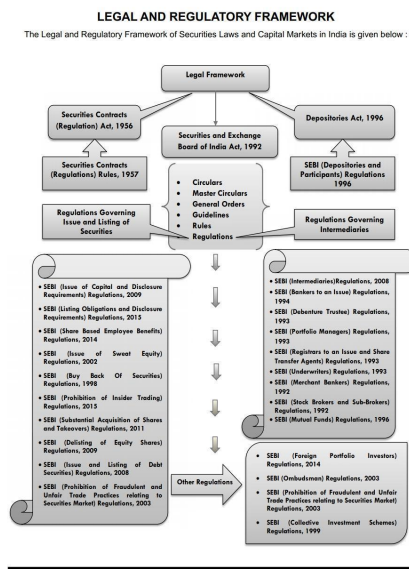


li Regulatory framework

Regulatory frameworks are legal mechanisms that exist on national and international levels. They can be mandatory and coercive (national laws and regulations, contractual obligations) or voluntary (integrity pacts, codes of conduct, arms control agreements).

Coercive anti-corruption measures are based on law. They are not necessarily specific to the defence sector, since national anti-corruption efforts should strive to be as broad as possible and include all areas of public spending in any case. Voluntary guidelines, however, can be defence-specific since they refer to ethical guidelines and codes of conduct within a particular corporate or military culture

Regulatory framework



SEBI

The securities and exchange board of India was established as an interim administrative body on April 12 1988 by the government of India. It's main objective was to promote orderly and healthy growth of security and to provide protection to the investors . The ministry of finance of the Government of India has overall administrative control over its function . On 30 th January 1992 , it was given a statutory status through an ordinance, which later on was

*replaced by an act of parliament known as securities and exchange board of India act , 1992 .
SEBI is considered the watchdog of the securities market.*

Objective of SEBI

Protection:

To guide, educate, and to protect the rights and interest of investors.

Competitive and professional:

To make the intermediary like merchant bankers , brokers etc. Competitive and professional by regulating their activities and developing a code of conduct.

Prevention of malpractice:

To prevent trading malpractice.

Balancing:

To establish a balance between statutory regulations and self regulations by the securities industry.

Orderly functioning:

To promote orderly functioning of the stock exchange and securities industry by regulating them.

- * To protect the interests of investors in securities;and*
- *To promote the development of; and*
- * To regulate, the securities market and for Matters connected therewith or incidental thereto*

The fundamental objective of SEBI is to safeguard the interest of all the parties involved in trading. It also regulates the functioning of the stock market. SEBI's objectives are:

- To monitor the activities of the stock exchange.*
- To curb fraudulent practices by maintaining a balance between statutory regulations and self-regulation.*
- To define the code of conduct for the brokers, underwriters, and other intermediary*

Power of SEBI

Section 18 of the Act provides that the SEBI in the public interest or in the interest of investors may by order in writing to call upon any issuer, depository, participant or benefits owner to furnish in writing such information relating to the securities held in a depository as it may require;

- 1. Power relating to stock exchanges & intermediaries**
- 2. Power to impose monetary penalties**
- 3. Power to nictitate actions in functions assigned**
- 4 . Power to regulate insider trading**
- 5. Powers under securities contracts act**
- 6. Power to regulate business of stock exchanges**

1.Power relating to stock exchanges & intermediaries

SEBI has wide powers regarding the stock exchanges and intermediaries dealing in securities. It can ask information from the stock exchange and intermediaries regarding their business transactions for inspection or scrutiny and other purposes.

2. Power to impose monetary penalties

SEBI has been empowered to impose monetary penalties on capital market intermediaries and other particulars for rangs violations . It can even impose suspension of their registration for a short period.

3. Power to nictitate actions in functions assigned

SEBI power to imitate actions in regards to functions assigned . For example ,it can issue guidelines to different intermediaries or can introduce specific rules for the protection of interests of investors.

4. Power to regulate insider trading

SEBI has power to regulate insider trading or can regulate the functions of merchant bankers.

5. Power under securities contracts Act

For effective regulation of the stock exchange, the Ministry of finance issued a notification on 13 September, 1994 delegating several of its powers under the security contract act to SEBI .

