SKU JOURNAL OF LEX VIBRENT
(NATIONAL PEER REVIEWED E-RESEARCH JOURNAL)
January – March 2025
E-ISSN 3048-7323
Vol-2
Issue-1

Functioning for Stock Market: An Overview

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ABSTRACT
The process of mobilization of real resources to working and organized production has a strong finance as a pre- requisite. Finance is termed as the blood for life in the industry. Depending upon the nature of the activity to be financed, business requires short-term, medium term and long term finance. Capital of any nature be it of house property, land of any kind, capital in trading, is that part of assets of any country which is utilized for always creating a future wealth in development of that country or individual who is holding that assets. In the corporate sector the key formula of companies in order to raise their finance or to become market dominating entities is accepting deposits from the public and not from the financial institutions, reason being many like it is an easy mode of financing, companies didn't need to provide any kind of securities by any means by hypothecation, mortgage, etc. of its assets, the interest payable on loans from financial institutes and banks is usually higher than the interest payable on deposits and also It can bring considerable sum of money from thousands of people irrespective of whether they are shareholders or debenture holders or the company. Though the amount thus collected can be huge yet the stake of individual deposit holders will be generally low.

KEYWORDS
SEBI, stock market, fraud, malpractices, Investors, Securities, IPO, bonds, debentures, fraudulent practice, Act, primary market, market offers,

INTRODUCTION
The industries that provides financial services are regularly been shaping, evolving and redefining their activities in this ever growing free market. In this scenario of serious and ever increasing competition the need of getting fast information cannot be over emphasized. As this may lead to again some fraudulent practices in the market. Securities market in India has specifically two categories namely primary market and secondary market. Primary market deals with the new shares which previously were not provided to the public who wants to invest in them. In other words the primary market offers the securities that are to be offered to the public for the first time.

Primary market is a place of creation of securities; IPO (initial public offering) is a primary market's example. It is the opportunity that the investor gets for the first time from which he may contribute to the capital of a company through buying shares. On the other hand the secondary market may also call as stock market where the investors trade among themselves. The existing bonds, debentures, shares, treasury bills, commercial papers, etc. of are traded amongst investors of the companies. While in secondary market, the market use the securities that are already been issued by the company. The primary market deals with providing fresh securities to the investors. In this chapter the researcher is going to describe about the two most important markets in stock exchange that is primary and secondary markets then how the stock

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market works, how the shares are been purchased and what are the challenges a person has to face while dealing in buying or selling of the shares. The Indian stock market is amongst the most powerful stock exchanges in the world but still there are very few percent of country's population knows it's about its working.

Securities market is a place where a person wants to invest in shares only on the basis if the dependency of his/her upon transparency so the main criterion is transparency and disclosure by the company to its shareholders or investors. The Principles bolster convenient revelation of every material improvement that emerges between ordinary reports. They likewise bolster synchronous announcing of material or expected data to all investors so as to guarantee their fair treatment. In keeping up close relations with financial specialists and market members, organizations must be mindful so as not to disregard this central guideline of impartial treatment. A solid divulgence system that advances genuine straightforwardness is a significant the highlight of market-based checking of organizations and is fundamental to investors' capacity to practice their investor rights on an educated premise. Experience shows that divulgence can likewise be an incredible asset for impacting the conduct of organizations and for ensuring speculators. A solid divulgence system can assist in withdrawing in the capital and keep up trust in the capital markets.

Paradoxically, feeble divulgence and non-straightforward practices can add to unscrupulous conduct and to lost market uprightness at extraordinary cost, to the organization and its investors as well as to the economy as an entirety. Investors and potential financial specialists expect access to ordinary, dependable and tantamount data in adequate detail for them to evaluate the stewardship of the board, and settle on educated choices about the valuation, proprietorship, and casting a ballot of offers. Inadequate or hazy data may hamper the capacity of the business sectors to work, increment the expense of capital, and result in a poor distribution of assets.

Hence this chapter is also going tell the basics of the stock market as per the (Prohibition of fraudulent and unfair trade practices related to securities market) Regulations 2003. And what is importance of having the knowledge of stock market to a common man.

