

THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992

(Act 15 of 1992, dt. 4.4.1992)

*[As amended by the Tribunals Reforms Act, 2021 (33 of 2021),
dt. 13-8-2021, w.e.f. 4-4-2021]*

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 matters connected therewith or incidental thereto.

BE it enacted by Parliament in the Forty-third Year of the Republic of India as follows:—

CHAPTER I PRELIMINARY

1. Short title, extent and commencement

- (1) This Act may be called the Securities and Exchange Board of India Act, 1992.
- (2) It extends to the whole of India.
- (3) It shall be deemed to have come into force on the 30th day of January, 1992.

2. Definitions

- (1) In this Act, unless the context otherwise requires,—
 - (a) “Board” means the Securities and Exchange Board of India established under section 3;
 - (b) “Chairman” means the Chairman of the Board;
 - ¹[(ba) “collective investment scheme” means any scheme or arrangement which satisfies the conditions specified in section 11AA;]
 - (c) “existing Securities and Exchange Board” means the Securities and Exchange Board of India constituted under the Resolution of the Government of India in the Department of Economic Affairs No. 1(44) SE/86, dated the 12th day of April, 1988;
 - (d) “Fund” means the Fund constituted under section 14;
 - ²[(da) Insurance Regulatory and Development Authority” means the Insurance Regulatory and Development Authority of India established under sub-section (1) of section 3 of the Insurance Regulatory and Development Authority Act, 1999;]

¹ Inserted by the Securities Laws (Amendment) Act, 1999, w.e.f. 22-2-2000.

² Inserted by the Finance Act, 2017, dt. 31-3-2017, w.e.f. 26-4-2017.

- ¹[(db) Judicial Member” means a Member of the Securities Appellate Tribunal appointed under sub-section (1) of section 15MA and includes the Presiding Officer;]
- (e) “member” means a member of the Board and includes the Chairman;
- (f) “notification” means a notification published in the Official Gazette;
- ¹[(fa) Pension Fund Regulatory and Development Authority” means the Pension Fund Regulatory and Development Authority established under sub-section (1) of section 3 of the Pension Fund Regulatory and Development Authority Act, 2013;]
- (g) “prescribed” means prescribed by rules made under this Act;
- (h) “regulations” means the regulations made by the Board under this Act;
- ²[(ha) “Reserve Bank” means the Reserve Bank of India constituted under section 3 of the Reserve Bank of India Act, 1934 (2 of 1934);]
- (i) “securities” has the meaning assigned to it in section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);
- ¹[(j) Technical Member” means a Technical Member appointed under sub-section (1) of section 15MB.]

³[(2) Words and expressions used and not defined in this Act but defined in the Securities Contracts (Regulation) Act, 1956 (42 of 1956) ⁴[or the Depositories Act, 1996], shall have the meanings respectively assigned to them in that Act].

CHAPTER II

ESTABLISHMENT OF THE SECURITIES AND EXCHANGE BOARD OF INDIA

3. Establishment and incorporation of Board

(1) With effect from such date as the Central Government may, by notification, appoint, there shall be established, for the purposes of this Act, a Board by the name of the Securities and Exchange Board of India.

(2) The Board shall be a body corporate by the name aforesaid, having perpetual succession and a common seal, with power subject to the provisions of this Act, to acquire, hold and dispose of property, both movable and immovable, and to contract, and shall, by the said name, sue or be sued.

(3) The head office of the Board shall be at Bombay.

(4) The Board may establish offices at other places in India.

4. Management of the Board

(1) The Board shall consist of the following members, namely:—

¹ Inserted by the Finance Act, 2017, dated 31-3-2017, w.e.f. 26-4-2017.

² Inserted by the Securities Laws (Amendment) Act, 2002, w.e.f. 29-10-2002.

³ Substituted by the Securities Laws (Amendment) Act, 1995, w.e.f. 25-01-1995. Prior to its substitution, sub-section (2) reads as under:

“(2) Words and expressions used and not defined in this Act but defined in the Capital Issues (Control) Act, 1947 or the Securities Contracts Regulation Act, 1956 shall have the same meanings respectively assigned to them in those Acts.”

⁴ Inserted by the Depositories Act, 1996, w.r.e.f. 20-09-1995.

- (a) a Chairman;
- (b) two members from amongst the officials of the ¹[Ministry] of the Central Government dealing with Finance ²[and administration of the Companies Act, 1956 (1 of 1956)];
- (c) one member from amongst the officials of ³[the Reserve Bank];
- ⁴[(d) five other members of whom at least three shall be the whole-time members,] to be appointed by the Central Government.

(2) The general superintendence, direction and management of the affairs of the Board shall vest in a Board of members, which may exercise all powers and do all acts and things which may be exercised or done by the Board.

(3) Save as otherwise determined by regulations, the Chairman shall also have powers of general superintendence and direction of the affairs of the Board and may also exercise all powers and do all acts and things which may be exercised or done by that Board.

(4) The Chairman and members referred to in clauses (a) and (d) of sub-section (1) shall be appointed by the Central Government and the members referred to in clauses (b) and (c) of that sub-section shall be nominated by the Central Government and the ⁵[Reserve Bank] respectively.

(5) The Chairman and the other members referred to in clauses (a) and (d) of sub-section (1) shall be persons of ability, integrity and standing who have shown capacity in dealing with problems relating to securities market or have special knowledge or experience of law, finance, economics, accountancy, administration or in any other discipline which, in the opinion of the Central Government, shall be useful to the Board.

