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SEBI's ROLE IN PROTECTING INVESTORS

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Abstract
Investors are the pillar of the financial and securities market. Investors determine the level of activity as they invest their hard earned money in funds, stocks, etc. that contribute to the growth of the market and hence, the economy. It is the duty of the SEBI to protect the interests of the investors for which various rules and regulations have been established so as to protect the interests of investors from malpractices. Securities and Exchange Board of India (SEBI) is responsible for regulations of the stock market and to ensure safety of the interests of the investors. For this purpose SEBI has published various guidelines and directives, investor's awareness programmes and setting up of the Investor Protection Fund (IPF) in order to compensate the investors.

Keywords:SEBI, Investor Protection Fund, Investors' Grievances and Redressal system, SCORES.

About SEBI

In 1988, for the regulation of the securities market, a non-statutory body was established i.e., Securities and Exchange Board of India (SEBI). On 30th January 1992, it acquired the statutory powers in accordance with the SEBI Act 1992. On 12 April 1992, SEBI became an autonomous body and was then constituted under the Government of India, as the regulator of capital markets. SEBI's headquarter is located in Mumbai, Maharashtra and its four regional offices are established in New Delhi, Kolkata, Chennai and Ahmedabad. During 2013-2014, SEBI established and made operational several offices in Jaipur, Bangalore, Guwahati, Bhubaneswar, Patna, Kochi and Chandigarh. The scope of its activities is wide. It is entrusted and empowered to frame guidelines and regulations with respect to securities markets (both primary and secondary). Intermediaries and financial institutions which operate in the securities markets are required to function as per SEBI's directions and guidelines. SEBI possesses powers to regulate the following intermediaries:

- Depositories, participants and custodians
- Debenture trustees and trust deeds
- Insider trading, FII's merchant bankers and mutual funds
- Portfolio managers, investment advisors, registrars to capital issues and share transfer agents
- Stockbroker, sub-brokers, underwriters, bankers to the issues and venture capital funds and
- Substantial acquisition of shares and takeovers.
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SEBI is also empowered to issues guidelines for disclosure of information and transparency of operational activities for the sake of investor protection, pricing of issues, bonus and preferential issues and other financial instruments. According to the Preamble of SEBI, "one of the major functions of the Security and Exchange Board of India is to protect the interests of investors in securities along with promoting the development and regulation of the securities market." The SEBI Act, 1992 was enacted to empower SEBI with statutory powers for:

1. Protecting the interests of investors in securities
2. Promoting the development of the securities market, and
3. Regulating the securities market.

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The regulatory jurisdiction of SEBI extends to the corporates with respect to the issue of capital and transfer of securities, and also extends to the intermediaries and individuals associated with the securities market. SEBI has powers to conduct enquiries, audits, and inspection of all offences as listed under the SEBI Act. SEBI has the powers to regulate and register the market intermediaries, and also to impose penalty in cases of violations of the provisions of the SEBI Act, Rules, and Regulations made therein. SEBI has complete authority and autonomy, to regulate and develop an orderly securities market.

Literature Review

Gupta.S, Chawla. P and Harkant. P (2011) stated that financial markets are constantly becoming more efficient providing more promising solutions to the investors. The study also proves that investment decision is not affected by the occupation of the investor. Investors prefer investment in insurance over the equity market. The study also argued that for the participants, it is the return on investment and safety, which is the most preferred attributes instead of liquidity.

Kumar Rajesh and Arora R. S. (2013) suggested that investment education is the need of every investor and their awareness level can be enhanced by making them well informed about investment opportunities via various media tools i.e., TV, internet, newspapers and professional journals.

Wasiak (2013) advocated that "for making the financial backer security movement itself more straightforward, planning an administrative methodology by anticipating the possible monetary outcomes and executing a trustee standard to the greatest advantage of the client standard is compulsory. As referenced by the Financial Planning Coalition which addresses monetary arranging associations these guardian norms outlined need not be in agreement with some other standards and can essentially be practical."

Purohit, Harshesh (2014) studied that necessary step have been taken by SEBI for effective surveillance mechanism for the securities market. SEBI encourages accountability and autonomy of all the market players who are required to observe the rules and regulations. The intermediaries should set themselves up as effective self-regulatory bodies. Self-regulation may be fruitful if there is an effective regulatory body overseeing the activities of self-regulatory organizations. SEBI is 21 years old and it is a regulatory body. SEBI has enjoyed success as a regulator by implementing systematic reforms aggressively. SEBI has played an effective role in protecting the rights of investors in the securities market.

