

SECURITIES LAWS & CAPITAL MARKET

SAMPLE

PROF. Namrata Rodrigues

For **CS EXECUTIVE**

(New Syllabus)

HIGHLIGHTS

- **Easy Language** to the Beginners of Law
- **Flow Chart Based Book**
- **Inclusion of Important and Relevant** case laws
- **Inclusion of Examples / Case Studies**
- **Inclusion of Notes & Special Note**
for More Clarity



THINK **CS** THINK **ACE**

Join India's Best CS Coaching Classes

Aspiring **CS** ?



Prof. Naresh Shroff's
ACE
TUTORIALS



Become **CS**



CS

EET (CS Executive Entrance Test)

Executive Professional

Students all over India can learn from us

■ Online ■ Pendrive  ■ Google Drive 


For details call : 73031 17913 / 86522 72084 / 86522 72079

or visit

www.ace.redik.in

Face to Face classes at

**Borivali, Malad, Dadar, Mulund, Charni Road
Bhayander, Nalasopara, Mira Road,**

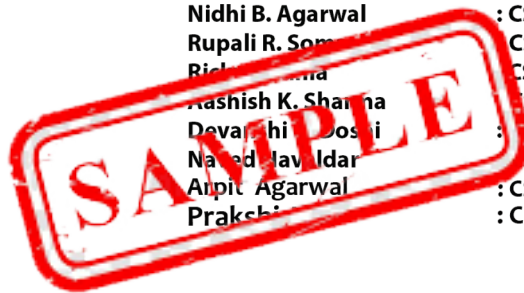
 **9503 600 600**

Our all India Rankers

1	Atharva A Samant Karishma M Madrecha Bhavi Piyush Shah Vrushali Karnik	: CS Foundation : CS Foundation : CS Foundation : CS Professional	14	Rishika Sachdeva Simran C. Gupta Urmit S Mehta Avani J Killawala Dharmil K Shah Ruchi M Chandaria Barkha D. Hinduja Aanchalkaur R. Nagpal Sahil S. Punjabi Priyanka K Jain Nehal R Nag Neerali C. Lakhani Jay Mistry Bhavika Ranpara Stella M. I Dcosta	: CS Foundation : CS Executive : CS Foundation : CS Foundation : CS Foundation : CS Foundation : CS Foundation : CS Executive : CS Foundation : CS Foundation : CS Foundation : CS Professional : CS Foundation : CS Foundation
2	Sushil Kumavat Rishab Mehta Sanika S Barve Kartiki M. Tulaskar Akshay H. Parnjape	: CS Professional : CS Professional : CS Foundation : CS Foundation : CS Executive	15	Sakshi M. Jain Vandita L. Tank Mittal B. Bhanushali Aashi K. Mehta Femi P. Jain Savio R. Braganca Aashika R. Agarwal Shibani Nadar Maya Reddy Mayur Shah Divya Mehta Meghna Bhuwad Meghna Somani Mahek S. Jain	: CS Foundation : CS Foundation : CS Foundation : CS Professional : CS Professional : CS Foundation : CS Foundation : CS Professional : CS Executive : CS Foundation : CS Foundation : CS Foundation : CS Foundation : CS Foundation : CS Foundation
