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DIRECTORATE OF DISTANCE EDUCATION

BBA-(BANKING)

FINANCIAL SERVICES INSTITUTIONS

12234

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1.1 INTRODUCTION

Financial services: the value of financial services, the definition of financial services, the activities of financial services, the characteristics of financial services, the capacity of financial services. Banks, such as various kinds of banks that promote various financial deals and other related functions in the financial world, such as loans, insurance, credit cards, speculation opportunities and cash management, and provide data's on other topics, such as stock markets and global financial movements.

1.2 FINANCIAL SERVICES-MEANING

The significant of financial services is the economics of the financial industry, in addition credit unions, banks, credit card firms and Insurance firms, accounting firms, consumer banking firms, stockbrokers and investment funds, personal managers and various state-funded firms.

1.3 FINANCIAL SERVICES-DEFINITION

Financial institutions such as banking, insurance firms, intermediaries, and consumer finance firms and investment firms, which are financial services industries, provide services and products for consumers and enterprises. Activities such as savings accounts, checking reports, checking, renting and bank transfers are typically provided by banks, credit unions and financial firms. Financial services can merely be defined as services provided by financial and financial institutions, such as loans, insurance, and so on.

Financial services include the growth and supply of financial products for individuals and firms of banks and related organizations, personal financial planning, investment, real estate and insurance, etc.

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Financial services are services provided by the financial industry. The financial industry includes various financial management organizations. This includes banks, credit card firms, insurance firms, consumer banking firms, stockbrokers, mutual funds and many state-sponsored firms.

1.4 SCOPE OF FINANCIAL SERVICES

Financial services cover diverse activities. It is divided into two categories.

Traditional Activities: Traditionally, financial brokers offer diverse services, including operations with capital and the money market. They can be assemble into two heads, namely. a. Funds related activities and b. non-fund related activities.

Funds related activities

Existing fund-based services incorporate registering or investing in stocks, bonds, bonds, and so on. New issues in primary market activity. Discovery of activity of the secondary market. Participate in money market instruments like commercial papers, certificates of deposit, securities, discounts on accounts, etc. Functions without cash, such as equipment rental, rental, risk capital, seed capital.

Non-fund related activities

Financial brokers also supply services based on non-financial activities. This is called a paid activity. Currently, consumers, whether private individuals or companies, are not satisfied with the common financial rules. They expect much more from financial service providers.

Capital Management

Management of pre-and post-release functions related to capital issues in agreement with SEBI guidelines can help organizers get establish. Conclude agreements on the placing of equity and debt securities of investment organizations. In order to lend to financial institutions the costs of consumer projects or working capital, we need help in obtaining all regulations and further agreements.

Modern Activities

In addition to the traditional services stated above, financial brokers have recently provided more services. Most of them have no means. Given the significant of this activity, namely “New Financial Products and Services”. Some of the newest services they offer are listed below. Providing project consulting services, from generate project reports to raising funds to start a project with the necessary state permits.

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Rehabilitation and restructuring of sick leave firms with appropriate programs for reconstruction and guidance of program implementation. Hedging opposed to currency risk, interest rate risk, economic risk and political risk using swaps and more derivatives. Portfolio management for large public sector firms. Get risk management services like insurance, buyback options, etc. Inform your customers and consumers about the finest choice of financing source, taking into account the necessitate amount of funds, their cost and loan term period. Clients minimize the cost of credit and discover the optimal combination of debt and capital. Promotion of credit bureaus in command to issue debt collateral and evaluate firms wishing to publish it.

Business services related to capital markets like 1) liquidation services, 2) Registration and transfer, 3) custody of securities, 4) seizure of proceeds from securities.

1.5 FINANCIAL SERVICES - FUNCTIONS

1. Business facilitation in the economy (exchange of goods and services).
2. Take upper hand of the savings (if your retailer is highly limited).
3. Dispersal of shares (especially for financing fruitful investments).
4. Convey of Risk (reduced by observe similarities and reinforcing those who are much more likely to be infected).

1.6 FINANCIAL SERVICES - CHARACTERISTICS

Specific-customer

Financial services are normally customer oriented. The firm providing this service analyzes the needs of the customer in detail before deciding on a monetary strategy that takes into account cost, liquidity and maturity. Finance firms always work with customers to grow up products that meet their specific needs.

Financial organizations continue to conduct market research to release new products that go far beyond future market needs and laws. The newest technologies present innovative and customer-favorable products and services, demonstrating that the focus point of financial service providers is on supplying business-specific services.

Intangibility

The brand image is more important in a competitive world. If a financial organization that affords financial products and services does not have a

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better image and enjoys the trust of its consumers, it may be unsuccessful. Therefore, organizations should focus on quality and service innovation to frame trust.

Concomitant

The provision of financial services and the provision of such services must be made as well. The offers of new and innovative financial services and the provision of alike services should be carried out equally.

The tendency to Perish

Different from other services, financial services are generally based and cannot be saved. Must be shipped according to customer requirements. Therefore, financial institutions must ensure proper synchronization of supply and demand.

People Based Services

Financial services marketing should be people-oriented, so there may be differences in performance or quality of service. The employees of the financial services provider should be selected based on their suitability and trained accordingly so that their activities can be carried out efficiently and effectively.

Market Dynamics

Market dynamics are largely dependent on socio-economic changes, such as changes in disposable income, living standards and education, associated with different classes of customers.

1.7 FUNCTIONS OF PRIVATE PLACEMENT & PUBLIC PLACEMENT

Commonly restricted placements and known Placement, like original freely available Placement, are conduct for you to increase funds to intensify your business. One, the IPP, is a unusually known method in which your business be able to increase and catch outside investors, as a confidential occupation is not as much of spectacular but conserve be similarly actual in ration your theater category get a message to its potential.

Private Placement

In a restricted placement, you market fairness shares of your sphere to a wealthy set of investors. The aim investor consultation for reserved

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appointment deals are endorsed backers, or individuals who earn at modest \$200,000 annually or whose get significance exceeds \$1 million, as stated by a 2010 article on "The barrier lane Journal" website. The backers, who you are in charge for discover, though you may perhaps enlist the refrain from of a broker, get to a decision to accept and accept the shares for a destined event of time and in exchange over are untaken shares of the patron for a inexpensive price. There's not a category of red tape involved, and you don't have to reach the covenant with the U.S. Securities and argument Commission.

Public Placement

The nearly all conventional letters of shared gift is an original open Placement, in which disinterest shares are open to in the public domain backers for the initially time. A less significant or follow-on community present happen at what time you desire to presell fair play divide in the shared markets after you have complete an IPP. After a business has deceased public, it is in harmony by the SEC and necessary relate academic journal and formerly a year monetary act to the public. Once you build an inventory shares in a known Placement, agreeable shareholders to not lone portion in the possession and profits of the custom but it as well allowing them a show of palm on the prospect course your party takes.

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UNIT – II LEAD MANAGEMENT - PROCESS

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2.1 LEAD CAPTURE AUTOMATION

Start capture high tech channel the leads be supposed to become catch repeatedly in it system. In today's global, nearby are endless sources of manage realistic and once the command quantity is excessive, it is not realistic to answer both advantage into the system guide (as it maxim in the info depictive overhead). Be the forerunner capture high tech ensures that each one be in the assist is fed into the system genuine at the immediate of origin, preventing front get away of any sort.

Pilot Capture Automation

Another piece of front capture high tech is the capability to mechanically evaluate sources generating nearly everyone entity of leads and revenue

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for it. It preserve straightforwardly equate guide – the high ranking profit, and the capital clear out have an advantage invention sources. This information is particularly focal for trading and corporate brainpower categories as they be capable of re-imagine their buildmonetary arrangements with this information.

Indication tracking

When a go ahead is captured, the indicator management or hint tracking software would started tracking the behavior and deeds of that go leading – the pages they are visiting, the shapes they are filling, the time they are outlays on it blog etc. Basically, it gives it valuable insights about it guides which it would if not have. Succeed day run management software in addition traces conversations over the call or chat.

2.2 LEAD TRACKING AND LEAD SCORING

Lead distribution

After capturing the guides, necessary to card them on to the appropriate trading people. Again, it will take on an elongated lengthen time if it sort out it manually. A straight delivery system auto-assign the leads based on any judgment that it's defined.

Distribution

In generally businesses, if a friendship is bright to commerce the pilot before their competitors, they did perceive a specific advantage. (Because if a control fills up it question form, in every probabilities, they maintain prepared the constant for 5 added armed intensity alike to its). With front distribution, it tin a many bring down the answer time and source somebody to for certain that the captain is chased by the nearly all appropriate trading person, as a result that the principal canister sake from a steady experience, as in following to no time as they effect a question (enter it front management system).

Go ahead qualification

At this stage, the leads are inspecting to see if they are merit follow or not. These fit leads are apart from called sales-ready leads. Forcefully CRM and go ahead Management systems such as Lead Squared offer a grade to all front line based on the likelihood of their termination. This scoring is called trait Scoring. Important notch be capable of be made to line by the affair on the beginning of their representation buyer person.

Command nurturing

There is nobody called an exhausted lead. Approximately leads may not acquisition at the moment, but that bottle fantastically definitely revolution in the future. a few of them force not at all buy, but if it go them an excellent event in what they sought from it – perhaps an e-book, a blog-post, or particular freebies – it gain an imprint advocate for life.

The jiffy it goes across why a head is not interested, it moves a notion of how it bottle develop him interested. This categorizing almost certainly makes the prime portion of leads in it database. The ones who are not without delay interested.

These fairly fascinated leads reach into be in the lead encouragement phase and would extend out from in attendance and accepted by the side of sales at whatever time they suit complete to be sold to.

Advance Nurturing

Lead encouragement consists of consistently engaging the leads over manifold channels, by separation matter they will locate interesting. Now, this multi-channel dedication force be across send an e-mail to campaigns, triggered emails (or drip emails), SMSs or even across category media by process of remarketing. To grasp added about drip trading, it vessel try out this info depictive.

2.3 VALUE OF ISSUES

The component about the next eight methods of value of appeal of materials: (1) substitution fee Method, (2) cast-iron reaction Method, (3) average cost Method, (4) overblown estimate Method, (5) record in beginning Out (HIFO) Method, (6) Next-in-First Out (NIFO) Method, (7) affecting mean system and (8) center collection Method.

There are a range of methods which are in work for value issues of equipment or stores. Before the methods are discussed, it is relevant to peak out that, what sense is come after; the definite issues of equipment will enduringly be on the core of beginning in foremost out. That is to say, the genuine publish of reserves will at all times be from the beginning consignment.

Substitution expenditure or advertise fine on the blind date of Issue:

- ✓ The charge of the equipment in distribute is not considered. Once an emanate is completed the advertise charge is ascertained and the supply is priced at that price.

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- ✓ It is claimed that anywhere quotations possess to be made; this is the superlative reasoning since it would chew on the hottest competitive condition. But this confuses estimating, with costing.
- ✓ Be supposed to sure rent into bank account the ruling prices of reserves if we are preparing to elect a tender but to acquire out the rate of liability an employment is completely different. For this purpose, the loss of reserves and not their current reaction must be used.
- ✓ It is besides claimed for this logic that it would consequentially relate efficiency or inefficiency in buying. The food Ledger will benefit expenditure for gate and the bazaar estimate for issues. Privileged percentage for issues than for proceeds will make known efficiency in trade (and sub- versa).
- ✓ These will authority a proportionately slight quantity for the measure in hand. Near may uniform be a off-putting sum for a constructive mass balance.
- ✓ It is, however, submitted that this would unreasonably cause difficulties price books, and, in any case, figure has nil to prepare with profits or losses as such. This technique introduces an ingredient of profit or harm in the expense itself as of the treat of promotes reaction significantly than the expense for back issue of materials.
- ✓ It is enhance to dodge the utilization of the scheme level nevertheless the advertise estimate would of course be full into kindness at the time of distribution tenders or fitting prices.
- ✓ The fashion is added called substitute price style since the marketplace fee on the set of announces process the rate at which stage collection may hopefully be replaced by new stock. The dub “Replacement Price” has been definite by the Institute of outlay and Management Accountants of England as: *“The cost at which here may hopefully be attachment of an asset indistinguishable to that which is organism replaced or revalued.”*

Inflexible Price:

Under this method, the gush value is cast-iron for a entirety period. The percentage is second-hand for figure the issues irrespective of the firm footing price. It is clear that such a logic will launch a constituent of profit or beating in the appraise of background used.

Banner Price:

“Worth value is prearranged reaction enduring on the footing of a specification of every one of the factors moving that price.” Firms which grasp pennant figure will high-rise every one the proceeds and issues of

reserves at the usual estimate which will be enduring in advance. In this case, mutually the take and issues will be cost at an average rate.

In suit the hold value is further or a smaller amount than the banner price, the divergence is stimulating to a savings account which is established as the stock price, the divergence is stimulating to a credit which is recognized as “Price Variance Account”. For example, if the accepted assess is 5 apiece constituent and the definite reaction is Rest. Rs. 5.50, come after by the food Ledger will be debited at the ratio of Rs. 5 and outlay Variance inspect account with 50 paise for each unit. Issues are every single one cost at the typical price. It serves to determine efficiency in enjoy of materials, added it saves religious labour.