Elkhatali, Mabruka Muspah and Qadri, Javed (2015) observed that the Government of India formed a regulatory authority named as Securities and Exchange Board of India, for the protection of the interest of investors. It is difficult for regulators to prevent the scams, regulating and monitoring every segment of financial market. SEBI has played important role regarding surveillance system in a systematic manner. SEBI should supervise capital market system in proper manner that all sub-systems gradually become self-regulatory organizations.

Objective of The Study

1. To study the roles and responsibilities of Securities and Exchange Board of India in context of investors protection.
2. To know the investor protection measures taken by SEBI.

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Research Methodology

The study is based purely on the secondary data available in books, SEBI Act, Rules and regulations issued by SEBI, magazines and newspaper articles along with the research journals available online, in order to achieve its objectives.

Sebi And Investors Protection

SEBI was formed to protect the interests of investors. It monitors the issuing companies, brokers and mutual funds to ensure that they are following the rules and regulations laid down by it from time to time. SEBI believes that the strict regulation of the capital market is essential to offer better protection to the investors. It regulates the manner in which funds are raised and ensures fair play by getting issuers to make the retail investor aware of the risks inherent in the investment through its disclosure norms. It also gives a hearing to the investors' complaints and grievances, if any, against the issuing companies, brokers etc. To ensure the investor protection SEBI has issued rules, regulations and guidelines time to time. It has issued various directives specifically driven towards investors awareness programmes, setting up of the investor protection Fund (IPF) in order to compensate the investors.

i. **Issue of regulations and guidelines**: SEBI aims to educate the investor, and to use the required information for making informed investment, considering his specific aim for investing. For attaining this purpose SEBI educate the investors through the investor's education and awareness programs, which are conducted through workshops and associations whose aim is to make the investor aware. The support of various market participants can also be sought to achieve the aim. SEBI maintains its website through which updated and comprehensive information can be provided to investors and their grievances can be answered timely. SEBI communicates the grievances and their solutions through various media such as email, letter, telephone and in person visit of the investors too.
ii. **Investor education**: SEBI has adopted disclosure based regulatory regime where every detail relevant for investment is made available to the investors. For this the companies and the intermediaries involved are required to disclose relevant information for the investors to take an informed decision about investment.
iii. **Safe transactions**: To ensure safety of transactions, SEBI has taken measures which include dematerialization of securities, screen-based trading, T+2 settlement period etc so as to secure the investors from fraudulent transactions. SEBI aims to ensure that only eligible persons are allowed to operate in market and the clear-cut instructions for reward and punishments be made known to all.
iv. **Grievance redressal system**: SEBI seeks to take follow ups with the companies and intermediaries who do not redress investors' grievances timely. This can be achieved by sending regular reminders and conducting meetings with them. SEBI has set up an arbitration system in stock exchanges for resolving the investor's disputes. The investors are compensated from the investor's protection fund in cases where the brokers are declared defaulters. Also, it is the depository which indemnifies the loss suffered to the investors due to its negligence.
v. **Other measures**: Inspection, inquiries and audit of intermediaries and self-regulating organisations operating in stock exchanges are undertaken on regular basis at timely intervals and suitable remedial measures are taken whenever necessary. Penalty is also imposed on those who are involved in fraudulent and unfair trade practices.

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Investor's Greivances And Redressal System of SEBI

In India, risk in investment is very high due to malpractices, frauds and unethical investment practices. Investors do not have confidence in the financial market due to these reasons and they experience a sense of helplessness and insecurity. SEBI has made impressive efforts to protect the investors. Investors protection being a wide term encompasses all the measures specifically designed to protect investors from malpractices of the intermediaries such as brokers, companies' officials responsible for the issue, merchant bankers, registrar to issues etc. The majority of investors' complaints are against the brokers, the listed companies and the mutual funds.

Usual Grievances against Companies

1. Delay in registering transfer of securities. As per the SEBI guidelines the registration of transfer of shares should be done by the companies within 30 days of receipt of share transfer instrument which usually gets delayed and takes months to complete the process.
2. 2.Non-payment or delay in payment of dividend. Dividends should be distributed within 30 days from the date of declaration but by manipulation of procedures dividends may not be received for months.

