Know the Regulators of
BFSI sector

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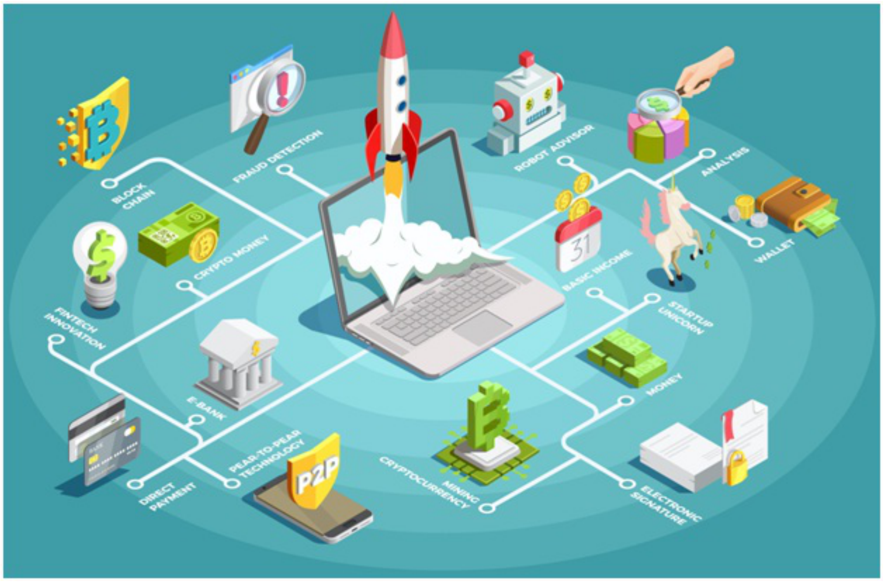


The financial system in India is regulated by independent regulators in the field of banking, insurance, capital market, commodities market, and pension funds. The Government of India plays a significant role in controlling the financial system in India and influences the roles of such regulators at least to some extent.

The regulators in the Indian Financial Market ensure that the market participants behave in a responsible manner so that the financial system continues to work as an important source of finance and credit for corporate, government, and the public at large. They take action against any misconduct and ensure that the interests of investors and consumers are protected.

Objectives of Regulator in Indian Financial System:

- To maintain fairness and competition in the market.
- To provide the necessary regulations and infrastructure.
- To serve as intermediaries for mobilization of savings.
- To help in the process of balanced economic growth.
- To provide financial convenience.
- To act as an intermediate and facilitate financial transactions of individuals and institutional investors.

Regulatory Bodies in Indian Financial System:

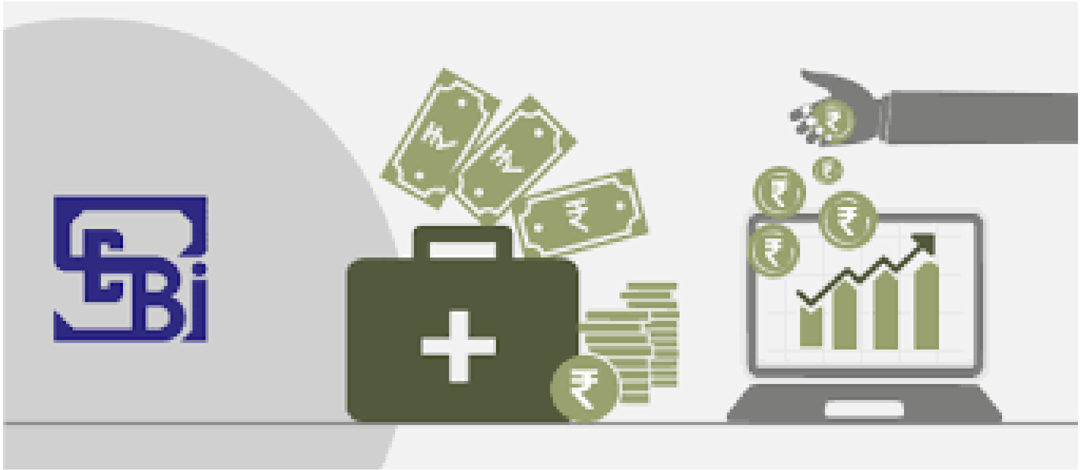
The following are the various regulators who regulate and contribute towards the development of the financial market are as given below:

Capital Market

Securities and Exchange Board of India (SEBI)

The Securities and Exchange Board of India (SEBI) is a statutory body established under the SEBI act of 1992, as a response to prevent malpractices in the capital markets that were negatively impacting people’s confidence in the market. Its primary objective is to protect the interest of the investors, preventing malpractices, and ensuring the proper and fair functioning of the markets.