Object and Purpose of the Study

The primary objectives of this study are:

I. To understand the basic concept of stock market or securities market and it's functioning.

II. To study the functioning of (SEBI) securities exchange board of India and its powers and development.

III. To understand the role of SEBI in dealing with fraudulent and unfair trade practices in the stock market.

IV. To know the scope of FUTP Regulations and how effective it is in curbing the unfair practices in the securities market.

LITERATURE REVIEW

I. Kaushik Laik, Unfair Trade Practices in Securities Market, Taxmann, 2013. This book is basically a commentary on the securities and exchange board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003.

II. Securities and Exchange Board of India, Report of committee on Fair Market Conduct, 8th August 2018. Under the SEBI report on fair market conduct the review of existing legal framework that deals with the market manipulation to ensure transparent conduct in market of securities has been done. It has also reviewed the surveillance mechanism along with the enforcement and investigation dealt by SEBI for making the market integrity more efficient. also it emphasis more on the protection of investors interests.

III. Abhayagnihotri, Protection of the Interest of the Investor, Legal service India, 2019. This article gives an overview about the protection of the investor's interest in stock market with the grievance redressal system for the complaints of the investor as the investor is backbone of the securities market hence determines the level of economy in the country.

IV. Pratiksharavi, eradication of Fraudulent and mal Trade Practices relating to Securities Market, 16th April 2018. Present article discuss about the fraudulent and unfair practices in the securities market, their legal framework and their enforcements with various cases of manipulation in the stock market.

V. whistle blower policy and the Indian corporate governance, Law teacher, 2nd February 2018. The Whistle-blower approach in such manner has been perceived as one of the fundamental highlights of Corporate Governance Norms by the greater part of the countries over the world. Anyway because of the campaigning of the Indian Corporations, the Whistle-blower approach, in spite of being a compulsory suggestion in the Murthy Committee Report, was weakened and made no mandatory arrangement under Clause 49. The article discusses the legitimate ramifications of this weakening and attempts to distinguish the inception and administrative improvement of the arrangement and its need in the present corporate world.

RESEARCH METHODOLOGY

The Research is conducted through doctrinal research methods or the library based research in which mainly the textbooks, journals and the electronic medium for collecting the data of some Annual reports and Articles are referred to analyze various types of fraudulent and unfair trade practices and their related laws and regulations.

Meaning and Definition of Securities

Any financial instrument or certificate that could be traded upon or have some monetary value. In financial context securities are divided into certain categories such as debt securities, such as debentures and bonds, equity securities, such as stocks.

According to the security contract (Regulation) Act, 1956, section 2(h) says that securities include-

(i) shares, stocks, bonds, debentures, debenture stock or other marketable security of a like nature in or of any company or other body corporate incorporated;

(ia) derivative;

(ib) units or any other instrument issued by any collective investment scheme to the investors in such schemes;

(ic)security receipt as defined in clause (zg) of section 2 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
(id) units or any other such instrument issued to the investors under any mutual fund scheme."
Then there are government securities, under section 2(b) the government securities means -
"A security may be created and then issued, whether before or may be after the commencement of this Act, by the Central Government or a Government of any state for the purpose of taking a public loan and having one of the forms given in clause (2) of section 2 of the Public Debt Act, 1944."

Meaning and Definition of Stock Exchange

Stock exchange is a place where the shares of companies are sell and brought. In India we have two stock exchanges, one is national stock exchange and other is national stock exchange. The two stock exchanges works by representing the sensex and nifty, sensex is the graph of average of top 30 companies in Bombay stock exchange where as nifty show the graph of the top 50 companies at national stock exchange. If any company wants to sell its shares on stock exchange then this is termed as 'public listing of company' or initial public offering. The procedure of public listing of any company on the exchange of stocks is not easy as it used to be in times of Dutch east India Company because then it would be way too easy of companies to indulge in scams or unfair trade practices.
According to section 2(j) of the securities contracts regulation act, 1956 stock exchange means-
(a) anybody of individuals, whether incorporated or not, constituted before corporatization and demutualization under sections 4A and 4B, or
(b) A body corporate incorporated under the Companies Act, 1956 whether under a scheme of corporatization and demutualization or otherwise,
For the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities."

