is misrepresenting itself as a sub-broker unless he is registered with SEBI. It's the primary responsibility of the broker to make sure that the client is not acting in the capacity of a sub-broker unless he is registered under SEBI as a sub-broker or is recognized by the stock exchange as a remiser.

Investor protection fund

The compensation amount available against a single claim of an investor who is arising out of default by a member broker of a stock exchange has been increased to 1 lakh in case of major stock exchanges, 25,000rs in case of small stock exchanges which includes states Gauhati, Bhubaneshwar, Magadh and Madhya Pradesh and rs 50,000 in case of other stock exchanges

<sup>428</sup> Legal Window, <https://legalwindow.in/investor-protection-measures-of-sebi/>, (last visited April 5<sup>th</sup> 2025)

SEBI has also introduced some new measures in 2024

- SEBI has made it mandatory for market infrastructure institutions clearing corporations and depositories adopt clarity charge structures. Under the new rule market infrastructure institutions need to align their charges with the fees they receive from members.

- SEBI has made it mandatory that brokers have to apply advanced surveillance system, internal controls and whistleblower policies to curb fraud.

SEBI Investor Protection and education fund

<sup>429</sup>This fund has been created for the benefit of investors so that they get to learn more about the market and gain knowledge about it the fund will be utilized for the following purposes

- Educational activities which shall include seminars, training, research and publications aimed at investors
- Awareness programs by media, print and electronic
- Aid investors association recognized by the board to take legal proceedings in the interest of investors in securities that are listed.

#### **IV. Sebi investor grievance redressal mechanism**

SEBI has created this to resolve the disputes in the stock market

- Resolution of complaints by stock exchange

<sup>430</sup>The stock exchange shall make sure that the complaints shall be resolved within 15 working days from the date the complaint was registered if there is any additional information from the complainant then it should be heard within 7 days when the complaint was registered in that particular date the period of 15 working days shall be counted when the additional information is heard.

Stock exchange shall maintain records of the all the complaints within 15 working days from the date the complaint was registered if it is not resolved in the time frame then the information shall be provided for not able to solve the complaint.

TWO major cells under the complaint are registered

- Investor Service Cell

A complaint against a stock broker/agent/listed company depository institution under this cell the complaint shall be resolved within 15 days

- Investor Complaints relief Committee  
Complaints which are not solved by the investor will be referred to investor complaints relief committee this committee will solve the complaint within 15 days.

Arbitration

- When a dispute arises between a member and a client related to transactions then complainant first refer to investor grievance redressal committee or arbitration provided by the stock exchange the arbitrators appointed by the stock exchange have the authority in their own jurisdiction. If the complainant is dissatisfied with the IGRC recommendation they can use the stock exchange arbitration process within six months to resolve the complaint.

#### **V. Conclusion**

SEBI has been successful in creating proper measures for investors in this present time as it has made proper and strict rules and regulations which helped to create transparency in the market also it has various primary objectives such as protecting investors, curbing fraudulent practices and ensuring the market development it has also introduced various programs for the investors which helps them to know about the market and through this they uphold the trust of the investors.

SEBI functions are transparent in nature as it curbs price rigging, insider trading and unfair trade practices it also oversees the collective investment schemes by enforcing these

<sup>429</sup> Dr Mariappan.Govindarajan, SEBI INVESTOR PROTECTION AND EDUCATION FUND, Tax Management India.com (April 5<sup>th</sup> 2025,4:30 pm), [https://www.taxmanagementindia.com/visitor/detail\\_article.asp?ArticleID=11543](https://www.taxmanagementindia.com/visitor/detail_article.asp?ArticleID=11543)

<sup>430</sup> Greeshma Jayakumari Patil, Role of SEBI in investor protection,4, IJLR,1, 6,8, (2022)

regulations SEBI has maintained proper compliance in the market.

SEBI has also efficiently contributed to the Indian capital market such as introducing schemes such as investor protection fund which helps the investors to be stable in the market overall SEBI has been successful in creating a fair and transparent environment in the society for the investors to have the confidence and trust in the market.

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### Statute

1. Securities and Exchange Board of India 1992 § 11(2), No. 15, Acts of Parliament 1992 (India)