Objectives of SEBI:



- To change laws relating to the functioning of the stock exchange
- To access record and financial statements of the exchanges
- To conduct hearing and give judgments on cases of malpractices in the markets.
- To approve the listing and force delisting of companies from any exchanges.
- To take disciplinary actions like fines and penalties against participants who involve in malpractice.
- To regulate various intermediaries and middlemen like brokers.

Functions of SEBI:

- **Protective functions:** To protect the interests of the investors and other market participants. It includes preventing insider trading, spreading investor education and awareness, checking for price rigging, etc.
- **Regulatory functions:** These are performed to ensure the proper functioning of various activities in the markets. It includes formulating and implementing code of conduct and guidelines for all types of market participants, conducting an audit of the exchanges, registration of intermediaries like brokers, investment bankers, levying fees, and fines against misconduct.
- **Development functions:** These are performed to promote the growth and development of the capital markets. It includes imparting training to various intermediaries, conducting research, promoting self-regulation of organizations, facilitating innovation, etc.

Organizational Structure of SEBI:

The SEBI is managed by its members, which consist of the following:

- The chairman who is nominated by Central Government of India.
- Two members, i.e. Offices from Central Finance Ministry.
- One member from the Reserve bank of India.
- The remaining 5 members are nominated by Union Government of India, out of them at least 3 shall be whole time members.

SEBI's main roles in the Indian Financial Market:

In order to achieve its objectives, SEBI takes care of the three most important financial market participants.

- **Issuer of securities:** These are the companies listed in the stock exchange which raise funds through the issue of shares. SEBI ensures that the issue of IPOs and FPOs can take place in a transparent and healthy way.
- **Players in the capital market i.e. the traders and investor:** The capital markets are functioning only because the traders exist. SEBI is responsible for ensuring that the investors don't become victims of any stock market manipulation or fraud.
- **Financial Intermediaries:** They act as mediators in the securities market and ensure that the stock market transactions take place in a smooth and secure manner. SEBI monitors the activities of the stock market intermediaries like brokers and sub-brokers.

Investor Protection Measures of SEBI:

Investors are the pillar of the financial and securities Market. They determine the level of activity in the market. They put the money in funds, stocks, etc. to help grow the market and thus, the Economy.

Investor protection involves various measures established to protect the interests of investors from malpractices. Securities and Exchange Board of India (SEBI) is responsible for regulations of the Securities Market and safeguard the interests of the investors.

Investor protection measures by SEBI are in place to safeguard the investors from the malpractices in shares, the stock market, Mutual Fund, etc. SEBI's investor protection strategy has four elements.

- Building the capacity of investors through education and awareness to enable an investor to take informed investment decisions. This education to investors is done by SEBI in order to ensure that the investor learns investing, that is, he obtains and uses information required for investing, evaluates various investment options to suit his specific goals, ascertains his rights and obligations in a particular investment, deals through registered intermediaries, takes necessary precautions, seeks help in case of any grievance, etc.

- SEBI makes available every detail relevant for investment in public domain. Under this framework, issuers and intermediaries disclose relevant details about themselves, the products, the market and the regulations so that the investor can take informed investment decisions based on such disclosures. SEBI has prescribed and monitors various initial and continuous disclosures.

- SEBI also ensures that the market has systems and practices which make transactions safe. SEBI has taken various measures such as screen based trading system, dematerialization of securities, and framed various regulations to regulate intermediaries, issue and trading of securities, corporate restructuring, etc. to protect the interests of investors in securities. It is done to ensures that only the fit and proper persons are allowed to operate in the market, every participant has incentive to comply with the prescribed standards, and the miscreant are awarded exemplary punishment.

