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## LEGAL FRAMEWORK OF INVESTORS PROTECTION BY SEBI

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### ABSTRACT

It is usually difficult for any company to take any type of risk alone because of huge financial burden upon them. Due to this company involves public through different investment scheme to invest in company as investors. Therefore, security laws came into force to protect the interest of investors in the company. A dynamic and efficient capital market is a vital and indispensable part of a nation's financial infrastructure. The fourth best-performing market in the world is Indian stock market. Resolution of stock market dispute could result in lowering the cost of equity/capital in the economy. Secondly, a feedback mechanism of the regulation in the securities industry is provided by dispute resolution platform- whether regulation is working, not working but needs fine-tuning. Regarding this, we scrutinise the role and productivity of SEBI's SCORES securities dispute resolution system using the generally used three attributes of a good dispute resolution system: accessibility, efficiency, and fairness. The first criteria are concerned with accessibility to investors- the SCORES fair very well. It is demonstrative in accepting customer's complaints. On the other side, given the overtly inclusiveness of the SCORES system, it has the potential to create a number of –hard-to-solve cases with weak information set which can impact adversely the reputation of the regulator. SEBI's SCORES is a web based centralized grievance redressal system. It is a unique model. It enables investors to lodge their complaint online and track the status of complaint online from website or from anywhere. As far as the second attribute is concerned, viz., efficiency, SCORES system also fares favourably. The redressal rate at 96 per cent in recent years is one of the highest among regulators world-wide. Similarly, the time taken also scores positively (less than a year). Most of the cases get resolved in the initial stages itself. To improve the redressal rate further, it is recommended that an active intermediate role may be played by the SEBI. This could improve the redressal rate and satisfaction among investors. In terms of the fair ness issue, the extent literature discusses the proposition that it is the enhanced access to resources and their repeat plays that make them more successful in the court systems. Using the complainant success rate as a metric, we found that arbitration system for NSE's success rate to be around 46 per cent and the customer satisfaction is around 54 per cent. It would be interesting to examine how the complainant success rate varies over organizational settings and how these are shaped by the relative experience and resources of parties to dispute. In this regard, it is recommended that the SCORES system monitor repeat players (RP) who tend to play for rules to the disadvantage of individuals as 'one shooters' (OSs). SEBI should consider extending the mediation and arbitration model prevalent among broking community to the company level (primary and secondary market) so similar benefits could accrue to the investor community. Lastly, it is important to discuss the communication strategy of SEBI. Reputation of the regulator is a public good and the communication strategy is crucial in building the reputation of the regulator. The literature on the central banks' communication strategy suggest limited transparency arguing that release of information about the problems to segments of the financial system may potentially be harmful as it can trigger a run on the financial system. In contrast, no comment or silence could be interpreted as an acknowledgement of guilt. In the case of SCORES, the good record has hardly been noticed in the market rather the market has been focusing on the bad news. The extant literature has suggested that if an agency enjoys good reputation it can afford to keep silent since most of the criticism will not tarnish that reputation. Securities market but the fact that the good 3 news about SEBI performance in securities dispute resolution is not getting across the market it is important to have a balanced approach. In this regard, the role of social media could be useful. Social media could be used extensively in investor education and communicating the good news about the regulator. This requires a re-evaluation of the current strategy.

**Keywords:** Securities Dispute Settlement, SCORES, India.

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## I. INTRODUCTION

It is usually difficult for any company to take any type of risk alone because of huge financial burden upon them. Due to this company involves public through different investment scheme to invest in company as investors. Therefore, security laws came into force to protect the interest of investors in the company. A dynamic and efficient capital market is a vital and indispensable part of a nation's financial infrastructure.

### **Invest**

1. To put (money) to use, by purchase or expenditure, in something offering potential profitable, as interest, income, or appreciation in value.
2. To use (money), as in accumulating something.

### **SEBI**

Securities and Exchange Board of India (SEBI) is a statutory regulatory body setup on 30 January 1992 under the SEBI Act, 1992 to protect the interests of investors in securities market and to promote the development of securities market, and to regulate the securities market. Redressal of investor grievances is one of the key components of SEBI's efforts to protect the interests of investors in securities.

### **Investor**

An investors are the person who invest money behind an idea, or a project or a company for getting a financial return out of that investment. An investor is a person or entity that purchases assets or securities with the objective of getting a financial return. Investment can be made in: equity, debt securities, real estate, currency, and commodity, derivatives such as put and call options, etc. An investor is a person who is an individual or a corporate legal entity investing his money in another venture or business but does not do the business himself or itself. The investor has no control or participation in the day-to-day management of the business except as permitted by the law. Investor carries on business when they buy and sell assets, arranges for other to buy and sell assets, manages assets belonging to others, or operates collective investment schemes. An investor engages these activities, but they are not having any control over the day-to-day activities of any corporate.

### **Investor's rights and responsibilities**

Investors are the actual owner of the company and with the growth of the company investor also get capital appreciation. Following are the right and responsibilities of investor of the company.