Securities Exchange Board of India

SEBI Act, 1992

The SEBI Act 1992 was enacted to empower SEBI with more statutory powers for following things.

i. To protect the development of securities market,
ii. The protection of investors is the most important reason for the enactment of the SEBI Act 1992 and
iii. A market where company all companies may perform as per their norms will make the market disturbed and hence there was need for the regulator for the securities market whose limit of jurisdiction will extend to the transfer of securities, corporate in insurance capital, with all persons associated with securities and to all the intermediaries.
iv. To develop a structural market of securities SEBI holds all the authorities and autonomy powers.
v. the main purpose for the establishment of this regulator is it keep on check upon the malpractices, the unfair means of transactions also it may conduct enquiries and audits

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then the inspection of all the adjudicate and related offences coming under the act. Such Regulator was also needed to regulate and register the intermediaries and in any case of the non compliance of the given provisions of the act penalize them.

How SEBI has Developed

There is no comparison between the stock market of India today and what it was about 10 years ago. Government of India has passed the securities act of, 1992 with a view to build up a successful and effective checking and control framework for Indian capital markets. Presently it has increased, in size with foreign investors, more trades and solid administrative power. With its head office in Mumbai with having power to establish offices at different places in India a board was established that is called securities exchange board of India i.e., SEBI. Under its official act, SEBI Act 1992. It has all such powers that are possessed by a corporate for instance. It has a common seal and perpetual succession. In case of movable and immovable property it can hold, acquire and dispose it also it may enter into the contracts. The most important thing is it may also be sued and can sue in its own name.

The general superintendence, direction and management of the affairs of SEBI vest in a Board of members. And it may consist of the members which the central government appoints. Covering various aspect of working and operations of Indian capital markets different regulations, guidelines and rules are issued by government of India and SEBI. The stock exchange authorities have also added new laws, rules and bye-laws for the working of stock exchange member's with effective control. Growth of country and economic development majorly depends upon the developments that have recently taken place in stock market as they are importantly implemented.

Powers and Functions of SEBI

SEBI has the duty to safeguard the interests of the securities investors and to advance, grow, and oversee the securities market by taking any actionist seems appropriate. In this regard, SEBI has following powers.

i. SEBI works for the regulating and working of the intermediaries who may in whatsoever manner associated with stock market for instance a share transfer agent, trust of trustees, deeds, sub-broker, issue to a registrar, investment advisor, and any bankers to the issue, underwriters, merchant banker and portfolio managers.
ii. The stock business in its market is regulated by SEBI.
iii. SEBI also works for regulating and promoting the self authoritarian organizations.
iv. The main objective with which the securities exchange institute of India is established was to curb the unfair and unjust practices that were taking place in the securities business or market, a common fraudulent practice which is rampant in any company or corporate is insider trading which the securities board prohibits. It's an unfair practice in which an inside information relating to companies shares or any other information which may influence the mentality of the person who is going to buy shares is misused by an insider of same company.

v. For the purpose of curbing any of the unfair trade practices in stock market the training and education of the intermediaries and of the investors in securities market is important which the SEBI promotes.
vi. central government may delegate it such powers to exercise and certain functions to perform as provided under the securities contracts (Regulations) Act.1956,
vii. Conducting research of the above mentioned purposes.
viii. To regulate and register the functioning of the mutual funds or other collective investment schemes and venture capital funds.
ix. Performing such other functions that may be prescribed.

For discharging these capacities SEBI has been vested with powers of a common court under the Code of Civil procedure, 1908 while attempting a suit, in regard of the following issues:

i. The production and discovery of all the documents including the books of account at such place and time that may be specifies by the SEBI.
ii. To give summon to that person and enforcing that persons attendance and after doing so examining him on oath, and
iii. As referred to in section 12 of the Act the inspection of the registers. All other documents and the books will be done.

Fraudulent and Unfair Trade Practices vis-a- vis SEBI

The government at center in the exercise of its powers under the old sections of SEBI which was section 18(2) and section 29 (SEBI grants the powers to the central government to make rules for the propose to carried on of the act of SEBI) much before the introduction of the section 12A in the SEBI Act, the SEBI (Annual Report) Rules, 1994 was framed by government of union.

The Annual report rules 1994 requires SEBI to submit the annual report giving a true and accounts of its "activities, policies and programmers during the previous financial year," to the central government in the form required by the annual report rules (prescribing the form of annual report of SEBI) giving details "regarding fraudulent and unfair trade practices which have come to the notice of SEBI and steps taken by them to prevent the occurrence of such practices."