- SEBI has a comprehensive mechanism to facilitate redressal of investor grievances against intermediaries and listed companies. It follows up with the companies and intermediaries who do not redress investors' grievances, by sending reminders to them. The stock exchanges have investor protection funds to compensate investors when a broker is declared a defaulter. Depository indemnifies investors for loss due to negligence of depository or depository participant.

Banking Sector

Reserve Bank of India (RBI)

The Reserve Bank of India (RBI) is India's central bank and was established under the Reserve Bank of India act in 1935. The primary purpose of RBI is to conduct the monetary policy and regulate and supervise the financial sector, most importantly the commercial banks and the non-banking financial companies. It is responsible to maintain price stability and the flow of credit to different sectors of the economy.

Objectives of Reserve Bank of India:

- To regulate the issue of Bank notes and the keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country.

- To remain free from political influence and be in successful operation for maintaining financial stability and credit.

- To discharge purely central banking functions in the Indian money market i.e to act as a note issuing authority bankers bank and banker to government.

- To promote the growth of the economy within the framework of the general economic policy of the Government, consistent with the need of maintenance of price stability.

Functions of Reserve Bank of India:

- It issues the license for opening banks and authorizes bank branches.

- It formulates, implements, and reviews the prudential norms like the Basel framework.

- It maintains and regulates the reserves of the banking sector by stipulating reserve requirement ratios.

- It inspects the financial accounts of the banks and keeps a track of the overall stress in the banking sector.

- It oversees the liquidation, amalgamation or reconstruction on financial companies.

- It regulates the payment and settlements systems and infrastructure.
- It prints, issues and circulates the currency throughout the country.

Organizational Structure of RBI:

- RBI is a corporate body, where Ministry of Finance owns directive rights.
- It is managed by Central Board of Directors and four local board of directors.
- The bank is headed by the Governor and there are 4 deputy governors.
- Two of the 4 deputy governors are traditionally from RBI banks and are selected from the Banks Executive Directors.

Role of RBI in Financial Market:

- **Ensuring stability and Growth of the Infrastructure:**

  The financial markets play a very important role in the financial system and very few entities in the country have the power and resources to ensure their stability, one of them being the RBI. Financial Market Infrastructure (FMI) is a multilateral system that includes participating institutions where the operator looks after the clearing, settling, recording payments, securities, derivatives, or other financial transactions. The FMI includes Payment Systems, Central Securities Depository, Securities Settlement Systems, Central counterparties, trade repositories(an entity that maintains electronic records of transaction data), etc.

- **Ensuring the growth of Payment systems in India**

  The RBI oversees these payment infrastructures out in place in order to ensure its efficiency and safety of its participants. This role has been of growing importance especially as the country is encouraged into adopting the electronics payment system and keeping up with international developments. This is only possible because the RBI ensures that the payment and settlement systems are safe, efficient, and accessible throughout the country.

- **Supervising the Payment and Settlement systems**

  The RBI designates specific responsibilities to various other institutions it sets up in order to ensure that the system is regulated and supervised. The RBI also sets up the legal framework that governs these systems. For eg. The RBI has set up the PSS(Payment and Settlement Systems Act, 2007). This act empowers the RBI to set standards for the format of payment instructions, timings to be maintained, manner of fund transfer, etc. The RBI is also given the power to access any information relating to the operation of any payment system, enter and inspect any premise where the payment system is operated, and carry out audits and inspections.

- ### Regulating OTC Derivatives

  The trade repository for Over-the-counter(OTC) derivatives are set up as required by the RBI and are regulated by two separate frameworks i.e. the Reserve Bank of India Act, 1934, and Forward Contracts (Regulation) Act, 1952. OTC derivatives here include interest rate swaps, forward rate agreements, foreign currency swaps, foreign currency-rupee swaps, foreign currency options, foreign currency-rupee options.

- ### Other functions of the RBI

  The RBI has the power to influence the supply of money by adjusting the deposits, reserves (SLR and CRR) it expects banks to maintain, and interest rates that it charges commercial banks that wish to borrow money. These rates and requirements are changed according to the requirements of the economy. The RBI also plays an important role when in stabilizing the value of the Indian currency by maintaining gold bullions and foreign currency reserves. Another important aspect that the RBI looks into is controlling its arch-nemesis i.e inflation.