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Exaggerated Price:

Where reserves are subject to instinctive usage the loss may be exaggerated to tally for the wastage. Thus, if 100 units of equipment are bought for Rs. 150 and if, out of this, merely 90 units tin be as a rule old (the other ten going away to waste), the issues may be cost not at 2.50 apiece corps but at Rs.1.67 apiece unit, i.e. 150 h- 90. With the real flow of 90 units the sum will be exhausted and accordingly will the definite quantity. Mutually in the food ledger a numeral calculate of 10 units will remain; it be supposed to be on paper off.

Example 1: (Issue of regular Price): Prepare food Ledger monetary credit from the next purchases and give out of materials, while issues are priced at degree figure of Rs. 20 for each unit.

Preparation of food Ledger Account

Top in originator Out (HIFO) Method:

By this sense quantities of reserves are provide at the maximum worth of equipment on hand. As soon as the magnitude having the chief reaction is exhausted, the subsequently record rate is second-hand in valuing issue. As this procedure is old in, fabrication becomes high-rise, therefore that the profit is reduced. During a cycle of mounting fee level, the approach is alike to LIFO means and in a cycle of decreasing penalty level, the style is like peas in a pod with FIFO method. HIFO approach is of imaginary pastime no more than as it has not established broad acceptance.

Next-in-First out (NIFO) Method:

Under the NIFO Method, the cost of notes which is to be after that expected is second-hand in valuing provides materials. It is based on the supposition that the set a price of the subsequently batch is accepted

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before it is received. If by the time the equipment are received, the making is completed, the making detriment of equipment shows the evaluate of a large amount flow purchases. This procedure is practically alike to LIFO logic but is added cheeky looking and under this method, asking price of construction reflects the modern prices of materials.

Pathetic mean Method:

By this method, the copy quotient for an accurate month is reputable by delightful be more or less of the periodic slanted worth fee principal during that month and add up to of months preceding it. It may be affecting be more or less on the source of six months, twelve months etc.

For example, if six months tender typical is full for the month of June, the heartrending be in the region of will be regular run of the mill of the tax existing for six months from January to June and for the month of July, it will be austere be in the region of tax for February to July.

Support accumulation Method:

Under this method, a least amount numeral of accumulation is all the time to be detained in food as rigid asset. The lowest possible sell is acknowledged as improper livestock and it be supposed to not be provide if in attendance is an appear. The livestock in overload of center hoard would be provide in accordance with one of the methods of value of subject e.g. LIFO, FIFO, Average, etc. consequently it is not an outside fashion in itself.

2.4 ISSUE OF PROMOTIONS

The Promotion Management procedure has suit a derogatory bond in it chain. Consumers require promotions and proceedings in the market today. How act it about the appropriately range with the suited goods at the claim locality and price? For the most part of it put together a promotion idea like forever and come after by look forward to for the paramount every month. How that's not quite like selling a raffle ticket. In fact, the risk label is cheaper, and the ROI is relevantly privileged for it cash speculation.

Goals for Promotion Management

The goal of promotion management is to attain the high-rise ROI (return on speculation) while implementing a newly urban preference program, at the same time as and achieving compare between trade use and incremental volume. After set the goal, it set up a promotion graph and over and over again linkage that to it honest to buy. A not many added far

ahead organizations will strive to attach the opportunity promotion to times of yore analogous promotions by between the reactions to assignment the new promotion sales. The catch is creating a goal and a map without the recipe inner step: ‘Create a Scheme to do it Promotion Goal’.

Scheme is the lost major to Promotion Management

However, implementing a lucrative preference scheme is a challenge that lots of retailers and their suppliers appear to mug each month without gain scheme or wear and tear of present software. Why say again the consistent sort out each month and guess the reaction to be different?

There is a ration to filch into thought for these friendship leaders, which makes the scheme manage subsequently complex.

Issues that put up promotion management in retail such an amalgamation deal with include:

- Large effect Portfolios
- Unique Discounts
- New and one-time crop – To stage in or not to point in. To part out or not to part out.
- Trading Expression
- Ranging and Displaying Processes
- Effects on Stakeholders – Merchandising and Sales, Finance, Suppliers.

When a retail management band is faced with a preference challenge, the band requests to derive a collective footstep to the rear to afterward bring an extended tough appearance at their skill to screen whether or not their Promotions are successful and efficient. Perhaps currently is the time to invest in preference forecasting.

Lack of correct monitoring and be short of inspection are mostly to impugn for an ineffective scheme. This is fairly to hold responsible on the piece of information that a good numeral organizations persist to rely on old-school spreadsheet-style news for promotion management in retail.
Numerous Promotions = Sundry Evaluation Processes

Remember that every preference curriculum that it retail concert party kit is obtainable to be distinctive and unique, as the food are separate and any promotion will cover distinctive attributes. As of this fact, it be supposed to not boast one complete program of principles in arrange for the evaluation of a preference program’s success. Line each one preference list with this expectation and realization.

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2.5 INFORMATION TO DEEM WHAT TIME PROMOTING PRODUCTS

The conclusive goal of a flourishing item for usage promotion is to boost consumer sales. At this juncture are a numeral of crucial factors that it management panel must grab into relevant thought before implementing a new scheme.

Timing and Duration – it mean to respect what time it party must promote, how over and over again it corporation must promote, and the duration of time for each one promotion.

Brand – It absence to make certain that any new deals it concert party advertises are in full-alignment with the company’s valued class image.

Long-Term bang – Will the new promotion say any prospective long-term bang on imminent base-line sales?

Goals – are it goals and objectives re sales? In the past it have reputable them, build absolutely to pass on them pleasingly to it complete sales team.

Tools – Are it relying on old-school retail management tools or are it utilizing the hottest and record innovative software management tools?

2.6 DISCLOSURE-NORMS

- ✓ Though the 1992 SEC revisions eliminated the must for organizations to cook a reserved assignment message for investors, experts evoke that it is tranquil a clear idea.
- ✓ The communication be supposed to explain the business, make available surroundings in sequence on management, confer the language of the contribution (including the quantity of shares available, the price, and the planned usage for the funds), outline the company's headquarters assembly before and after the garage sale of soundness, relate the opportunities and risks mixed up in the speculation, and present copies of monetary statements.
- ✓ Overall, the raze to the ground of admission must be reliable with applicable chaos and central soundness laws, as favorably as with the style of impending investors and the convolution of the expressions of the placement.
- ✓ A run of ID common as contribution equipment be supposed to too be incorporated with the in sequence sent to probable investors in a reserved assignment transaction.

- ✓ Contribution reserves consist of two main ID that investors mark to signify their beg to subscribe to acquisition the soundness offered. One of these credentials is the offered and payer questionnaire, which asks for qualifications in rank about the saver to uncover his or her side by side of sophistication.
- ✓ The second deed is the contribution agreement, which is a reduce performance that the shareholder has reviewed the donation information, is informed of the risks required, and desires to invest.
- ✓ Head management is the course of institution leads, constantly and equally.”
“Lead management is the handle of capturing leads, tracking their behavior and behavior, qualifying them, charitable them persistent mind to knock together them sales-ready, and come after by disappearance them on to the sales team.”
- ✓ Again, this sounds down-to-earth enough. But, in truth, main management is complex, specially what time the records are high. Let’s seize an exceptionally clean immediate of a new problem to comprehend the complexity:

2.7 UNDERWRITING CONTRACT AT THE TIME OF ISSUE OF SOUNDNESS

Fiscal army is a weighty factor of the fiscal system. They end the requests of monetary institutions, monetary markets and profitable instruments. The silver-tongued functioning of a profitable system will depend upon the sort of profitable air force comprehensive by the providers. The army play a role allocation to the hard work of speeding up the administer of monetary intensification and development. Monetary air force in India contains witnessed remarkable changes in the new history after the implementation of “Liberalization, privatization and globalization”. Policies of the Government, the quick progress in sequence and e-mail automation in the fiscal military sector formed radical changes in comply with of firms, age category of innovative monetary products, and profitable markets. The prestige cult is rising exceptionally steady in the country. The manipulate of grown-up and far along automation may perhaps be reckoned as any more special bring out of the large-scale profitable air force industry. It has at the moment appeared out with a new instrument famous as “stored price card”.

The movement of the fiscal air force sector knows how to be charted out across the schoolwork of the following:

- Merchant Banking
- Mutual Funds

Notes

- Venture Capital
- Credit Rating
- Lease Financing
- Underwriters
- Registrars
- Soundness and barter get on of India (SEBI)
- NSE, OTC, BSE
- Depository System

2.8 MERCHANT BANKING

Funds are tapped from the funds bazaar to finance a numeral of mega industrialized projects. In attracting municipal savings, mercantile bankers be flippant a necessary part as dedicated agencies. The meeting of raising capital happens to be one of their leading businesses. The crucial marketplace holds the input to speedy funds formation, progress in engineering assembly and exports. Near has to be answerability to the end of waste of means raised from the market.

The functions of mercantile banks tin are summarized as:

- Issue capital
- Foreign advance business
- Finance external trade
- Manage original reserves and undertake
- Foreign safekeeping trade

Today, the business bankers participate the function of brokers and promoters in emanate of soundness. They are actively difficult in launching and organizing manufacturing units, mergers and acquisition, transformation of hush-hush organizations into open owned organizations.

- The Soundness and barter panel of India (Merchant Bankers) policy of 1992 clear a business banker, “as any person who is engaged in the company of back copy management each by construction planning about selling, retail or subscribing to soundness as manager, consultant, adviser or rendering corporate advisory overhaul in next of kin to such appear management”.
- The importance of the commercial tilt refers to an order that underwrites soundness and advises such clients on issues like corporate managers in the ownership of money-making ventures.
- Mercantile bankers are completely elaborate in result investors for “Beginning in the public domain gift (IPP)” of soundness sold in the new hand out market.
- They give the buyers and sellers in sync and make marketplace by construction planning for the community issue. In present times,

meaning of commercial backer is exceedingly much, as it the solution conciliator between the corporation and originate of capital.

- Actions of the business bankers are –determining the concerto of the center structure, drafting of catalog and product forms, acquiescence with procedural
- Formalities, appointment of registrars to divide up with the contribute to concentration and transfer, record of soundness, institution of underwriting / sub-underwriting, insertion of issues, medley of brokers, bankers to the issue, exposure and promotion agents, printers and accordingly on. Correct to overwhelming consequence of business banker, it is promptly mandatory that commercial banker(s) functioning as information manager(s) be supposed to handle each and every one broadcast issues.

Notes

In India, commercial banking actions are keeping pace by:

- Guidelines of the SEBI
- Guidelines of the office of Finance
- Organizations Act, 1956
- Soundness Contracts (Regulations) Act, 1956
- Listed guidelines of the farm animals exchanges
- Underwriting

Underwriting is the sort of a cover against the adverse site in the timing of the shared issue. It canister be definite as “bearing the imperil of not personality proficient to plug a safekeeping at the time-honored reaction by righteousness of purchasing the self-assurance for resale to the public; added notorious as positive responsibility underwriting”.

- The role who assures is called as “Underwriter”; and the point for the self-possession is recognized as “Underwriting Commission”. The Underwriters donate assure for the freely available contribution and in revolve they greet the commission. In open issues, after the commercial bankers, the after that locate goes to the Underwriters, somewhere they recreation an extraordinarily foremost role.
- The SEBI has definite the Underwriting as “a concurrence with or without surroundings baby subscribe to the soundness of an essence corporate anywhere the on hand shareholders of such majority corporate or the civic get something done not subscribe to soundness existing to them”.

Notes

- The backer has been definite as “a part who engages in the sphere of Underwriting of an edition of soundness of a category corporate”.
- The Underwriting is mandatory for the known issue. The keep switch set of laws unmistakably spell out that no domestic animals dealer is permitted to countersign new than 5 for each cent of the shared numeral and the afraid supply swap over must sanction the appointment of agent underwriters.
- Frequently the bankers tin bankroll up to 10 for each cent of the in the public domain issue. The Underwriting official category cannot be remunerated on the amounts play a part.
- At hand area amount of profitable institutions, saleable banks, cover organizations as ably as an integer of clandestine organizations which afford underwriting. A backer flow is the reliable path of trading soundness and the investors are influenced by the regard of the underwriters.
- The issuing organizations may appoint one or new of the next parties: (A) monetary Institutions, (B) Brokers, (C) Bankers, (D) Speculation Organizations, and (E) Trusts.

2.9 OBJECTIVES OF THE UNDERWRITING

The objectives of the Underwriting are offered below:

- It guarantees the rummage sale of soundness at a prearranged price.
- It facilitates the provision of capital during the fiscal disaster of the company.
- The backer helps the new party in its reinstatement.
- The next are the most important facial appearance of an underwriting agreement:
- The backer may not be gifted to put on the market the issues in a quantity of situations. The unsold soundness is spread amongst the underwriters in the established proportion.
- The gift charge ought to be maintained for the profitable separation of the soundness.
- The theater category makes a relief of the soundness to the professional and receives the payment on the last date
- At the termination of the underwriting, the professional duty designates the irrevocable accounting for both underwriters. Be supposed to too cancel the commissions and monetary records for the expenditure incurred.
- Underwriting is cover for the new soundness of the public. It is one of the methods of trading soundness. The other methods are:

- Prospectus method, somewhere the speculation is raised by this manner is exact prevalent in India. The giving out expenses may be substantially saved.
- Offer for sale, someplace the sales are sold mostly to the brokers/issue houses. The flow house/brokers for a second time promote the shares to the freely available at a rigid price.

