



## Unit-2

### Regulations of stock exchanges

Stock exchanges are subject to various regulations to ensure fair, transparent, and orderly trading activities and to protect investors' interests. Here are some key regulations governing stock exchanges:

**1. Securities and Exchange Board of India (SEBI):** SEBI is the primary regulatory body overseeing the securities markets in India, including stock exchanges. It regulates stock exchanges, brokers, listed companies, and other market participants to promote investor confidence and market integrity. SEBI issues regulations, guidelines, and directives to govern various aspects of stock exchange operations.

**2. Listing Requirements:** Stock exchanges have listing requirements that companies must meet to have their securities listed for trading. These requirements typically include financial disclosure standards, minimum capitalization criteria, corporate governance norms, and compliance with SEBI regulations.

**3. Trading Rules and Practices:** Stock exchanges establish rules and practices governing trading activities, order execution, price discovery mechanisms, trading hours, and trading systems. These rules ensure fair and efficient trading and prevent market manipulation, insider trading, and other fraudulent practices.

**4. Market Surveillance and Enforcement:** Stock exchanges conduct market surveillance to monitor trading activities, detect irregularities, and investigate potential violations of trading rules and regulations. They collaborate with regulatory authorities like SEBI to enforce compliance and take disciplinary actions against violators.

**5. Investor Protection Measures:** Stock exchanges implement measures to protect investors' interests, such as mandatory investor education initiatives, dispute resolution mechanisms, investor grievance redressal forums, and compensation funds for investor losses.

**6. Listing Agreement:** Companies listing their securities on stock exchanges enter into listing agreements, which outline their rights, obligations, and responsibilities as listed entities. These agreements include disclosure requirements, reporting obligations, and compliance with



exchange rules and SEBI regulations.

**7. Market Integrity and Transparency:** Stock exchanges promote market integrity and transparency by disseminating real-time trading information, company disclosures, corporate actions, and market data to investors, regulators, and the public. Transparency enhances market efficiency and investor confidence.

**8. Technology and Cybersecurity Standards:** Stock exchanges maintain robust trading systems, infrastructure, and cybersecurity measures to ensure the reliability, resilience, and security of trading platforms. They invest in technology upgrades, disaster recovery plans, and cybersecurity protocols to mitigate operational risks and protect market integrity.

These regulations and oversight mechanisms play a crucial role in maintaining the credibility, stability, and efficiency of stock exchanges, fostering investor trust, and facilitating capital formation and economic growth. Investor confidence and market development.