

## REGULATORY ROLE AND FUNCTION OF SECURITIES EXCHANGE BOARD OF INDIA (SEBI)

**AUTHOR** – SAKSHI SETH, STUDENT AT DEPARTMENT OF LAW, AMITY LAW UNIVERSITY

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### Abstract

The SEBI or the Securities and Exchange Board of India is an authority that regulates the Indian securities market. It was set up in 1988 and was given statutory powers in 1992. Among SEBI's key objectives are the protection of investors, advancement of market functions, and transparency. This article is concerned with SEBI's role, functions, objectives and importance in maintaining a balance in capital markets. With the help of various regulative measures, SEBI fosters investor trust, curtails market manipulation, and supports the organised growth of the securities market. The listed findings illustrate that SEBI's regulations have improved the corporate governance practices and corporate economic activity in India.

### Introduction

The importance of the financial market is channelled towards the improvement of the economy in terms of creating savings and investments that are more productive. The Indian stock market is growing at a remarkable pace these days. This says a lot about the rapid advancement of India's economy, creating an urgent need for proper supervision to avoid exploitation and boost the market value of trust among investors. SEBI or Securities and Exchange Board of India came into existence in 1992 as a statutory body under the SEBI Act, 1992<sup>1114</sup> to look after the development of the market and the regulation of the securities. Protection of investors, control fraudulent activities, and promote fair trading practices.

### Role of SEBI

The SEBI is the highest authority for the Indian security market. The function of SEBI can be divided into three main categories:

- **Regulatory Role:** As part of this, SEBI controls the entire life cycle of a security right from its issue to its trading. For this,

it creates rules and policies for the securities market, which are to be obeyed by market participants like stock exchanges, brokers, mutual funds and listed companies.

- **Developmental Role:** In this role, SEBI takes appropriate measures regarding technology infrastructure for securities market, investor education, as well as innovation in the market, which assist in the development of the market.
- **Protective Role:** SEBI ensures that investor's trust is protected, undue fraudulent practices, insider trading and other malpractice which may prove harmful to investors are prohibited by SEBI.

### Function of SEBI

To protect the security market, SEBI take this major step: –

1. **Regulation of Activities of Stock Exchange and other Intermediaries:** – As a practical approach it supervises the working of stock exchange such as

<sup>1114</sup> Securities and exchange board of India act, 1992,

Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) as well. Also, as a self-regulatory organisation more popularly known as SRO, SEBI provides policies for the care takers of the market such as intermediaries like broker, sub-brokers <sup>1115</sup>and even depositories.

2. Defending the investor's Right and Privacy: – SEBI bans advertisement and sponsorship which claims of fraud or misleading. It also encourages adequate disclosure by companies and other members to assist other investors in their decisions.
3. Discontinuing Insider Trading as well as Fraudulent Practices: – There are no SEBI guidelines that allows business practices such as insider trading or manipulation of the stock market. It assigns and punishes fraud related to the manipulation of securities.
4. Supporting Corporate Governance: – SEBI observes the conduct of companies regarding business ethics and governance. The Responsible disclosure specifically includes release of financial statements, disclosure of relevant parties and other significant information.
5. Governing of Mutual Funds and Investment from Abroad: – SEBI also supervises the operation of mutual funds so that investors are not cheated through mismanagement. Also, these policies are developed to help foreign institutional investment and curb money laundering and financial threats.

#### Objectives of SEBI: –<sup>1116</sup>

As with regards to SEBI, its objectives are aimed towards ensuring the safeguarding and smooth functioning of the securities market. The objectives are as follows:

- Protecting investors 'interest: – It is a key responsibility by SEBI to prevent investors from suffering losses by getting misled or being cheated by dishonest operators.
- Market Intermediary Regulation: – For all the stock exchanges, brokers, depository participants, etc there is defined rule of conduct provided to them which ensure that there is no fraudulent activity on that part of these market institutions.
- Promotion of Fair-Trade Practices<sup>1117</sup>– Management are also instituted for discouraging insider trading, and price rigging amongst other unethical activities.
- Securities Market Development– SEBI through improvement, innovation and other means, enhances the liquidity and efficiency of markets.
- Building Financial Stability– SEBI contributes in maintain the financial stability of the country and systematic risk in the securities market are kept under control and hence it serves important function in the market.

#### Importance of SEBI rules and guidelines

- SEBI (prohibition of insider trading) regulations, 2015– This regulation restricts insider trading in securities and provides a structure for finding and preventing insider trading.
- SEBI (listing obligations and disclosure requirements) regulation, 2015– This regulation provides for the disclosure requirements that the companies that have listed their securities in stock exchange in India must comply with.
- SEBI (mutual fund) regulations, 1996– This regulation grant registration and regulation of mutual funds, as well as the obligation of mutual funds and their Asset Management Companies and laid down the guidelines for the functioning of mutual funds in India.

<sup>1115</sup> <https://www.taxmann.com/post/blog/all-about-securities-exchange-board-of-india-sebi-act-1992>

<sup>1116</sup> <https://www.sebi.gov.in/acts/act15ac.html>

<sup>1117</sup> <https://www.bajajfinserv.in>

- SEBI (buyback of securities) regulation, 2018– This regulation states the procedure and disclosures that should be followed by the company listed on stock exchange that wish to buy back their securities in India.

### Conclusion

In conclusion, SEBI is active in its regulation, development and protects the interest of investors in capital market. SEBI being the highest authority deal with all the regulation and policies formulation to build confidence of investors and strengthen market integrity.

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