3	Shehbaazali F Therir Prachiti A. Karandikar Komal T. Shah	: CS Professional : CS Professional : CS Professional	16	Saliman Mathi Ibrat P. Khan Krishna N.Raval Bhusan P. Porwal Pooja R. Shrimankar Sunita N. Gohil Simony J. Rathod Ankita Bhagat Ayesha Shah Pawan Kandoi Ayushi N. Jeswani	: CS Professional : CS Foundation : CS Foundation : CS Professional : CS Foundation : CS Foundation : CS Foundation : CS Foundation : CS Executive : CS Executive : CS Foundation
5	Sumedh Pawse Harsh M. Vira Nrupang Dholakia	: CS Professional : CS Foundation : CS Executive	17	Havish Gotecha Raashi U. Rege Vinisha V.Lobo Reema M. Vara Heer J. Parekh Jas K. Ganatra Sanosh K. Doomasia Shraddha D. Shah Neerali C. Lakhani Abhishek M. Salunke Shivani S. Doiphode	: CS Executive : CS Professional : CS Foundation : CS Foundation : CS Foundation : CS Foundation : CS Foundation : CS Foundation : CS Executive : CS Foundation : CS Foundation
6	Simona D'souza Raashi U. Rege Krisha C Zatakia Hardy Patel Swarali Mehta	: CS Foundation : CS Executive : CS Foundation : CS Professional : CS Executive	18	Pooja S. Nakhuva Priti A.Shukla Hiral B. Kakadiya Manali C. Kokate Karan S. Visariya Shubham S. Jain Harsh L. Siroya	: CS Foundation : CS Foundation : CS Foundation : CS Foundation : CS Foundation : CS Foundation : CS Foundation
8	Md. Tabish R Siddiqui Ami Mehta Ankita Jain Harsha Gupta	: CS Executive : CS Professional : CS Executive : CS Foundation			
9	Havish D. Gotecha Priyanka K. Jain Hemanshi T Ranawat Pratiksha Mangaonkar	: CS Foundation : CS Executive : CS Foundation : CS Professional			
10	Gibin Joy Simran C Gupta Bhavika S. Jain	: CS Foundation : CS Foundation : CS Foundation			
11	Vidhi R Dahanuka Stuti V. Shah Khyati Kathrani Pratik Shukla Komal T. Shah Chunni Singh	: CS Foundation : CS Foundation : CS Professional : CS Foundation : CS Foundation : CS Executive			
12	Michella Dantis Rishabh Raj Mehta Shanell Vincent Lobo Shivani Sanjay Sharma Ankita Jain Nidhi R. Gemavat Shayantani A. Das	: CS Professional : CS Executive : CS Foundation : CS Foundation : CS Professional : CS Professional : CS Foundation			
13	Hardy V. Patel Pranali A Patel Sonali D. Dave Md. Tabish R Siddique Sumedh R. Ajgaonkar Varun H. Gianchandani Bhavika H. Porwal Nikitha J. Shenoy Komal P. Parakh Nruprang Dholakia Hardik Mehta	: CS Foundation : CS Foundation : CS Foundation : CS Professional : CS Foundation : CS Foundation : CS Foundation : CS Foundation : CS Professional : CS Professional : CS Professional			