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2.10 KINDS OF UNDERWRITING

The buy Contract: Agreement between Underwriters and Representatives

The advertising agreement: The asset Contract: at this point the retailing of shares is ended to the underwriters at a worth intensity of proportion. Near will be a pact between a numeral of underwriters to acquisition the soundness from the company.

Agreement between Underwriters and Representatives: This is an accord between the Underwriters and the council or Managers. The harmony includes every one the aspects of the gush of soundness:

- To dose the time of placement;
- To formality an amount of soundness for the chosen dealers and institutions;
- Place, meeting and deliverance of soundness;
- Provisions about the termination and payment of the underwriters' account;

2.11 UNDERWRITERS' RESPONSIBILITY.

The advertising agreement: In this method, the issuer friendship will accomplish a deal with the dealers to subscribe the new soundness. The settlement includes the present price, advertising granting and provisions for distribution and payment.

Underwriters: A backer is a fiscal go-between in the central market. The backer has been clear as “a qualities who engages in the topic of Underwriting of an appeal of soundness of an essence corporate”. The Underwriters cause warrant for the civic contribution and in attack they catch the commission.

Classification of Underwriters, Underwriters in India may be classified into:

Institutional Underwriters, Non-Institutional Underwriters

Institutional Underwriters:

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- Increase Banks
- Advertisement Banks
- Cover Organizations
- Dignity Finance Corporations
- Part believe of India
- The event Banks are as well common as trade Banks. They enclose got slow stretch deposits and are in a point to come into in to lengthy name speculations.
- The modern banks make easier the industries by underwriting their shares and debentures. While an engineering part approaches for underwriting the shares and for point monetary aid, the business banks inspect the prospects of the industry, the security of the monetary requirements, the feasibilities and the utilities of the schemes.
- If the shares and debentures are not entirely subscribed or the least possible contribution is not full up by the freely available contained by a one period, the stage Banks arrive to the rescue and take on up the lasting sum of shares and debentures.
- The Underwriting facilitates the preside over monetary aids to the new manufacturing appoint up. Roughly of the event banks are manufacturing Finance Corporation of India (IFCI), trade progress swing round of India (IDBI), business accept and Speculation Corporation of India (ICICI) along with others.
The profitable Banks, plus celebrated as municipal banks, operate the worth banking. Lending and underwriting are their chief objectives.
- A small amount of them arrange been rendering military as syndicators of loans and managers to the issue. The saleable Banks as a rule is active as passive agents by supplying the forms lone on demand to be more precise than on their particular initiative and earn brokerage.

The assurance Organizations are on the whole speculation setting up and not enhancement institutions.

- Being assurance Corporation (LIC) and broad assurance Corporation (GIC) are the prime minister institutions in the country which are knotty in the assurance sector.
- These two conventional speculation institutions bring in means mostly to give the liquidity to the hoard for raising the corporate sector.
- The objectives of these corporations are manage lending to industry, contribution to shares and bonds to unique developed

Notes

monetary institution, and asset of soundness of the mutual stockpile organizations from the assets market.

- The command corporations besides are drawn in underwriting business.
- The disarray monetary Corporations are moreover complex in underwriting concern for stimulating the assets market.
- The building block hope of India is the other conventional speculation setting up which enjoys superiority as a governmental tool as of around activities. It is knotty in uninterrupted transaction of units, emancipation of units at clear Asset consequence (NAV), convenience to the slight investors of minute amount.

Non-Institutional Underwriters

There are two types of non-institutional underwriters in India: *Carry brokers and Persons*

- The supply brokers do something as disinterested party in the asset and rummage sale of soundness in the most important and lesser markets.
- These people give birth to an exchange ideas of brokers, operational under them, who distribution across the segment and permission of the country. They are celebrated as sub-brokers.
- These inhabit smear memorandum and fail exposure about many issues in the placement.
- They promptly reserve relevance forms or stable spread to the level of collecting cash from the investors. They settled itself a precise crucial job in the district of underwriting.
- The broker's canister affects their clients by persuasion.

The Individuals/Speculation Organizations get hold of cremation from a big figure of investors by advertising the shares.

- The shared burial is positioned before the experts to organize the possession of monetary assets. The remuneration derivative from the money marketplace will outdo that of the shareholders.
- At hand are two types of speculation organizations namely: *(a) hard and fast Speculation Trusts, and (b) Management Speculation Trusts.*

Registration

- Underwriters are appointed by the issuing organizations after consulting the business bankers.

Notes

- To proceed as an Underwriter, certificates of registration have got to be obtained from the SEBI. The SEBI has the jam-packed government department to bestow the certificate of registration.
- No individual be supposed to perform as a backer if not he holds a certificate fixed by the SEBI. The accumulation negotiator or the mercantile financier must unite a bona fide certificate or registration u/s 12 of the Act.
- According to SEBI (UNDERWRITERS) policy AND REGULATIONS, 1993, separation 30, the prospecting individuality must be valid for the bequest of the certificate in a point laitt (FORM A as apiece regulation).
- The panel takes into bill every one the matters that are germane to underwriting and predominantly on the subject of the below conveniences before conceding the certificate:
 - ✓ The applicant has the required infrastructure.
 - ✓ The applicant must retain the encounter if not he must appoint two practiced members.
 - ✓ The backer must please the first city capability constraint of make a profit of merit of Rs 20.00 Lakhs
 - ✓ The goal of catch meaning means, the applicant power be a proprietary worry or a fixed or an alliance of people or any remains of individuals, the price of funds advantage free bank account of business.
 - ✓ In the crate of a majority corporate, the attach importance to of the rewarded up center benefit free bank account must be disclosed in the looks of report of the applicant.

If the SEBI believes that the applicant is eligible, subsequently it sends allusion to the applicant that he/she is eligible for the allowance of certificate; and consequently it grants the certificate in figure B after the payment of the prescribed fee.

Fee

- ✓ Underwriters had to disburse Rs. 5 lakhs as registration fee and Rs. 2 lakhs as rekindling fee every three days from the fourth day from the affiance of early registration. Disappointment to forfeit rejuvenation fee leads to deletion of certificate of registration.

2.12 GENERAL OBLIGATIONS AND RESPONSIBILITIES

Code of Conduct:

Notes

- ✓ Every backer has at altogether epoch to abide by the secret code of conduct; he has to insist an important rank of integrity, dignity and fairness in every single one his dealings.
- ✓ The requirement not create any on paper or oral assertion to misrepresent (a) the army that he is competent of performing arts for the issuer or has rendered to other issues or (b) his underwriting dedication.

Agreements with clients:

- ✓ Every backer has to write into an accord with the issuing company.
- ✓ The agreement, surrounded by others, provides for the episode during which the settlement is in force, the quantity of underwriting obligations, the cycle inside which the backer has to subscribe to the make after self-dejected by/on behalf of the issuer, the quantity of commission/brokerage, and information of arrangements, if any, ended by the backer for fulfilling the underwriting obligations.

General responsibilities:

- ✓ A backer cannot develop any address or indirect gain from underwriting the gush other than by the underwriting commission.
- ✓ The greatest obligation under entirely underwriting agreements of an backer cannot exceed twenty era his earn worth. Underwriters gain to subscribe for soundness under the promise inside 45 time of the receipt of inkling from the issuers.

If the backer belongs to a cadaver corporate

- ✓ A facsimile of the compare sheet, profit and failure relation as individual in the Sections 211 and 212 of the Organizations Act, 1956;
- ✓ A counterfeit of the auditor's tell referred in segment 227 of the Organizations Act, 1956.

If the backer belongs to a quantity corporate-

The minutes in sense of the complete the sums of riches established and exhausted by them; and the matters in revere of the receipt and expenditure and their assets and liabilities

2.13 AGREEMENT OF UNDERWRITING

Depending on the font of devotion requisite by the issuing company, more than a few kinds of underwriting agreements are formed, both with its admit point of risk:

Firm Dedication: press down responsibility is the good numeral normally second-hand print of underwriting contract. The backer agrees to good deal soundness from the issuing corporation and remuneration the proceeds to the company. Any losses that strike awaited to unsold shares are prorated between the participating underwriting firms according to their proportional participation.

Best Efforts: Best labors underwriting allows the definite (or underwriting syndicate) to feat as agent for the issuing corporation and confines the accountability of that resolved to the shares it is competent to sell. Every unsold share is absorbed by the issuer.

All or None: altogether or not any underwriting allows the issuing corporation to agree to for the retailing of completely shares. If any shares linger at the outcome of the underwriting process, the underwriting is cancelled. Underwriters cannot betray investors by stating that entirety of the soundness in the underwriting carry out been sold if it is not true.

Standby: Stand by underwriting allows an underwriting determined (or syndicate) to hang on in the wings in an further present for any unused pre-emptive human rights that are not executed by the company's in progress shareholders. The backer will get the unused rights, piece of work them and be snapped up the shares.

2.14 SEBI GUIDELINES

According to the SEBI guidelines the next factors are to be fulfilled:

- ✓ The least possible constraint of 90% contribution is mandatory for each one copy of principal to the public. This clause is applicable for equally in the public domain and civil liberties issue.
- ✓ If the theater category is not clever to hear the provide sum from the communal contribution and time-honored occurrence from the underwriters, at that moment the corporation refunds the amount.
- ✓ The underwriting concord must be filed with the sheep exchanges.
- ✓ The registration figure of the backer is to be quoted in entirety correspondence with the SEBI, administration establishment and clients.

- ✓ The SEBI may delivery alert inscription or penalty advances by which the underwriters would be forewarned in follow of their omissions
- ✓ In enjoin to homogenize the official correlation between the issuing crowd and the underwriters; the SEBI has formulated the representation underwriting agreement.
- ✓ The equal underwriting obligations under entirely the agreements must not exceed twenty epochs the set of connections of the underwriter.

2.15 EMBEDDED DIFFICULTIES OF THE UNDERWRITING SYSTEM

- ✓ The Underwriting is a pact between the issuer and the fiscal intermediary. The Underwriting Institutions in India are agony from particular weaknesses. The Underwriting system is not residential in India.
- ✓ Here, we achieve not be inflicted with any unique establishment to clutch out underwriting business. The behaviors are dominated by the growth banks which are the fundamental principal institutions.
- ✓ They are laden with other responsibilities like guaranteeing overdue payments, manufacture dictate contribution to the corporate soundness and liability consumerist work. The little enterprises are not capable to consume the armed forces of the Underwriters.
- ✓ In attendance is a clear-cut necessary to arise this sector to erect confidence between the insignificant institutions. The concern of obese come to of little enterprises creates other employment opportunities.
- ✓ This besides enhances the apiece capita income. The Indian core promote does not cover the orderly machinery to facilitate these services. Nearby is no array to pursue the investors towards little savings.

2.16 COLLECTING BANKER

- ✓ Collecting investor is the one who accumulates the proceeds of a cheque for the consumer. Level all the same a backer gathers the proceeds of a cheque for the client exclusively as a stuff of service, hitherto the Negotiable Instruments Act, 1881 at last inflicts obligation, fundamental in nature.
- ✓ This is evident from partition 126 of Negotiable Instruments play a part which presents that a cheque having a "general crossing" shall not be compensated to a person other than investor & a

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- cheque which is "specially crossed" shall not be compensated to a human being other than the merchant banker to whom it is crossed.
- ✓ Therefore, a paying financier ought to forfeit a crossed cheque just to a merchant banker in this manner portentous that it be supposed to be together by a different banker.
 - ✓ As for each bit 131 of Negotiable Instruments measure 1881, "A merchant banker who has in skillful faithfulness and without neglect time-honored payment for a client of a cheque crossed normally or distinctively to himself -shall not, in rationale the title to the cheque proves defective, incur any liability to the firm proprietor of the cheque by explanation of barely having established such payment.
 - ✓ Explanation: A sponsor receives payment of a crossed cheque for a purchaser in the significance of this sector notwithstanding that he credits his patrons credit with the sum of-the cheque before getting payment thereof."

The basics of claiming safety under part 131 of Negotiable Instruments play a role 1881 are as follows:

- ✓ The collecting sponsor is supposed to hold acted in mild loyalty & without negligence. Acted in usefulness devotion refers that the be active that is completed honestly. The statement of sunny dedication preserve be refuted on the base of disorderliness indicative of intend of individual charge & attention.
- ✓ The financier must enjoy accumulated a crossed cheque
- ✓ The proceeds be supposed to own been gathered for a consumer, i.e., a persona who has a savings account with him.
- ✓ That the collecting sponsor has acted as an agent of the consumer. If he had industrial into the pocket for value, the guard open in part 131 of Negotiable Instruments play a part 1881 is forfeited.

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UNIT III MERCHANT BANKING

- 3.1 Meaning
- 3.2 Functions of commercial banking
- 3.3 Commercial banking: definition, nature, and characteristics.
- 3.4 Nature of merchant banking:
- 3.5 Functions of trades banking organization
- 3.6 Qualities of a mercantile banker
- 3.7 Merchant banking in India
- 3.8 Introduction to mercantile bankers
- 3.9 Meaning of commercial banking

3.1 MEANING

Merchant Banking is a permutation of Banking and specialist assistance. It contribute specialist to its customers for financial, marketing, management and officially authorized matters. Specialist instrument to bestow advice, instructions and sacrament for a fee. It helps a tradeswoman to fright a trades. It helps to bring up (collect) finance. It helps to make bigger and bring up to date the trades. It helps in reshuffle of a trades. It helps to recuperate sick establishment units. It as well helps companies to register, approve of and go shares at the reserve exchange.

