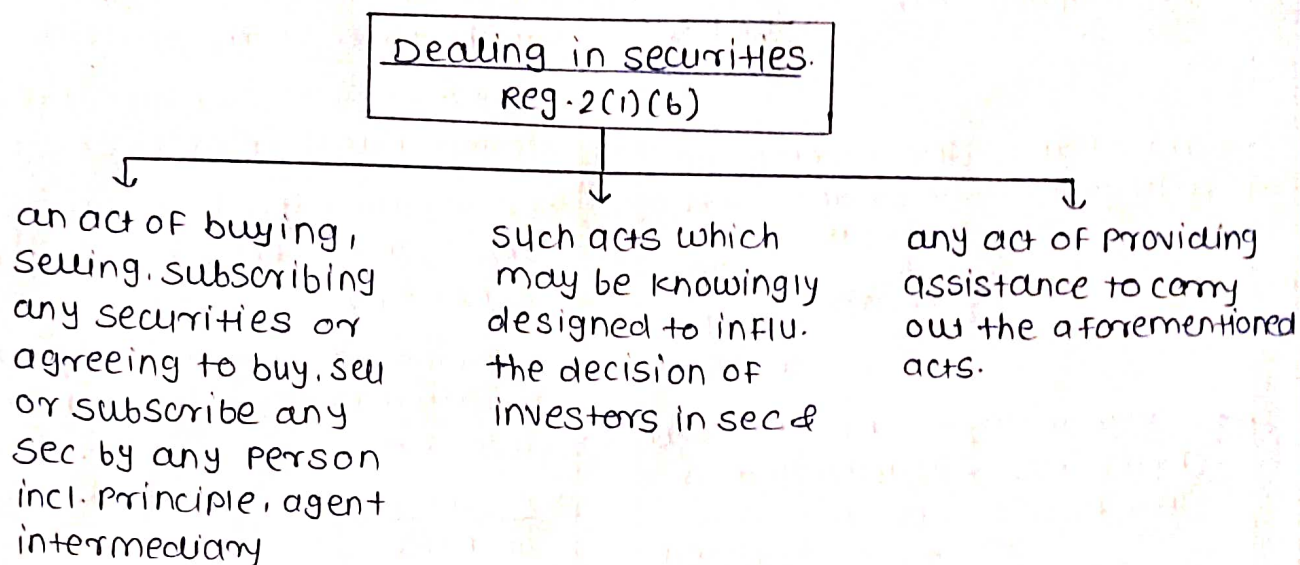


# ch-14 Prohibition Of Fraudulent And Unfair Trade Practices Relating to Securities Market Reg. 2003

⇒ SEBI (Prohibition of Fraudulent and unfair trade Practices) Relating to Securities market) Reg. 2003.

⇒ Important Definitions :-

①



\* ② Fraud  
Reg. 2(1)(cc) → • any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities. also includes

- 1) Misrepresentation - concealment of material fact.
- 2) Misinformation - affecting the MP of securities.
- 3) Representation - made in a reckless and careless manner.
- 4) Suggestion - of facts which are not true.
- 5) Promise - without intention of performing it.
- 6) Omission - law specifically declares to be fraudulent.
- 7) Deceptive Behavior - Deprive people informed consent, full participation.
- 8) False statement - without reasonable ground for being true.

⇒ Exceptions :-

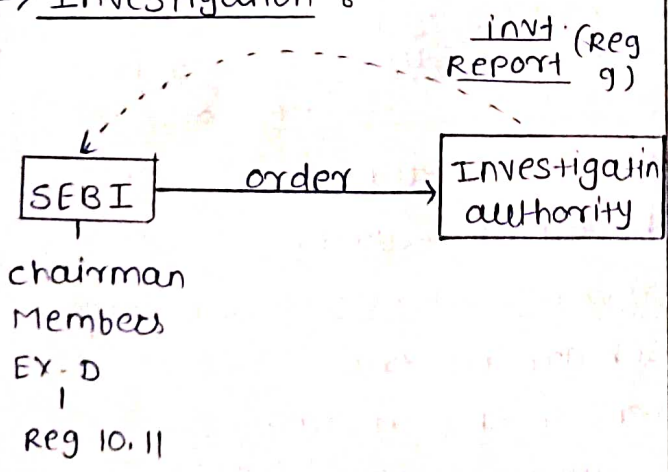
- a) the economic policy of the Govt.
- b) the economic situation of the country
- c) trends in the securities market.
- d) any other matter of a like nature.

Regulation-3 :-

Prohibition of certain dealings in Securities :- No person shall -

- Buy, sell or deal in securities in a fraudulent manner.
- use or employ → manip. or deceptive device.
  - ↓
  - issue or deal → sec co. Listed Prop. to be listed
- employ any - device, scheme or artifice → issue or deal in sec. to defraud
  - ↓
  - sec. → co. Listed Prop. to be listed
- engage in any act, practice, course of business → issue or deal → for fraud or deceit
  - ↓
  - sec → co. Listed Prop. to be listed

⇒ Investigation :-



Regulation-4. MIF/UTP

Prohibition of Manipulative, Fraudulent, Unfair Trade Practices.

- creates false appearance of trading in sec. market.
- Fraudulently securing minimum subscription.
- artificially inflating, depressing maintaining or causing fluctuation in the price of the securities.
- any act or omission amounting to manipulation of price.
- knowingly publishing information relating to securities which is not true
- knowingly planting information relating to securities which is not true.
- disseminating info. known to be false.
- entering into transaction without intention of performing
- selling, dealing or pledging of stolen, counterfeit or fraudulent issued securities. provided
  - person was a holder in due course.
  - through a bonafide transn
  - such selling, dealing, pledging of stolen, counterfeit or fraudulent sec → ⊗ MIF/UTP.
- Fraudulent inducement of person with the objective of enhancing is brokerage
- an intermediary predating falsifying records including contract notes, client instructn etc.

**Regulation-5**

- 1] act which is detrimental to the int. of invt. or sec. market.
- 2] intermediaries violated acts, RWS, Regulation.

**SEBI**

chairman  
Member  
Ex Director

order investigation

**Investigating Authority**

REPORT - Reg. 9  
St-2

Powers

Powers

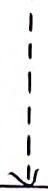
St-3

**Regulation-6**

→ Reg. 10, 11

SEBI can pass order during or after investigation:

- Suspend - trading of sec.
- Suspend - ofc bearer of SE (SRD)
- Restrain any person from SM
- Impound and retain proceeds
- order Not to dispose assets
- order not to dispose sec.
- order to dispose the sec.



**Regulation - 12**

- intermediary

- warning
- suspend
- cancel<sup>n</sup> of Reg.

- call info / doc / records from any person u/s 11 of the SEBI Act
- call info / doc / record from SEBI, authority or corp.
- keep the custody books / records → G.M.
- Application to judge for search & seizure.
- Search and seizure as per CrPC
- Books / records under search and seizure can be kept until investigation
- orally examine the employee officers
- examine on oath MD / M of intermediaries.