Securities Contracts Act 1956

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★ objective
→ To regulate the stock exchange
→ To regulate transaction on stock exchange
→ To preventing undesirable speculation.

★ Non applicability
→ RBI, CG, local authority.
→ convertible bond or share warrant.
→ CG in the interest of trade & commerces.

★ Securities
1. shares, scripts, bond, debentures, debenture stock, other marketable securities.
2. Derivatives & security receipt.
3. units of CIS
4. units of mutual fund
5. Government securities.
6. Any instrument specified by government.
7. Rights & interest on securities.
8. OFCD is also considered as security as per sahara case

★ Delivery
1) Spot Delivery contract

Delivery & payment on the same Day of contract however exclude the time of post. | or Next day | or delivery as per the depository system

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* Stock exchange

→ any body of Individual, whether incorporated or Not or

→ any company after the scheme of corporatalization or demutualization.

* Recognised stock exchange

→ stock exchange recognised by CG.

* Recognise Stock exchange

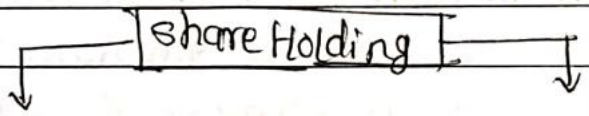
→ company application to CG.

→ Particulars.

a. byelaws → copy.
b. copy of AOA & MOA.
c. Particulars of governing body (BOD) Board of Director.
d. Power of management.
e. Power & duties of office bearers of Stock exchange
F. Details regarding the admission of trading & member & their qualification.
g. Procedure to admit partnership firm as a trading member.

succession of RSE, being a body of individual into the company registered under companies Act.

★ Demutualisation of stock exchange.
- separation of ownership & managment.
- conversion of non profit concern into profit making company.
- Transformation of Brocker owned stock exchanged into professionally run corporate ~~stock~~.
- Board consist 75 o/o of director represent public interest & other director represent brokers.



51 o/o of share holding by Non-trading member.

49 o/o. holding by trading member [Brokers]

★ Power of CG

Power to call periodical return.

a) stock exchange required to file

Periodical ↓ SEBI & annual return SEBI & CG.

b) Preserve books of account for 5 years.

c) such record can be inspected by SEBI.

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b] Power to direct or amend rules.

→ CG can direct to make rules in respect to RSE
→ STX are require to amend such rules or make such rules within 2 month From order.
→ CG shall also give reasons for such amendments.
→ If failed to implement then CG by notification can amend the rules.

* Power to supersede the Governing body of stock exchange.

→ Grounds - Governing body is unable to discharge the Function effectively
or
To protect the interest of investor at public.
→ CG shall serve written notice & give OOBH to such body.
→ Effect of such order :- member of Governing body shall cease to hold the office
→ CG shall appoint such person to discharge the function of Governing body
→ If CG appoint more than one person then one should be chairperson & another person shall act as a vice chairperson,
→ All properties of stock exchange shall vest with the person appointed by CG

* Suspension of business,

Ground :- to meet the emergency CG may suspend the business of stock exchange.

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→ max period of suspention 7 days.
→ suspension period can be extended if it is in public interest.

(*) Power to Grant immunity.
→ If any person has violated the rules & regulation of securities laws & made full disclosure about the violation.
→ CG after taking recommendation of SEBI may grant the immunity.
→ Immunity with respect to prosecution or penalty.
→ however CG shall not grant immunity if where the proceeding for such offence have been instituted

★ Power of recognise stock Exchange

- To make rules restricting voting rights.
- To make bye laws

★ Power of recognised stock exchange
• To make rules restricting voting right.
a) Restriction of voting Right in respect of any matter place before the stock exchange at any meeting.
b) Each member entitled to one vote only.
c) Restriction on right of member to appoint any person as his proxy

d) other incidental or supplementary matter.

- Power to make byelaws

→ RSE can after obtaining SEBI approval may make or amend the byelaws.

→ effect of violation of bye laws by any member.

a) fine
b) expulsion of member
c) suspension of such member
d) other penalties.

* Power of SEBI

A] To make of amend bye laws of recognise stock exchange.

a] SBI either own motion or application received From governing body amend any bye laws as consultation with governing body.

b] Bye laws made or owned amend shall be public in official gazette.

c] objection by governing body within 2 month from amendment.

d] SEBI must give OOBH & revise the bye laws.

B] To make regulation.

a] At least 51% share hold by non trading member

b] Term determined by SEBI for settlement of processing.

C] To Adjudicate

a] SEBI can appoint adjudication officer not below the rank of division chief.

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b] AO shall have power to adjudicate hold enquiry & levy penalty.
c] OOBH shall be given before imposing any penalty

★ Requirement of public issue.
- in case of public issue, first fullfill the eligiblity criteria of public issue.
- App to one or more recognized stock exchange for inprinciple approval.
- If stock exchange denied the approval than compan shall repay all money within 4 working days otherwise liable to pay interest @ 15% p.a.

★ Right to appeal against Recognised stock exchange
- If stock exchange refuse to list the securities &
① Reason for refusal is received.
(or)
② Reason for refusal is not received.

Reason for refusal is received
↓
apply to SAT within 15 days from receipt of reason.

or Reason for refusal not received
↓
appeal to SAT within 15 days from expiry of time specified for stock exchange

- Extention of 1 month can be granted by SAT.
- Dispose off appeal within 6 months
- SAT { confirm
- set aside
vary the order.

- Appeal to SC against SAT within 60 days
- Extension of 60 days can be granted.

Requirement of listing of securities

Application to stock exchange along with following document.

(a) Copy of MOA & AOA
(b) copies of all prospectus
(c) copies of circular & advertisment.
(d) copies of balancesheet & P&L A/c for last 5 years
(e) copies of agreement with intermediary.

minimum Public share holding:

Post Issue capital.	minimum offer to public
upto 1600 crore.	at 25% of each class of equity shares & convertable security.
above 1600 crore but upto 4000 crore.	such percentage which is equivalent to 400 crore
above 4000 crore but upto 1 lacs crore.	10% of Equity shares & equivalented.
above 1 lakh crore.	5000 crore & 5% of each class of equity share & convertable security

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Suspension of dealing in securities on stock exchange:

RSG may suspend the dealing in securities.

Reasons :-

ⓐ Non-compliances of condition.
ⓑ other reasons, recorded in writing.

- give OOBH before suspension.
- suspension for above 3 month, may file appeal to SAT
- SAT may confirm, modify or set aside the decision of stock exchange.

★ withdrawal of recognisation

SEBI can withdraw the recognisation in following cases.

ⓐ serve public notice & also serve such notice to stock exchange.
ⓑ Give OOBH
ⓒ any contract before the withdrawal shall be valid even after withdrawal of recognition.

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