Usual Grievances against Brokers

1. Default in payment or delayed payment of securities sold. A broker has to make payment to client who has sold securities through him within in 48 hours of pay-out of funds by clearing house of stock exchange or the Clearing Corporation. But the brokers generally delay or retain the sale proceed.
3. Delay or default in delivery of purchased security to the client. A broker has to deliver the purchased securities to his client within 48 hours of pay-out of securities by the stock exchange. It never happens so, in practice.
4. Non-Issue of contract note. A contract note has to be issued by the brokers to their clients in the prescribed form within 24 hours of the transaction which the brokers ignore and avoid so to earn secret profits.
5. Charging excess brokerage from clients.
6. Non-passing of corporate benefits. It is the duty of the broker to pass on all the benefits like rights issue of shares, bonus shares, dividends etc. to the client but most of the times brokers delay the passing of such benefits to the investors.
7. Overcharging. The broker should charge or pay only that amount for of sale or purchase of securities at He should not overcharge for purchases or pay less for the sales.

Grievances Against Depository Participant

A Depository Participant is an institution which holds securities in dematerialised form. A large number of banks and other financial institutions are operating as depository participant in the financial market. All the dematerialization or re-materialization requests of his clients must be forwarded to the concerned company within 7 days of the receipt of the request. The grievances are due to delays which is quite common.

Redressal Of Grievances Through SEBI

- Complaints arising out of activities that are covered under SEBI Act, 1992; Securities Contract Regulation Act, 1956; Depositories Act, 1996 and Rules and Regulations made thereunder and provisions that are covered under Section 55A of Companies Act, 1956 are dealt with by SEBI.

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- SEBI has a dedicated department viz., Office of Investor Assistance and Education (OIAE) to receive investor grievances. Grievances against the stock brokers are taken up by the respective stock exchange and those against the depository participants have been taken up by the depository for redressal and which is monitored by SEBI through periodic reports submitted by them.
- Grievances pertaining to other intermediaries are taken up with them directly for redressal and are continuously monitored by SEBI.
- Grievances against listed company are taken up with the respective listed company and are continuously monitored. The listed company is required to submit the Action Taken Report (ATR) and after which the status of grievances is updated.

SCORES (SEBI online complaint redressal system)

SCORES is a web-based centralized grievance redressal system of SEBI which provides online access 24 x 7. Complaints can be lodged online anytime from anywhere. An email is generated instantaneously acknowledging the receipt of complaint and allotting a unique complaint registration number to the complainant for future reference and tracking. The complaint is forwarded online to the concerned company for redressal, which is required to uploads an Action Taken Report (ATR) on the complaint received. SEBI ensures that the ATR redresses the complaint adequately and then after the complaint is closed upon satisfaction. The complainant investor can view the status online from SCORES by logging in the unique complaint registration number.

Investor Protection Measures

1. Simplification of share transfer and allotment procedure - SEBI appointed a committee under the chairmanship of Shri R Chandrasekaran, Managing Director of the Stock Holding Corporation of India Limited, to suggest a procedure for expediting and simplifying share transfer and allotment. The committee has submitted its draft report to various market intermediaries for their comments. Based upon the feedback the report will be finalised and necessary action will be taken to implement the recommendations. It is expected that the recommendations of this committee would considerably reduce the difficulties faced by investors on account of delays in share transfers.
2. Unique order code number - All stock exchanges have been required to ensure that a system is put in place whereby each transaction is assigned a unique order code number. This code has to be intimated by the broker to the client. Upon the execution of the order this number is to be printed on the contract note.
3. Time stamping of contracts - Stock brokers have been required to maintain a record of time when the client has placed the order. This has to be reflected in the contract note with the time of the execution of the order. The purpose is to ensure that clients' order is given preference, no extra charges are levied for any intra-day fluctuations in the price of security.
4. Role of sub-brokers - Historically, the brokers have been operating through a network of sub-brokers who form an important link between the brokers and the investors. While the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 provide for compulsory registration of sub-brokers, only 1,798 sub-brokers have registered with SEBI. With an attempt to safeguard the interest of investors and bring sub-brokers under the regulatory framework of SEBI and the stock exchanges.

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The following measures have been initiated by SEBI

- Efforts have been made to revive the institution of remisier under the rules and bye-laws of the stock exchanges.
- Transfer deeds bearing rubber stamps on the reverse other than those of clearing members of the stock exchanges/clearing house/clearing corporations would become bad delivery in the stock exchanges for all transfer deeds dated 1st June 1997 and thereafter.
- A stock broker may not deal with a person who is acting as a sub-broker unless he is registered with SEBI.

