

QB365 Question Bank Software Study Materials

Securities Exchange Board of India (SEBI) Important 2,3 & 5 Marks Questions With Answers (Book Back and Creative)

12th Standard

Commerce

Total Marks : 54

2 Marks

8 x 2 = 16

1) Write a short notes on SEBI.

Answer :

- (i) SEBI means Securities Exchange Board of India.
- (ii) It is an apex body that maintains and regulates our capital market.
- (iii) It was established in 1988 by Indian government but got a statutory powers in 1992.

2) Write any two objectives of SEBI.

- Answer :** (i) **Regulation of Stock Exchanges:** The first objective of SEBI is to regulate stock exchanges so that efficient services may be provided to all the parties operating there.
- (ii) **Protection to the Investors:** The protection of the interests of the investors means protecting them from the wrong information given by the companies in their prospectus, reducing the risk of delivery and payment, etc.

3) Mention the headquarters of SEBI.

Answer : SEBI has its headquarters at the business district of Bandrakurla complex in Mumbai and has Northern, Eastern, Southern and Western Regional offices in New Delhi, Kolkatta, Chennai and Ahmedabad respectively.

4) What are the various ID proofs?

Answer : PAN card, Voters ID, Passport, Drivers license, Bank attestation, IT returns, electricity bill, telephone bill, ID cards with applicants photo issued by the central or state government and its departments are the various ID proofs.

5) What is Demat account?

- Answer :** (i) A demat account holds all the shares that are purchased in electronic or dematerialized form.
- (ii) Like the bank account, a demat account holds the certificates of financial instruments like, shares, bonds, government securities, mutual funds and exchange traded funds (ETFs).

6) Give any five examples of proof of Identity.

Answer : PAN card, voter's ID, passport, driver's license, electricity bill

7) Give any five example of proof of address

Answer : Ration Card, passport, voter ID card, driving license, electricity bill

8) What do you mean by "PAN"?

Answer : PAN - Permanent Account Number is a unique 10-digit alphanumeric identity allotted to each taxpayer by the Income Tax Department under the supervision of the Central Board of Direct Taxes.

3 Marks

6 x 3 = 18

9) What is meant by Dematerialization?

- Answer :** (i) Dematerialization is the process by which physical share certificates of an investor are taken back by the company/ registrar destroyed.
- (ii) Dematerialization is done at the request of the investor. Investors will first have to open an account with a DP (Depository Participant) and then request for dematerialization of certificates through the DP.
- (iii) Purchases made by an investor are credited to his account and sales are debited. All the holdings of a particular security will be identical and interchangeable.

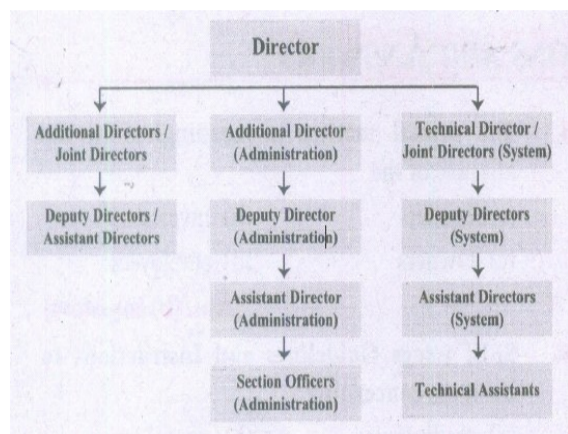
(iv) Trading in dematerialized shares commenced on the NSE in December, 1996, where Reliance Industries was the first company to trade its 100 shares in demat form.

10) What are the documents required for a Demat account?

Answer : (i) We need to submit proof of identity and address along with a passport size photograph and the account opening form. Only photocopies of the documents are required for submission, and originals are also required for verification.
(ii) The Proof of identity may be, PAN card, voter's ID, passport, driver's license, bank attestation, IT returns, electricity bill, telephone bill, ID cards with applicant's photo issued by the central or state government and its departments, etc.
(iii) The Proof of address may be Ration card, passport, Voter's ID card, bank passbook or bank statement, verified copies of electricity bills, residence telephone bills, lease and license agreement or agreement for sale, etc.

11) Draw the organization structure of SEBI.