Our all India Rankers

19	Drashti G. Shah	: CS Foundation	23	Daksha P. Kate	: CS Foundation
	Amit B. Jain	: CS Foundation		Sharon S. Pinto	: CS Foundation
	Tarushi P. Saraff	: CS Foundation		Riddhi S. Bandekar	: CS Foundation
	Kaustubh S. Bagav	: CS Foundation		Darshil N. Shah	: CS Executive
	Dhvani V. Jain	: CS Foundation		Hiral V. Bhanushali	: CS Foundation
	Srushti T. Sanghvi	: CS Foundation		Vinal V. Ganatra	: CS Foundation
	Ishita S. Desai	: CS Foundation		Aishwarya P. Thakur	: CS Foundation
	Femi P. Jain	: CS Foundation		Sheetal P. Dubey	: CS Foundation
	Yuri A. Jain	: CS Foundation		Apeksha U. Shetty	: CS Foundation
	Vatsal Thakkar	: CS Professional		Pratibha R. Mishra	: CS Executive
	Siddharth Shah	: CS Professional		Sneha G. Jain	: CS Foundation
	Twinkle Maheshwari	: CS Foundation		Juhi Kumari	: CS Executive
	Meet B. Shah	: CS Foundation		Salini Singhi	: CS Executive
	Shubham V. Joshi	: CS Foundation		Mihir S. Parekh	: CS Foundation
20	Siddhi Joshi	: CS EXECUTIVE	Riddhi Vikam	: CS Executive	
	Ritik B. Gupta	: CS Foundation	Kanchan Singh	: CS Professional	
	Pooja V. Mondkar	: CS Foundation	24	Moksha M. Jain	: CS Foundation
	Priyanka K. Jain	: CS Professional		Nikita S. Ambavale	: CS Foundation
	Henil J. Shah	: CS Foundation		Raj Y. Bajarla	: CS Foundation
	Kushant M. Jain	: CS Foundation		Harsha S. Shetty	: CS Foundation
	Shakshi P.K. Kharga	: CS Foundation		Preksha M. Shah	: CS Foundation
	Ankan Maiti	: CS Foundation		Riya R. Naik	: CS Foundation
	Mansi C. Sachala	: CS Foundation		Sanya K. Shah	: CS Foundation
	Jigyasha O. Tomer	: CS Foundation		Prayushi M. Kapadia	: CS Foundation
	Sulaiman O. Shiekh	: CS Foundation		Kajal R. Shah	: CS Executive
	Siddhi B. Badiyani	: CS Professional		Darshana Prasade	: CS Foundation
	Ameya S. Kulkarni	: CS Foundation		Nidhi B. Agarwal	: CS Foundation
	Jinal Shah	: CS Foundation		Rupali R. Somani	: CS Foundation
Aanchal Jain	: CS Foundation	Richa Sharma		: CS Executive	
Vidhi Parekh	: CS Professional	Nashish K. Sharma		: CS Foundation	
21	Ankita D. Murarka	: CS Foundation	Devarshi Joshi	: CS Foundation	
	Pahini Sonigara	: CS Foundation	Naved Navjidar	: CS Professional	
	Hinal J. Mehta	: CS Foundation	Anpit Agarwal	: CS Professional	
	Dhruvi J. Shah	: CS Foundation	Prakshi	: CS Foundation	
	Devyani G. Sharma	: CS Foundation	25	Atharva A. Sawant	: CS Executive
	Sahil S. Punjabi	: CS Professional		Ritesh R. Hegde	: CS Foundation
	Nafis A. Shaikh	: CS Foundation		Visa N. Patel	: CS Foundation
	Unnati J. Dave	: CS Professional		Nishita R. Shetty	: CS Foundation
	Khan Ibrat P. Ashfaq	: CS Foundation		Mugdha S. Dingore	: CS Foundation
	Sukanna N. Karar	: CS Foundation		Foram G. Patel	: CS Foundation
	Jay K. Mehta	: CS Foundation		Pooja R. Shah	: CS Foundation
	Juhi Jagdish Tanna	: CS Foundation		Suraj H. Bhadra	: CS Foundation
	Sapna B. Sharma	: CS Foundation		Purvi B. Manghi	: CS Foundation
	Md. Waqar R. Siddiqui	: CS Foundation		Krupali Suhas Doshi	: CS Foundation
Ankitha S. Iyer	: CS Professional	Neha B. Gandhi		: CS Foundation	
Komal Parekh	: CS Executive	Twinkle M. Jain		: CS Foundation	
Shikha Damania	: CS Executive	Abhishek S. Parekh		: CS Foundation	
Sunil K. Shah	: CS Foundation	Devangi Singh		: CS Foundation	
Divya R. Polekar	: CS Foundation	Anisha Iyer	: CS Executive		
22	Zeeshal P. Shah	: CS Foundation	Riya D. Nagraj	: CS Foundation	
	Vismaya V. Pisharody	: CS Foundation			
	Mrunmayi A. Gaikwad	: CS Foundation			
	Gunjan P. Jain	: CS Foundation			
	Janet Sojan	: CS Foundation			
	Supriya K. Tirupati	: CS Foundation			
	Kaushik C. Raichura	: CS Foundation			
	Shivani A. Dalvi	: CS Foundation			
	Vandan P. Gosrani	: CS Foundation			
	Aanchal V. Bakshi	: CS Foundation			
	Dhiti M. Mandalia	: CS Foundation			
	Kajol N Jain	: CS Foundation			
	Kinjal Shah	: CS Professional			
	Jeet Vayada	: CS Professional			
Pradeep Soni	: CS Foundation				
Ayushi R. Vora	: CS Foundation				
Heet K. Valia	: CS Foundation				
Priyanka V. Joshi	: CS Foundation				



Many such successful stories like them at



Achieve Your Dream Career With ACE



HOW ACE TUTORIALS CAN HELP YOU?