Investor Protection and Education Fund

"As per the Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009 published by authority, dated 19th May 2009, Chapter 2, the establishment, the utilisation and the conditions for aid of investor protection and education fund are -

1. Establishment of Fund – (1) There shall be a Fund to be called the Investor Protection and Education Fund. **(2)** The Fund shall be deemed to have been established on 23rd day of July, 2007, by the order made by the Board under section 11 of the Act.

2. Amounts to be credited to the Fund - The following amounts shall be credited to the Fund:-

(a) contribution as may be made by the Board to the Fund;

(b) grants and donations given to the Fund by the Central Government, State Government or any other entity approved by the Board for this purpose;

(c) proceeds in accordance with the sub-clause (ii) of clause (e) of sub-regulation (12) and the sub- regulation (13) of regulation 28 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;

(d) security deposits, if any, held by stock exchanges in respect of public issues and rights issues, in the event of de-recognition of such stock exchanges;

(e) amounts in the Investor Protection Fund and Investor Services Fund of a stock exchange, in the event of de-recognition of such stock exchange;

(f) interest or other income received out of any investments made from the Fund;

(g) such other amount as the Board may specify in the interest of investors.

3. Utilisation of Fund

(1) The Fund shall be utilised for the purpose of protection of investors and promotion of investor education and awareness in accordance with these regulations.

(2) Without prejudice to the generality of the object in sub-regulation (1), the Fund may be used for the following purposes, namely:

(a) Educational activities including seminars, training, research and publications, aimed at investors;

(b) Awareness programmes including through media - print, electronic, aimed at investors;

(c) Funding investor education and awareness activities of Investors' Associations recognized by the Board;

(d) aiding investors' associations recognized by the Board to undertake legal proceedings in the interest of investors in securities that are listed or proposed to be listed;

(e) refund of the security deposits which are held by stock exchanges and transferred to the Fund consequent on de-recognition of the stock exchange as mentioned in clause (d) of regulation 4, in case the concerned companies apply to the Board and fulfil the conditions for release of the deposit;

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(f) Expenses on travel of members of the Committee, who are not officials of the Board, and special invitees to the meetings of the Committee, in connection with the work of the Committee;
(g) Salary, allowances and other expenses of office of Ombudsman; and
(h) Such other purposes as may be specified by the Board.

4. Conditions for Aid: The aid to investors' associations, as referred to in clause (d) of sub-regulation (2) of regulation 5, shall be given by the Board in accordance with the guidelines made by it and subject to the following conditions:

(a) that the aid shall not exceed seventy-five per cent. of the total expenditure on legal proceedings;
(b) such aid shall not be considered for more than one legal proceeding in a particular matter;
(c) if more than one investor's association applies for seeking legal aid, the investors' association whose application is received first, shall be considered for such aid." (SEBI, SEBI (Investor Protection and Education Fund) Regulations, 2009, 2017).

Conclusion

The securities market cannot function without investors. Investors determine the level of activity in the securities market as well as in the economy. There has been a substantial increase in the growth of the numbers of investors in India. Apart from the FIIs and Institutional Investors, small investors are also gradually gaining the confidence in the stock markets. For the healthy growth of the corporate sector this confidence has to be maintained. Majority of the investors may not possess adequate knowledge and experience to take informed investment decisions. Some of the investors may not be aware of the risk-return pattern of the available investment options and the precautions to be taken while dealing with the securities market. Investors are not familiar with the market practices as well as their own rights and obligations. It is mandatory that the corporate processes have to be transparent to be credible, so that investors' interest may be secured which allows them to make an educated investment decision, and also help them with a reasonable exit option.

The Former Chairman of SEBI, G.N. Bajpai has so expressed in his tenure period as "My main priority is to build investor's confidence and bring the small investor back". For suggesting amendments to Securities and Exchange Board of India Act, 1992, the group headed by justice Kania, deliberated that "the investors in the equity market invest in risk capital and no assured return or compensation for non-fulfilment of every expectation may be provided in the statute. The compensation for fraud or misrepresentations or mis-statements by companies or any other intermediaries may be considered as a measure of investors protection. Further, the compensation to small investors in respect of fraud or misrepresentations or mis-statements by companies or intermediaries may be considered as a matter of investor protection."

Investors in the securities market are worried due to shortage of application forms, preferential allotment, mis-statements and concealment of facts, fraudulent management of the companies volatility in price and manipulation, insider-trading, defaults and unfair trade practices followed by brokers and sub-brokers, lack of corporate commitment, scams, insider- trading, lack of professional expertise, numerous unattended investor's complaints, liquidity issues, lack of transparency, high volatility in the securities market etc.

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