SEBI is also empowered by the finance ministry to nominate 3 members on the governing body of every stock exchange .

6. Power to regulate business of stock exchange

SEBI is also empowered to regulate the business of stock exchange , intermediaries associated with the securities market as well as mutual funds, fraudulent and unfair trade practices relating to securities and regulation of acquisition of shares and takeover of companies.

Function of SEBI

The Securities and Exchange Board of India (Sebi) is a statutory regulatory body established by the Government of India in 1992 to regulate the securities market in India and protect the interests of investors in securities

- **Regulatory function**
- **Developments function &**
- **Protective function.**

1. Regulatory function

Regulator function of SEBI are as follows:

(a) Registration of brokers and agents: *It registers brokers, sub - brokers, transfer agents , merchant bankers etc.*

(b) Notification of rules and regulations:

It notified rules and regulations for the smooth functioning of all intermediaries in the securities' market.

(c) Levying of fees:

It levies fees , penalties and other charges for contravening it's directions and orders.

(d) Regulator of investment schemes:

It registers and registers and collective investment schemes and mutual funds.

(e) prohibit unfair trade practices

SEBI prohibits fraudulent and unfair trade practices.

(f) Inspection and enquiries:

It undertakes inspection and conducts enquiries & audits of the stock exchange.

(g) performing and exercising powers :

It performs & exercises such power under securities contracts (regulation) act 1956, as have delegated to it by the government of India.

2. Developments function:

Developments function of SEBI of are as follows:

Prevents insider trading:

It does so by prohibiting insiders such as directors , promoters etc, to make profit through trading of securities using confidential price sensitive information.

(b) prohibits fraudulent and unfair trade practices:

It prohibits fraudulent and unfair trade practices in the security market , such as price rigging and sale or securities through misleading statements.

(c) promotes fair practices:

It promotes fair practices and code of conduct in the securities market e.g. it looks after the interests of the debenture holders in terms of any mid - term revision of interest rates etc.

(d) Educates investors:

It educates the investors through campaigns.

Regulatory role:

Regulatory meaning:

In the course of conducting the research for this paper it became clear that the term “regulatory framework” was somewhat problematic. The term in some cases brought about blank stares from some respondents , while others asked directly what the expression meant. Some clarification on The terms used in this report are therefore in order .

Role :

It is necessary for an issuer to appoint a merchant banker for:

1. (a) *Managing of public issue of securities;*
 (b) *underwriting connected with the aforesaid at public issue management business;*
 (c) *Managing/ advising on international offering of debt/ equity GDR, ADR,ADR, bonds and other instruments ;*
 (d) *private placement of securities;*
 (e) *stock broking;*
 (f) *Advisory service for projects;*
- 2). *Sending instructions to banks for reporting of collection figures and collection of applications.*
 (a) *providing practical inputs to the Lead manager and printers regarding the design of the Bid cum-*
 (b) *application form.*
- 3). *Activities during the issue*
 (a) *Collection and reporting daily collection figures.*
 (b) *Collections of data and forms from banks*
- (4) *first issued activities*
 (a) *Data capturing & validation*
 (b) *Reconciliation*
 (c) *Facilitating listing*

Investor protection

An investor is a person who allocates capital with the expectation of a financial return. There are different kinds of investors , such as sweat equity investors , angel investors ; venture capital etc.as opposed to financial equity which is a contribution in the form of capital .

Investor's protection Meaning:

Protection of investors means safeguard and enforcement of the rights and claims of a person in his role as an investor . The capital of a company may be divided into equity capital and debt capital . The persons who contributed to the equity capital of a company are called investors .

Section 41 of the companies act, 1956 provides that member includes the subscribers of the memorandum of a company, every other person who agrees in writing to become a member of a company and whose name is entered in its register of members, and every person holding equity share capital of company and whose name is entered as beneficial owner in the records of the depository .

Defined investors' production.

The investor production act is a component of the well Street reform and consumer protection act of 2009 designed to expand the power of the securities and exchange commission (SEC) the established a whistleblower reward for reporting financial fraud, increased liability for aiding and abetting and doubled funding to the SEC over the five years period .

Objective of investors' protection?