Merchant banking meaning

In short, trades banking contribute a broad extend of air force for early until in a row a trades. It acts as monetary persuade for a trades.

3.2 FUNCTIONS OF COMMERCIAL BANKING

Raising Finance for Customers: trades banking helps its customers to hoist finance through production of shares, debentures, set loans, etc. It helps its customers to mention finance from the domestic and intercontinental market. This finance is second-hand for opening a new affair or envisage or for revolution or development of the trades.

Notes

Negotiator in carry chat: mercantile bankers produce a result as intermediates in the horse's exchange. They pay money for and get rid of shares on behalf of their customers. They conduct do research on evenhandedness shares. They plus recommend their customers about which shares to buy, while to buy, how a good deal to pay money for and as to sell. Big intermediates, Mutual Funds, Venture funds companies and Underwriting Banks recommend trades banking assistance.

Project Management: trades bankers help out their customers in the countless ways. For e.g. Advising about locality of a project, preparing a plan ahead report, conducting feasibility studies, manufacture a propose for financing the project, judgment out initiators of finance, advising about concessions and incentives from the government.

Advice on opening out and renovation: trades bankers commit details for opening out and transformation of the dealings units. They impart connoisseur opinion on mergers and amalgamations, acquisition and takeovers, diversification of trades, distant collaborations and joint-ventures, technology up-gradation, etc.

Managing civic emanate of Companies: trades pitch instructions and supervise the open spring of companies. They grant next assistance:

Advise on the timing of the civic issue.

Advise on the magnitude and estimate of the issue.

Acting as boss to the issue, and ration in patient applications and ration of securities.

Handling leadership Consent for trade Projects: A capitalist has to find administration go-ahead for initial of the project. Similarly, a circle requires okay for opening out or transformation movement. For this, scores of official procedure declare to be completed. Mercantile banks act every one this do for their customers.

Special Assistance to undersized Companies and Entrepreneurs: mercantile banks inform tiny companies about organization opportunities, command policies, incentives and concessions available. It moreover helps them to perceive benefit of these opportunities, concessions, etc.

Assistance to civic Sector Units: mercantile banks submit scores of military to community sector units and open utilities. They lend a hand in raising long-term capital, marketing of securities, far-off collaborations and arranging long-term finance from duration lending institutions.

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Revival of Sick manufacturing Units: commercial banks assistance to recuperate (cure) sick modern units. It negotiates with singular company like banks, designate lending institutions, and BIFR (Board for modern and economic Reconstruction). It in addition strategy and executes the occupied resuscitation package.

Portfolio Management: A mercantile cash in manages the portfolios (underwritings) of its customers. This makes hoard safe, liquid and profitable for the client. It offers practiced instructions to its customers for enchanting underwriting decisions.

Corporate shake-up: It includes mergers or acquisitions of open concern units, retailing of accessible division or disunderwriting. This requires accurate negotiations, homework of ID and completion of official formalities. Mercantile bankers proffer every single one these army to their customers.

Money marketplace setup: commercial bankers contract with and bankroll short-term capital marketplace instruments, like:

Government Bonds.

Certificate of deposit issued by banks and monetary institutions.

Commercial manuscript issued by outsized corporate firms.

Treasury bills issued by the management (Here in India by RBI).

Leasing army: trades bankers additionally aid in charter assistance. Charter is a become infected with between the lessor and lessee, whereby the lessor allows the mistreat of his given asset like tools by the renter for a reliable period. The lessor charges a fee called rentals.

Management of be of interest and share: mercantile bankers aid their customers in the management of activity on debentures / loans, and extra on shares. They and give an opinion their client about the timing (interim / yearly) and evaluate of dissected.

3.3. COMMERCIAL BANKING: DEFINITION, NATURE, AND CHARACTERISTICS.

Merchant Banking is an order of Banking and specialist assistance. It contribute specialist to its customers for financial, marketing, administrative and authorized matters. The notion of commercial Banking study: demarcation of mercantile Banking, environment of trades Banking, Functions of commercial Banking, and Characteristics of trades banking! Specialist channel to afford advice, instructions, and sacrament for a fee.

It helps a tradeswoman to found a trades. It helps to put up (collect) finance. It helps to increase and revise the trades. It helps in the reshuffle of a trades. It helps to show again sick firm units. It additionally helps companies to register, good deal and be bought shares at the have available exchange. Too learned, Set-Up of mercantile Banking, give explanation the trades banking: Definition, Nature, and Characteristics! Recite and portion mercantile banking in Hindi as well.

Definition of commercial Banking:

“Any character who is engaged in the thing of number management each by creation planning a propos selling, export or subscribing to securities as manager-consultant, adviser or rendering corporate advisory army in next of kin to such distribution management.”

The Amendment directive specifies that issue management consists of a brochure and other in order concerning to the issue, formative the economic structure, tie-up of financiers and decisive portion and refund of the subscriptions, underwriting and collection management assistance.

“A commercial turn may possibly be preeminent definite as a economic society conducting capital bazaar behavior and lending, underwriting and monetary advice, and underwriting air force whose neatness is characterized by a climax part of proficient operate intelligent to gifted to speak to tribulations in an innovative style and to get to and put into effectiveness decisions rapidly.”

3.4 NATURE OF MERCHANT BANKING:

Merchant banking is skill-based actions and involves quota every economic basic of every client. It requires all ears skill-base to endow with for the food of the client. SEBI has ended the property of manpower as one of the criteria for registration as the mercantile banker. These skills be supposed to not be concentrated in originate management and underwriting alone, which may cover an adverse effect on trades.

Merchant banker’s canister good turn to any of the behavior mentioned above depending upon reinitiates, like capital, distant tie-ups for overseas behavior and skills. The power and refinement in trades banking occupational are civilizing since the avenues for joining in first city advertise actions receive widened from make management and underwriting to confidential placement, bought out deals (BODS), buy-back of shares, mergers, and takeovers.

Notes

The air force of mercantile rank coat impel counseling, pre-underwriting movement, feasibility studies, launch reports, the aim of the headquarters structure, question management, underwriting, give somebody an advance of syndication, draft of burial from Non-Resident Indians, distant currency finance, mergers, amalgamation, takeover, venture capital, buyback, and communal deposits. A Category-1 mercantile supporter bottle undertake subject management only. Dissect registration is not required to cart on the play in as the underwriter.

3.5 FUNCTIONS OF TRADES BANKING ORGANIZATION:

The next functions below are:

Portfolio Management: commercial banks contribute advisory army to institutional investors, on bill of underwriting decisions. They trade in securities, on behalf of the customers, with the mean of on condition that the selection management assistance.

Raising money for customers: commercial banking club assist the customers in raising burial from the domestic and intercontinental market, by issuing securities like shares, debentures, etc., which be capable of be deployed for first a new plan or big trades or growth movement.

Promotional Movement: One of the for the most part essential behavior of trades banking is the promotion of an issue enterprise, during its preliminary stage, proper from conceiving the brainchild of obtaining direction approval. Nearby is a little organization, which regular bestow fiscal and specialized assistance to the concern enterprise.

Loan Syndication: advance Syndication income rite provided by the commercial bankers, in raising status from banks and fiscal institutions, to finance the cast expense or effective first city of the client's project, as well termed as mission finance service.

Leasing Assistance: mercantile Banking organizations renders letting military to their customers. Near are certain banks which preserve venture assets burial to refrain from entrepreneurs.

mercantile Banking helps in coordinating the effectiveness of intermediaries, with high opinion to the distribution of shares like registrar, promotion agency, bankers, underwriters, intermediates, printers and as a result on. Further, it ensures acquiescence with the convention and regulations, of the headquarters market.

Characteristics of merchant banking:

The anticyclone quantity of resolution makers as a percentage of unreserved staff.

Quick determination process.

The extraordinary density of details.

Intense speak to with the environment.

Loose directorial structure.

A concentration of rapid and method period engagements.

Emphasis on fee and mission income.

Innovative as a substitute of repetitive effectiveness.

Sophisticated army on a general and intercontinental level.

The squat assess of profit distribution.

High liquidity ratio.

3.6 QUALITIES OF A MERCANTILE BANKER

Ability to analyze

Abundant knowledge

Ability to build up relationship

Innovative approach

Integrity

3.7 MERCHANT BANKING IN INDIA

Merchant banking goings-on was usually initiated into the Indian center markets as mill lays stock customary the permit from distance side in 1967. Polish lays on track with the management of reinitiates issues, acknowledged the requirements of the emerging genre of entrepreneurs for diverse fiscal military ranging from assembly arrangement and system draft to bazaar research.

Equal it contribute management consulting army to join the necessities of the lesser and standard sector moderately than big sector. Citibank association its mercantile banking break in 1970. The diverse household tasks performed by these divisions that is to say assisting new

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entrepreneur, evaluating new projects, raising assets through borrowing and issuing equity.

Indian banks happening banking armed forces as a fragment of many army they propose to their customers from 1972. National board of India in progress the trades banking class in 1972. In the early years, the SBI's objective was to render corporate opinion and assistance to insignificant and standard entrepreneurs.

Merchant banking behavior is off-course systematic and undertaken in numerous forms. profit-making banks and unfamiliar improvement finance institutions obtain systematic them through formation divisions, state banks hold produced subsidiaries companies and portion intermediates and consultancies constituted themselves into shared inadequate companies or registered themselves as clandestine partial companies. Certain commercial banking garments come up with entered into the collaboration with trade's bankers abroad with numerous branches.

3.8 INTRODUCTION TO MERCANTILE BANKERS

After 1990, the new financially viable instrument adopted by the direction has resulted in the promotion of a quantity of new companies. This has resulted in the amplification of hub market. The command abolished the responsibility of Controller of headquarters rise and the guideline of accumulation sell was full over by SEBI. In such a situation, to connect the investors on the one border and cater to the requests of the entrepreneurs on the other, a new group came into life called mercantile banker.

A mercantile underwriting banker is intelligent to bring up assets from the investing known and endow with the unaffected to the companies which are in necessitate of them. Thus, a commercial merchant banker is a judicious associate between a corporation raising reinitiates and the investors. In attendance are near 600 trades bankers in India. A inventory of registered trades bankers bottle be create at http://www.takeovercode.com/merchant_bankers.php

3.9 MEANING OF COMMERCIAL BANKING

A commercial underwriting banker underwrites corporate securities and contribute guidelines to customers on issues like corporate mergers. The mercantile investor may be in the create of a bank, a firm, troupe or level a proprietary concern. It is mostly ritual banking which contribute non-

financial air force like arranging for reinitiates to be more precise than given that them.

The trade's supporter understands the rations of the transnational concerns and arranges finance with the rally round of economic institutions, banks, sheep exchanges, and riches market.

Convention by SEBI on Commercial Banking

Reforms for the trades bankers

SEBI has prepared the next reforms for the commercial banker

1. Manifold categories of mercantile merchant banker will be abolished and at hand will be simply one justice commercial banker.
2. The commercial backer is acceptable to complete underwriting activity. For the stage assortment manager, the mercantile financier has to look for independent registration from SEBI.
3. A commercial underwriting banker cannot undertake the job of a non-banking monetary company, like compliant deposits, financing others' trades, etc.
4. A trade's merchant banker has to confine himself just to headquarters bazaar movement.

Recognition by SEBI on commercial bankers

SEBI will cede appreciation a mercantile supporter after compelling into checking account the next aspects

1. Bearing in mind how to a great extent the mercantile are competently competent.
2. Whether they partake of enough capital
3. Trail record, live through and common reputation of trade's bankers.
4. Condition of workers employed by commercial bankers, their capability and presented infrastructure are full into account. After taking into account the above aspects, SEBI will allow authorization for the trade's financier to start off functioning.

Conditions by SEBI for mercantile bankers

SEBI has laid the next setting on the trade's bankers, for conducting their effectiveness. They are

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1. SEBI will bequeath agreement for a mercantile supporter to run for 3 living only. Without SEBI's authorization, commercial bankers cannot operate.
2. The most minuscule disposable merit of commercial financier be supposed to be Rs. 1 crore.
3. Trades backer has to disburse leave fee, once a year fee and rejuvenation fee.
4. Every single one issue forth of shares necessity be managed by one official trade's banker. It must be the indication manager.
5. The reliability of the show the way executive will be obviously indicated by SEBI.
6. Head managers are sensible for allowance of securities, refunds, etc.
7. Mercantile investor will submit to SEBI every one of income and convey details re the question of shares.
8. A program of conduct for mercantile bankers will be set by SEBI, which has to be followed by them.
9. Any violation by the mercantile underwriting banker will pilot to the revocation of agreement by SEB

UNIT IV STOCK BROKING

Stock Broking

Notes

- 4.1 Definition
- 4.2 Finance Banking
- 4.3 Functions of A Depository
- 4.4 Private Finance Banking
- 4.5 Functions of A Depository
- 4.6 Types of Depositories
- 4.7 Types of Members Or Brokers At Stock Exchange
- 4.8 E-Broking:
- 4.9 Repayment In E – Broking
- 4.10 Stock Trader Career In India.
- 4.11 Stock Broking Career Prospects
- 4.12 Salary/ Reompense Package
- 4.13 Major Functions
- 4.14 Depositories In The Indian Economy
- 4.15 Role of Sebi

4.1 DEFINITION

- Stock broking is an assistance which gives retail and organized investors the opening to bad deal and goes equities.
- Stockbrokers will trade shares in cooperation on swap over and over-the-counter, needy on everyplace they preserve discovery the paramount value and liquidity. Convey exchanges file stringent policy on who preserve trade shares speedily on their books, which is why for the almost part discrete investors hopeful to trade shares will organize subsequently by a stockbroker.
- Typically, a stock broking corporation will responsibility appoint on the trades it makes on a client's behalf, or a fee for retaining its services.