5. Term of office and conditions of service of Chairman and members of the Board

(1) The term of office and other conditions of service of the Chairman and the members referred to in clause (d) of sub-section (1) of section 4 shall be such as may be prescribed.

(2) Notwithstanding anything contained in sub-section (1), the Central Government shall have the right to terminate the services of the Chairman or a member appointed under clause (d) of sub-section (1) of section 4, at any time before the expiry of the period prescribed under sub-section (1), by giving him notice of not less than three months in writing or three months' salary and allowances in lieu thereof, and the Chairman or a member, as the case may be, shall also have the right to relinquish his office, at any time before the expiry of the period prescribed under sub-section (1), by giving to the Central Government notice of not less than three months in writing.

¹ Substituted for "Ministries" by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.

² Substituted for "and law", by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.

³ Substituted for "the Reserve Bank of India constituted under section 3 of the Reserve Bank of India Act, 1934 (2 of 1934)", by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.

⁴ Substituted by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002. Prior to its substitution, clause (d) read as under:
"(d) two other members".

⁵ Substituted for "Reserve Bank of India" by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.

6. Removal of member from office

¹[* * *] The Central Government shall remove a member from office if he—

- (a) is, or at any time has been, adjudicated as insolvent;
- (b) is of unsound mind and stands so declared by a competent court;
- (c) has been convicted of an offence which, in the opinion of the Central Government, involves a moral turpitude;

²[* * *]

- (e) has, in the opinion of the Central Government, so abused his position as to render his continuation in office detrimental to the public interest :

PROVIDED that no member shall be removed under this clause unless he has been given a reasonable opportunity of being heard in the matter.

7. Meetings

(1) The Board shall meet at such times and places, and shall observe such rules of procedure in regard to the transaction of business at its meetings (including quorum at such meetings) as may be provided by regulations.

(2) The Chairman or, if for any reason, he is unable to attend a meeting of the Board, any other member chosen by the members present from amongst themselves at the meeting shall preside at the meeting.

(3) All questions which come up before any meeting of the Board shall be decided by a majority votes of the members present and voting, and, in the event of an equality of votes, the Chairman, or in his absence, the person presiding, shall have a second or casting vote.

³[7A. Member not to participate in meetings in certain cases

Any member, who is a director of a company and who as such director has any direct or indirect pecuniary interest in any matter coming up for consideration at a meeting of the Board, shall, as soon as possible after relevant circumstances have come to his knowledge, disclose the nature of his interest at such meeting and such disclosure shall be recorded in the proceedings of the Board, and the member shall not take any part in any deliberation or decision of the Board with respect to that matter.]

8. Vacancies, etc., not to invalidate proceedings of Board

No act or proceeding of the Board shall be invalid merely by reason of—

- (a) any vacancy in, or any defect in the constitution of, the Board; or
- (b) any defect in the appointment of a person acting as a member of the Board; or
- (c) any irregularity in the procedure of the Board not affecting the merits of the case.

1 “(1)” omitted by Securities Laws (Amendment) Act 1995, w.e.f. 25-1-1995.

2 Omitted, by Securities Laws (Amendment) Act 1995, w.e.f. 25-1-1995. Prior to omission, clause (d) read as under:

“(d) is appointed as a director of a company”.

3 Inserted by Securities Laws (Amendment) Act 1995, w.e.f. 25-1-1995.

9. Officers and employees of the Board

(1) The Board may appoint such other officers and employees as it considers necessary for the efficient discharge of its functions under this Act.

(2) The term and other conditions of service of officers and employees of the Board appointed under sub-section (1) shall be such as may be determined by regulations.

CHAPTER III

TRANSFER OF ASSETS, LIABILITIES, ETC., OF THE EXISTING SECURITIES AND EXCHANGE BOARD TO THE BOARD

10. Transfer of assets, liabilities, etc., of existing Securities and Exchange Board to the Board

(1) On and from the date of establishment of the Board,—

- (a) any reference to the existing Securities and Exchange Board in any law other than this Act or in any contract or other instrument shall be deemed as a reference to the Board;
- (b) all properties and assets, movable and immovable, of, or belonging to, the existing Securities and Exchange Board, shall vest in the Board;
- (c) all rights and liabilities of the existing Securities and Exchange Board shall be transferred to, and be the rights and liabilities of, the Board;
- (d) without prejudice to the provisions of clause (c), all debts, obligations and liabilities incurred, all contracts entered into and all matters and things engaged to be done by, with or for the existing Securities and Exchange Board immediately before that date, for or in connection with the purpose of the said existing Board shall be deemed to have been incurred, entered into, or engaged to be done by, with or for, the Board;
- (e) all sums of money due to the existing Securities and Exchange Board immediately before that date shall be deemed to be due to the Board;
- (f) all suits and other legal proceedings instituted or which could have been instituted by or against the existing Securities and Exchange Board immediately before that date may be continued or may be instituted by or against the Board; and
- (g) every employee holding any office under the existing Securities and Exchange Board immediately before that date shall hold his office in the Board by the same tenure and upon the same terms and conditions of service as respects remuneration, leave, provident fund, retirement and other terminal benefits as he would have held such office if the Board had not been established and shall continue to do so as an employee of the Board or until the expiry of the period of six months from that date if such employee opts not to be the employee of the Board within such period.

