2. Stock Market

Why in News?

- The Supreme Court has recently asked the Securities and Exchange Board of India (SEBI) and the government to produce the existing regulatory framework in place to protect investors from Stock Market vvolatility

Highlights

- Stock markets are venues where buyers and sellers meet to exchange equity shares of public corporations.
- Stock markets are components of a Free-Market economy because they enable democratized access to investor trading and exchange of capital.
- A free-market economy is an economic system in which the prices of goods and services are determined by supply and demand, without interference from government regulation.
- India has two stock exchanges – the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).
- SEBI is the regulator of the securities market in India. They set the legal framework and regulate all entities interested in operating in the market.
- The SCRA (Securities Contracts Regulation Act) has empowered SEBI to recognise and regulate stock exchanges and later commodity exchanges in India; this was earlier done by the Union government.
- The SEBI Act empowers SEBI to protect the interests of investors and to promote the development of the capital/securities market, besides regulating it.
- It sets out the functions and powers of SEBI and establishes its structure and management.
- While SEBI does not interfere to prevent market volatility, exchanges have circuit filters — upper and lower — to prevent excessive volatility.
- But SEBI can issue directions to those who are associated with the market, and has powers to regulate trading and settlement on stock exchanges.
- Using these powers, SEBI can direct stock exchanges to stop trading, totally or selectively.
- It can also prohibit entities or persons from buying, selling or dealing in securities, from raising funds from the market and being associated with intermediaries or listed companies.