

Regulatory framework

4.50 The recent experience of SEBI during episodes of market misconduct revealed many limitations in the legal provisions of the SEBI Act. In addition, the growing importance of the securities markets in the economy has placed new demands upon SEBI. On 28 October 2002, an ordinance was promulgated which seeks to strengthen SEBI and better empower it.

4.51 This ordinance involves organisational strengthening of SEBI, giving SEBI better

powers for investigation, bringing in larger penalties, and better defining concepts like insider trading and market manipulation.

4.52 The events of market misconduct in 2001 also highlighted the need for better mechanisms through which investigations and enforcement actions would take place on the stock market. With a view to investigate such frauds using a multidisciplinary team of experts, it has been decided to set up a Serious Fraud Office (SFO) in the Department of Company Affairs. The SFO is likely to be functioning by early 2003.