Answer : Organization Structure of SEBI



12) What is the power of SEBI under Securities Contract Act?

Answer : (i) For effective regulation of stock exchange, the Ministry of Finance issued a Notification on 13 September, 1994 delegating several of its powers under the Securities Contract (Regulations) Act to SEBI.
(ii) SEBI is also empowered by the Finance Ministry to nominate three members on the Governing Body of every stock exchange.

13) What is meant by Insiders trading?

Answer : Insider trading means the buying and selling of securities by directors Promoters, etc. Who have access to some confidential information about the company and who wish to take advantage of the confidential information.

14) How is Dematerialization done?

Answer : (i) Dematerialization is done at the request of the investor.
(ii) Investors will first have to open an account with a DP (Depository Participant) and then request for dematerialization of certificates through the Dp.

5 Marks

4 x 5 = 20

15) What are the functions of SEBI? (any 5)

Answer : The functions of SEBI are as follows:

- (i) Safeguarding the interests of investors by means of adequate education and guidance.
- (ii) Regulating and controlling the business on stock markets.
- (iii) Conduct inspection and inquiries of stock exchanges, intermediaries and self-regulating organisations and to take appropriate measures wherever required.
- (iv) Barring insider trading in securities.
- (v) Prohibiting deceptive and unfair methods used by financial intermediaries operating in securities markets.
- (vi) SEBI Issues Guidelines and instructions to businesses concerning capital issues.

16) Explain the powers of SEBI. (any 5)

Answer : The various powers of SEBI are as follows:

(i) Powers Relating to Stock Exchanges & Intermediaries:

SEBI has wide powers regarding the stock exchanges and intermediaries dealing in securities. It can ask information from the stock exchanges and intermediaries regarding their business transactions for inspection or scrutiny and other purpose.

(ii) Power to Impose Monetary Penalties:

SEBI has been empowered to impose monetary penalties on capital market intermediaries and other participants for a range of violations.

(iii) Power to Initiate Actions in Functions Assigned

SEBI has a power to initiate actions in regard to functions assigned. For example, it can issue guidelines to different intermediaries or can introduce specific rules for the protection of interests of investors.

(iv) Power to Regulate Insider-Trading:

SEBI has power to regulate insider trading or can regulate the functions of merchant bankers.

(v) Powers Under Securities Contracts Act:

For effective regulation of stock exchange, the Ministry of Finance issued a Notification on 13 September, 1994 delegating several of its powers under the Securities Contracts Act to SEBI.

(vi) Power to Regulate Business of Stock Exchanges:

SEBI is also empowered to regulate the business of stock exchanges, intermediaries associated with the securities market as well as mutual funds, fraudulent and unfair trade practices relating to securities and regulation of acquisition of shares and takeovers of companies.

17) What are the benefits of Dematerialisation?

Answer : (i) The lack of paperwork enables quicker transactions and higher efficiency in trading

(ii) The risks pertaining to physical certificates like loss, theft, forgery and damage are eliminated completely with a DEMAT account.

(iii) Trading has become more convenient as one can trade through computers at any location, without the need of visiting a broker.

(iv) Certain banks also permit holding of both equity and debt securities in a single account.

(v) Banks also provide dedicated and trained customer care officers to assist through all the procedures.

(vi) One can also choose to take a loan against securities which are held in a DEMAT account by offering it as a collateral to the lender.

18) What are the objectives of SEBI?

Answer : (i) Regulation of Stock Exchanges

The first objective of SEBI is to regulate stock exchanges so that efficient services may be provided to all the parties operating there.

(ii) Protection to the Investors

(a) The capital market is meaningless in the absence of the investors.

(b) The protection of the interests of the investors means protecting them from the wrong information given by the companies in their prospectus, reducing the risk of delivery and payment, etc.

(iii) Checking the Insider Trading

(a) Insider trading means the buying and selling of securities by directors Promoters, etc.

(b) Who have access to some confidential information about the company and who wish to take advantage of this confidential information.

(c) This affects the interests of the general investors and is essential to check this tendency.

(iv) Control over Brokers

(a) It is important to supervise/ check the activities of the brokers and other middlemen in order to control the capital market.

(b) To regulate their activities, it was necessary to establish the SEBI.