

**GOVERNMENT OF INDIA  
FINANCE AND COMPANY AFFAIRS  
LOK SABHA**

UNSTARRED QUESTION NO:2552  
ANSWERED ON:07.03.2003  
UNSCRUPULOUS PROMOTERS IN STOCK EXCHANGES  
B.K. PARTHASARATHI

**Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:**

- (a) whether SEBI proposes to restrict the unscrupulous promoters from accessing capital market;
- (b) if so, the criteria proposed to be adopted by SEBI for debarring bad promoters from the market; and
- (c) the procedure that SEBI has for vetting prospects filed by the promoters for raising money from the capital market ?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

(a) & (b) : Securities and Exchange Board of India (SEBI) has been empowered to prohibit issue of securities by a company through prospectus through the SEBI (Amendment) Act 2002. SEBI is to frame the modalities for exercising the said authority which, inter alia, may include the criteria for prohibiting issue procedure and redressal mechanism for an aggrieved party.

(c) : As of now, SEBI does not vet any prospectus. It works on the principle of full and fair disclosure so as to ensure an investor can take an informed investment decision. Whenever, an issuer company files any draft prospectus to SEBI through a registered Merchant Banker called Lead Manager, SEBI reviews the prospectus in light of SEBI (DIP) Guidelines, 2000; Companies Act, 1956 and other applicable Law/Act/Rules/Regulations and give its observations/suggestions on the draft prospectus. The Lead manager is required to address those observations/ suggestions prior to filing the final prospectus to Registrar of Companies/Stock Exchanges and subsequent accessing the market. In addition to this, SEBI has also stipulated certain eligibility requirement for the companies intending to access the capital market.