



## Securities and Exchange Board of India

**For Prelims:** Securities and Exchange Board of India, Capital Market.

**For Mains:** Statutory Bodies, Quasi Judicial Bodies, Capital Market, Issues with SEBI and Way Forward.

Why in News?

Recently, Madhabi Puri Buch, former whole-time member of the [Securities and Exchange Board of India \(SEBI\)](#), has been appointed as its new chairperson — **the first woman to head the market regulator. She will hold the position for three years.**

- Earlier in January 2022, SEBI launched [Saaṅthi - a mobile app](#) on investor education.

### What is SEBI?

#### ▪ About:

- SEBI is a **Statutory Body (a Non-Constitutional body which is set up by a Parliament) established on 12<sup>th</sup> April, 1992** in accordance with the provisions of the **Securities and Exchange Board of India Act, 1992.**
- The basic functions of SEBI is to protect the interests of investors in **securities** and to promote and regulate the securities market.
- The **headquarters of SEBI is situated in Mumbai.** The regional offices of SEBI are located in Ahmedabad, Kolkata, Chennai and Delhi.

#### ▪ Background:

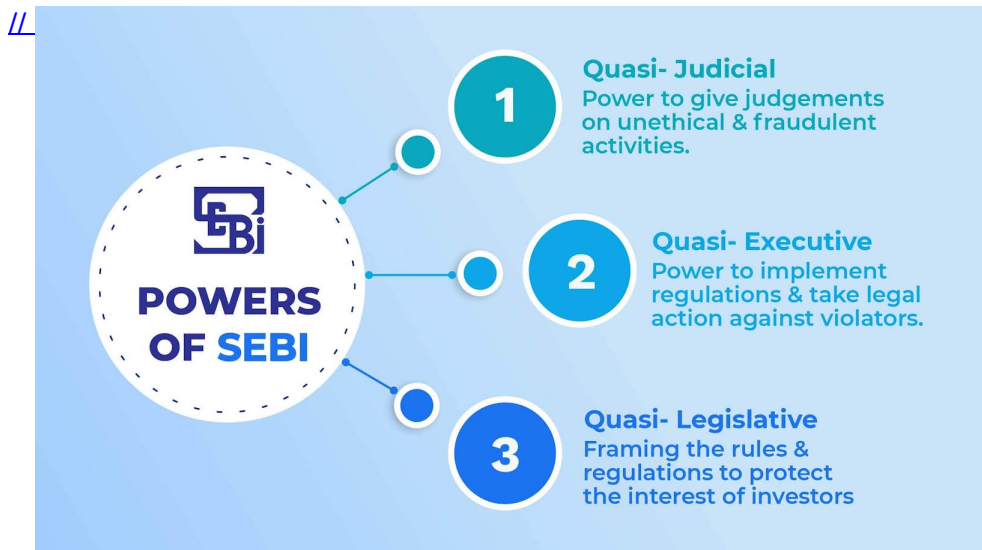
- Before SEBI came into existence, **Controller of Capital Issues was the regulatory authority**, it derived authority from the **Capital Issues (Control) Act, 1947.**
- In April, **1988 the SEBI was constituted as the regulator** of capital markets in India under a resolution of the Government of India.
- Initially SEBI was **a non statutory body without any statutory power.**
- It became autonomous and given statutory powers **by SEBI Act 1992.**

### What is SEBI's Structure?

- SEBI Board consists of **a Chairman and several other whole time and part time members.**
- SEBI also appoints **various committees, whenever required** to look into the pressing issues of that time.
- Further, a [Securities Appellate Tribunal \(SAT\)](#) has been constituted to protect the interest of entities that feel aggrieved by SEBI's decision.
  - SAT consists of a Presiding Officer and two other Members.
  - It has the **same powers as vested in a civil court.** Further, if any person feels aggrieved by SAT's decision or order can appeal to the Supreme Court.

### What is SEBI's Power And Functions?

- SEBI is a **quasi-legislative and quasi-judicial body** which **can draft regulations**, conduct inquiries, pass rulings and impose penalties.
- It functions **to fulfill the requirements of three categories:**
  - **Issuers:** By providing a marketplace in which the issuers can increase their finance.
  - **Investors:** By ensuring safety and supply of precise and accurate information.
  - **Intermediaries:** By enabling a competitive professional market for intermediaries.
- **By Securities Laws (Amendment) Act, 2014**, SEBI is now able to regulate any money pooling scheme worth Rs. 100 cr. or more and attach assets in cases of non-compliance.
- **SEBI Chairman has the authority to order "search and seizure operations"**. SEBI board can also seek information, such as telephone call data records, from any persons or entities in respect to any securities transaction being investigated by it.
- SEBI performs the function of **registration and regulation of the working of venture capital funds** and collective investment schemes including mutual funds.
- It also **works for promoting and regulating self-regulatory organizations** and prohibiting fraudulent and unfair trade practices relating to securities markets.



## What are the Issues and Related Concerns?

- In recent years SEBI's role became more complex, the **capital markets regulator is at a crossroads.**
- There is **excessive focus on regulation** of market conduct and **lesser emphasis on prudential regulation.**
- SEBI's statutory **enforcement powers are greater than its counterparts in the US and the UK** as it is armed with far greater power to inflict serious economic injury.
- It can impose **serious restraints on economic activity**, this is done based on suspicion, leaving it to those affected to shoulder the burden of disproving the suspicion, somewhat like preventive detention.
- Its **legislative powers are near absolute as the SEBI Act grants wide discretion** to make subordinate legislation.
- The component of prior consultation with the market and a system of review of regulations to see if they have met the articulated purpose is substantially missing. As a result, **the fear of the regulator is widespread.**
- **Regulation, either rules or enforcement, is far from perfect**, particularly in areas like insider trading.
- The Securities offering documents are **extraordinarily bulky and have substantially been reduced to formal compliance** rather than resulting in substantive disclosures of high quality.

## Way Forward

- There is need of **an attitudinal change, indeed, hundreds of inputs about the market**

- being full of crooks** necessitating a crackdown and severe intervention would be received.
- The foremost objective of SEBI **should be cleaning up the policy space** in this area of the market.
  - SEBI must **give special attention to human resources** and matters within the organization. SEBI must encourage lateral entry to draw the best talent.
  - Alignment and fitment of senior employees upon merger of the Forward Markets Commission into **Sebi remains an open area of work.**
  - Enforcement can be strengthened with **continuous monitoring and improving market intelligence.**
  - India's financial markets are still segmented. One regulator can't be blamed for another's failure when the remit over a financial product overlaps.
    - In this context **a unified financial regulator makes eminent sense to remove both overlap and excluded boundaries.**

**Source: IE**

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