- **Highly Experienced & Qualified CA/CS** faculties are teaching.
- **Teaching CS Exclusively** since last 15 years & successfully taught 200+ batches, so students get to learn from the most experienced team.
- **Comprehensive study material** is provided with in depth coverage of the syllabus.
- **Portion gets completed** on time gives students sufficient time for self study & revisions.
- **All latest & updated case studies** are covered to fetch the best results.
- **Regular Classroom tests & Prelims** are conducted for building utmost confidence.
- **Revision & Doubt clearing** sessions are conducted that gives a brush up on all important points.
- **Recorded video backup lecture** are provided in case lectures are missed by students.

Achieve your Dream Career with ACE

INDEX

Sr. No	Topic	Page No.
Part A		
1	Securities Contracts (Regulations) Act, 1956	1-10
2	Securities and Exchange Board of India Act, 1992	11-30
3	Depositories Act, 1996	31-42
4	An Overview of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018	43-67
5	An Overview of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015	68-90
6	An Overview of SEBI (Substantial Acquisition of Shares and Takeovers) regulations, 2011	91-114
7	SEBI (Buy-Back of Securities) Regulations, 1998	115-126
8	SEBI (Delisting of Equity Shares) Regulations, 2009	127-139
9	SEBI (Share Based Employee Benefits) Regulations, 2014 – An Overview	140-152
10	SEBI (Issue of Sweat Equity) Regulations, 2002 – An Overview	153-157
11	SEBI (Prohibition of Insider Trading) Regulations, 2015	158-174
12	Mutual Funds	175-195
13	Collective Investment Schemes	196-206
14	SEBI (Ombudsman) Regulations, 2003	207-227
Part B		
15	Structure of Capital Market	228-275
16	Securities Market Intermediaries	275-296
	Practical Questions	297-304

Chapter 1

Securities Contracts (Regulation) Act, 1956

SAMPLE

Chapter 1

Securities Contracts (Regulation) Act, 1956

Definition

Section 2 of this Act contains definitions of various terms used in the Act. Some of important definitions are given below:

Securities

Securities include

- (i) shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or body corporate.
- (ii) derivative.
- (iii) units or any other instrument issued by any collective investment scheme to the Investors in such schemes.
- (iv) security receipt
- (v) units or any other such instrument issued to the investors under any mutual fund scheme.
- (vi) any certificate or instrument (by whatever name called) issued to an investor by any issuer being a special purpose distinct entity which possess any debt or receivable, including mortgage debt
- (vii) government securities.
- (viii) such other instruments as may be declared by the Central Government to be securities and,
- (ix) rights or interests in securities.

Spot delivery contract

Spot delivery contract means a contract which provides for

- (i) actual delivery of securities and the payment of a price therefore either on the same day as the date of the contract or on the next day, the actual period taken for the dispatch of the securities or the remittance of money therefore through the post being excluded from the computation of the period aforesaid if the parties to the contract do not reside in the same town or locality;
- (ii) transfer of the securities by the depository from the account of a beneficial owner to the account of another beneficial owner when such securities are dealt with by a depository.

Past Paper Question



Write notes on the following:

Spot delivery contract

(4 marks) (Dec 2014)

Corporatisation

“Corporatisation” means the succession of a recognised stock exchange, being a body of individuals or a society registered under the Societies Registration Act, 1860, by another stock exchange, being a company incorporated for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities carried on by such individuals or society.

Demutualisation

“Demutualisation” means the segregation of ownership and management from the trading rights of the members of a recognised stock exchange in accordance with a scheme approved by the Securities and Exchange Board of India.

Stock Exchange

Stock Exchange means:-

- (i) any body of individuals, whether incorporated or not, constituted before corporatisation and demutualisation under Sections 4A and 4B, or
- (ii) a body corporate incorporated under the Companies Act, 2013 or otherwise, whether under a scheme of corporatization or otherwise,

for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities.

Recognised Stock Exchange

Recognised Stock Exchange means a stock exchange which is for the time being recognised by the Central Government.