(2) Notwithstanding anything contained in the Industrial Disputes Act, 1947 (14 of 1947), or in any other law for the time being in force, absorption of any

employee by the Board in its regular service under this section shall not entitle such employee to any compensation under that Act or other law and no such claim shall be entertained by any court, tribunal or other authority.

CHAPTER IV

POWERS AND FUNCTIONS OF THE BOARD

11. Functions of Board

(1) Subject to the provisions of this Act, it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.

(2) Without prejudice to the generality of the foregoing provisions, the measures referred to therein may provide for—

- (a) regulating the business in stock exchanges and any other securities markets;
- (b) registering and regulating the working of stock brokers, sub-brokers, share transfer agents, bankers to an issue, trustees of trust deeds, registrars to an issue, merchant bankers, underwriters, portfolio managers, investment advisers and such other intermediaries who may be associated with securities markets in any manner;
- ¹[(ba) registering and regulating the working of the depositories, ²[participants], custodians of securities, foreign institutional investors, credit rating agencies and such other intermediaries as the Board may, by notification, specify in this behalf;]
- (c) registering and regulating the working of ³[venture capital funds and collective investment schemes], including mutual funds;
- (d) promoting and regulating self-regulatory organisations;
- (e) prohibiting fraudulent and unfair trade practices relating to securities markets;
- (f) promoting investors' education and training of intermediaries of securities markets;
- (g) prohibiting insider trading in securities;
- (h) regulating substantial acquisition of shares and take over of companies;
- (i) calling for information from, undertaking inspection, conducting inquiries and audits of the ⁴[stock exchanges, mutual funds, other persons associated with the securities market], intermediaries and self-regulatory organisations in the securities market;

¹ Inserted by Securities Laws (Amendment) Act 1995, w.r.e.f. 25-1-1995.

² Inserted by the Depositories Act, 1996, w.r.e.f. 20-9-1995.

³ Substituted for "collective investment schemes" by Securities Laws (Amendment) Act 1995, w.r.e.f. 25-1-1995.

⁴ Substituted for "stock exchanges and" by the Securities Laws (Amendment) Act 1995, w.r.e.f. 25-1-1995.

¹[(ia) calling for information and records from any person including any bank or any other authority or board or corporation established or constituted by or under any Central or State Act which, in the opinion of the Board, shall be relevant to any investigation or inquiry by the Board in respect of any transaction in securities;]

²[(ib) calling for information from, or furnishing information to, other authorities, whether in India or outside India, having functions similar to those of the Board, in the matters relating to the prevention or detection of violations in respect of securities laws, subject to the provisions of other laws for the time being in force in this regard:

PROVIDED that the Board, for the purpose of furnishing any information to any authority outside India, may enter into an arrangement or agreement or understanding with such authority with the prior approval of the Central Government;]

(j) performing such functions and exercising such powers under the provisions of ³[* * *] the Securities Contracts (Regulation) Act, 1956 (42 of 1956), as may be delegated to it by the Central Government;

(k) levying fees or other charges for carrying out the purposes of this section;

(l) conducting research for the above purposes;

⁴[(la) calling from or furnishing to any such agencies, as may be specified by the Board, such information as may be considered necessary by it for the efficient discharge of its functions;]

(m) performing such other functions as may be prescribed.

⁵[(2A) Without prejudice to the provisions contained in sub-section (2), the Board may take measures to undertake inspection of any book, or register, or other document or record of any listed public company or a public company (not being intermediaries referred to in section 12) which intends to get its securities listed on any recognised stock exchange where the Board has reasonable grounds to believe that such company has been indulging in insider trading or fraudulent and unfair trade practices relating to securities market.]

⁴[(3) Notwithstanding anything contained in any other law for the time being in force while exercising the powers under ⁶[clause (i) or clause (ia) of sub-section (2) or sub-section (2A)], the Board shall have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 (5 of 1908), while trying a suit, in respect of the following matters, namely :—

1 Substituted for "(ia) calling for information and record from any bank or any other authority or board or corporation established or constituted by or under any Central, State or Provincial Act in respect of any transaction in securities which is under investigation or inquiry by the Board" by the Securities Laws (Amendment) Act, 2014, w.r.e.f. 18-07-2013. Earlier, section 11(2)(ia) was inserted by the SEBI (Amendment) Act, 2002 w.e.f. 29-10-2002.

2 Inserted by the Securities Laws (Amendment) Act, 2014, w.r.e.f. 06-03-1998.

3 The words "the Capital Issues (Control) Act, 1947 (29 of 1947) and" omitted by the Securities Laws (Amendment) Act 1995, w.e.f. 25-1-1995.

4 Inserted by the Securities Laws (Amendment) Act 1995, w.e.f. 25-1-1995.

5 Inserted by the the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.

6 Substituted for "clause (i) of sub-section (2)" by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.

- (i) the discovery and production of books of account and other documents, at such place and such time as may be specified by the Board;
- (ii) summoning and enforcing the attendance of persons and examining them on oath;
- (iii) inspection of any books, registers and other documents of any person referred to in section 12, at any place;]
- ¹[(iv) inspection of any book, or register, or other document or record of the company referred to in sub-section (2A);
- (v) issuing commissions for the examination of witnesses or documents.]