Therefore, for SEBI it is also mandatory to give annual details of the 'steps taken' by it for regulating the securities market to ensure that the manipulative and deceptive devices are not utilize to result in unfair trade practices, beside only its regulating the market. As every now and then the unfair practices have come across the trading of market but what the statutory body is doing or does for its prohibition or takes preventive measures is a question to ask from that body. Ever SEBI have been started to functioned, it is an indisputable fact that it has been called upon to take the necessary steps for the prevention of unfair or fraudulent trade practices in the securities market. In the year 1999 SEBI has faced the biggest challenge when in the time of quick monetary crisis of BSE and NSE and charges of manipulation in the shares of BPL, Videocon and sterlite, it had to conduct the investigation. It was quite evident from the investigation that a common set of clients have done alteration of the market equilibrium and also created an artificial market by building up usually large positions in the scrips of these companies. For major securities scams like Harshad Mehta in 1992 these common set of clients have acted in front.

SEBI Managing Issues Related to Manipulation

SEBI has taken various cases of manipulation in the year 1997 to 1998, in which SEBI has also investigated the case which then come to the knowledge of it as grey markets allegations, stock exchange misused, going contrary to the guidelines provided in companies act, guidelines etc. one of such case was Rich Paints Limited, Rich Paints Ltd. v.Vadodara Stock Exchange Ltd. Some important points to look at it are given below:

The said case is about the irregularities in the issuing of share publically Examinations led by the SEBI uncovered that the open issue of the organization was not getting completely bought in so the advertisers moved toward one lender to mastermind membership. The course of action was that the organization would repurchase the offers bought in by the lender who might get intrigued by the measure of membership in the open issue. The applications in the open issue were made by the agent with stock puts which were encased in a present record of the organization opened explicitly for this reason. The assets against stock puts were acquired the bank by the lender upon the arrival of distribution and around the same time the stock contributes were enchased and the sum reimbursed to the agent. No cash really came into the record of the organization. By turning to this usual methodology, the necessity of Section 69 and 73 of the Companies Act, 1956 were evaded. Gujarat High Court excused the writ appeal of the organization against the request for not permitting the posting of the offers at the Stock Exchange, Mumbai. The court has maintained the perspectives on the SEBI and the translation of the Companies Act received by it for this situation. It was likewise assembled during the examinations that advertisers didn't get their piece of their membership and made a hallucination by demonstrating receipt of utilization cash through book passages as it were. Apparently, the application cash was gotten in real money, which was saved in a bank, and against this receipt, certain checks were given. Examination uncovered that installments were being appeared to imaginary gatherings and as a general rule, no cash was gotten and the worker of the organization pulled back all the installments appeared through book passages through carrier checks. The SEBI guided the organization to discount the sums gathered in the open issue with intrigue. The advertisers of the organization were additionally denied from getting to the protections markets for a time of one year. Request procedures have been regularized against shipper brokers, enlistment centers to the issue, and financiers to the issue.

SEBI has taken many steps in this regard where it has penalized many such brokers who have created the artificial market. For instance in the case of Sony Securities limited, one of the broker have this allegation of creating one such market for which he was also held liable and punished by SEBI. While there have been plethora of case where SEBI have penalized brokers and clients for violating the provisions of the FUTP regulations and SEBI Act but the instance of Sony securities Ltd may be given a special mention in light of the press release issued by SEBI on august 5, 1999.

Another case is BPL and Others v. SEBI

For this situation the request of SEBI was challenged by the candidates. The orders were passed by SEBI coordinating the litigant organization for example BPL "not to get to the capital market for a time of four years" along these lines disallowing the litigant organization from managing the protections for a time of four years. The order further stated that the prosecution proceedings under section 24 of the Act" would be initiated against the appellant company for violation of clause (a) and (d) of the regulations.

The above bearings were given by SEBI on the discoveries dependent on narrative confirmations, solid incidental confirmations certified by articulations of different people, that the appealing party organization was engaged with making a bogus market and controlling the costs of its scrip, in conspiracy with Harshad Mehta by supporting, abetting and being instrumental in affecting exchange by partaking and entering legitimately and in a roundabout way into exchange in the portions of BPL.