Government security

Government security means a security created and issued whether before or after the commencement of this Act, by the Central Government or a State Government for the purpose of raising a public loan

Recognition of Stock Exchanges

Section 3 lays down that any stock exchange, desirous of being recognized for the purposes of this Act may make an application in the prescribed manner to the Central Government. Every application shall contain such particulars as may be prescribed, and shall be accompanied by a copy of the bye-laws of the stock exchange for the regulation and control of contracts and also a copy of the rules relating in general to the constitution of the stock exchange and in particular to

- (a) the governing body of such stock exchange, its constitution and powers of management and the manner in which its business is to be transacted;
- (b) the powers and duties of the office bearers of the stock exchange;
- (c) the admission into the stock exchange of various classes of members, the

qualifications, for membership, and the exclusion, suspension, expulsion and re-admission of members there from or there into;

- (d) the procedure for the registration of partnerships as members of the stock exchange in cases where the rules provide for such membership; and the nomination and appointment of authorized representatives and clerks.

Grant of Recognition to Stock Exchanges

Section 4 lays down that if the Central Government is satisfied (powers are exercisable by SEBI also) after making such inquiry as may be necessary in this behalf and after obtaining such further information, if any, as it may require;

- (a) that the rules and bye-laws of a stock exchange applying for registration are in conformity with such conditions as may be prescribed with a view to ensure fair dealing and to protect investors;
- (b) that the stock exchange is willing to comply with any other conditions (including conditions as to the number of members) which the Central Government, after consultation with the governing body of the stock exchange, having regard to the area served by the stock exchange and its standing and the nature of the securities dealt with by it, may impose for the purpose of carrying out the objects of this Act; and
- (c) that it would be in the interest of the trade and also in the public interest to grant recognition to the stock exchange;

It may grant recognition to the stock exchange subject to the conditions imposed upon it as aforesaid and in such form as may be prescribed.

Withdrawal of Recognition

Section 5 lays down that if the Central Government is of opinion that the recognition granted to a stock exchange should in the interest of the trade or in the public interest, be withdrawn, the Central Government may serve on the governing body of the stock exchange a written notice that the Central Government is considering the withdrawal of the recognition for the reasons stated in the notice and after giving an opportunity to the governing body to be heard in the matter, the Central Government may withdraw, by notification in the Official Gazette, the recognition granted to the stock exchange;

However, the withdrawal shall not affect the validity of any contract entered into or made before the date of the notification, and the Central Government may, after consultation with the stock exchange, make such provision as it deems fit in the notification of withdrawal or in any subsequent notification similarly published for the due performance of any contracts outstanding on that date.

Power of Central Government

To Call for Periodical Returns

Every such stock exchange and every member thereof shall maintain and preserve for not exceeding 5 years such books of accounts, and other documents as the Central Government, may prescribe

Every stock exchange shall furnish to the Central Government and to SEBI a copy of its annual report which shall contain such particulars as may be prescribed by Central Government/SEBI.

To direct Rules or Make Rules

Section 8 deals with the power of Central Government to make rules or direct rules to be made in respect of recognised stock exchange. Where after consultation with the governing bodies of stock exchanges the Central Government by order in writing direct the recognised stock exchanges to make any rules or to amend any rules already made. Such rules shall be amended within 2 months from the date of the order.

To Supersede Companies of Stock Exchanges or Suspend Business Thereof

Where the Central Government is of opinion that the governing body of any recognised stock exchange should be superseded, then, the Central Government may serve on the governing body a written notice that the Central Government is considering the supersession of the governing body for the reasons specified in the notice and offer giving an opportunity to the governing body to be heard it may, by notification in the Official Gazette, declare the governing body of such stock exchange to be superseded,

On the publication of a notification in the Official Gazette, the following consequences shall ensue, namely-

- (a) the members of the governing body which has been superseded shall, as from the date of the notification of supersession, cease to hold office as such members;
- (b) the person or persons appointed may exercise and perform all the powers and duties of the governing body which has been superseded;
- (c) all such property of the recognised stock exchange shall vest in such person or persons.