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4.2 FINANCE BANKING

Depository - Meaning

- A bank is a competence such as a building, office, or warehouse in which impressive is deposited for luggage compartment or safeguarding.
- It preserve pass on to an organization, bank, or association that holds reliability and assists in the trading of reliability.
- The idiom and refers to a custom that accepts currency deposits from clients such as a pitch or a savings association.
- Depositories are required for quite a few reasons. First, they offer defense (by icy hind the risks of the holder investment the raw security) and liquidity in the market, they avail it of riches deposited for good hands to offer to furthers, invest in further reliability, and submission a rites reassignment procedure.
- A cache ought to too come again the deposit in the matching rider upon appeal.

Understanding Depositories

- Depositories dish up several purposes for the broad-spectrum public. As banks and further monetary organizations, they do clients a organize to take place in classification to sort deposits—both time or stress deposits.
- A time deposit is an interest-bearing bank account and has a specialized go out with of middle age such as a document of deposit, time require deposit savings account holds cash until they necessary to be withdrawn such as a read-along or savings account.
- Deposits tin moreover befall in the type of reliability such as stocks or bonds. What time they are deposited, the introduction holds the reliability in electronic manner plus famous as book-entry form, or in chequing or manuscript organize such as a material document.
- A cache is not the equal contraption as a repository, though they tin repeatedly be confused. A store is somewhere effects are reserved for safekeeping. But contrasting a depository, the matter held in reserve in a storehouse is in general abstract such as knowledge.

4.3 FUNCTIONS OF A DEPOSITORY

- Transferring the ownership of shares from one investor's report to a different balance while a trade is executed is one of the key

functions of a depository. This helps degrade the red tape for executing a trade and speeds up the assign process.

- An alternative occasion of a pool is the abolition of probability of land the reliability in corporal establish such as theft, loss, fraud, damage, or postpone in deliveries.
- Depository military furthermore contain glance and savings accounts, and the move of income and electronic payments along online banking or deduct cards.
- Clients fail their funds to an economic society with the belief the crowd holds it and gives it fund once the consumer desires the money.
- These organizations put up with clients' change and disburse appeal on their deposits over time. Little land the clients' money; the organizations give it to further in the construct of mortgages or dealing loans, generating new notice on the cash than the draw it attention rewarded to clients.
- A shareholder who requirements to acquisition precious metals preserve acquires them in corporal gold bars or essay form. Gold or silver bars or coins tin be purchased from a trader and kept back with a third-party depository.
- Investing in gold along futures contracts is not equal to the patron owning gold. Instead, gold is allocated to the investor.

4.4 PRIVATE FINANCE BANKING

What Is a Depository?

A bank is a skill such as a building, office, or warehouse in which great is deposited for cargo space or safeguarding. It bottle pass on to an organization, bank, or ritual that holds reliability and assists in the trading of reliability.

The dub furthermore refers to a creation that accepts currency deposits from clients such as a pool or a savings association.

Depositories are considered necessary for quite a lot of reasons. First, they afford self-assurance (by keen earlier the risks of the carrier asset the mean security) and liquidity in the market, they consume change deposited for security to let somebody have temporarily to furthers, invest in further reliability, and compromise a burial remove procedure. A stockpile requirement in addition profits the deposit in the equal circumstance upon appeal.

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Understanding Depositories

- Depositories serve up several purposes for the broad-spectrum public. As banks and further monetary organizations, they bestow clients a position to roll up in method to assemble deposits—both time or command deposits.
- A time deposit is an interest-bearing bank account and has a aspect rendezvous of responsibility such as a document of deposit, although claim deposit bank account holds assets until they prerequisite to be withdrawn such as a read-along or savings account.
- Deposits bottle too take place in the procedure of reliability such as stocks or bonds. While they are deposited, the creation holds the reliability in electronic create and recognized as book-entry form, or essay set up such as a material document.
- A stockpile is not the equivalent fixation as a repository, even if they preserve repeatedly be confused. A store is somewhere belongings are reserved for safekeeping. But distinct a depository, the substance held in reserve in a storage area is in the main abstract such as knowledge.

4.5 FUNCTIONS OF A DEPOSITORY

- Transferring the ownership of shares from one investor's explanation to an extra balance after a trade is executed is one of the first functions of a depository.
- This helps drive down the formalities for executing a trade and speeds up the sign over process. A different utility of a reserve is the exclusion of jeopardy of property the reliability in brute found such as theft, loss, fraud, damage, or interval in deliveries.
- Depository army and enter glance and savings accounts, and the assign of finances and electronic payments along online banking or withdraw cards.
- Clients offer their cash to a monetary society with the belief the circle holds it and gives it move backward what time the patron needs the money.
- These organizations endure clients' currency and earnings gain on their deposits over time. Period land the clients' money, the organizations let somebody borrow it to furthers in the outward appearance of mortgages or corporation loans, generating further leisure pursuit on the capital than the hobby rewarded to clients.
- A banker who requirements to get precious metals tin acquisition them in corporeal gold bars or daily form. Gold or silver bars or

coins be capable of be purchased from a trader and reserved with a third-party depository.

- Investing in gold along futures contracts is not comparable to the shareholder owning gold. Instead, gold is allocated to the investor.
- A buyer or hedger looking to pilfer authentic method on a futures become infected with be obliged to chief confirm an elongated (buy) futures place and kill time until an unfriendly (salver) tenders to delivery.
- With gold futures contracts, the broker is committing to cede gold to the buyer at the enter into expiry date.
- The merchant requisite contains the metal—in this case, gold—in a permitted depository. This is represented by asset COMEX agreed electronic reserve warrants which are mandatory to finish or detect delivery.

4.6 TYPES OF DEPOSITORIES

- The three types of hoard organizations are good name unions, savings organizations, and ad banks.
- The chief supply of funding for these organizations is along deposits from clients. Purchaser deposits and financial records are FDIC insured up to a numerous of limits.
- Credit unions are nonprofit companies very much all ears on client services. Clients build deposits into an honor union account, which is akin to retail shares in that acclaim union.
- The praise union gain are scattered in the outline of dividends to every clients.
- Savings organizations are for-profit companies as well branded as savings and advance organizations.
- These organizations focus primarily on consumer advance lending but may in addition submit accept cards and profitable loans.
- Clients deposit cash into an account, which buys shares in the company. For example, during a financial year, a savings body may authorize 71,000 advance loans, 714 valid estate loans, 340,000 recognition cards, and 252,000 sports car and delicate consumer loans as earning curiosity on every part of these products.
- Commercial banks are for-profit companies and are the biggest key of pool organizations.
- These banks submit a variety of air effort to regulars and businesses such as glance accounts, consumer and ad loans, esteem cards, and investment products.

- These organizations take deposits and primarily mistreat the deposits to proffer credit loans, infomercial loans, and unaffected estate loans.

4.7 TYPES OF MEMBERS OR BROKERS AT STOCK EXCHANGE

Members or brokers of a stock exchange can be classified into floor brokers, commission brokers, jobbers, tarawaniwalas, odd lot traders, badliwalas, arbitrageurs and Sub-Brokers or Remises. They are briefly explained as follows. Types of Members or Brokers at Stock Exchange:

Floor brokers: They execute orders for members (brokers) and receive a share in the brokerage commission that a commission broker charges to his client.

Commission brokers: They execute orders of their clients by buying and sailing reliability on the exchange. They charge a specified commission on the purchase or sale value. A commission broker does not buy or sale reliability in his own name. They deal with many clients and consequently with many reliability.

Jobbers: They are professional independent brokers engaged in buying and sailing of specified reliability in their own name. Jobbers cannot deal on behalf of public and are barred from taking commission. They deal with brokers who in turn transact on behalf of the public. A jobber deals in a limited numerous of reliability which he tracks regularly.

Jobbers in general give a price of two prices, one at which he is organized to firm footing and the further at which he is geared up to go a security. This two line of attack outlay is celebrated as ‘double-barreled price’. The differentiation between the two prices is famous as the ‘Jobbers turn’. For e.g. a Jobber may excerpt the shares of XYZ at Rs.500-501. This implies that the jobber is organized to grip the shares at Rs. 500 all and sale like hot cakes at Rs.501 each. The divergence between the two prices is the jobbers turn.

Tarawaniwalas: A tarawaniwala know how to put it on mutually as a negotiator and jobber. The tarawaniwala effort perform against welfare of investors by purchasing reliability from them in his private big name at a let fall penalty and advertise the identical reliability to them at privileged prices. To nip in the bud this, the Reliability enter into (Regulation) piece of legislation of 1956 provides that a limb of a supply chat tin decree as a principal no more than for a associate of a accepted store exchange.

Unusual luck traders: They dedicate itself to in retail and advertising of reliability in strange lots. They good deal anomalous delivery units at a less significant price

Badliwalas: They are financiers who facilitated the transfer over trade by financing convey-over proceedings. They earn activity for the quantity financed (bald).

Arbitrageurs: Arbitrageurs preserve a tight mind on the prices of shares in special markets. They believe shares in markets somewhere their set a price is quiet and sales them in markets everywhere their worth is high. For e.g. if a divide of XYZ is quoted at Rs.2,000 in Bangalore have a supply of swap and at Rs.2,100 in Madras livestock exchange, the arbitrageur will bargain shares in the Bangalore keep barter and persuade somebody to buy them in the Madras sale Exchange. He would be earning a profit of Rs. 100 for each share.

Sub-brokers/Remises: Sub-brokers are agents of roars brokers. Since they are not members of a hoard exchange, he cannot honestly agreement in reliability. He helps clients to good buy and trade reliability just along the sale broker. In the Bombay livestock altercation the sub-brokers are termed as 'Remises'. They hear a carve up in the brokerage power that a charge trader charges to his client.

Eligibility checking

1. People desiring to develop into brokers must clear the in print check and interview conducted by reserve exchanges.
2. They must possess the essential fiscal forte to absolute resources competence norms.
3. They are supposed to hold the obligatory infrastructure (buildings, laptop procedures, connectivity)
4. They must include the compulsory manpower to sacrament investors.
5. They must adhere to the rules of conduct and an assortment of policy prescribed as conducting trade.
6. They be supposed to endow with ordered updates to the supply exchanges concerning their mesh worth, in order concerning to directors, partners and the rest

Sub broker

Sub Brokers is a SEBI legitimate part who machinery on behalf of trading member

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An associate negotiator is a human being who is appointed by a standard trader and acts on behalf of a Trading element as an agent but he is not a Trading organ of a reserve Exchange. Sub-brokers are necessary to be registered with SEBI and the sale agent is reliable for entirely acts of responsibility of the authoritative individual.

SEBI has absolute it required that no Trading organ shall transact business with a anyone who is drama as a Sub-Broker if he is registered with SEBI and added the Trading element are accountable that his clients are not temporary in the position of a Sub-Broker but for they are registered with SEBI as a Sub-Broker.

4.8 E-BROKING:

- NDA Reliability restricted is a time-honored & leading fiscal and have a supply of broking manor with a revelation to agreement countless fiscal military and products.
- In our day the group enjoys the goodness of allocation a huge run to of valued clients to their contentment.
- The whole lot we see to is backed by basics therefore as to put our client's requirements first.
- NDA air effort is committed to put forward a wide reach of possessions and expert, objective guidance that's not continually motivated by costs or misted up by conflicts of interest.
- The guests believe in helpful and cost-effective and integrated check scaffold to its brokerage business.
- E-broking is fast tremendous popularity across the world. E-broking is a routine of import or advertising reliability along the Internet. It could do with to receive unaffected prime basics for E-broking like entry to an own supercomputer (with a modem) and an Internet bank account with any one of the Internet repair providers.
- In fact, it is extra outstanding as it is inclusive of innumerable ranges of segments and sub-segment. Our concert party is exclusively positioned to present our clients with electronic platforms that go with our exceptional e-brokerage operations.
- Our ambition is to render trading solutions to the marketplace, given that our clients an inclusive array of platforms for their freckled requirements.

4.9 REPAYMENT IN E – BROKING

Trader's container benefits charismatic offers by choosing from a maker of broking firms.

- Compare shares
- Choose the in online trading account.
- Get instantaneous quotes.
- Get professional expert advice.
- Moreover E-broking tab with us authorizes the client to trade/invest online in
 - Equity
 - Derivative
 - Currency
 - Mutual Fund
 - IPO and a lot of more

The NSE and BSE permit brokerage houses that are registered with the Reliability swap over embark of India (SEBI) to grant e-broking military to their users.

We include executed the superlative protection procedures to keep away from any opportunity of misuse, fraud or facts pilferage. At present e-broking platform brings the traders with unanimous practice of online trading and investing.

Stock brokers are caught up in the business and advertising of stocks in the market, for the almost part for their clients.

They each time stay in link with with their clients, constantly updating them about the fluctuations in the promote and recommend them at what time to approve of & plug and at could it repeat that? Rates.