Role of RBI in consumer education and protection:

The Reserve Bank's approach to customer service focuses on protection of customers' rights, enhancing the quality of customer service, spreading awareness and strengthening the grievance redressal mechanism in banks and also in the Reserve Bank.

The initiatives in the field of consumer protection include the setting up of a Customer Redressal Cell, creation of a Customer Service Department in 2006 which was recently rechristened as Consumer Education and Protection Department.

The recent initiatives of the Reserve Bank in consumer education and protection are:

The RBI has formulated a "Charter of Customer Rights" for banks based on global best practices in the area of consumer protection. The following are the five basic rights of bank customers:

- Right to Fair Treatment.
- Right to Transparency, Fair and Honest Dealing.
- Right to Suitability.
- Right to Privacy.
- Right to Grievances Redress and Compensation.

Insurance Sector

Insurance Regulatory and Development Authority of India (IRDAI)

The Insurance Regulatory and Development Authority of India (IRDAI) is an independent statutory body that was set up under the IRDA Act, 1999. Its purpose is to protect the interests of the insurance policyholders and to develop and regulates the insurance industry. It issues advisories regularly to insurance companies regarding the changes in rules and regulations. It promotes the insurance industry but also controls the various charges and rates related to insurance.

Objectives of IRDA are:

- To ensure fair treatment and protect the interests of the policyholder.
- To regulate the insurance companies and ensuring the industry's financial soundness.
- To formulate standards and regulations so that there is no ambiguity.
- To promote and monitor the growth of the insurance industry.
- To prevent frauds and misselling of insurance product and ensure speedy settlement of genuine claims.
- To bring transparency and proper code of conduct in financial markets dealing with insurance.

Functions of IRDA:

- Issuing the registration certificates to insurance companies and regulate them Protect the interests of the policyholders.
- Provide licenses to insurance intermediaries like agents and brokers after stating the required qualifications and set guidelines for their code of conduct.
- Promote and regulate professional organizations related to insurance to enhance the development of the sector.
- Regulate and supervise the premium rates and terms of the insurance policies.

- Specify the conditions and manners by which the insurance companies have to present their financial reports.
- Regulate the investment of the policyholders' funds by the insurance companies.
- Ensure the maintenance of the solvency margin i.e. the ability of an insurance company to pay out claims.

Organizational Structure of IRDA:

- IRDA is a 10 member body consists of: One Chairman (For 5years & Maximum Age- 60years).
- Five whole time members (For 5years & Maximum Age- 62years).
- Four- part time members (Not more than 5years).
- The chairman and members of IRDAI are appointed by Government of India.

Role of IRDA in Indian Financial System:

IRDA on the industrial practice plays a vital role like

- Ensures and encourages the systematic growth of the insurance industry just to benefit the common people who invest in policies to look for safety.
- Protects the interest of the policyholders so that they trust the system.
- Promote high standards of integrity and fair dealings in the market.

- Resolve disputes of all kinds and speed up claim settlement.
- Set standards and conduct vigilance to check for scams or frauds.

The Indian economy is growing which further promotes the entrance of new insurance players in the market. To keep the pace of growth even-handed, IRDA needs to maintain standards of quality. It will further contribute to strengthening the financial capacity of a country as a whole.

IRDA Protection of Policyholders' Interests:

IRDAI has notified Protection of Policyholders Interest Regulations 2001 to provide for: policy proposal documents in easily understandable language; claims procedure in both life and non-life; setting up of grievance redressal machinery; speedy settlement of claims; and policyholders' servicing.

The major objectives of the Protection of policyholder's interest are as follows:

- To ensure that interests of insurance policyholders' are protected.
- To ensure that insurers, distribution channels and other regulated entities fulfill their obligations towards policyholders and have in place standard procedures and best practices in sale and service of insurance policies.
- To ensure policyholder-centric governance by insurers with emphasis on grievance redressal.

