

LEGAL ACTS GOVERNING BUSINESS IN INDIA (CONTD.)



III. SEBI (SECURITIES AND EXCHANGE BOARD OF INDIA) ACT, 1992

- An **Act** to provide for the establishment of a Board to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market and for.
- SEBI monitors and regulates the Indian capital and securities market while ensuring to protect the interests of the investors formulating regulations and guidelines to be adhered to.
- SEBI acts as a watchdog for all the capital market participants and its main purpose is to provide such an environment for the financial market enthusiasts that facilitate efficient and smooth working of the securities market.



WHY WAS SEBI FORMED?

- Many malpractices started taking place such as unofficial self- styled merchant bankers, unofficial private placements, rigging of prices, non-adherence of provisions of the Companies Act, violation of rules and regulations of stock exchanges, delay in delivery of shares, price rigging, etc.
- Due to these malpractices, people started losing confidence in the stock market. The government felt a sudden need to set up an authority to regulate the working and reduce these malpractices. As a result, the Government came up with the establishment of SEBI.



FUNCTIONS OF SEBI

- SEBI is primarily set up to protect the interests of investors in the securities market.
- It promotes the development of the securities market and regulates the business.
- SEBI provides a platform for stockbrokers, sub-brokers, portfolio managers, investment advisers, share transfer agents, bankers, merchant bankers, trustees of trust deeds, registrars, underwriters, and other associated people to register and regulate work.
- It regulates the operations of depositories, participants, custodians of securities, foreign portfolio investors, and credit rating agencies.



- It prohibits inner trades in securities, i.e. fraudulent and unfair trade practices related to the securities market.
- It ensures that investors are educated on the intermediaries of securities markets.
- It monitors substantial acquisitions of shares and take-over of companies.
- SEBI takes care of research and development to ensure the securities market is efficient at all times.



COMPETITION ACT, 2002

- **The Competition Act, 2002** was enacted to provide for the establishment of a Commission to prevent practices having adverse effect on competition, and to promote and sustain competition in the business environment and to protect the interest of consumers and also to ensure freedom of trade carried on by other participants in markets in India and for matters connected therewith.
- *Competition is a situation in market, in which sellers independently strive for buyer's patronage to achieve business objectives.*



- Competition and liberalization, together unleash the entrepreneurial forces in the economy. Competition offers wide array of choices to consumers at reasonable prices, stimulates innovation and productivity, and leads to optimum allocation of resources.
- In an open market economy, some enterprises may undermine the market by resorting to anti-competitive practices for short-term gains. These practices can completely nullify the benefits of competition. It is for this reason that, while countries across the globe are increasingly embracing market economy, they are also reinforcing their economies through the enactment of competition law and setting up competition regulatory authority.



OBJECTIVES OF COMPETITION ACT, 2002

- I. To check anti-competitive practices
- II. To prohibit abuse of dominance
- III. Regulation of combinations
- IV. To provide for the establishment of CCI (Competition Commission of India), a **quasi-judicial body** to perform below mentioned duties:
 - Prevent practices having adverse impact on competition
 - Promote and sustain competition in the market
 - Protect consumer interests at large
 - Ensure freedom of trade carried on by other participants in the market
 - Look into matters connected therewith or incidental thereto.