At the equal time, farm animal's brokers to make certain that their sheep trading companionship furthermore makes limit profit in the sustained run.

4.10 STOCK TRADER CAREER IN INDIA.

All the operations nowadays are computerized, with substantially qualified and competent specialists care a familiar keep an eye on the market. It preserve live in the cattle broking career lone if it retain an ability of judgment on its feet and body compliant in an ever-changing environment.

Eligibility Criteria for store Broking

- The lowest possible enlightening qualification necessary to happen to a sale agent is a graduation with at slightest 2 living of suffers in a reserve broking firm.

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- A sub-broker (the preceding present of human being a broker) desires to bear approved the caste 12th par to be eligible for his job. Bare minimum age: 21 years.
- This industry is an integrated one. Jobs in livestock broking are not it no more than choice in this field. The contribute to sale requires the genius and capabilities of specialists from diverse fields from economists, who bet on familiar terms with the ins and outs of the market, to economic planners, who be able to furnish it the absolutely benign of details on stocks.
- It in addition gives the choice of proper a fiscal administrator, analyst or a bazaar specialist.
- Although, here aren't sheep broking courses as such, it requires to retain a circumstances in the specialized fields of commerce, affair dispensation of economics to befit an expert farm animal's broker.
- To get a still improved shot at amalgamation this famous and draining career, one be able to desire to pursue a post-graduate amount in retail or economics.
- Financial managers with a Master of interest dealing out (MBA in fiscal Markets) mark would be in as they would hold specialized data of the field.

4.11 STOCK BROKING CAREER PROSPECTS

- There were about 20 lively sale exchanges in India with 7000 programmed companies, 6500 brokers and 538 investment bankers registered with the SEBI.
- 15 of the 20 sale exchanges in the country suffer opted to exit the establishment altogether. The 5 that will convey on are the Bombay roars barter (BSE), United cattle altercation (which approved to merge with BSE), MCX supply altercation Ltd (MCX-SX), state farm animals switch (NSE) and the Calcutta cattle Exchange.

As of November, 2014, the Bombay livestock argument (BSE) was rated 10th globally (market value-wise) amid world's reserve exchanges, as exposed by figures from the globe association of Exchanges. Marked behind is India's nationalized accumulation altercation (NSE), ranked 11th. "It is a difficulty of time before we reach it to the excel 5 supply exchanges in the world, assumed Kaplan Moravia, chief executive of J.P. Morgan India, told fence in avenue Journal on 28 November, 2014. If the bazaar cap of Indian companies keeps mounting at its fresh pace, the BSE and NSE may possibly in next to no time go beyond Germany's Deutsche Bores and China's Shenzhen collection Exchange. In short, opportunities in this ground are ready to be aplenty.

4.12 SALARY/ RECOMPENSE PACKAGE

While not every convey trader nail clippings up right a burrow Buffet, it rest to earn good as a domestic animals broker. The salary wrap up varies from earning \$34k to \$154K

The Reliability and talk floorboard of India is to blame for the registration, control and inspection of the depository.

A bank is a creature which helps a saver to fall for or market reliability such as stocks and bonds in a paper-less manner. Reliability in collection balance sheet are akin to assets in tier accounts.

4.13 MAJOR FUNCTIONS

- A stockpile factory as a linkup between the planned companies which gush shares and shareholders. It issues these shares along agents coupled with it called reserve participants or DPs.
- A DP canister be a bank, fiscal organizations, a broker, or any individual eligible as apiece SEBI norms and is to blame for the definitive conveying of shares from the stock to investors. The investor, at the side of proceedings receives a confirmation from the depository.

Who regulates depositories and pool participants?

- The Reliability and swap over slat of India is mature for the registration, parameter and inspection of the depository.
- A collection participant is too liable to the SEBI. It canister be operational barely after registration with SEBI send sanction by NSDL or CDSL.

4.14 DEPOSITORIES IN THE INDIAN ECONOMY

In the twenty-first century, scores of aspects of technology give birth to suit a blessing. One such blessing is the 'depository' procedure which is the electronic fashion of asset reliability.

Here was a time while Companies second-hand to flow carve up documents in natural form. The investors were theoretical to conserve the document anodyne and brazen it to the buyer one time the communicate is sold.

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Now, with the presentation of Depositories play 1996, nearby is no formalities concerned and in this procedure, everyone the entries are ended electronically.

Depositories registered with SEBI

- In India, a choice of entities canister offer a hoard procedure. A stockpile necessity be shaped under the Companies proceed and obligation gain a document from the Reliability and alteration go on board of India. Two depositories which are before now registered under SEBI are:
- National Reliability Depositories imperfect (NSDL): NSDL was hard up in 1996 by the NSE (National standard Exchange). IDBI and UTI helped to promote NSDL.
- Central reserve overhaul restricted (CDSL): Like NSE promoted NSDL, BSE (Bombay standard Exchange) promoted CDSL.
- NSE introduced the rolling procedure in India for the to begin with time. This helped the investors pick up payment in 5 existence of the sale. Previously, before this procedure was introduced the investors old to dig up their payment on the eighth to the twelfth day from at what time the trading were done.

Lead Concepts

Depository participant or a DP is an agent of the depositories which provides cache army to the investors. Any alien bank, municipal fiscal organizations, a trade foundation with the liking of the stash stock of India(RBI), say monetary corporation, hoard brokers, defrayal houses, NBFCs that are complying with the regulations prescribed with SEBI know how to be registered as DP.

Reliability eligible for chaining shares, stock, debentures, bonds, debenture stock, any further money-making security, any incorporated company, units of the mutual fund, unlisted security, and profit-making essay are roughly of the examples.

Compensation of the stock procedure

The pioneer and a good numerous chief plus of the stock is it eliminates the hazard of property real reliability.

Previously, the buyers had to conserve read-along if the shares had been transferred or not. But since the stockpile procedure came about such risks had been on sale to a notable area as the lot is at present ended along

electronic mode. Giant red tape which was correlated with the matching added got cut-rate and from 1998 chaining trading was in addition finished compulsory. This moreover makes the alien depositor assertive to invest in the Indian sale as it less the odds of any nice of counterfeit and delay.

4.15 ROLE OF SEBI

- Apart from modifiable the firm in the cattle exchanges and any further reliability advertise and defensive the investor's fascinate SEBI moreover regulates the depositories. SEBI (Depositories and participant) rules 1996 behave is here to police the saver balance sheet in chaining form.
- In India, the absolute bank procedure is governed by the Reliability switch over live of India (SEBI). The chief endeavor of SEBI is patron protection. The Depositories pretense 1996 ensures free transferability of reliability with individually accuracy, speed, and security.
- It makes the reliability of free imperfect set to all comers transferable
- It chequingerializes the reliability in cache mode
- It conserves the ownership account in a book-entry form.

The SEBI be in 1992 provides SEBI with legal capability to keep investor's interest, promotes the incident of the reliability bazaar or police the reliability market. It has rounded self-sufficiency to conduct inspection and inquest over any offence or violation of any provision under the act.

Types of reserve Services: - 2 Types of cache Services.

NSDL (National Reliability bank Limited) and CDSL (Central bank military Limited)

- NSDL (National Reliability cache Limited): - This is the firstly predominant reliability stockpile in India based in Mumbai. It is promoted by organizations of public build reliable for the lucrative growth of India.
- NSDL is promoted by NSE (National roars Exchange), IDBI (Industrial education deposit of India Limited), UTI (Unit expectation of India), and several of prominent banks in the country boast full a stake in NSDL.

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- SBI, HDFC Bank, Axis Bank, OBC, Dena Bank, Canada Bank, Union panel of India etc.
- CDSL (Central stock army Limited): -This is the second Indian essential reliability cache based in Mumbai.
- CDSL is promoted by Bombay run of the mill argument (BSE), testify layer of India (SBI), pay in of India, set of Baroda, HDFC Bank, average Chartered Bank, Union incline of India.

The reimbursement of reserve procedure may be considered fewer than four heads namely,

- *Benefits to investors,*
- *Benefits to companies,*
- *Benefits to intermediaries; and*
- *Benefits to the headquarters market.*
- *Benefits of bank Procedure Benefits of stockpile Procedure*

Benefits of Reserve Procedure to Investors

4. A bank ensures that lone pre-verified assets with polite title are traded. Therefore, a depositor is for eternity certain of assets with high-quality title. Moreover, the harms of ruthless deliveries and every the risks linked with tangible documents, such as loss, theft, maiming etc. are avoided.
2. Electronic proceedings of reliability saves time. Time useless on grounding of go halves documents and reassignment deed are avoided.
3. Electronic proceedings reduces the colony time.
4. Instantaneous turnover of reliability enables the financier to grow dividend, healthy and bonus without delay.
5. Proceedings expenses are concentrated as transfers in electronic usage are exempt from stamp duty.
6. Here is no glitch of out of the ordinary to excess as the profitable portion in reserve is set as one share.
7. The leisure activity time on lend against undertaking of chequingerialised shares is relatively lower.
8. As a self-assurance measure, the relation pocket be capable of entirely freeze his financial credit for any pet period.
9. Depositories facilitate the investors to serve shares in any portion of the country without exposing themselves to the endanger and fee of transportation.
10. The financier is capable to revise his folder further recurrently correct to down proceedings expenditure and rapid remove of reliability.

Benefits of Stock Procedure to Company

1. The collection procedure enables the circle management to be adamant and keep informed in rank about shareholding prefigure of the company. The theater group is bright to be on familiar terms with the specifics of beneficial owners and their property periodically.
2. The production rate gets drastically low-price as of chaining of reliability.
3. Paperless trading is a gain for the crowd management.
4. Scattering of notes corporate reimbursement (dividends) and non-cash corporate reimbursement (rights and bonus) will be more rapidly as the ownership tin be without difficulty identified.
5. The relocate manner under reserve procedure is stimulated and free from defects. So, complaints against the crowd by a financier.

Benefits of Collection Procedure to Intermediaries

Intermediaries will be benefited from enhanced liquidity, protection and takings on collection market, better coins spring abolition of fake and copy with exclusion of lay bare from community as it should be to moldy deliveries.

Benefits of Stockpile Procedure to Investment Market

1. As the trading, payment and clearance machinery are automated and inter-linked with the depository, the headquarters bazaar is added transparent.
2. Exercise of computers and better phone call technology in the pool procedure has finished first city sale behavior efficient.
3. Investors peacefulness an extraordinary grade of confidence in the assets market.
4. Expend of collection procedure attracts irrelevant investors.
5. Level of trade in resources promote substantially increases. Additional and added central proceeds classify turn into drawn in moreover at once or along mutual funds.

Organizations Knotty In Hoard Process

- The chief depository,
- Share registrar and convey agent; and
- Clearing and completion corporations are the three organizations participating in the reservoir process.

1. **Chief depository:** The chief collection keeps reliability on behalf of the backer and conserves minutes in electronic form. The report known by the bank is the signal of the ownership of shares.

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2. **Assign registrar and move agent:** The 'registrar' is a ritual which gearshift the issuance of reliability. The reassign agent retains the names and addresses of the owners of registered reliability.

3. **Payment house:** The reserve interacts with the clearance firm during the bit transmit process. What time the payment manor confirms that every cash allow been received, the reserve will next pass on reliability from the delivering individual to the receiver.

Process Elaborate In Cache Procedure

- Having implicit the position played by the interacting organizations, the collection processes may advance be explained as follows:
- Under the provisions of hoard Ordinance, depositories facilitate scrip-less trading in money bazaar along chequing of reliability. fair play shares, debentures, warrants, bonds, units of mutual funds, venture headquarters funds, industrial paper, documents of deposit, held debt, change promote instruments and unlisted reliability are eligible to be admitted to the stock for chequing.
- A pool holds each and every one the reliability in the electronic form. It preserve be regarded as a 'Bank' for reliability. It converts material reliability into manuscript admission reliability, the course of action of which is called chequing.
- In this process, documents in real method are eliminated altogether. While a backer deposits his tangible reliability with the depository, his bill with the reserve is approved for the deposit made. The transport is affected electronically each time he buys and sales his shares and his checking account is attributed or debited accordingly.
- The ritual which acts as a stock is the registered holder of the shares and the members owning the shares in a concert party will be beneficial owners. A beneficial title-holder is allowed to altogether the repayment like dividend, absolutely shares, bonus shares and the voting rights.
- A reservoir interacts with the investors with the assist of a pool participant. He is comparable to the insurance broker who trades on behalf of the clients in the keep exchanges.

- As apiece the SEBI guidelines, fiscal organizations, banks, custodians, reserve broker's etc., bottle be converted into participants in the reserve procedure.
- According to the stock Ordinance, the proprietor of reliability has an option, whether to stay put in non-depository sort or swing to bank mode. Investors who desire to linger in non-depository form will deem the real possession of document of reliability.
- On the further hand, the investors who opt to reckon reliability in bank method shall start a credit with a stockpile participant. The saver who has opened such an explanation gets an identification integer which he will pass on to in entirely his proceedings.

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UNIT V DEPOSITORIES IN INDIA

Depositories in India

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- 5.1 Introduction
- 5.2 Function Of Depositoreries
- 5.3 Benefits Of A Credit In Nsdl
- 5.4 Depositorory Contributor
- 5.5 Demat Account
- 5.6 CSDL Example
- 5.7 CSDL Charges
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- 5.11 The Responsibility Of The Custodian
- 5.12 Custodian Duties And Responsibilities.
- 5.13 Code of Conduct
- 5.14 What Is A Dialect Of Ethics?
- 5.15 Hat Is A Secret Dialect Of Conduct?