Integrated Grievance Management System:

- IRDAI has launched the Integrated Grievance Management System (IGMS) in the year 2010. Apart from creating a central repository of industry-wide insurance grievance data, IGMS is a grievance redress monitoring tool for IRDAI.
- Policyholders who have grievances should register their complaints with the Grievance Redress Channel of the Insurance Company first. If policyholders are not able to access the insurance company directly for any reason, IGMS provides a gateway to register complaints with insurance companies.
- IGMS is a comprehensive solution which not only has the ability to provide a centralized and online access to the policyholder but complete access and control to IRDAI for monitoring market conduct issues of which policyholder grievances are the main indicators. IGMS has the ability to classify different complaint types based on pre-defined rules.
- A complaint registered through IGMS will flow to the insurer's system as well as the IRDAI repository. Updating of status will be mirrored in the IRDAI system.
- Thus IGMS provides a standard platform to all insurers to resolve policyholder grievances and provides IRDAI with a tool to monitor the effectiveness of the grievance redress system of insurers.

Pension Funds Regulatory and Development Authority (PFRDA)

The Pension Fund Regulatory and Development Authority (PFRDA) is a statutory body, which was established under the PFRDA act, 2013. It is the sole regulator of the pension industry in India. Initially, PFRDA covered only for employees in the government sector but later, its services were extended to all citizens of India including NRI's.

The National Pension System (NPS) of the government is managed by the PFRDA. It is also responsible for regulating custodians and trustee banks. The Central Record Keeping Agency (CRA's) of the PFRDA performs record keeping, accounting and provides administration and customer services to subscribers of the pension fund.

Objectives of PFRDA:

- To set up guidelines for investing in pension funds.
- To set up disputes between intermediaries and pension fund subscribers.
- To increase awareness about retirement and pension schemes.
- To investigate intermediaries and other participants for malpractice.
- To provide income security to the old aged by regulating and developing pension funds.

Functions of PFRDA:

- Conducting enquiries and investigations on intermediaries and other participants.
- Increasing public awareness and training intermediaries about retirement savings, pension schemes etc.
- Settlements of disputes between intermediaries and subscribers of pension funds.
- Registering and regulating intermediaries.
- Protecting the interest of pension fund users.
- Stipulating guidelines for investment of pension funds.
- Formulating code of conduct, standards of practice, terms and norms for the pension industry

Organizational structure of PFRDA:

The Authority consists of a Chairperson and not more than six members, of whom at least three shall be whole-time members, to be appointed by the Central Government.

Grievance Redressal Mechanism

The present structure of the Consumer Grievance Redressal system under National Pension System has a multi layered Grievance Redressal Mechanism which is easily accessible, simple, quick, fair, responsive and effective.

Registering of Grievance/Complaint :

Subscribers have various options of registering their grievances / complaints; however, it would be desirable that the grievances / complaints are lodged directly into the Central Grievance Management System through Web based interface as has been detailed below:

1. **Web based interface for registering grievance/complaint :**
   Subscriber can register his grievance/complaint into the Central Grievance Management System through the following web link.
   https://cra-nsdl.com/CRA/cgmsMenuOnloadForSub.do
   On successful registration, a token number will be displayed on the screen, which may be noted and used for future references and tracking of complaint.
2. **Other modes of registering grievance/complaint :**
   i. Call Centre/Interactive Voice Response System (IVR)
   Subscriber can contact CRA call centre at toll free telephone number 1-800-222080 and register his grievance.

Subscriber will have to authenticate himself through the use of T-pin allotted to him at the time of opening a Permanent Retirement Account under NPS. On successful registration of the grievance, a token number will be allotted by the Customer Care representative for any future reference.

ii. **Physical forms**

Subscriber can submit the grievance in a prescribed format to the POP – SP who would forward it to CRA Central Grievance Management System (CGMS).

Subscriber will have to mention his PRAN as the means of authentication. Upon submission of form with the POP-SP, he will get an acknowledgement receipt.

The token number would be emailed to the subscriber (if the email id is mentioned), otherwise the same will be emailed to the concerned POP-SP. Subscriber can get the token number from the POP-SP upon presentation of the acknowledgement receipt.