¹[(4) Without prejudice to the provisions contained in sub-sections (1), (2), (2A) and (3) and section 11B, the Board may, by an order, for reasons to be recorded in writing, in the interests of investors or securities market, take any of the following measures, either pending investigation or inquiry or on completion of such investigation or inquiry, namely:—

- (a) suspend the trading of any security in a recognised stock exchange;
- (b) restrain persons from accessing the securities market and prohibit any person associated with securities market to buy, sell or deal in securities;
- (c) suspend any office-bearer of any stock exchange or self-regulatory organisation from holding such position;
- (d) impound and retain the proceeds or securities in respect of any transaction which is under investigation;
- ²[(e) attach, for a period not exceeding ninety days, bank accounts or other property of any intermediary or any person associated with the securities market in any manner involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder:
PROVIDED that the Board shall, within ninety days of the said attachment, obtain confirmation of the said attachment from the Special Court, established under section 26A, having jurisdiction and on such confirmation, such attachment shall continue during the pendency of the aforesaid proceedings and on conclusion of the said proceedings, the provisions of section 28A shall apply:
PROVIDED FURTHER that only property, bank account or accounts or any transaction entered therein, so far as it relates to the proceeds actually involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder shall be allowed to be attached];

¹ Inserted by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.

² Substituted by the Banning of Unregulated Deposit Schemes Ordinance, 2019 (No. 7 of 2019), w.e.f. 21-2-2019. Prior to its substitution, clause (e) read as under:

“(e) attach, after passing of an order on an application made for approval by the Judicial Magistrate of the first class having jurisdiction, for a period not exceeding one month, one or more bank account or accounts of any intermediary or any person associated with the securities market in any manner involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder :

PROVIDED that only the bank account or accounts or any transaction entered therein, so far as it relates to the proceeds actually involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder shall be allowed to be attached;”

- (f) direct any intermediary or any person associated with the securities market in any manner not to dispose of or alienate an asset forming part of any transaction which is under investigation :

PROVIDED that the Board may, without prejudice to the provisions contained in sub-section (2) or sub-section (2A), take any of the measures specified in clause (d) or clause (e) or clause (f), in respect of any listed public company or a public company (not being intermediaries referred to in section 12) which intends to get its securities listed on any recognised stock exchange where the Board has reasonable grounds to believe that such company has been indulging in insider trading or fraudulent and unfair trade practices relating to securities market :

PROVIDED FURTHER that the Board shall, either before or after passing such orders, give an opportunity of hearing to such intermediaries or persons concerned.]

¹[(4A)Without prejudice to the provisions contained in sub-sections (1), (2), (2A), (3) and (4), section 11B and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.]

²[(5) The amount disgorged, pursuant to a direction issued, under section 11B of this Act or section 12A of the Securities Contracts (Regulation) Act, 1956 or section 19 of the Depositories Act, 1996 , ¹[or under a settlement made under section 15JB or section 23JA of the Securities Contracts (Regulation) Act, 1956 or section 19-IA of the Depositories Act, 1996,] as the case may be, shall be credited to the Investor Protection and Education Fund established by the Board and such amount shall be utilised by the Board in accordance with the regulations made under this Act.]

³[11A. Board to regulate or prohibit issue of prospectus, offer document or advertisement soliciting money for issue of securities.

(1) Without prejudice to the provisions of the Companies Act, 1956 (1 of 1956), the Board may, for the protection of investors,—

(a) specify, by regulations—

(i) the matters relating to issue of capital, transfer of securities and other matters incidental thereto; and

(ii) the manner in which such matters shall be disclosed by the companies;

¹ Inserted by the Finance Act, 2018, w.e.f. 08-03-2019.

² Inserted by the Securities Laws (Amendment) Act, 2014, w.e.f. 18-07-2013.

³ Substituted by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002. Earlier, section 11A was inserted by the Securities Laws (Amendment) Act, 1995, w.e.f. 25-1-1995. Prior to its substitution, section 11A read as under:

“**11A. Matters to be disclosed by the companies.**— Without Prejudice to the Provisions of the Companies Act, 1956 (1 of 1956), the board may , for the protection of investors, specify, by regulations, —

(a) the matters relating to issue of capital, transfer of securities and other matters incidental thereto; and

(b) the manner in which such matters, shall be disclosed by the companies.”

(b) by general or special orders—

- (i) prohibit any company from issuing prospectus, any offer document, or advertisement soliciting money from the public for the issue of securities;
- (ii) specify the conditions subject to which the prospectus, such offer document or advertisement, if not prohibited, may be issued.

(2) Without prejudice to the provisions of section 21 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Board may specify the requirements for listing and transfer of securities and other matters incidental thereto.]

¹[11AA. Collective investment scheme

(1) Any scheme or arrangement which satisfies the conditions referred to in sub-section (2) ²[or sub-section (2A)] shall be a collective investment scheme:

²[PROVIDED that any pooling of funds under any scheme or arrangement, which is not registered with the Board or is not covered under sub-section (3), involving a corpus amount of one hundred crore rupees or more shall be deemed to be a collective investment scheme.]

(2) Any scheme or arrangement made or offered by any ³[person] under which,—

- (i) the contributions, or payments made by the investors, by whatever name called, are pooled and utilized for the purposes of the scheme or arrangement;
- (ii) the contributions or payments are made to such scheme or arrangement by the investors with a view to receive profits, income, produce or property, whether movable or immovable, from such scheme or arrangement;
- (iii) the property, contribution or investment forming part of scheme or arrangement, whether identifiable or not, is managed on behalf of the investors;
- (iv) the investors do not have day-to-day control over the management and operation of the scheme or arrangement.

