



**SUGGESTED SOLUTION**

**CS EXECUTIVE**

**SUBJECT- SECURITIES LAW & CAPITAL MARKET**

**Test Code - CSE 2024 M**

**BRANCH - () (Date :)**

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**Answer : 1**

**(A) Procedure and powers of the SAT [Section 15U]** : The SAT is not bound by the procedure laid down by the Code of Civil Procedure, 1908 but shall be guided by the principles of natural justice.

**SAT has a power of Civil Court in respect of**

- Summoning and enforcing the attendance of any person and examining him on oath
- Requiring the discovery and production of documents
- Receiving evidence on affidavits
- Issuing commissions for the examination of witnesses or documents
- Reviewing its decision
- Dismissing an application for default or deciding it *ex parte*
- Setting aside any order of dismissal of any application for default or any order passed by it *ex parte*
- Any other matter which may be prescribed.

Every proceeding before SAT shall be deemed to be a judicial proceeding and the SAT shall be deemed to be a Civil Court.

**[5 Marks]**

**(B) Following are the main points of difference between open ended mutual funds and close ended mutual funds:**

Points	Open ended mutual funds	Close ended mutual funds
Meaning	Open ended mutual funds buy and sell units on a continuous basis and allow investors to enter and exit as per their convenience.	A close ended mutual fund is a collective investment model based on issuing a fixed number of shares which are not redeemable from the fund.
Corpus	Variable corpus due to ongoing purchase and redemption.	Fixed corpus : no new units can be offered beyond the limit.
Listing	No listing on exchange transactions done directly with the fund.	Listed on the stock exchange for buying and selling.
Values	Only one price available namely NAV.	Two values available namely NAV and the market trading price.
Liquidity	Highly liquid	Mostly liquid

**Answer : 2**

(A) **Power to grant immunity [Section 24B]:** The Central Government may grant immunity to a person who has violated the provisions of the SEBI Act, 1992.

**Conditions for granting immunity :**

- SEBI makes recommendation to the Central Government.
- Concerned person has made full and true disclosure in respect of alleged violation.
- Proceedings for the prosecution for any such offence not have been instituted before granting immunity.
- The Central Government may impose condition subject to which immunity shall be granted.

**Withdrawal of immunity:** An immunity granted to a person may be withdrawn by the Central Government if it is satisfied that –

- Such person had not complied with the condition on which the immunity was granted or
- Such person had given false evidence.

**Consequence of withdrawal of immunity :** After withdrawal of immunity, the concerned person may be tried for the offence of which he appears to have been guilty and shall also become liable to the imposition of any penalty.

[4 Marks]

(B) **Offer Document**

- AMC raises money in new schemes through New Fund Offer (NFO)
- Offer document contains key details about the NFO – open and close dates, scheme objective, nature of the scheme, etc.
- Filed with SEBI

The offer document is divided in two parts namely Scheme Information Document and Statement of Additional Information.

1. **Scheme Information Document:**

A document that contains the details of the scheme. SID has to be updated every year.

**Key Contents:**

- Scheme name on the cover page, along with scheme structure (open / closed-ended) and expected scheme nature (equity / debt / balanced / liquid / ETF)
- Highlights of the scheme
- Risk factors
  - Standard
  - Scheme specific
- Due diligence certificate issued by the AMC

- Fees and expenses
- Rights of unit holders
- Penalties, litigations, etc.

**2. Statement of Additional Information:**

Document that contains statutory information about the fund house offering the scheme. SAI has to be updated the end of every quarter.

**Key Contents:**

- Information about sponsor, mutual fund, trustees, custodian and registrar & transfer agents
- Condensed financial information for schemes launched in the last three financial years
- Information on how to apply
- Rights of unit holders
- Details of the fund managers
- Tax, legal and other general information

**[6 Marks]**

**Answer : 3**

**(A) Appeal to the Securities Appellate Tribunal [Section 15T]:**

An appeal shall lie to SAT against the following orders :

- An order made of an Adjudicating Officer imposing penalty.
- Any order of SEBI made under the SEBI Act, 1992 or the rules or regulations made there under.

Every appeal to SAT shall be filed within a period of 45 days from the date on which a copy of the order.

However, the SAT may entertain an appeal after the expiry of 45 days if it is satisfied that there was sufficient cause for not filing it within that period.

On receipt of an appeal, the SAT may pass orders as it thinks fit, confirming, modifying or setting aside the order appealed after giving an opportunity of being heard to the parties.

The SAT shall send a copy of every order made by it to the SEBI, parties to the appeal and to the concerned Adjudicating Officer,

Appeal should be decided by the SAT expeditiously and possibly within 6 months.

**[6 Marks]**

**(B) Registered Owner & Beneficiary Owner :**

All the public limited companies are required by the Companies Act, 2013 to maintain an **index of members**, wherein they are required to keep a **record or the owners of the company**. With the concept of dematerialization of securities and transfer of shares through book entry system coming up, registered owners are NSDL and CDSL only.

So, in the index of members of any company, there are **only two registered owners, i.e. the two depositories**. The depositories keep a track of all the clients through the depository participants.

Therefore, the registered owners are the depositories whereas the beneficiary owners are the people who are holding the securities at any given point of time.

Whenever a company declares a bonus issue, the securities are transferred in the name of the two depositories and they further transfer it to the clients through their participants. Therefore, the depositories are known as the registered owners and the investors are known as the beneficiary owners as they get the benefits of all the corporate actions.