3. If the complainant is not satisfied with the redressal of the his grievance or if it has not been resolved by the intermediary by the end of thirty days of filing of complaint, he may escalate the complaint to the National Pension System Trust (NPS Trust) through any one of the following modes -

Website : www.npstrust.org.in

Ministry of Corporate Affairs (MCA)

The Ministry of Corporate Affairs (MCA) is a ministry within the government of India. It regulates the corporate sector and is primarily concerned with the administration of the Companies Act, 1956, 2013 and other legislations. It frames the rules and regulations to ensure the functioning of the corporate sector according to the law.

Objectives of MCA:

- To protect the interest of all stakeholders, maintain a competitive and fair environment and facilitating the growth and development of companies.
- To provide simplified laws governing Corporate Sector to facilitate effective compliance and regulatory regime.
- To administer and enforce the provisions of the Companies Act, 2013 and other allied laws and Acts to enable the business organizations to do their business more easily and efficiently.

- To trace and identify quickly non-compliance of the provisions made in the Companies Act. 2013.
- To encourage various companies to Improve Corporate Governance and adopt responsible and fair business practices.
- To avoid and penalize unfair trade practices and to promote fair competition.
- To make available the corporate data to the public, investors, and other stakeholders.
- To offer various services to the stakeholders and protect their interest and safeguard their rights.

Functions of MCA:

- Administering the Competition Act of 2002 to prevent practices that adversely affect competition, promote and sustain competition in markets, and to safeguard consumer interests through the Commission established under the Act.
- Supervising the three professional bodies, namely the Institute of Chartered Accountants of India (ICAI), Institute of Company Secretaries of India (ICSI), and the Institute of Cost Accountants of India (ICAI), established under the different Acts of Parliament.
- Executing the functions of the Central Government with respect to the administration of Partnership Act, 1932, the Companies (Donations to National Funds) Act, 1951 and the Societies Registration Act, 1980.

Mutual Funds

Association of Mutual Funds in India (AMFI):

The Association of Mutual Funds in India (AMFI) is dedicated to developing the Indian Mutual Fund Industry on professional, healthy and ethical lines and to enhance and maintain standards in all areas with a view to protecting and promoting the interests of mutual funds and their unit holders.

The main objectives of AMFI are as follows:

- To define and maintain high professional and ethical standards in all areas of operation of mutual fund industry.
- To recommend and promote best business practices and code of conduct to be followed by members and others engaged in the

activities of mutual fund and asset management including agencies connected or involved in the field of capital markets and financial services.

- To interact with the Securities and Exchange Board of India (SEBI) and to represent to SEBI on all matters concerning the mutual fund industry.
- To represent to the Government, Reserve Bank of India and other bodies on all matters relating to the Mutual Fund Industry.
- To undertake nationwide investor awareness programme so as to promote proper understanding of the concept and working of mutual funds.
- To disseminate information on Mutual Fund Industry and to undertake studies and research directly and/or in association with other bodies.
- To take regulate conduct of distributors including disciplinary actions (cancellation of ARN) for violations of Code of Conduct.
- To protect the interest of investors/unit holders.

Organizational Structure of AMFI:

As of now, it has 44 registered members, including 42 Asset Management Companies registered under SEBI.

Role of AMFI in Mutual Funds:

- The important role of AMFI in Mutual Fund is to help protect the interest of investors, as well as that of the asset management companies. It also aids in making investments transparent and more accessible to attract more people to it.
- In a bid to make Mutual Fund investments more accessible, fund houses, trustees, advisors, intermediaries and other concerned individuals should register under AMFI.
- To promote transparency regarding the Mutual Fund market, even the advertisements put forth by AMFI inform investors about the risks associated with them.

Investor awareness in AMFI:

In order to create awareness about Mutual Funds, and benefits of investing in mutual funds among public, various Mutual Fund Asset Management Companies (AMCs) have been conducting Investor Awareness Program (IAP) using a standard presentation / following a uniform structure as recommended by AMFI.

Life Insurance offers a man
the only way where
he can make his Will
before he makes his money.

