



J.K. SHAH[®]

TEST SERIES

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CS EXECUTIVE

SUBJECT- SECURITIES LAW & CAPITAL MARKET

Test Code - CSE 2024

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) **Insider [Regulation 2(g)]**: **Insider means any person who is**

- (i) **a connected person** or
- (ii) **in possession of or having access to unpublished price sensitive information.**

Connected Person [Regulation 2(d)] : Connected person means –

- (i) Any person who is or has during the 6 months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company or holds any position including a professional or business relationship between himself and the company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.
- (ii) The following categories shall be deemed to be connected persons unless the contrary is established –
 - (a) An immediate relative of connected persons specified in clause (i) or
 - (b) A holding company or associate company or subsidiary company or

- (c) An intermediary as specified in Section 12 of the SEBI Act, 1992 or an employee or director thereof or
- (d) An investment company, trustee company, AMC or an employee or director thereof or
- (e) An official of a stock exchange or of clearing house or corporation or
- (f) A member of board of trustees of a mutual fund or a member of the board of directors of the AMC of a mutual fund or is an employee thereof or
- (g) A member of the board of directors or an employee of a public financial institution or
- (h) An official or an employee of a self – regulatory organization recognized or
- (i) A banker of the company or
- (j) A concern, firm, trust, HUF, company or AOP wherein a director of a company or his immediate relative or banker of the company, has more than 10% of the holding or interest.

[5 Marks]

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.

[6 Marks]

(B) **Unpublished price sensitive information [Regulation 2(n)]:** Unpublished price sensitive information means **any information, relating to a company or its securities, directly or indirectly, that is not generally available and which upon becoming generally available, is likely to materially affect the price of the securities** and ordinarily includes information relating to the following :

- (a) Financial results
- (b) Dividends
- (c) Change in capital structure
- (d) Mergers, demergers, acquisitions, de – listings, disposals and expansion of business and such other transactions
- (e) Changes in KMP and
- (f) Material events in accordance with the listing agreement.

[4 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) Buy-back through book-building

A company can buy-back its securities through the book-building process as provided hereunder:

1. **(a)** The special resolution, should specify the maximum price at which the buy-back will be made.
 - (b)** The company should appoint a merchant banker.
 - (c)** A public announcement shall be made at least seven days prior to the commencement of the buy- back.
 - (d)** Subject to the provisions of Sub-clauses (i) and (ii), the provisions of Regulation 10 regarding escrow account are applicable:
 - (i)** The deposit in the escrow account should be made before the date of the public announcement.
 - (ii)** The amount to be deposited in the escrow account should be determined with reference to the maximum price as specified in the public announcement containing detailed methodology of the book-building process, manner of acceptance, format of acceptance to be sent by the security- holders pursuant to public announcement and details of bidding centres.
 - (e)** A copy of the public announcement must be filed with SEBI within two days of the announcement along with the fees as specified. The Public announcement shall also contain the detailed methodology of the book building process, the manner of acceptance, the format of acceptance to be sent by the security holders pursuant to

the public announcement and the details of bidding centres.

- (f) The book-building process should be made through an electronically linked transparent facility.
- (g) The number of bidding centres should not be less than thirty and there should be at least one electronically linked computer terminal at all the bidding centres.
- (h) The offer for buy-back should be kept open to the security-holders for a period of not less than fifteen days and not exceeding thirty days.
- (i) The merchant banker and the company should determine the buy-back price based on the acceptances received and the final buy-back price, which should be the highest price accepted should be paid to all holders whose securities have been accepted for the buy-back.
- (b) The provisions of sub-regulation (2) of regulation 11, pertaining to verification of acceptances and the provisions of regulation 11 pertaining to opening of special account and payment of consideration shall be applicable *mutatis mutandis*.