To Suspend Business of Recognised Stock Exchange

If in the opinion of the Central Government, an emergency has arisen, for the purpose of meeting the emergency, the Central Government by notification in the Official Gazette, direct a recognised stock exchange to suspend such of its business for such period not exceeding 7 days and subject to such conditions as may be specified in the notification,

To Issue Directions

Section 12A provides that if, after making an inquiry, SEBI is satisfied that it is necessary-

- (a) in the interest of investors, or orderly development of securities market; or

- (b) to prevent the affairs of any recognised stock exchange, or, clearing corporation, or
- (c) to secure the proper management of any such stock exchange or clearing corporation it may issue such directions as it may be considered necessary

To Prohibit Contracts in Certain Cases

If the Central Government is of opinion that it is necessary to prevent undesirable speculation in specified securities in any State or area, it may, by notification in the Official Gazette, declare that no person in the State or area specified in the notification shall, enter into any contract for the sale or purchase of any security specified in the notification.

Power to Grant Immunity

(Refer to SEBI Act, 1992)

Power of Recognised Stock Exchange

To make Rules Restricting Voting Rights Etc.

Section 7A of the Act stipulates that a recognised stock exchange may make rules or amend any rules made by it to provide for all or any of the following matters, namely

- (a) the restriction of voting rights to members only in respect of any matter placed before the stock Exchange at any meeting;
- (b) the regulation of voting rights in respect of any matter placed before the stock exchange at any meeting so that each member may be entitled to have one vote only, irrespective of his share of the paid-up equity capital of the stock exchange;
- (c) the restriction on the right of a member to appoint another person as his proxy to attend and vote at a meeting of the stock exchange; and
- (d) such incidental, consequential and supplementary matters as may be necessary to give effect to any of the matters specified in clauses (a) (b) and (c).

To Make Bye-Laws

Any recognised stock exchange may, subject to the previous approval of SEBI, make bye-laws for the regulation and control of contracts.

Past Paper Question



Comment on the following:

The recognised stock exchange has powers to make rules for restricting voting rights. (4 marks) (June 2016)

Clearing Corporation

Role of clearing corporation

Clearing Corporation is responsible:-

- ✓ for clearing and settlement of all trades executed on Stock Exchange and deposit and collateral management and risk management functions;
- ✓ to bring and sustain confidence in clearing and settlement of securities;
- ✓ to promote and maintain, short and consistent settlement cycles;
- ✓ to provide counter-party risk guarantee, and
- ✓ to operate a tight risk containment system

Section 8A(1) provides that a recognised stock exchange may, with the prior approval of SEBI, transfer the duties and functions of a clearing house to a clearing corporation, being a company incorporated under the Companies Act, 2013, for the purpose of

- (a) the periodical settlement of contracts and differences thereunder;
- (b) the delivery of, and payment for, securities;
- (c) any other matter incidental to, or connected with, the transfer.

Delisting of Securities

Section 21A provides that a recognised stock exchange may delist the securities, after recording the reasons therefor, from any recognised stock exchange on any of the ground or grounds as may be prescribed under this Act.

The securities of a company shall not be delisted unless the company concerned has been given a reasonable opportunity of being heard.

A listed company or an aggrieved investor may file an appeal before the Securities Appellate Tribunal against the decision of the recognised stock exchange delisting the securities within 15 days from the date of the decision of the recognized stock exchange delisting the securities

Securities Appellate Tribunal may, if it is satisfied that the company was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed within a further period not exceeding 1 month.

A listed company or an aggrieved investor may file an appeal before the Securities Appellate Tribunal (SAT) against the decision of the recognised stock exchange as per the procedure laid down under the Securities Contracts (Regulation) (Appeal to Securities Appellate Tribunal) Rules, 2000.

Question:-

The shares of Runfast Ltd. were listed in Delhi Stock Exchange. The stock exchange delisted the shares of the company. The aggrieved company approaches you as a Company Secretary in Practice to know the remedy available to the company. Give your suggestions to the company keeping in view the provisions of the Securities Contracts (Regulation) Act, 1956.