⁴[(2A) Any scheme or arrangement made or offered by any person satisfying the conditions as may be specified in accordance with the regulations made under this Act.]

(3) Notwithstanding anything contained in sub-section (2) ⁵[or sub-section (2A)], any scheme or arrangement—

- (i) made or offered by a co-operative society registered under the Co-operative Societies Act, 1912 (2 of 1912) or a society being a society registered or deemed to be registered under any law relating to co-operative societies for the time being in force in any State;

1 Inserted by the SEBI (Amendment) Act 1999, w.e.f. 22-2-2000.

2 Inserted by the Securities Laws (Amendment) Act, 2014, w.r.e.f. 18-07-2013.

3 Substituted for "company" by the Securities Laws (Amendment) Act, 2014, w.r.e.f. 18-07-2013.

4 Inserted by the Securities Laws (Amendment) Act, 2014, w.r.e.f. 18-07-2013.

5 Inserted by the Securities Laws (Amendment) Act, 2014, w.r.e.f. 18-07-2013.

- (ii) under which deposits are accepted by non-banking financial companies as defined in clause (f) of section 45-I of the Reserve Bank of India Act, 1934 (2 of 1934);
- (iii) being a contract of insurance to which the Insurance Act, 1938 (4 of 1938), applies;
- (iv) providing for any Scheme, Pension Scheme or the Insurance Scheme framed under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952);
- (v) under which deposits are accepted under section 58A of the Companies Act, 1956 (1 of 1956);
- (vi) under which deposits are accepted by a company declared as a Nidhi or a mutual benefit society under section 620A of the Companies Act, 1956 (1 of 1956)¹;
- (vii) falling within the meaning of Chit business as defined in clause (d) of section 2 of the Chit Fund Act, 1982 (40 of 1982);
- (viii) under which contributions made are in the nature of subscription to a mutual fund;
- ²[(ix) such other scheme or arrangement which the Central Government may, in consultation with the Board, notify,]

shall not be a collective investment scheme.]

³[11B. Power to issue directions ⁴[and levy penalty]

⁵[(1)] Save as otherwise provided in section 11, if after making or causing to be made an enquiry, the Board is satisfied that it is necessary,—

- (i) in the interest of investors, or orderly development of securities market; or
- (ii) to prevent the affairs of any intermediary or other persons referred to in section 12 being conducted in a manner detrimental to the interest of investors or securities market; or
- (iii) to secure the proper management of any such intermediary or person, it may issue such directions,—
 - (a) to any person or class of persons referred to in section 12, or associated with the securities market; or
 - (b) to any company in respect of matters specified in section 11A, as may be appropriate in the interests of investors in securities and the securities market.]

³[*Explanation:* For the removal of doubts, it is hereby declared that the power to issue directions under this section shall include and always be deemed to have been included the power to direct any person, who made profit or averted loss by indulging in any transaction or activity in contravention of the provisions of

1 Now refer section 406 of the Companies Act, 2013 (18 of 2013).

2 Inserted by the Securities Laws (Amendment) Act, 2014, w.r.e.f. 18-07-2013.

3 Inserted by Securities Laws (Amendment) Act 1995, w.e.f. 25-1-1995.

4 Inserted by the Finance Act, 2018, w.e.f. 08-03-2019.

5 Section 11B re-numbered as sub-section (1) thereof by the Finance Act, 2018, w.e.f. 08-03-2019.

this Act or regulations made thereunder, to disgorge an amount equivalent to the wrongful gain made or loss averted by such contravention.]

¹[(2) Without prejudice to the provisions contained in sub-section (1), sub-section (4A) of section 11 and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.]

²[11C. Investigation

(1) Where the Board has reasonable ground to believe that—

- (a) the transactions in securities are being dealt with in a manner detrimental to the investors or the securities market; or
- (b) any intermediary or any person associated with the securities market has violated any of the provisions of this Act or the rules or the regulations made or directions issued by the Board thereunder,

it may, at any time by order in writing, direct any person (hereafter in this section referred to as the Investigating Authority) specified in the order to investigate the affairs of such intermediary or persons associated with the securities market and to report thereon to the Board.

(2) Without prejudice to the provisions of sections 235 to 241 of the Companies Act, 1956 (1 of 1956)³, it shall be the duty of every manager, managing director, officer and other employee of the company and every intermediary referred to in section 12 or every person associated with the securities market to preserve and to produce to the Investigating Authority or any person authorised by it in this behalf, all the books, registers, other documents and record of, or relating to, the company or, as the case may be, of or relating to, the intermediary or such person, which are in their custody or power.

(3) The Investigating Authority may require any intermediary or any person associated with securities market in any manner to furnish such information to, or produce such books, or registers, or other documents, or record before him or any person authorised by it in this behalf as it may consider necessary if the furnishing of such information or the production of such books, or registers, or other documents, or record is relevant or necessary for the purposes of its investigation.

(4) The Investigating Authority may keep in its custody any books, registers, other documents and record produced under sub-section (2) or sub-section (3) for six months and thereafter shall return the same to any intermediary or any person associated with securities market by whom or on whose behalf the books, registers, other documents and record are produced :

PROVIDED that the Investigating Authority may call for any book, register, other document and record if they are needed again :

PROVIDED FURTHER that if the person on whose behalf the books, registers, other documents and record are produced requires certified copies of the books, registers, other documents and record produced before the Investigating Authority,

¹ Inserted by the Finance Act, 2018 w.e.f. 08-03-2019.

