

Second year Banking and Insurance course- Corporate and securities law QP code 34626

Answer key.

Q1 a. 1. True

2. True

3. False

4. False

5. True

6. False

7. True

8. False

9. True

10. True

b. 1. Ashbury railway carriage case- ultra vires

2. Memorandum of association- object clause

3. Developing markets- market makers

4. Depositories act-1996

5. Fungibility- replacement

6. SEBI-1992

7. Demat- Electronic form

8. Official gazette- government publication

9. Rights issue- Existing shareholders

10. SCRA- 1956

Q2. Salient features of company- Voluntary organisation, corporate personality, compulsory registration, separate legal entity, limited liability, transferability of shares, separate property, capacity to sue and be sued, common seal, perpetual succession, artificial person.

OR

- a. Background for introduction of the act, financial environment in the country, primary markets, secondary markets. Objects: 1. To promote interest of investors 2. To promote orderly and healthy growth of securities market 3. To ensure fair practices by issuers of securities 4. To regulate and develop a code of conduct and fair practices to monitor

activities of intermediaries 5. To regulate capital markets and other incidental matters 6. To prohibit insider trading.

b. Grants by the central government, Maintenance of Accounts and audit by CAG.

Q3. Powers of SEBI 1. Power to inspect 2. Power of civil courts 3. Pending enquiry or inspection 4. Prohibition and regulation of prospectus 5. Power to issue directions 6. Power to issue directions 7. Cease and desist proceedings

OR

a. Application to the central Govt/ SEBI, copy of bye laws, satisfaction of the central govt wrt bye laws are in conformity, willingness to comply with conditions, in the interest of trade, additional information as required.

b. Advantages of listing – exclusive trading privilege on the floor of the stock exchange, timely information, transparency, marketability, publicity to securities, check of SEBI, mergers and acquisitions, capitalization, better image of company, goodwill.

Q4. Constituents: Issuers, Depositories, Depository participants.

Procedure for conversion of securities from physical to electronic format. Existing securities and primary issues.

OR

a. Bye laws consistent with provisions of the act, eligibility criteria, conditions, manner and procedure for demat, transactions within depository, manner of dealing with securities and their removal, safeguards for protection, conditions for admission and withdrawal from DP, procedure for conveying information, distribution of dividends, hypothecation, obligations, etc.

b. NSDL-First and largest depository, facilities like account maintenance, demat, remat, settlement of trades, inter depository transfers.

Q5. Ultra vires- beyond the boundaries, beyond the power of the memorandum, cannot be ratified, Ashbury railway carriage case.

Indoor management- benefit to the outsider, protection to outsider, internal procedures, Turquand Rule

Constructive notice- MoA and AoA are public documents, inspection of the same is assumed, protection to the company.

OR

1. OPC introduced by CA 2013, MoA has 7 clauses, nomination compulsory, no requirement of AGM, natural person, Indian citizen, only one OPC at a time, average turnover upto 2 crores

2. Underwriting – minimum subscription, take up balance shares, certificate of commencement of business, commission, intermediary, registration under SEBI

3. AoA- internal administration, subordinate to MoA, contents.

4. Buying and selling in electronic form, no stamp duty, pledging and hypothecation, change in address, no risk of damage, theft, fraud, loss, transaction cost comparatively less.

5. Compulsory under Sec 12, types of intermediaries, with SEBI.