5.2 INTRODUCTION

- Different studies accept been made to item what's more make interconnected to the book Structure or condition.
- These examinations intermediate available the unique parts of the collection Structure. Diverse angles canvassed in the before deem about are legitimate structure, human rights and commitments of Depositor, amount of book in horses and money advertise and bank Structure. Every one of these investigations has been listening carefully on one give out or other.
- India has got the prudent Framework for securities exchanging which hardback territory is finished electronically and no piece is consolidated.

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- The material arrange of securities is barely audible and offers or securities are seized in an electronic edge. On offer before the presentation of the stockpile framework through the lumber room the means of an offer, obtain and replace of securities was a gigantic issue, and here was no affluent utilizing completely methods.

5.2 FUNCTION OF DEPOSITORORIES

- As exposed by black's rule vocabulary "depositor" is portrayed as "the get-together ground of the establishment tolerating a store. One with whom something is detained up in trust, as "depositor" is the rank it is put.
- The task upon the depositor is that he keeps the incident with judicious respect and upon call restores it to the speculator." A storehouse holds securities (like offers, debentures, bonds, administration Securities, units et cetera.) of fiscal powers that be suitable as a fiddle. Other than property securities, a bound furthermore gives institutions correlated to trades insecurities.
- It goes about as a trustee of the administrator since the securities are depended with him in trust. He is in like behavior the master of the landowner of the securities. As apiece the embankment for global Settlements (BIS), the hurdle is "a headquarters for asset securities trade to be customary up by hardback area.
- Corporal Securities may be powerless by the out of harm's way or the securities may be dematerialized (with the objective that they be present in the same way as electronic records)."
- A pool chains underwriting of securities in the electronic casing and enables securities trades to be arranged up by order segment by a bank Contributor (DP), who as an overseer of the vault, offers storage space capability institutions to theorists. As demonstrated by SEBI rules, coins correlated establishments, banks, supervisors, stockbrokers, et cetera are met altogether food to operate about as DPs.
- The currency connected pro who is acknowledged as hefty landowner (BO) wants to unwrap a demat story through any DP for dematerialization of his chattels and trading securities. Without stores, which go well with aid of proprietorship account in a report entrance outline, apiece bid trade is compulsory to be refined by animal enhancement of deal revelations to, and assortment with, the society distressed?
- The strategy every in half a shake and for a second time incorporates lengthy delays and a plain part of trades aim up as

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terrible delivery” correct to smashed fulfilment of literature. As in qualm the strategy of trade would perceive any extra drained out than the two months predetermined in the Companies Act, and a necessary quantity of trades would put an end to up as dreadful delight payable to defective evenness of in black and white word. Robbery, impersonation, defacement of ropes and diverse irregularities were far-reaching. Additionally, the backer has the do good to cut the trading of a security.

- This bonus to expenses and delays in settlement, classified liquidity and prepared budgetary master illness redressed dreary and, at securities times, headstrong.
- To sojourn these issues, the Depositor Act, 1996 was ordered with the objective of ensuring free transferability of securities with speed, precision, and safekeeping by:-
- Making securities of unlock institutions uninhibitedly manageable subject to restricted exemptions by Restricting Company’s prerogative to utilize caution in moving the discussion securities and in receipt of free of the substitute deed)
- Value self-assurance (Demand and hoard adjusting, the regular route of cost travels certifications to government restore asking price for every collateral (So, the marketplace corrects mispriced securities)Educational power (advertise furnishes every members with display case records about contributors and exchanged instruments)Direction bring about (securities present makes the principles of exchange, conflict regulation, priorities assurance)
- NSDL stands for nationwide Securities bank Limited. It is India’s oldest and major depositor. The phrase “depositor” refers to the club intended for land and conservation the securities that are traded in the securities market.
- It contains the securities in electronic mode as divergent to the before approach of CD document transactions of shares, bonds, and other financial instruments. The NSDL container be compared to a bank.
- A set holds the investor’s money, whereas the NSDL keeps stocks, shares, bonds, and other course of securities.
- When investors obtain securities, they are inevitably ascribed to the reservoir account, and what time folks securities are sold, they are robotically debited from the bank account. Similarly, if a guests request to discern about the investor’s in succession for awarding dividends, civil rights or any other notification, it will put the collection about the investor’s details.

5.3 BENEFITS OF A CREDIT IN NSDL:

The investors and the companies have the benefit of much remuneration expected to the NSDL's asset of economic instruments:

Burning convey and registration of securities: As the securities are apprehended in the electronic form, it is trouble-free to movement the securities in the middle of buyer and broker actual easily. Usually, the remove of securities takes a least possible of 2-4 months, conversely in electronic form, following the legitimacy of ownership is incorrigible the securities are as soon as transferred to the buyer's collection account.

Less paperwork: As every in succession is on hand online, at hand is enormously a decrease amount of essential for paperwork. The complete the essential in succession is unfilled with a click of only some buttons. Here is no necessitating coming up with offline information of the securities by the corporate or the investor. Also, here is no endanger of theft or defeat as at hand is no attempt of the securities in receipt of damaged.

No distressing deliveries: Before the electronic method, the shareholder has to goods the securities without the bursting familiarity of the securities bought. However, the NSDL has complete this hitch die out as the in a row about the securities is flattering displayed on the site, and at hand is no difficulty of them body "under objection." subsequently the leeway of shameless technique is eliminated.

Non-cash payment transfer: NSDL has the preference of transferring non-cash profit such as bonus, human rights to the investor's account. As this company happens online, here is no must of paperwork, and the move happens through a fixed firmly payment gateway.

Stamp tax consideration: Most securities command the penury of stamp obligation following in attendance is remove or sale. However, the electronic reassignment of securities through the pool means does not oblige stamp duty.

These are particular of the remuneration that NSDL offers to its contributors, and it furthermore provides three types of military such as:

Basic services:

The NSDL offers unsophisticated military such as credit maintenance, transfers for trade settlements, choice and a lot of more. The depositor appears in defines the straightforward air force of the NSDL.

Value-added services:

The NSDL furthermore offers the value-added armed forces of hypothecation, and pledge, lending of stocks, online air force such as SPEED-e and IDeAS, dispersal of cash/non-cash corporate repayment and scores of added services.

It in addition includes a structure that allows brokers to hand over go down with observations to source managers/custodians by means of online. This assistance is called STEADY and has been an NSDL necessary advantage since 30th November 2002.

NSDL Consolidated bill proclamation (CAS):

NSDL Consolidated checking account testimonial (CAS) is a record that offers the saver the in succession about the securities owned by them. It helps the patron to restrain road of their underwriting folder and get paid knowledgeable fiscal money in the future.

CDSL

- CDSL was fashioned in the day 1999 with a core affair to carry mutually the expert and a dematerialized figure of shares, stocks and securities. It has a thick group of operations through 17,000 sites across the country with a keen demat report improper of 1, 78, 12,144.
- As for each the most recent numbers, a whole of 599 stockbrokers in discrete capacities are linked with CDSL.
- It is jointly promoted by the century-old Bombay provide altercation (BSE), territory put in the bank of India (SBI), pitch of India (BOI), stockpile of Baroda, pennant Chartered Bank, Union tilt of India, Axis mass and HDFC Bank.
- It is the second as a rule all the rage open sector collection armed forces in India following NSDL.
- Gone are the existence of animal documents of stocks and securities. As a result, the dangerous brief of raw usage these documents and their carry for the baptize amendment of its stream box is not any longer with the pool armed forces of CDSL. This happens before the book closures transpire for ownership and dividends.

HOW CDSL WORKS?

- CDSL functions the similar as the tier but at this point it is not currency which it holds but it is the stocks and securities of the people. So, as a dealer or investor, what time you acquisition securities or stocks from the go halves market, next depending on your broker's membership with the depositor, individuals stocks are kept.
- Upon export a divide up through an appendage of the Bombay supply argument or any other exchanges and following correct payment to the member, the stocks are transferred in the equivalent mature to the DP or the book contributors of the member.

- These DPs are hoard armed forces to investors bent according to the SEBI or the Securities switch go on board of India the Government's regulator of the financial transactions in India.

5.4 DEPOSITORY CONTRIBUTOR

DP is the bridge in the middle of bank account holder, BO (beneficial owner), the issuing company of the securities, CDSL, the beneficiary owner's broker and the distressed stock exchange. Banks, financial institutions, custodians, stockbrokers can upcoming DPs as per the SEBI issued guidelines. The Central Depositor services Limited authorized DPS to serve throughout India to help investors in handling the equivalent form of securities.

5.5 DEMAT ACCOUNT

To avail the services of the CDSL, it is mandatory to own a Demat (account with dematerialization) account with it. The normal KYC norms which are applicable to open a bank account is enough to open a Demat account.

This Demat account is not only to avail the services of CDSL but also for trading in stocks and securities nowadays. This has upcoming part and parcel of all financial transactions to park the equivalent form of securities. Like a bank account, there is a unique Demat account number and only the account holder either could add or remove the securities from the Demat account.

5.6 CSDL EXAMPLE

Let's stand an instance to recognize the theory absolutely send the entire this conjectural harmony we hold consumed hence far. On export 1000 shares of dependence circle at a one cost in any trading day, an organ of the livestock substitute has to recompense the constituent the outlay of the divide alongside with it brokerage for the member. Upon paying the quantity the shares bought will be transferred to the Demat bill of the component in T+1 days. That is the traded day of the safety and an additional functioning day. And if the BO or the accept possessor or the buyer of the go halves requirements to vend it, he chairs the advertising institutions with the agent or component of the hoard barter and sells the supply in the market.

Upon advertising the shares the BO secret dialect an advisory omission to disconnect the shares sold from his Demat account. In the past the billboard is verified, the shares catch indifferent from the story

and the negotiator gets the payment from the conversation for the shares and credits it in the BO put in the bank account.

5.7 CDSL CHARGES

Any instant, stockpile contributor or any selling people that needs to connect itself with CDSL in any outline requirements to compensate a particular fee. These charges are of numerous kinds and are applicable to a body depending on its type.

5.8 CDSL BENEFITS

The recompense of pivotal stockpile military partial include:

The time and dangerous brief of usage the portion documents for transferring it into the term of the buyer are no new with CDSL.

The Demat credit is the flagship appear of chief hoard army inadequate in which the securities are kept back in the equivalent or dematerialized grow for eternity. Individual on the accord and verified leave of the accept proprietor they may possibly be transferred from the Demat tally

The dividends, rights, and bonuses of the securities as apiece the company's announcements will be repeatedly approved in the Demat bank account as the profit is accrued in the depositors of a rank account.

The planned corporation management bottle upcoming real-time in succession about its wealth and book own a tab on the alteration in any particularize interrelated to the security.

As a good deal as the shelter expression is distressed, CDSL uses enterprise-class supercomputers in its industrial architecture with a exceed storage space structure. In simpler words, the tech slice is nice-looking sophisticated.

5.9 CDSL DISTRESSS

The CDSL is beneficial in scores of habits but nearby are assured cons or disadvantages of it which include:

The rural relations who are old to bear the animal documents on the buy of it are not a lot experienced of the procedures of cache services. Since entirely books are in the equivalent mode and in a Demat credit entirely the fiscal transactions and the change mixed up in them engage in to be accounted for with the lawmaking agencies. The pride possession of having the material documents at address is not feasible any longer with the Demat account. Multiple levels of authoritarian frameworks

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distressing many depositor Act, regulations, and by-laws of depositor declare to be followed.

5.10 CDSL CONCLUSION

With the globalization of the economy, the Indian financial promote has opened its doors for exotic underwriting which is greatly helped by CDSL. The thrift is boosted by the dematerialized type of securities and its straightforward and proscribed land of securities.

This has smooth manner for countless investors to invest in the pigs market. The rare get out of bed of the mark of the exchanges in the eventual not many days following the cavity of the depositor rock impervious of the value of them.

It is merely one style for the economic markets to run and for the success of every patron with the military of CDSL.

In indictment you are looking to mature in progress with supply bazaar trading through a negotiator with CDSL, assent to us assist you in pleasing the subsequently steps forward.

What is the discrepancy In the middle of NSDL and CDSL?

The public Securities pool Ltd (NSDL) and the inner hoard air force India Ltd (CDSL) are in cooperation bit depositor in India.

What they accomplish is honorable like a bank. As a store holds your notes and preset depositors, they stick shares, debentures, bonds etc., for altogether shareholders in the electronic form.

5.11 THE RESPONSIBILITY OF THE CUSTODIAN

A curator bank, or basically custodian, is a dedicated fiscal started mature for defense a firm's or individual's economic assets and is not engaged in "traditional" money-making or consumer/retail banking such as advance or special lending, diverge banking, own accounts, Aiding banker gear (ATMs) and subsequently forth. The character of a janitor in such a litigation would be to:

hold in custody assets/securities such as stocks, bonds, supplies such as precious metals and currency (cash), domestic and foreign arrange colony of any purchases and sales and deliveries in/out of such securities and currency collect in rank on and revenue from such assets (dividends in the suit of stocks/equities and coupons (interest payments) in the pencil case of bonds) and administer correlated blame maintenance ID and extraneous stretch reclamation administer voluntary and instinctive corporate

proceedings on securities apprehended such as horses dividends, carry splits, conglomerate combinations (mergers), tender offers, hit it off calls, etc.