For this situation SAT put aside the requests passed by SEBI based on need of direct confirmations against the appealing party organization and held that enjoying deceitful and out of line exchange rehearses under the guideline is a genuine accusation visiting genuine outcomes as could be seen from the guidelines itself, which empower the respondent (SEBI) even to put a brake on an individual and right to work together for his job.

The miscreant is likewise subject to be indicted under SEBI Act 1992. In this way, the charges against the litigant should be all around demonstrated. The charges dependent on simple guesses and derives and on unjustifiable suspicions and resumption against the litigant it is unimaginable to hold the appealing party liable of such genuine accusations drawing in genuine results.

The PFUTP Regulations

The originator of present PFUTP Regulations is the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 1995 that is in short we call it the "1995 PFUTP Regulations". These regulations have been issued by the SEBI just after the issuance of a consultative paper by press release dated March 16, 1995. This enhances the importance of having the specific regulations of the unfair and fraudulent trade practices in relation to securities market. The consultative paper says:

"Prohibition of unfair and fraudulent trade practices in relation to securities market. However, SEBI Act does not prescribe or specify as to which practices would be considered to be unfair and fraudulent practices. While the fraudulent and unfair trade practices are commonly understood, it would be desirable if these practices are defined specifically. This will bring about clarity among the intermediaries, investors, issuers and other concerned persons in the securities markets about the practices that are prohibited, unfair and fraudulent".

The aim with which the PFUTP Regulations 1995 were made was noble; also for implementing the provisions of PFUTP Regulations indeed SEBI and SAT were the major factors. Still much remained desired to be achieved.

The efforts for the same were continuously were given. This may be explained through an example were the committee that have securities which have been delisted appointed by SEBI on February 19, 1997 under the leadership of Dr. Chandratre, submitted its report suggesting that 'unfair trading practices at the behest of promoters/management' be a ground for compulsory desisting of the securities, beside the various penalties and actions prescribed under the FUTP Regulations and the SEBI Act.

CONCLUSION

A place where the agenda of making, selling, buying, purchasing of securities can be done on the basis of supply and demand between the subjects of economy that is a security market. It is also a small component of wider financial market. As it has been discussed in this chapter the stock market consists of bond markets, derivatives market and stock markets where both the participants whether non-professional and professional can meet and the prices could also be determined.

The said chapter gives us an overview where it specifically tell us about the securities market splitting into two levels those are primary and secondary markets, one where the new securities can be sold and brought and the other where the securities that are already existing can be sold and brought. The main reason for which the stock market is been used in economy is that is attracts new capital, determine prices balancing supply and demand, transfer real assets in financial assets and also to provide a way of investing money both in long and short term.

The three fundamental elements of securities markets are: capital development, liquidity, and management of risk. These business sectors pair the organizations that need funding to work and the financial specialists with capital that are searching for arrival on their speculations. It additionally associates financial specialists or the investors together, those that are hoping to liquefy and sell their protections, and the individuals who need to purchase those equivalent protections.

The liquidity of protections is critical to the purchaser, and it tends to be the leader on whether the purchaser will contribute. These business sectors reduce the risk engaged with buying protections by enhancing and supporting their investments. They can buy gatherings of protections to bring down the general risk, notwithstanding a portion of the protections having a higher individual risk. Derivatives are further measures to take out dangers; they make the most extreme misfortune and secure venture gains. Different choices like mutual funds, which permit one to be monetarily required without managing investments and casting a ballot discretion, and put alternatives, which gives the proprietor the right, however not a commitment, to sell a specific sum at a particular cost inside a specific time span, are different ways that investors can bring down the dangers of buying the securities.

Now comes the most talked about and prominent functioning of securities market, securities exchange board of India which is (SEBI), it was established of 12th of April 1988 and it deals with every matter related to the regulation or development of stock market in India also it has been given statutory powers on 12th April 1992 through The SEBI Act 1992.

The capital market will be market of debt and equity securities is directed by (SEBI). Securities and Exchange Board of India (SEBI) has full independence and a position to control and create a capital market. The administration has made certain standards and rules under the depositories act, The SEBI Act and the securities controls act. The major reason for having all these regulations is to keep all the investors away from scam and deception and making the market a fair practice purchasing, buying, selling of securities. Better the transparency for an investor more the growth of the stock market.

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