Answer:-

Section 21 A of Securities Contracts (Regulation) Act, 1956 contains the provision relating to delisting of the securities. As per this section:-

1. A recognized stock exchange may delist the securities after recording reasons therefore from any recognized stock exchange on any ground or grounds as may be prescribed under this act.
2. The securities of the company shall not be delisted unless the company concerned has been given a reasonable opportunity of being heard.
3. A listed company may file an appeal before the Securities Appellate Tribunal (SAT) against the decision of the recognized stock exchange delisting the securities within 15 days from the date of the decision of recognized stock exchange delisting of securities.
4. Securities Appellate Tribunal (SAT) may, if it is satisfied that the company was prevented by the sufficient cause from filing the appeal within the said period, allow it to be filed within a further period of not exceeding one month.

Therefore first thing it will be important to know the ground of delisting and whether or not the company was given an opportunity of being heard. If there is a good ground to make an appeal. Runfast may make an appeal to days or the extended period not exceeding one month after showing sufficient cause of not filing within 15 days.

Right of Appeal to SAT Against Refusal to List Securities of Public Companies by Stock Exchanges

Where a recognised stock exchange, acting in pursuance of any power given to it by its bye-laws, refuses to list the securities of any company, the company shall be entitled to be furnished with reasons for such refusal, and may, –

- ✓ within 15 days from the date on which the reasons for such refusal are furnished to it, or
- ✓ where the stock exchange has omitted or failed to dispose of, within the time specified in sub-section (1A) of section 40 of the Companies Act, 2013, within 15 days from the date of expiry of the specified time or within such further period, not exceeding one month, as the Securities Appellate Tribunal may, on sufficient cause being shown, allow appeal and thereupon the Securities Appellate Tribunal may, after giving the stock exchange, an opportunity of being heard, vary or set aside the decision of the stock exchange;

Every appeal under sub-section (1) shall be in such form and be accompanied by such fee as may be prescribed. The Securities Appellate Tribunal shall send a copy of every order made by it to SEBI and parties to the appeal.

The appeal filed before the Securities Appellate Tribunal under sub-section (1) shall be

dealt with by it as expeditiously as possible and endeavour shall be made by it to dispose of the appeal finally within six months from the date of receipt of the appeal

Past Paper Question



ST Ltd. applied for listing of instruments in recognized stock exchange. However, permission was refused by the stock exchange. Can a company appeal to SAT against such refusal? (5 marks) (Dec 2019)

Rights of Investors

Entitlement of the Investors to Dividend declared by the Company (sec 27)

It shall be lawful for the holder of any security whose name appears on the books of the company issuing the said security to receive and retain any dividend declared by the company in respect thereof for any year, notwithstanding that the said security has already been transferred by him for consideration, unless the transferee who claims the dividend from the transferor has lodged the security and all other documents relating to the transfer which may be required by the company with the company for being registered in his name within fifteen days of the date on which the dividend became due.

Explanation. – The period specified in this section shall be extended –

- (i) in case of death of the transferee, by the actual period taken by his legal representative to establish his claim to the dividend;
- (ii) in case of loss of the transfer deed by theft or any other cause beyond the control of the transferee, by the actual period taken for the replacement thereof; and
- (iii) in case of delay in the lodging of any security and other documents relating to the transfer due to causes connected with the post, by the actual period of the delay

Right to Receive Income from Collective Investment Scheme (sec 27A) and Right to receive Income from Mutual Fund (sec 27B) are mutatis mutandis to sec 27

Continuous Listing Requirement

Rule 19A (1) stipulates that every listed company and a public sector company shall maintain public shareholding of at least 25%. However, a listed company which has public shareholding below 25%, shall increase its public shareholding to at least twenty five per cent, within a period of four years from the date of commencement of amendment to the said rules in 2014, in the manner specified by SEBI.

Sub-rule (2) provides that where the public shareholding in a listed company falls below 25 % at any time, such company shall bring the public shareholding to 25% within a maximum period of 12 months from the date of such fall in the manner specified by SEBI. Where the public shareholding in a listed company falls below 25% in consequence to

SCRR Amendment Rules, 2015, such company shall increase its shareholding to atleast 25%, in the manner specified by SEBI within a period of three years, as the case may be, from the date of notification.