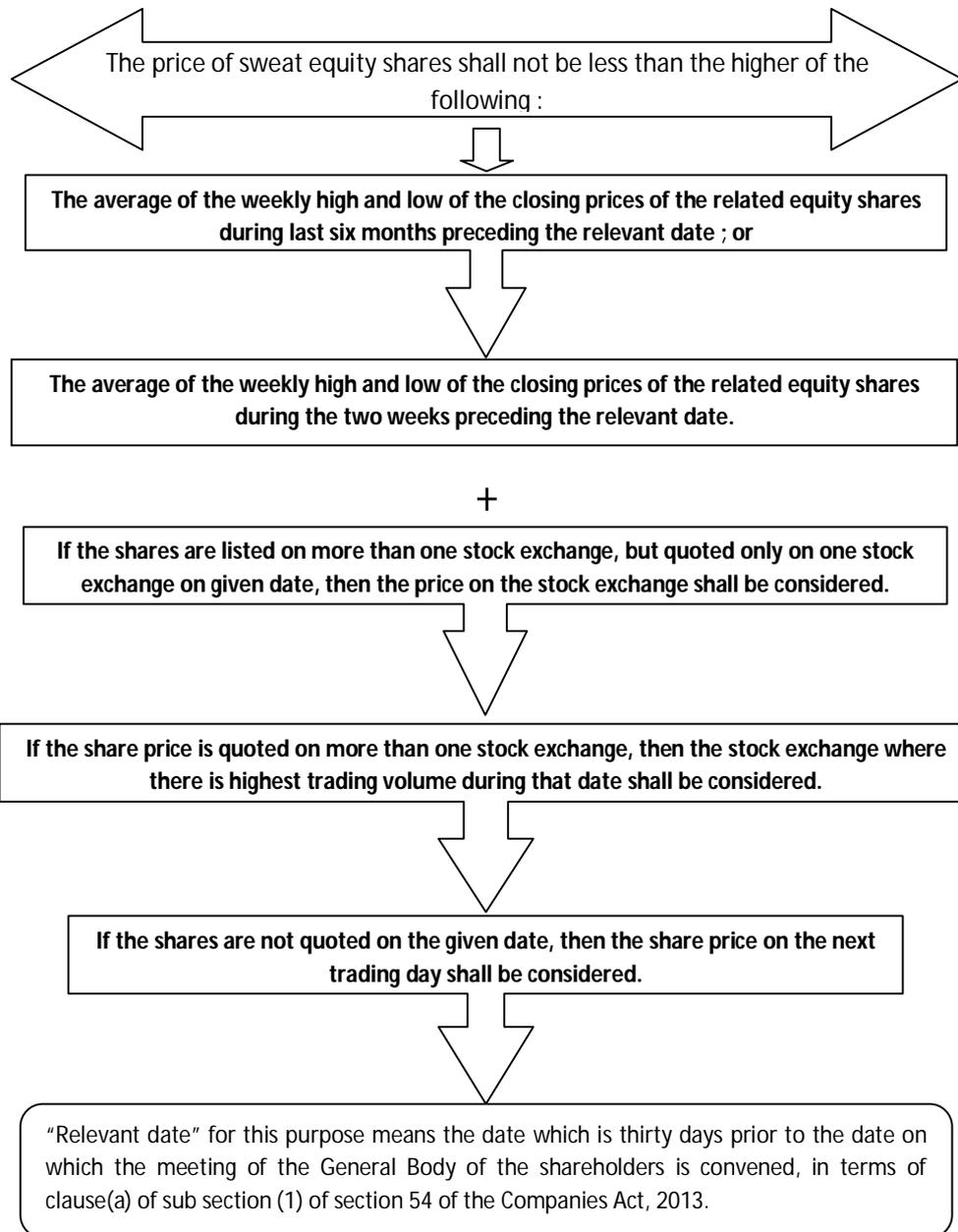
[6 Marks]

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]

(B) PRICING OF SWEAT EQUITY SHARES



[5 Marks]