**[4 Marks]**

**Answer : 4**

**(A) Delisting not permissible in certain circumstances [Regulation 4]:** Following categories of equity shares cannot be delisted from the recognized stock exchange :

- (a) Equity shares brought back pursuant buy back scheme.
- (b) Equity shares issued under preferential allotment.
- (c) Class of equity shares which has not completed 3 years of listing.
- (d) Securities convertible in to equity shares until they are converted.

**[4\*1 = 4 Marks]**

**(B)**

Particulars	Rs. In crores
Assets	
Market value of funds – portfolio	4,200
Accrued income	100
Receivables	100
Accrued expenses	(275)
Liabilities	(150)
NAV	3,975

NAV per unit = 3975/ 200 = 19.875 per unit

$$\text{Return} = \frac{D_1 + CG_1 + (NAV_1 - NAV_0)}{NAV_0} \times 100$$

Where  $D_1 = \text{dividend}$

$CG_1 = \text{Capital gain}$

$NAV_1 = \text{net asset value at the end}$

$NAV_0 = \text{net asset value at the beginning}$

$$= \frac{2 + 0 + (19.875 - 17.60)}{15} \times 100 = 28.5\%$$

[6 Marks]

**Answer : 5**

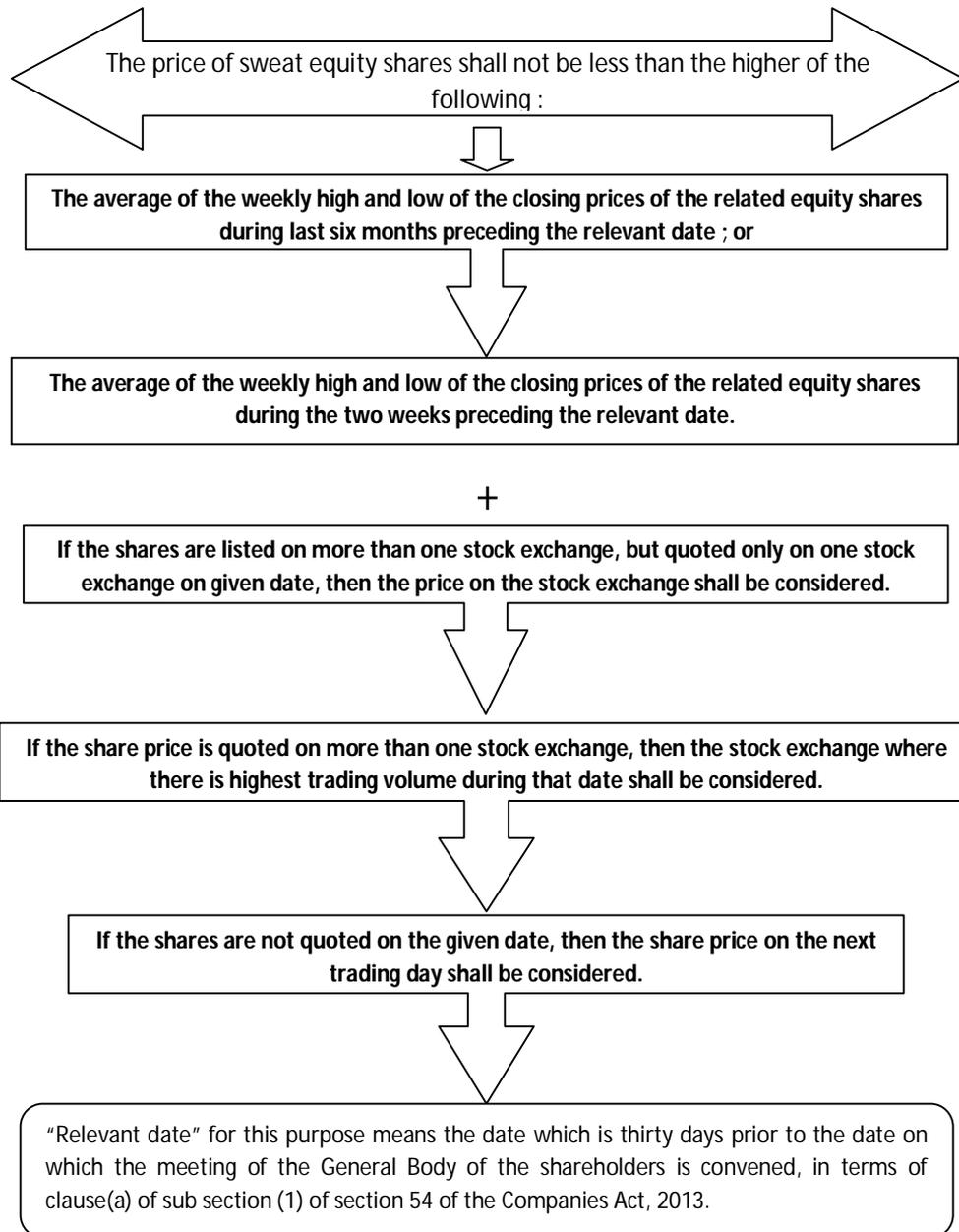
(A) **Penalty for default in case of stock brokers( Section 15F) :** A registered stock broker shall be liable to penalty which shall not be less than Rs. 1 lakh but which may extend to Rs. 1 lakh for each day subject to a maximum of Rs. 1 crore , if it fails-

- (a) To issue contract notes in the form and manner specified by the stock exchange;
- (b) To deliver any security or fails to make payment of the amount due to the investor in the manner within the period specified in the regulations;
- (c) Charges and amount of brokerage which is in excess of the brokerage specified in the regulations.

[5 Marks]

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**(B) PRICING OF SWEAT EQUITY SHARES**



**[5 Marks]**