² Inserted by SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.

³ Corresponding to erstwhile Act. Now refer sections 210 to 223 of Companies Act, 2013 (18 of 2013).

it shall give certified copies of such books, registers, other documents and record to such person or on whose behalf the books, registers, other documents and record were produced.

(5) Any person, directed to make an investigation under sub-section (1), may examine on oath, any manager, managing director, officer and other employee of any intermediary or any person associated with securities market in any manner, in relation to the affairs of his business and may administer an oath accordingly and for that purpose may require any of those persons to appear before it personally.

(6) If any person fails without reasonable cause or refuses—

- (a) to produce to the Investigating Authority or any person authorised by it in this behalf any book, register, other document and record which is his duty under sub-section (2) or sub-section (3) to produce; or
- (b) to furnish any information which is his duty under sub-section (3) to furnish; or
- (c) to appear before the Investigating Authority personally when required to do so under sub-section (5) or to answer any question which is put to him by the Investigating Authority in pursuance of that sub-section; or

(d) to sign the notes of any examination referred to in sub-section (7),

he shall be punishable with imprisonment for a term which may extend to one year, or with fine, which may extend to one crore rupees, or with both, and also with a further fine which may extend to five lakh rupees for every day after the first during which the failure or refusal continues.

(7) Notes of any examination under sub-section (5) shall be taken down in writing and shall be read over to, or by, and signed by, the person examined, and may thereafter be used in evidence against him.

(8) Where in the course of investigation, the Investigating Authority has reasonable ground to believe that the books, registers, other documents and record of, or relating to, any intermediary or any person associated with securities market in any manner, may be destroyed, mutilated, altered, falsified or secreted, the Investigating Authority may make an application to ¹[the Magistrate or Judge of such designated court in Mumbai, as may be notified by the Central Government] for an order for the seizure of such books, registers, other documents and record.

²[(8A) The authorised officer may requisition the services of any police officer or any officer of the Central Government, or of both, to assist him for all or any of the purposes specified in sub-section (8) and it shall be the duty of every such officer to comply with such requisition.]

(9) After considering the application and hearing the Investigating Authority, if necessary, ³[the Magistrate or Judge of the Designated Court] may, by order, authorise the Investigating Authority –

- (a) to enter, with such assistance, as may be required, the place or places where such books, registers, other documents and record are kept;

1 Inserted by the Securities Laws (Amendment) Act, 2014, w.r.e.f. 18-07-2013.

2 Inserted by the Securities Laws (Amendment) Act, 2014, w.e.f. 28-03-2014.

3 Inserted by the Securities Laws (Amendment) Act, 2014, w.r.e.f. 18-07-2013.

(b) to search that place or those places in the manner specified in the order; and

(c) to seize books, registers, other documents and record, it considers necessary for the purposes of the investigation:

PROVIDED that ¹[the Magistrate or Judge of the Designated Court] shall not authorise seizure of books, registers, other documents and record, of any listed public company or a public company (not being the intermediaries specified under section 12) which intends to get its securities listed on any recognised stock exchange unless such company indulges in insider trading or market manipulation.

(10) The Investigating Authority shall keep in its custody the books, registers, other documents and record seized under this section for such period not later than the conclusion of the investigation as it considers necessary and thereafter shall return the same to the company or the other body corporate, or, as the case may be, to the managing director or the manager or any other person, from whose custody or power they were seized and inform ¹[the Magistrate or Judge of the Designated Court] of such return:

PROVIDED that the Investigating Authority may, before returning such books, registers, other documents and record as aforesaid, place identification marks on them or any part thereof.

(11) Save as otherwise provided in this section, every search or seizure made under this section shall be carried out in accordance with the provisions of the Code of Criminal Procedure, 1973 (2 of 1974)² relating to searches or seizures made under that Code.³

11D. Cease and desist proceedings

If the Board finds, after causing an inquiry to be made, that any person has violated, or is likely to violate, any provisions of this Act, or any rules or regulations made thereunder, it may pass an order requiring such person to cease and desist from committing or causing such violation:

PROVIDED that the Board shall not pass such order in respect of any listed public company or a public company (other than the intermediaries specified under section 12) which intends to get its securities listed on any recognised stock exchange unless the Board has reasonable grounds to believe that such company has indulged in insider trading or market manipulation.]

CHAPTER V

REGISTRATION CERTIFICATE

12. Registration of stock brokers, sub-brokers, share transfer agents, etc.

(1) No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in

¹ Substituted for "the Magistrate" by the Securities Laws (Amendment) Act, 2014, w.r.e.f. 18-07-2013.

² Corresponding to erstwhile Act. Now refer Bharatiya Nagarik Suraksha Sanhita, 2023 (46 of 2023).

³ Now refer "Sanhita" (BNSS, 2023).

accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the ¹[regulations] made under this Act:

PROVIDED that a person buying or selling securities or otherwise dealing with the securities market as a stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market immediately before the establishment of the Board for which no registration certificate was necessary prior to such establishment, may continue to do so for a period of three months from such establishment or, if he has made an application for such registration within the said period of three months, till the disposal of such application:

²[PROVIDED FURTHER that any certificate of registration, obtained immediately before the commencement of the Securities Laws (Amendment) Act, 1995, shall be deemed to have been obtained from the Board in accordance with the regulations providing for such registration.