- *Investors protection is one of the most important objectives of securities regulation.*
- *Functional approaches demonstrate that investors play different roles in the marketplace, and that they face different market failures with respect to each role.*
- *Therefore , sufficient protective mechanisms need to be developed to address these market failures.*
- *This paper analyzes the theoretical dimensions of investors protection and protective mechanisms, and compares investors protection mechanisms provided by United Kingdom and Turkish legislations.*

Importance of investor protection.

1. *Financial markets*
2. *Real consequences*

Financial markets:

The most basic prediction of the legal approach is that investor protection encouraged the development of financial markets. When investors are protected from expropriation they pay more for securities,

Real consequences:

Through its effect on the financial market , investors influence the real economy. Financial developments can accelerate economic growth there by faster capital accumulation.

To the extent that the financiers exercise some controls over the investment decisions of the entrepreneurs, financial developments improve the efficiency of resource allocation.

Types of investor's protection?

- *Maintain the integrity of corporate reporting.*
- *Protecting investors in the primary market.*
- *Prohibiting insiders trading.*

- *Regulation of financial intermediaries and other market professionals.*
- *Maintaining strong vigilance on stock market manipulation and price riggers.*
- *Regulation of mutual funds.*
- *Regulation of mutual funds.*
- *Educating investors.*

Function of investors protection.

- **Issue of guidelines**
- **Public interest advertisements**
- **Dealing with complaints of investors**
- **Investor education**
- **Introduction to stock invest**
- **Investor surveys**
- **Disclosure by companies**
- **Code regarding takeovers**

Insider Trading

SEBI issued and notified the SEBI (prohibition of insider trading) regulations , 2015 on 15 th January , 2015 based on recommendation of Sodhi committee and effective from 15 may , 2015 , may repeal the SEBI (prohibition of insider Trading).

Meaning:

Insider trading generally means trading in the shares of a company by the persons who are in the management of the company or company or are to them on the basis of undisclosed price sensitive information regarding the working of the company, which they possess but which is not available to others".

The amendment in 2002 came to be known as the SEBI (prohibition of insider trading) Regulation, 1992.

Definition:

The definition of price sensitive information has also been included. No person including any direction or KMP of a company shall enter into insider trading except into trading except any communication .

Trading

trading means and included subscribing ,buying, selling , dealing, or agreeing to subscribe ,buy ,sell,deal in any securities, "trade" and shall be constructed

accordingly.

Rationale

The rationale for something is the basic or underlying reason or explanation for it. This noun (pronounced "rash-uh-NAL") is usually used in the singular:

The related adjective rational means "based on facts or reason" or "having the ability to think clearly."

An example of a rational rationale? You add extra baking soda to pancake batter under the rationale that if you want them to be fluffier, you need more rising agent.

Insider information

i) The transaction is an off -market inter transfer between insider transfer between insiders who are in possession of the same unpublished price sensitive information without being in breach of regulation 3 and both parties had made a conscious informed trade decision.

ii) dead transaction in question was carried out pursuant to the exercise of stock options in respect of which the exercise price was pre - determined in compliance with applicable regulations.

(iii) The transaction was carried out through the block deal window mechanism between persons who were in possession of the unpublished price sensitive information without being in breach of regulation 3 and both parties had made an informed decision.

(iv) The transaction in question was carried out pursuant to a statutory or Regulation obligation to carry out a bona fide transaction.

(v) in the case of non- individual insiders:

(a) the individuals who were in possession of such unpublished price sensitive information were different from the individuals taking trading decision and such decision - making individuals were not in possession of such unpublished price sensitive information when they took the decision to trade;