#### **Rights of a shareholder**

- Shareholder are right to receive dividend at the end of preference shareholder if profit is exist.
- Member are right to receive bonus share if approved
- Member are right to receive share warrant, certificate and transfer and transmission of shares
- Member are right to receive for Voting in General meeting.
- Member are right to receive Annual reports copies and Final Accounts.
- Member are right to receive inspect the mandatory registers on the company registered office.
- To apply to Company Law Board (CLB) to call or direct the Annual General Meeting with requisite number of shareholders.
- Member are right to receive 21 days meeting notice.
- Member are right to receive to minute book for inspection.
- Member are right to proceeding against civil or criminal proceedings.
- Member are right to receive share of company.
- Member are right to receive demand for poll.

#### **Rights of a debenture holder**

- Debenture holder right to receive Interest from the Earning before tax.
- Debenture holder right to receive trust deed paper on the request.
- Debenture holder right to receive redemption of debenture before the Redemption of Preference share and Buy back of equity shares.

- Debenture holder right to receive payment firstly at the time of winding up of company

#### **Right as a security holder**

- To remain informed.
- To be specific.
- To be watchful.
- To participate Annual general meetings and vote therein.
- To exercise your rights on your own or as a group.

Investor Assistance and Education (OIAE) Department has been provided by SEBI for Investors Grievance Redressal Mechanism to receive grievances of investors and to provide assistance to investors and to educate them. Investors who are not satisfied with the decision of Stock Exchanges related to their grievances can lodge their grievances with SEBI. If the progress of redressal of investor grievances by an entity is not satisfactory, appropriate enforcement actions (adjudication, direction, prosecution etc.) are initiated against such entity.

#### **SCORES (SEBI Complaints Redress System)**

SEBI has provided a web based centralized grievance system to easy access of investors to lodge their complaint i.e., SCORES.(<http://scores.gov.in>) SCORES enables investors to lodge and follow up their complaints and track the status of redressal of such complaints online from the above website from anywhere. This helps the market intermediaries and listed companies to receive the complaints from investors online basis and easily, and also redress such complaints and report redressal online.

All the activities starting from filling of a complaint till its closure by SEBI would be online in an automated environment and the complainant can view the status of his complaint online. The salient features of SCORES are: ‘

- SCORES provides 24 x 7 online accessibility; ‘
- Complaints and reminders thereon can be lodged online at the above website at anytime from anywhere; ‘
- An email is generated instantaneously acknowledging the receipt of complaint and allotting a unique complaint registration number to the complainant for future reference and tracking; ‘
- The entity concerned uploads an Action Taken Report (ATR) on the complaint; ‘
- The complaint forwarded online to the entity concerned for its redressal; ‘
- SEBI peruses the ATR and closes the complaint if it is satisfied that the complaint has been redressed adequately; ‘
- The concerned investor can view the status of the complaint online from the above website by logging in the unique complaint registration number; ‘
- The entity concerned and the concerned investor can seek and provide clarification on his complaint online to each other; ‘
- Every complaint has an audit trail and all the complaints are saved in a central database which generates relevant MIS reports to enable SEBI to take appropriate policy decisions and or remedial actions, if any.

#### **Process of complaint in SCORES**

To register a complaint online on SCORES portal,

First go to the mentioned website (<http://scores.gov.in>)

After that click on “Complaint Registration” under “Investor Corner”.

The complaint registration form contains personal details and complaint details. some mandatory fields in the Form which has to filled by complainant. These fields include Name, Address for correspondence, State, Email Address of Investor.

Once personal details is filled by investor, select the category of complaint that the complainant want to lodge, entity name, nature of complaint related to, complaint details in brief (up to 1000 characters). A PDF document (up to 1MB of size for each nature of complaint) can also be attached along with the complaint as the supporting document.

On successful submission of complaint, system generated a number that will be unique registration number which may be noted for future correspondence by complainant.

An email of confirmation of the complaint with complaint registration number will also be sent to the complainant's email id that entered in the registration form by complainant.

## **II. LIMITATIONS OF SCORE**

SEBI cannot act as a personal representative of complainant or it can never act as an attorney of complainant. Sometimes a complaint is successfully resolved and the entity is advised to send reply to complainant. But in some cases, wrongdoing is denied by the entity or company, and in that case it becomes difficult to find that who is wrong or whether any wrongdoing occurred or not. If this happens, SEBI cannot act as a judge or an arbitrator and force the entity or company to resolve the complaint. So the grievance of complainant remains unsolved and SEBI cannot force the entity or company to resolve the grievance of investor.

## **III. CONCLUSION**

All the activities starting from filling of a complaint till its closure by SEBI would be online in an automated environment and the complainant can view the status of his complaint online. There are many forms of investment have strict law and regulations. The depositors cannot have any enquiry of their loss or non return. The opportunity of trading at securities are really to be the happiest movement of investment. Both men and women shareholders are trading with full satisfaction with their concerned securities of the share market. There are investments where grievances are grown up into more without timely retrieving mechanism.

## **IV. REFERENCE**

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