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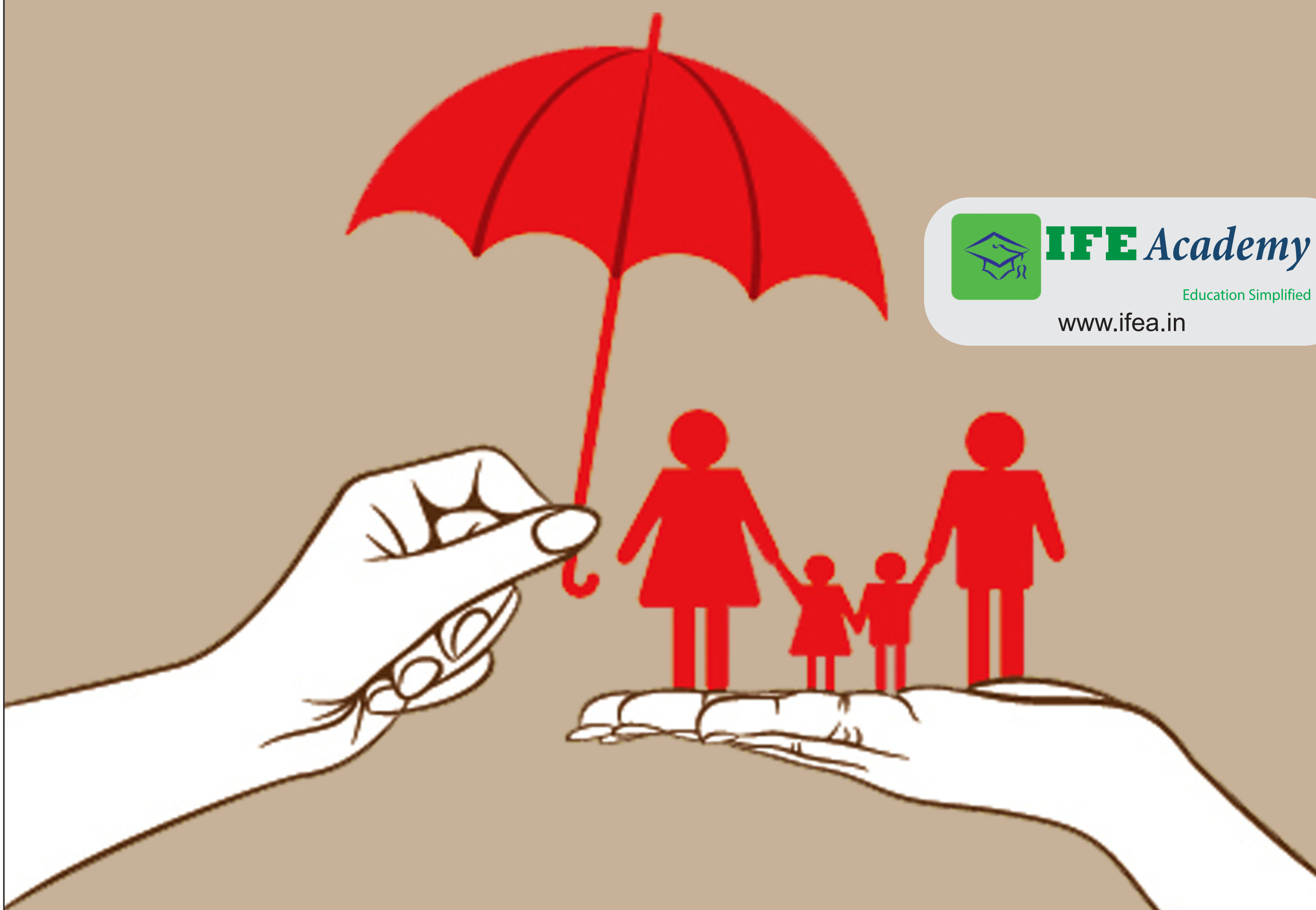

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About IFE Academy

IFE Academy was established in 2011 as a Not-for-Profit entity to promote Financial Education. IFE Academy conducts Investor Awareness Programs across the country with the support of other market participants. www.ifea.in is a comprehensive website on Financial Education. It has various sections such as Videos, Puzzles & Games, Financial Calculators and Library. It gives a holistic view on financial education combining various aspects such as Savings, Investments, Credit, Insurance and Pension at a single place. IFE Academy periodically publishes Investor Educational materials and distributes it to general public.

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