

How is the Indian stock market regulated?

The Indian stock market is regulated as per the guidelines laid down by the Securities and Exchange Board of India (SEBI). We bring you the details.

A regulating body called the Securities and Exchange Board of India (SEBI) was established in 1992 with a view of protecting the interest of investors. This body lays down regulations in order to ensure orderly growth and smooth functioning of the Indian capital market.

Some of the most important functions of SEBI to regulate the Indian stock market are listed below:

- **Specifying rules and regulations**
SEBI has the authority to specify rules and regulations to control the stock exchange. For instance, the opening (9.15 am) and closing (3.30 pm) time of the market has been determined by SEBI, and it has the right to change the timing if deemed necessary.
- **Providing licenses to dealers and brokers**
No dealer or broker can start distributing securities to investors without getting a prior approval and license from SEBI. It also has the right to withhold or cancel the license of brokers and dealers not adhering to the specified guidelines.
- **Auditing the performance of various stock exchanges**
The regulating body is also responsible for auditing the performances of various stock exchanges and bringing transparency in their functioning.
- **Controlling mergers, acquisitions and take-overs of the companies**
Some companies try to manipulate stocks and buy a majority stake in other companies with an intention of a take-over. SEBI controls and prohibits such movements if it is not in the interest of the company.
- **Prohibiting unfair trade practices in the market**
While SEBI has laid down specific guidelines that promote fair trade practices, many companies occasionally undertake activities that are not healthy for the market. SEBI has the power to prohibit such activities and take action against the parties involved in such a trade.

Apart from these important functions, SEBI has many other responsibilities, which it exercises appropriately in order to regulate the Indian stock market.