

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO. 1905
TO BE ANSWERED ON FRIDAY, 21ST DECEMBER, 2018/ AGRAHAYANA 30, 1940 (SAKA)

NEW SETTLEMENT RULES OF SEBI

QUESTION

1905. PROF. SAUGATA ROY:

Will the Minister of Finance be pleased to state:

- (a): whether the Securities and Exchange Board of India (SEBI) has introduced an alternative new settlement rules;
- (b): if so, the details thereof and the objectives of new settlement rules;
- (c): whether the new rules are likely to help the investors to make their transactions more transparent; and
- (d): if so, the details thereof?

ANSWER

**MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PON. RADHAKRISHNAN)**

(a): SEBI has introduced the SEBI (Settlement Proceedings) Regulations, 2018 that have been notified on 30.11.2018 and will come into effect from 01.01.2019. On the date of commencement of these Regulations the existing SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 shall stand repealed.

(b): In pursuit of the objectives of SEBI (to protect the interests of investors in securities and to promote the development of and to regulate the securities market), as new challenges arise it is important to have a convergence or integration of the quasi-judicial processes within SEBI with the alternate dispute resolution process, to bring forth a more effective harmonized scheme to operate without any conflict and delay. The SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 introduced a mathematical and transparent system of calculating the settlement amount. However over a period of time it was noticed that there was a need for revision due to changes in securities laws, new products and increase in settlement amounts.

SEBI constituted a High Level Committee under the Chairmanship of Retd. Justice A. R. Dave (Supreme Court of India) to examine the SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 and comprehensively re-work the regulations after taking into account developments in domestic and foreign jurisdictions. The SEBI (Settlement Proceedings) Regulations, 2018 provide a more effective mechanism, the essential concomitants of a legal proceeding, without compromising on deterrence or providing equitable remedies to the affected investors.

(c) & (d): The Settlement process is an alternative enforcement process that is beneficial to the alleged defaulter, investors and the regulator. Settlement allows the enforcement proceedings to be finalized at the earliest without a long drawn litigation while ensuring that the investors' rights are protected. The SEBI (Settlement Proceedings) Regulations, 2018 inter alia provide the following,-

- a. Disclosure related violations are settled after making the required disclosures;
- b. Refund to investors is made wherever required in compliance with securities laws;
- c. Investors are provided the required exit or purchase option in compliance with securities laws;

Thus the SEBI (Settlement Proceedings) Regulations, 2018 are likely to make all settlements transactions relating to investors more transparent.