(1A) No depository, ³[participant,] custodian of securities, foreign institutional investor, credit rating agency, or any other intermediary associated with the securities market as the Board may by notification in this behalf specify, shall buy or sell or deal in securities except under and in accordance with the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act:

PROVIDED that a person buying or selling securities or otherwise dealing with the securities market as a depository, ³[participant,] custodian of securities, foreign institutional investor or credit rating agency immediately before the commencement of the Securities Laws (Amendment) Act, 1995, for which no certificate of registration was required prior to such commencement, may continue to buy or sell securities or otherwise deal with the securities market until such time regulations are made under clause (d) of sub-section (2) of section 30.

(1B) No person shall sponsor or cause to be sponsored or carry on or caused to be carried on any venture capital funds or collective investment schemes including mutual funds, unless he obtains a certificate of registration from the Board in accordance with the regulations:

PROVIDED that any person sponsoring or causing to be sponsored, carrying or causing to be carried on any venture capital funds or collective investment schemes operating in the securities market immediately before the commencement of the Securities Laws (Amendment) Act, 1995, for which no certificate of registration was required prior to such commencement, may continue to operate till such time regulations are made under clause (d) of sub-section (2) of section 30.]

⁴[*Explanation:* For the removal of doubts, it is hereby declared that, for purposes of this section, a collective investment scheme or mutual fund shall not include any unit linked insurance policy or scrips or any such instrument or unit, by whatever name called, which provides a component of investment besides the component of insurance issued by an insurer.]

1 Substituted for "rules" by Securities Law (Amendment) Act, 1995, w.e.f. 25-1-1995.

2 Inserted by Securities Laws (Amendment) Act 1995, w.e.f. 25-1-1995.

3 Inserted by the Depositories Act, 1996, w.r.e.f. 20-09-1995.

4 Inserted by the Securities and Insurance Laws (Amendment and Validation) Act, 2010, w.r.e.f 9-4-2010.

¹[(1C) No person shall sponsor or cause to be sponsored or carry on or cause to be carried on the activity of an alternative investment fund or a business trust as defined in clause (13A) of section 2 of the Income-tax Act, 1961, unless a certificate of registration is granted by the Board in accordance with the regulations made under this Act.]

(2) Every application for registration shall be in such manner and on payment of such fees as may be determined by regulations.

(3) The Board may, by order, suspend or cancel a certificate of registration in such manner as may be determined by regulations:

PROVIDED that no order under this sub-section shall be made unless the person concerned has been given a reasonable opportunity of being heard.

²[CHAPTER VA

PROHIBITION OF MANIPULATIVE AND DECEPTIVE DEVICES, INSIDER TRADING AND SUBSTANTIAL ACQUISITION OF SECURITIES OR CONTROL

12A. Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control

No person shall directly or indirectly—

- (a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognised stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;
- (b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;
- (c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;
- (d) engage in insider trading;
- (e) deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder;
- (f) acquire control of any company or securities more than the percentage of equity share capital of a company whose securities are listed or proposed to be listed on a recognised stock exchange in contravention of the regulations made under this Act.]

¹ Inserted by the Finance Act, 2021 (13 of 2021) w.e.f. April 1, 2021.

² Inserted by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.

CHAPTER VI**FINANCE, ACCOUNTS AND AUDIT****13. Grants by the Central Government**

The Central Government may, after due appropriation made by Parliament by law in this behalf, make to the Board grants of such sums of money as that Government may think fit for being utilized for the purposes of this Act.

14. Fund

(1) There shall be constituted a Fund to be called the Securities and Exchange Board of India General Fund and there shall be credited thereto—

(a) all grants, fees and charges received by the Board under this Act;

¹[* * *]

(aa) ²[* * *]

(b) all sums received by the Board from such other sources as may be decided upon by the Central Government.

(2) The Fund shall be applied for meeting—

(a) the salaries, allowances and other remuneration of the members, officers and other employees of the Board;

(b) the expenses of the Board in the discharge of its functions under section 11;

(c) the expenses on objects and for purposes authorised by this Act.

³[(d) the capital expenditure, as per annual capital expenditure plan approved by the Board and the Central Government.

(3) The Board shall constitute a Reserve Fund and twenty-five per cent of the annual surplus of the General Fund in any year shall be credited to such Reserve Fund and such fund shall not exceed the total of annual expenditure of preceding two financial years.

(4) After incurring all the expenses referred to in sub-section (2) and transfer to Reserve Fund as specified in sub-section (3), the surplus of the General Fund shall be transferred to the Consolidated Fund of India.]

15. Accounts and audit

(1) The Board shall maintain proper accounts and other relevant records and prepare an annual statement of accounts in such form as may be prescribed by the Central Government in consultation with the Comptroller and Auditor-General of India.

(2) The accounts of the Board shall be audited by the Comptroller and Auditor-General of India at such intervals as may be specified by him and any expenditure incurred in connection with such audit shall be payable by the Board to the Comptroller and Auditor-General of India.

¹ The word "and" omitted by Securities Laws (Amendment) Act, 1995, w.e.f. 25-1-1995.

² Clause (aa) omitted by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002. It was inserted by Securities Laws (Amendment) Act, 1995, w.e.f. 25-1-1995. Prior to its omission, clause (aa) read as under:—

"(aa) all sums realized by way of Penalties under this Act; and"

³ Inserted by the Finance (No. 2) Act, 2019. Effective date yet to be notified.

