**SEMESTER 6th (UG)**

**Subject: BUSINESS ENVIRONMENT**

**UNIT IV : THE SECURITIES EXCHANGE BOARD OF INDIA (SEBI)**

**INTRODUCTION**

The SEBI with established in 1992 by passing of the securities and Exchange Board Act. This board was established to protect the interests of investors in securities and to promote the development and regulation of securities market.

**Composition of SEBI**

The board consists of the following

1.Chairman

2. Two members from the Government of India, Ministries of Law and Finance.

3. One member from the R131.

4 Five other members.

The Head Office of the SERI is m Bombay and it has 4 regional centers.

**Objectives of SEBI**

The main objectives of the establishment of the SEBI are the following:

**(1) Protection to the Investors:** The capital market is meaningless in the absence of t investors. Therefore, it is important to protect the interests of the investors. The protection of the interest of the investors means protecting them from the wrong information given by the companies in the prospectus, reducing the risk of delivery and payment, etc. Hence, the foremost objective of the SEBI is. provide security to the investors.

**(2) Steady Flow of Savings:** The second objective of the SEB1 is to attract the savings of people to the capital market. The investors get attracted to the capital market only when favours securities for investment are available. In order to achieve this objective, the SEBI has started many ne securities.

**(3) Control over Brokers:** It is important to keep an eye on the activities of the brokers and other middlemen in order to control the capital market. To have a control over them, it was necessary establish the SEBI.

**(4) Transparency in Transactions:** Transparency in transactions in the capital market Increase the confidence of the investors. It was because of this that the SEBI was established.

**(5) Checking the Insider Trading:** Insider trading means the buying and selling of securities those persons (Directors, Promoters, etc.) who have some secret information about the company who wish to take advantage of this secret information. This hurts the interests of the general invests was very essential to check this tendency. Many steps have been taken to check inside trading through medium of the SEBI.

**(6) Fair Practices by Issuer:** It was necessary that the issuers of securities should adopt fair practices. Fair practices in their context mean not to spread wrong information at the time of the issue of securities. In addition to it, it was also necessary not to delay transfers, and ensure timely payment of dividend and interest.

**(7) promotion of Efficient Services:** The last objective of the establishment SEBI is to provide efficient services to all the parties operating in the capital market.

**Functions of SEBI**

The functions of the SEBI can be divided into three parts:

1. **Protective Functions:**

Following are the protective functions of SEBI:

(i) To check unfair trade practices (such as, to supply misleading statements to cheat the investors) in connection with security market.

(ii) To check insiders trading in securities. (Insider trading means the buying and selling. of securities by those persons (Directors. Promoters. etc.) who have some secret information about the company and who wish to take the advantage of this secret information.)

(iii) To provide education relating to dealing in securities to the investors.

(iv) To promote code of conduct relating to security market.

**2. Regulatory Functions :**

The following are the regulatory functions of the SEBI:

(i) To regulate the business being done in the share market. (ii) To register brokers. sub-brokers. transfer agents, merchant banks. underwriters etc. (iii) To register and regulate the credit rating agency. (iv) To register and regulate the venture capital fund. (v) To register and regulate collective investment scheme like the mutual fund. (vi) To carry out audit of the share markets.

**3. Developmental Functions:**

The following are the developmental functions of the SEBI:

(i) To impart training to the intermediaries. (Intermediaries include share brokers. Sub- brokers. Share Transfer Agents, Issue Registrars, Merchant Bankers. Portfolio Managers, etc.) (ii) To encourage self-regulating organisations. (iii) To carry on research work. (iv) To publish different kinds of information for the convenience of all the parties operating in VI capital market.