



PRESIDENCY UNIVERSITY

BENGALURU

Roll No.														
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End - Term Examinations – MAY 2025

Date: 31-05-2025

Time: 09:30 am – 12:30 pm

School: SOL	Program: BA/BBA/BCom LLB (Hons)	
Course Code: LAW4027	Course Name: Financial Market Regulation	
Semester: VI	Max Marks: 100	Weightage: 50%

CO - Levels	C01	C02	C03	C04	C05
Marks	20	20	25	15	20

Instructions:

- (i) Read all questions carefully and answer accordingly.
- (ii) Do not write anything on the question paper other than roll number.

Part A

Answer ALL the Questions. Each question carries 2marks.

10Q x 2M=20M

1	Differentiate between primary and secondary financial markets.	2 Marks	L1	C01
2	What are the primary functions of a financial system?	2 Marks	L1	C01
3	Define securities as per Section 2(h) of the Securities Contract Regulation Act (SCRA), 1956.	2 Marks	L1	C01
4	What is the meaning of issuance of securities in the financial market?	2 Marks	L1	C01
5	What is SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018?	2 Marks	L1	C01
6	Explain in your own words how a stock exchange facilitates the buying and selling of securities.	2 Marks	L2	C02
7	Explain the difference between corporatization and demutualization of stock exchanges using simple terms.	2 Marks	L2	C02
8	Explain the main objective of the Securities Contracts (Regulation) Act, 1956 in regulating stock exchanges and securities trading in India.	2 Marks	L2	C02

9	Explain the main objectives of the SEBI Act, 1992 in your own words.	2 Marks	L2	C02
10	Summarize the typical process involved in the setup of a mutual fund in India.	2 Marks	L2	C02

Part B

Answer the Questions

Total 80 Marks

11.	a.	What are the key objectives of SEBI ICDR regulations?	10 Marks	L1	C01
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or

12.	a.	How does the listing of securities on a stock exchange benefit a company?	10 Marks	L1	C01
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13.	a.	If a startup wants to reward its employees with a stake in the company, which type of security should it offer: equity shares, sweat equity, or ESOPs? Explain why.	10Marks	L2	C02
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or

14.	a.	Suppose a company wants to raise funds without giving ownership control. Which type of security—equity shares or debentures—would be more suitable?	10 Marks	L2	C02
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15.	a.	If a company wants to raise funds through the stock market for the first time, which process should it follow, and what regulations apply?	10Marks	L3	C03
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Or

16.	a.	Suppose a company fails to meet listing requirements; what steps can SEBI take for compulsory delisting?	10Marks	L3	C03
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17.	a.	Scenario: ABC Ltd., a mid-sized manufacturing company, plans to raise ₹500 crore by issuing shares to the public for the first time. The company has filed a Draft Red Herring Prospectus (DRHP) with SEBI and is preparing		L3	C03
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	<p>for its Initial Public Offering (IPO). However, SEBI has raised concerns about inadequate disclosure of financial risks and potential liabilities in the DRHP. Meanwhile, some retail investors are eager to subscribe to the IPO but are unsure whether the company meets the eligibility criteria set by SEBI's ICDR Regulations, 2018.</p> <p>Questions:</p> <ol style="list-style-type: none"> 1. What are the key disclosure requirements under SEBI's ICDR Regulations, 2018, that ABC Ltd. must comply with before proceeding with the IPO? 2. Why is SEBI's scrutiny of the Draft Red Herring Prospectus (DRHP) important for investor protection? 3. What eligibility conditions must ABC Ltd. meet under ICDR regulations to proceed with its IPO? 	<p>5Marks</p> <p>3 Marks</p> <p>2 Marks</p>		
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Or

18.	<p>Case Study Title: Impact of Delisting of Securities on Existing Shareholders and Market Prices</p> <p>Scenario: XYZ Ltd., a publicly listed IT firm, announces its decision to voluntarily delist from the stock exchange due to a strategic merger with a foreign company. The company offers to buy back shares from existing shareholders at ₹400 per share, based on recent market prices. However, some minority shareholders feel that the offer price is too low and may not reflect the company's true value. On the other hand, the stock market reacts negatively, and XYZ Ltd.'s share price fluctuates drastically after the announcement.</p> <p>Questions:</p> <ol style="list-style-type: none"> 1. What is the process for voluntary delisting under SEBI regulations, and what approvals are required? 	<p>5Marks</p>	L3	CO3
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		2. How does the delisting decision impact minority shareholders, and what rights do they have in this situation?	5 Marks		
		3. Why do share prices often become volatile when a company announces delisting?	5 Marks		

19.		<p>Scenario: A regional stock exchange continues to operate as a mutual organization where brokers are both owners and traders, creating a conflict of interest.</p> <p>Question:</p> <p><i>Referencing Section 4B of the Securities Contracts (Regulation) Act, 1956, analyze how demutualization can address this conflict and promote transparency.</i></p>	15Marks	L4	CO4
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Or

20.		<p>Scenario: After the SEBI-mandated demutualization, a broker challenges the loss of ownership rights in the stock exchange, claiming it violates their original membership privileges.</p> <p>Question:</p> <p><i>Discuss this in light of the Supreme Court's decision in BSE Brokers Forum v. SEBI (2001)</i></p> <p><i>analyze whether SEBI's demutualization mandate under Securities Contracts (Regulation) Act, 1956, was legally justified.</i></p>	10Marks 5 Marks	L4	CO4
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21.		<p>Scenario- Insider Trading Incident: A well-known company's stock price suddenly surged just before a major acquisition announcement. SEBI suspects insider trading and begins an investigation.</p> <p>Question:</p> <p>How can SEBI utilize its powers under the SEBI</p>	10Marks	L5	CO5
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	Act, 1992 to investigate and take action in this case?	10 Marks		
	What objectives of SEBI are being fulfilled through such action?			

Or

22.	<p>Scenario – Unregistered Investment Advisor: A social media influencer has been giving stock tips without being registered, leading to heavy losses for some followers.</p> <p>Question: How does SEBI regulate such unauthorized investment advisors?</p> <p>Under which provisions of the SEBI Act 1992 can action be taken?</p>	<p>10Marks</p> <p>10 Marks</p>	L5	C05
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******* BEST WISHES *******