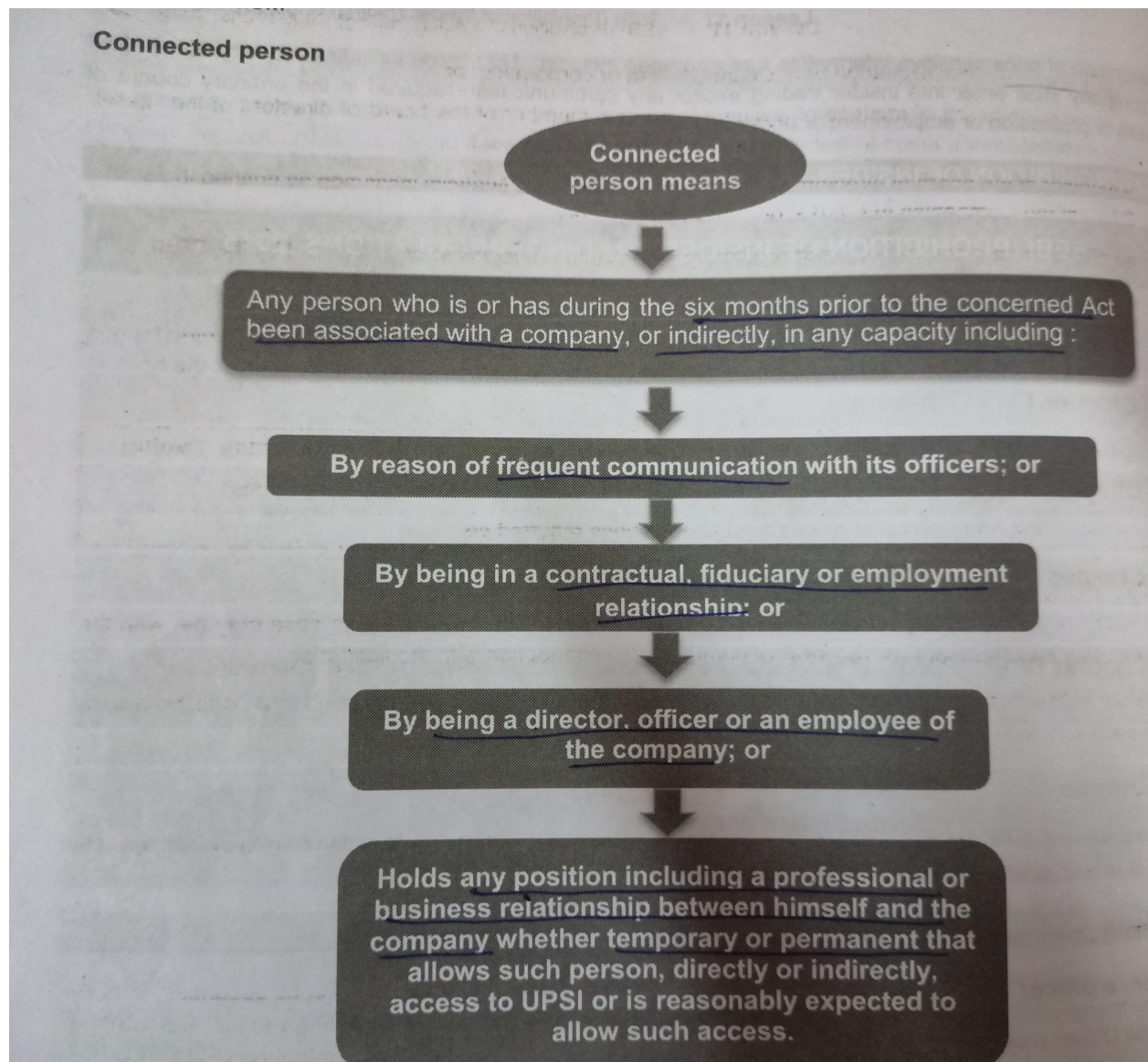
Insiders

" Insider" means any person who is :

i) a connected person; or

ii) in possession of or having access to unpublished price sensitive information.

Connected persons



Person deemed to be connected person

- (a) *an immediate relative of connected person; or*
- (b) *a holding company or associated or company subsidiary company ;*
- (c) *an intermediary as specified in section 12 of the SEBI act or an employee of director there of ;*
- (d) *an investment company , trustee company, asset management company or an employee or director thereof ;*

(e) an official of a stock exchange or of cleaning houses are corporations .

(f) a member of the board of trustees of a mutual fund or a member of the board of directors of the asset management company of a mutual fund or is an employee thereof .

(g) and banks of the company.

(h) a concern,firm , trust, hindu undivided family ,company or association of person where in director of a company or his immediate relative or banks of the company , has more than ten percent of the holding or interest;