Methods for achieving minimum public shareholding

- 1 Issuance of shares to public through prospectus
- 2 Offer for sale of shares held by the promoters to public through prospectus
- 3 Sale of the shares by promoters through the secondary market
- 4 Right Issue to public shareholders, with promoter/promoter group shareholders forgoing their entitlement to equity shares
- 5 Bonus Issue to public shareholders, with promoter/promoter group shareholders forgoing their entitlement to equity shares
- 6 Allotment of eligible securities through QIP in terms of Chapter VIII of SEBI (ICDR) Regulation, 2018

Past Paper Question



What are the provisions for continuous listing requirement under Securities Contracts (Regulation) Rules, 1957? List any six methods for achieving minimum public shareholding by a listed company. (4 marks) (Dec 2018)

Delisting of Securities

Rule 21 deals with delisting of Securities. A recognized stock exchange may, without prejudice to any other action that may be taken under the Act or under any other law for the time being in force, delist any securities listed thereon on any of the following grounds in accordance with the regulations made by SEBI, namely:—

- (1)
- (a) the company has incurred losses during the preceding three consecutive years and it has negative networth;
 - (b) trading in the securities of the company has remained suspended for a period of more than six months;
 - (c) the securities of the company have remained infrequently traded during the preceding three years;
 - (d) the company or any of its promoters or any of its director has been convicted for failure to comply with any of the provisions of the Act or SEBI Act, 1992 or the Depositories Act, 1996 or rules, regulations, agreements made thereunder, as the case may be and awarded a penalty of not less than rupees one crore or imprisonment of not less than three years;
 - (e) the addresses of the company or any of its promoter or any of its directors, are not

known or false addresses have been furnished or the company has changed its registered office in contravention of the provisions of the Companies Act, 2013, or;

- (f) shareholding of the company held by the public has come below the minimum level applicable to the company as per the listing agreement under the Act and the company has failed to raise public holding to the required level within the time specified by the recognized stock exchange.

However, no securities shall be delisted unless the company concerned has been given a reasonable opportunity of being heard.

(2) If the securities is delisted under clause (1),

- (a) the company, promoter and director of the company shall be jointly and severally liable to purchase the outstanding securities from those holders who wish to sell them at a fair price determined in accordance with regulations made by SEBI, under the Act; and
- (b) the said securities shall be delisted from all recognized stock exchanges.

(3) A recognized stock exchange may, on the request of the company, delist any securities listed thereon in accordance with the regulations made under the Act by SEBI, subject to the following conditions, namely :

- (a) the securities of the company have been listed for a minimum period of three years on the recognized stock exchange;
- (b) the delisting of such securities has been approved by the two-third of public shareholders; and
- (c) the company, promoter and/or the director of the company purchase the outstanding securities from those holders who wish to sell them at a price determined in accordance with regulations made by SEBI under the Act.

However, the condition at (c) may be dispensed with by SEBI if the securities remain listed at least on the National Stock Exchange of India Limited or the Bombay Stock Exchange Limited.

Past Paper Question



Critically comment on the following statements :

"A company cannot get itself delisted without giving sufficient opportunity to shareholders to exit" (5 marks) (June 2014)

'A stock exchange on its own can delist any security thereon'. Explain how Recognized Stock Exchange delists any securities listed thereon under Securities Contracts (Regulations) Rules, 1957. (4 marks) (June 2019)



ABOUT THE AUTHOR

Prof. NAMRATA RODRIGUES is a Chartered Accountant. She has been associated with Legal Advisor for various companies. She has also Worked for various legal firms & her experience ranges in different fields like Depositories, ICDR, LODR, Listing of companies. Corporate funding & other related matters w.r.t. SEBI.

She is teaching SECURITIES LAW & CAPITAL MARKET to students of CS, CA. She is currently teaching at ACE TUTORIALS (Mumbai) for CS course.

Prof. Naresh Shroff's
ACE
TUTORIALS
Think CS Think ACE



For Purchasing online / Google Drive or Pendrive
Call 8652272084 or visit www.ace.redik.in

Learn CS course - Live Interactive Lectures

Call 73031 17913 / 86522 72084 / 8652272079

Face to Face Centers at

Borivali Malad Dadar Mulund Bhyander
Mira Road Grant Road Charni road

₹ 450/-