

SEBI: Reasons for Setting up, Objectives & Functions

1 Mark Questions

1. State any one regulatory function of Securities and Exchange Board of India (SEBI). (Delhi 2012)

Ans. SEBI prohibits insider trading and take-over bids by imposing penalties.

2. State any one protective function of Securities and Exchange Board of India (SEBI). (Delhi 2012; All India 2012)

Ans. SEBI prohibits fraudulent and unfair trade practices like misleading statements, manipulations, price rigging, etc.

3. State any one development function of SEBI. (All India 2012)

Ans. SEBI conducts research and publish information which is useful to all market participants.

3 Marks Questions

4. State any three development functions of Securities and Exchange Board of India (SEBI). (All India 2013)

Ans. The three development functions of SEBI are:

- (i) Training of intermediaries of the securities market.
- (ii) Conducting research and publishing information useful to all market participants.
- (iii) Undertaking measures to develop the capital markets by adapting a flexible approach.

5. State any three protective functions of Securities and Exchange Board of India (SEBI). (All India 2013 C)

Ans. The three Protective Functions of SEBI are:

- (i) Controlling insider trading and imposing penalties for such practices.
- (ii) Undertaking steps for investor protection.
- (iii) Promotion of fair practices and code of conduct in securities market.

6. Explain any three objectives of Securities and Exchange Board of India (SEBI). (Delhi 2011)

or

‘To promote orderly and healthy growth of securities market and protection of investors, SEBI was set up’. With reference to this statement, explain the

objectives Of SEBI. (All India 2011; Delhi 2011)

Ans. The basic objective of SEBI is to protect the interests of investors and to promote the development of stock exchange and regulate the securities market.

Following are the objectives of SEBI:

- (i) To regulate stock exchange and securities markets to promote their orderly functioning.
- (ii) To protect the rights of investors and ensuring safety to their investment.
- (iii) To prevent fraudulent and malpractices by balancing between self-regulation of business and its statutory regulations.
- (iv) To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers, etc. So, that they become competitive and professional.

NOTE SEBI came into effect due to several irregularities and malpractices. To eliminate these problems, SEBI was set up with certain objectives of protecting the investors and development of securities market.

4/5 Marks Question

7. Explain the regulatory and development functions of SEBI.(Delhi 2008 c)

Ans. Regulatory functions of SEBI are as follows: (Any two)

- (i) To regulate business in stock exchanges.
- (ii) To register and regulate the working of intermediaries.
- (iii) To register and regulate the working of mutual funds.
- (iv) To conduct inquiries and audit of stock exchange.
- (v) Regulation of taken-over bids by companies.

Developmental Functions of SEBI

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- (i) Training of intermediaries of the securities market.
- (ii) Conducting research and publishing information useful to all market participants.
- (iii) Undertaking measures to develop the capital markets by adapting a flexible approach.

