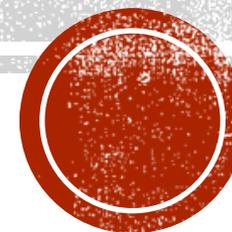


SEBI



Functions of SEBI

Primarily there are three key functions performed by SEBI:

A. Protective Functions- This function is performed by SEBI to conserve the interest of investors and financial institutions. Its core protective functions are to check:

1. Price Rigging- The primary purpose of SEBI is to prevent manipulated fluctuations in the financial market. Swings are the foundation of trade and earn money for tradesmen or investors in the financial market.

Various people study historical fluctuations on the basis of it numerous theories have also been made to predict the trend. These theories are called Technical Analysis, and a lot of traders study them before investing.

Mostly these fluctuations are normally based on the market, but there are times when unusual variations are made by a group of corporate so that the investors can have a huge loss. These built-up fluctuations are called price rigging.

Hence, the role of SEBI here is to stop these sudden fluctuations. They have introduced circuits for doing it; the circuit is a threshold concerning the previous day closing. In case the security price goes beyond the limit, then the circuit breaker would be used, and trading for that specific security would be stopped for a couple of hours or a day.



2. Prevent insider trading- This can also be said to be a part to stop price rigging. The stock price of any company gets immensely affected by any public announcement or news about the company. There are always some people who are aware of the upcoming news about the company.

Hence, they can take advantage of this news to buy and sell the company's security before the news comes into action. This is termed as insider trading. To prevent this, SEBI has barred trusts of listed companies and employee welfare schemes so that they cannot purchase their own shares from the secondary market.

SEBI has also requested these listed companies to unveil their employee benefit schemes which should include their stock purchase. They should align them as per [ESOS and ESPS guidelines](#).

3. Financial education for investors- Another primary role of SEBI is to provide online and offline seminars or training by multiple means to train the traders and investors. These seminars include money management and the basics of the financial market.

4. SEBI guidelines- SEBI has made bye-law guidelines so that any unfair practices that can be used by companies to manipulate security markets can be prevented.



B. Development Functions- The primary function of development functions is providing training to the intermediaries. Here, SEBI also works on bringing innovation in Indian Financial Market. Some of the development functions comprise of:

- DEMAT Form of securities
- IPO is permitted through an exchange
- Education of electronic platform for financial market
- Information on discount brokerage
- Underwriting is optional to lessen the cost of issue
- Training for financial intermediaries

The objective of SEBI is to promote fair practices; hence, it educates them about it plus makes the investors aware of the stock market in depth.



C. Regulatory Functions- In the regulatory functions, SEBI does the monitoring of the functioning of financial market go-betweens. The implementation of SEBI bye-laws emissaries and corporate is done. This is a vital step as it ensures that the stock market operates seamlessly with untarnished transparency.

It is the role of SEBI to formulate guidelines and code of conduct for financial intermediaries and regulate amalgamations, alliance and takeovers takeover of companies. Some of its regulatory functions are:

- Registering and regulating functions of mutual funds
- Regulates takeover of companies
- It has to register all share transfer agents, intermediaries, trustees, brokers, sub-brokers and other people involved with the stock exchange
- Conduct inquiries & audit of exchanges



Role of SEBI

SEBI caters to the requirement of three parties that operate in the Indian Capital Market. It was founded to improve the financial market of India, hence to obtain its purpose it takes care of the most vital financial market participants:

1. The issuer of Securities- Any firm that issues securities should be listed on the stock exchange. Issuers are entities that help in raising funds from the financial market. The function of SEBI is to confirm that the issue of IPO's and FPO's takes place healthily.

2. Investor- They help in keeping the market alive as the capital market functions because the traders exist. Investors earn money from the market, so SEBI assures that no malpractices happen against them in the market. Thus, it's the role of SEBI to safeguard the interest of investors and prevent them from any unfair trade practice.

3. Financial Intermediaries- They are the mediators in the financial market, and they take care that the stock market transactions happen seamlessly and securely. The role of SEBI is to monitor each activity of financial intermediaries like NBFC's, broker, sub-broker, etc.



Authority and Power of SEBI

SEBI possesses high authority and power as its primary purpose was to control the market systematically by preventing any fraudulent activity. It has three significant powers:

1. Quasi-Judicial- This includes drafting legislation with respect to the capital markets. With the help of this authority, it has the right to conduct hearing and pass judgments in case any fraudulent activity happens. The benefit of this authority is that it assures that there is fairness, reliability and accountability in the capital market.

2. Quasi-Executive Functions- Implementing legislation also comes under SEBI. This means that SEBI has the absolute authority to build rules and regulations to shield the interest of investors.

For example, there is legislation called SEBI Listing obligation and Disclosure requirements; this was made to consolidate and simplify provisions of the current listing agreements for various segments to financial markets such as equity shares. Such regulations are made to keep any sort of illegal practice at bay



3. Quasi-Legislative- Under this segment, the role of SEBI is to create guidelines for the security of interest of investors. Few rules and regulations made by SEBI are disclosure requirements, trading regulation and listing obligation.

The primary goal is to methodize and fortify the provision of current listing agreements for various segments of the financial market. Although SEBI has a lot of powers, still, it has to go through the Securities Appellate Tribunal and the Supreme Court of India.