(3) The Comptroller and Auditor-General of India and any other person appointed by him in connection with the audit of the accounts of the Board shall have the same rights and privileges and authority in connection with such audit as the Comptroller and Auditor-General generally has in connection with the audit of the Government accounts and, in particular, shall have the right to demand the production of books, accounts, connected vouchers and other documents and papers and to inspect any of the offices of the Board.

(4) The accounts of the Board as certified by the Comptroller and Auditor-General of India or any other person appointed by him in this behalf together with the audit report thereon shall be forwarded annually to the Central Government and that Government shall cause the same to be laid before each House of Parliament.

¹[CHAPTER VIA PENALTIES AND ADJUDICATION

15A. Penalty for failure to furnish information, return, etc.

If any person, who is required under this Act or any rules or regulations made thereunder,—

- (a) to furnish any document, return or report to the Board, fails to furnish the same ²[or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to ³[a penalty ⁴[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees]];
- (b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations ⁵[or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to ⁶[a penalty ⁷[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees]];
- (c) to maintain books of account or records, fails to maintain the same, he shall be liable to ⁸[a penalty ⁹[which shall not be less than one

¹ Inserted by Securities Laws (Amendment) Act, 1995, w.e.f. 25-1-1995.

² Inserted by the Finance Act, 2018, w.e.f. 08-03-2019.

³ Substituted for "a penalty not exceeding one lakh and fifty thousand rupees for each such failure" by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.

⁴ Substituted for "of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.

⁵ Inserted by the Finance Act, 2018 w.e.f. 08-03-2019.

⁶ Substituted for "a penalty not exceeding five thousand rupees for every day during which such failure continues", by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.

⁷ Substituted for "of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.

⁸ Substituted for "a penalty not exceeding ten thousand rupees for every day during which the failure continues", by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.

⁹ Substituted for "of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.

lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees]].

15B. Penalty for failure by any person to enter into agreement with clients

If any person, who is registered as an intermediary and is required under this Act or any rules or regulations made thereunder to enter into an agreement with his client, fails to enter into such agreement, he shall be liable to ¹[a penalty ²[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees]].

³[15C. Penalty for failure to redress investors' grievances

If any listed company or any person who is registered as an intermediary, after having been called upon by the Board in writing ⁴[including by any means of electronic communication], to redress the grievances of investors, fails to redress such grievances within the time specified by the Board, such company or intermediary shall be liable to a penalty ⁵[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees].

15D. Penalty for certain defaults in case of mutual funds

If any person, who is—

- (a) required under this Act or any rules or regulations made thereunder to obtain a certificate of registration from the Board for sponsoring or carrying on any collective investment scheme, including mutual funds, sponsors or carries on any collective investment scheme, including mutual funds, without obtaining such certificate of registration, he shall be liable to ⁶[a penalty ⁷[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which he sponsors or carries on any such collective investment scheme including mutual funds subject to a maximum of one crore rupees]];

1 Substituted for "a penalty not exceeding five lakh rupees for every such failure", by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.

2 Substituted for "of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.

3 Substituted by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002. Prior to substitution, section 15C read as under:

"15C. Penalty for failure to redress investors' grievances

If any person, who is registered as an intermediary, after having been called upon by the Board in writing to redress the grievances of investors, fails to redress such grievances, he shall be liable to a penalty not exceeding ten thousand rupees for each such failure",

4 Inserted by the Finance (No.2) Act, 2019, w.e.f. 20-01-2020.

5 Substituted for "of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.

6 Substituted for "a penalty not exceeding ten thousand rupees for each day during which he carries on any such collective investment scheme including mutual funds, or ten lakh rupees, whichever is higher." by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.

7 Substituted "of one lakh rupees for each day during which he sponsors or carries on any collective investment scheme including mutual funds, or one crore rupees, whichever is less" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.

- (b) registered with the Board as a collective investment scheme, including mutual funds, for sponsoring or carrying on any investment scheme, fails to comply with the terms and conditions of certificate of registration, he shall be liable to ¹[a penalty ²[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees]];
- (c) registered with the Board as a collective investment scheme, including mutual funds, fails to make an application for listing of its schemes as provided for in the regulations governing such listing, he shall be liable to ¹[a penalty ²[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees]];
- (d) registered as a collective investment scheme, including mutual funds, fails to despatch unit certificates of any scheme in the manner provided in the regulation governing such despatch, he shall be liable to ¹[a penalty ²[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees]];
- (e) registered as a collective investment scheme, including mutual funds, fails to refund the application monies paid by the investors within the period specified in the regulations, he shall be liable to ³[a penalty ⁴[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees]];
- (f) registered as a collective investment scheme, including mutual funds, fails to invest money collected by such collective investment schemes in the manner or within the period specified in the regulations, he shall be liable to ⁵[a penalty ⁶[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees]].

15E. Penalty for failure to observe rules and regulations by an asset management company

Where any asset management company of a mutual fund registered under this Act, fails to comply with any of the regulations providing for restrictions on the activities of the asset management companies, such asset management company

- 1 Substituted for "a penalty not exceeding ten thousand rupees for each day during which such failure continues or ten lakh rupees, whichever is higher" by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.
- 2 Substituted for "of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.
- 3 Substituted for "a penalty not exceeding one thousand rupees for each day during which such failure continues" by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.
- 4 Substituted for "of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.
- 5 Substituted for "a penalty not exceeding five lakh rupees for each such failure", by the SEBI (Amendment) Act, 2002, w.e.f. 29-10-2002.
- 6 Substituted for "of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.