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provide in succession on the securities and their issuers such as once a year common meetings and interrelated proxies maintain currency/cash rank accounts, bring into being depositors and withdrawals and cope other money transactions make far-off barter transactions often put on bonus air force for scrupulous clients such as mutual funds; examples comprise sponsor accounting, administration, legal, conformity and due brace services Using US definitions, a human being who owns avenue celebrity securities and who is not a component of an exchange, holds the securities through a registration series which includes one or added custodians. This is as it should be to the perceived fruitlessness of registering traded securities in the baptize of all specific holder; instead, the janitor or custodians are registered as the holders and storeroom the securities in a fiduciary procedure for the eventual confidence holders. However, the eventual precautions holders are at rest the officially permitted owners of the securities. They are not just beneficiaries of the curator as a trustee. The curator does not suit at any spit the title-holder of the securities, but is barely a slice of the registration succession distressing the owners to the securities. Macro securities charge practices adjust substantially with markets such as the UK, Australia and South Africa heartening designated securities financial records in demand to give your blessing to shareholder identification by companies.

The outlining of "shareholder" is in the main upheld by corporate edict sooner than securities law. One position of custodians (which may or may not be enforced by securities regulation) is to facilitate the problem of split ownership rights, for case and doling out dividends and other payments, corporate actions, the proceeds of a standard go or a swap store split, the volume to ballot in the company's twelve-monthly universal encounter (AGM), in order and hearsay sent from the group and therefore forth. The level to which such military are obtainable are an occupation of the client pact jointly with pertinent advertise rules, convention and laws.

Custodian banks are repeatedly referred to as comprehensive custodians if they reliable honor assets for their clients in manifold jurisdictions around the world, by means of their own up citizen kindling or other citizen caretaker banks ("sub-custodian" or "agent banks") with which they grow smaller to be in their "global network" in all promote to take financial statement for their respective clients. Assets in custody in such a compartment are typically owned by bigger institutional firms with a

great numeral of money such as banks, assurance companies, mutual funds, circumvent cremation and inn funds

5.12 CUSTODIAN DUTIES AND RESPONSIBILITIES.

(A) General. A curator shall endorse advice acknowledged from a glue representative and shall take effect in accordance with such above-board instructions. The guardian assumes no liability and is without liability of any thoughtful for stand-in in accordance with such legal instructions, except for the custodian's collapse to put into effect average care. By on condition that a tie available by command obligations in lieu of a get along with depositor or sureties, an obligor agrees not to fasten also the curator or the desk answerable or dependable for the dealings or inactions of a fix executive or for movement out a bind official's legitimate instructions.

(b) Interest. Absent above-board directives from the get along endorsed to book interest, attention conventional by the caretaker on regime obligations pledged to the acquaintance official's action in accordance with this role will be remitted in the reliable line of dealing to the obligor or to a depositor performing arts as agent or sub-agent for the obligor.

(c) Principal. Absent true advice from the glue certified to maintain the proceeds of matured regime obligations, a caretaker will publication to the obligor proceeds from full-grown administration obligations barely if the obligor has depositor leadership obligations suitable under 31 U.S.C. 9301, as amended, in substitution for folks which hold matured.

(d) Bankruptcy of rule obligations. A keeper will collect, sell, assign, or assigning management obligations, together with any awareness therefrom, no more than in accordance with a get along official's authentic instructions.

(e) Treatment of proceeds of liquidated leadership obligations. A guardian will be valid the proceeds from the collection, sale, assignment, or conveying of administration obligations single in accordance with a tie official's instructions.

5.13 CODE OF CONDUCT

It's eminent to see come again? A dialect of conduct is, notably the differences in the middle of a regulations of conduct and a cipher of ethics, equally of which are regularly second-hand to imply the similar thing. This is an oversight the dialect of conduct and the regulations of ethics are two especially something else documents. The symbols of ethics govern how decisions are made, although the secret code of conduct governs how

professionals act. Therein dishonesty the main distinction. They are a sense for companies to control themselves discretely but in observance with any outdoor laws and regulations. These two ID are habitually bring into being in colossal companies and are an agency with which to afford leadership to the employees of the band to make certain that the open image of the group is considerably book. They are equally beneficial to businesses of altogether sizes, however.

It's critical to know I beg your pardon? A dialect of conduct is, above all the differences in the middle of symbols of conduct and a cryptogram of ethics, equally of which are generally second-hand to denote the even thing. This is a mistake.

The cipher of conduct and the convention of ethics are two enormously assorted documents. The secret code of ethics governs how decisions are made; time the cipher of conduct governs how professionals act. Therein deception the foremost distinction. They are a direction for companies to normalize themselves individually but in agreement with any exterior laws and regulations. These two ID are over and over again initiate in colossal companies and are a funds with which to give target to the employees of the group to make certain that the open image of the touring company is spring book. They are in cooperation beneficial to businesses of every one sizes.

A cipher of conduct governs how professionals act.

5.14 WHAT IS A DIALECT OF ETHICS?

The programming of ethics designation starts with the statement that it is from time to time in addition common as a assess statement. It is rather akin to a constitution that sets out the all-purpose main beliefs which will lead the activities of every one the employees of an institutions. The symbols of ethics will enjoy an outline of the ethical premises under which the entire decisions correlated to that association must be made. If the order is committed to the keeping of the environment, for example, at that moment the cipher of ethics will doubtless give reasons for that when employees are construction a resolution or choosing in the middle of alternatives, they must go away for the marginal that payback the environment the most.

The essence of for the most part codes of ethics is that they opus on the golden-haired rule, which is "to see to unto others that which we would like completed unto ourselves." at whatever time employees or members of an company are faced with hard situations or ethical dilemmas, the

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policy of ethics must show your face to their rescue and end them a clear hint of the preeminent lessons of action.

5.15 WHAT IS A SECRET DIALECT OF CONDUCT?

You may be asking yourself, "What is secret code of conduct?" This is the train implementation of the cipher of ethics and provides the vastness of the set of laws of ethics. In a sense, the regulations of conduct is a separation of the secret code of ethics and gives it a real-life product beyond come again? Individual seems like philosophical speculation.

The symbols of conduct will let somebody have the regulations of ethics attention in a multiplicity of situations. For example, near is a judge in the rules of ethics that states that employees are designed to do as you are told the edict at completely times. This is an extremely broad-spectrum rule, and you should to see how it book be functional to a strain of situations. The convention of conduct, then, will inventory which definite laws are intended to be obeyed in the institution's operations and the conscientiousness in general. The employees will next distinguish which laws are the largest part of great consuccession to their careers and will be improved sited to follow these laws.

The code of conduct is particular, where the dialect of ethics power be all-purpose and a petty in addition vague. A regulations of conduct will outline which behaviors aren't allowable in the institutions, exceptionally folks which, as caught, force guide to a termination of employment. Such acts as the viewing of not permitted make happy on perform computers, racial pressure and sexual pestering will be unmistakably defined, and situations that would limit as any of these will be described in detail. The protocol to be followed what time one is so-called of committing prohibited actions will as well be pleasantly definite to make certain in attendance is no ambiguity on the subject.

Having a programming of conduct book be beneficial in to excess of conduct to a company. Having a cipher of conduct joint with other individual programs and structures has helped to excess of institutions free themselves of key scandals. They arrange plus helped to nurture well and encouragement toil environments for a lot of companies.

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Notes

UNIT VI MUTUAL FUND

- 6.1 Introduction
- 6.2 Mutual Funds Categories
- 6.3 Extent Of Mutual Funds
- 6.4 The Top 10 Mutual Funds To Invest
- 6.5 Programs According To Maturity Period

6.1 INTRODUCTION

- A mutual fund is a company that pools lenders' finance to make multiple types of funding's, known as the anthology. Goods, bonds, and finance market funds are all examples of the types of funding's that may make up a mutual fund.
- "A Mutual Fund is an ideal funding vehicle where a number of lenders come together to pool their finance with ordinary funding goal. Each Mutual Fund with verity type of programs is managed by specific Asset Management Company (AMC). A lender can invest his finance in one or more programs of Mutual Fund according to his choice and becomes the unit holder of the programed.
- The invested finance in a certain programed of a Mutual Fund is then invested by fund executive in verity types of suitable goods and securities, bonds and finance market documents. Each Mutual Fund is managed by qualified professional man, who use this finance to create an anthology which includes goods and shares, bonds, gilt, finance-market documents or combination of all.
- Thus Mutual Fund will expand it anthology over a variety of funding vehicles. Mutual Fund offers a lender to invest even a small amount of finance.
- The mutual fund is managed by a professional funding executive who buys and sells securities for the most potent germination of the fund. As a mutual fund lender, it become a "shareholder" of the mutual fund company.

- When there are profits it will earn dividends. When there are losses, it shares will decrease in value.
- Since the fund executive's compensation is based on how well the fund performs, it can be assured they will work diligently to make sure the fund performs well. Managing their fund is their full-time job.
- Mutual funds can be open-ended or closed-ended. But many people review all mutual funds to be open-ended, while putting closed-ended funds in another group. "Open-ended" means that shares are issued in the fund (or sold back to the fund) whenever anyone wants them.
- With closed-ended funds, only a conclusive number of shares can be issued for a certain fund, and they can only be sold back to the fund when the fund itself terminates. (It can sell closed-ended funds to other lenders on the secondary market, though.)
- Load refers to the sales charges added to a mutual fund when it purchase it. The load charge goes to the fund salesperson as a commission and payment for their research services. Load charges can be up to 8.5 percent of the selling price and can be figured in as a front-end load (meaning it pay it when it buy the mutual fund) or a back-end load (meaning it pay when it sell the mutual fund). Many mutual funds are no-load funds.
- Yes, that means there is no sales fee charged and the fund is direct-marketed so it can buy it without the help of a salesperson. With the wealth of information on the Internet today, it is conclusively easier to make smart choices itself to save finance. In addition to no-load funds, there are also funds that charge up to 3.5 percent as a sales fee. These are called low-load funds and can still be a good deal.

6.2 MUTUAL FUNDS CATEGORIES:

- Equity funds are made up of finding's of only ordinary goods. These can be riskier (and earn more finance) than other types.
- Fixed-income funds are made up of government and corporate securities that provide a fixed return and are usually low risk.
- Balanced funds combine both goods and bonds in the funding pool and offer a moderate to low risk. While low risk may sound good,

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it is also accompanied by lower rates of return-meaning it risk less, but it funding won't earn as much.

- It have to resolve how much risk tire willing to take on before it invest it finance. If it have invested in a college savings fund or a 401k account, chances are good that already own a few mutual funds.
- Mutual funds are great for long-term funding's like these. It can also buy mutual funds directly from a mutual fund company.
- Most of these offer no-load funds (or sometimes low-load funds). It can find lists of mutual fund institutions on the Internet and purchase shares by simply filling out an application and mailing a check.
- Once it are a shareholder, it will receive statements telling it how the fund is doing as well as how much its own funding is growing. It can also set up monthly bank transfers to automatically buy more shares extra month.

6.3 EXTENT OF MUTUAL FUNDS

The extent has grown enormously over the years. In the first age of mutual funds, when the funding management institutions started to offer mutual funds, choices were few.

Even though people invested their finance in mutual funds as these funds offered them diversified funding option for the first time. By investing in these funds they were able to expand their funding in ordinary goods, desire goods, bonds and other financial securities.

At the same time they also enjoyed the advantage of liquidity. With Mutual Funds, they got the extent of easy access to their invested funds on requirement. But, in today's world, Extent of Mutual Funds has become so wide, that people sometimes take long time to resolve the mutual fund type, they are going to invest in.

6.4 THE TOP 10 MUTUAL FUNDS TO INVEST

- Many lenders start their funding journey with this ubiquitous question (or similar ones). Often, they seek the help of a search engine.

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- In some cases, it would be a rhetorical query to friends or colleagues. In short, most new mutual fund lenders want a ready-made list of programmers to start investing in mutual funds.
- However, an online search would often take these lenders to websites which list mutual fund programmers based on their presentation over an extra short period. Sometimes, programmers from a single group may dominate the list because it is the flavour of the season.
- Simply put, the query is unlikely to produce any meaningful results. Even if one finds a list that is appealing, the conviction to follow it up with real funding's won't be there.
- No wonder, many lenders keep wondering whether they picked up the right programed even after investing in them for a few years.
- That is why ETMutualFunds.com resolved to put out a list of top 10 mutual fund programed. We have chosen two programed from five verity categories - aggressive hybrid, large cap, mid cap, small cap and multi cap programed – which we believe should be enough for regular mutual fund lenders. Here is the list of programme:

1. ICICI Prudential Equity & Debt Fund

2. Mirage Asset Hybrid Equity Fund

3. Axis Blue-chip Fund

4. ICICI Prudential Blue-chip Fund

5. L&T Midcap Fund

6. HDFC Mid-Cap Opportunities Fund

7. L&T Emerging Businesses Fund

8. HDFC Small Cap Fund

9. Motile Oswald Multicar 35 Fund

10. Kodak Standard Multicar Fund

- Aggressive hybrid program (or erstwhile balanced program or equity-oriented hybrid program) are ideal for newcomers to equity mutual funds.

Notes

- These program invest in a mix of equity (65-80 per cent) and debt (20-35). Because of this hybrid anthology they are reviewed relatively less volatile than pure equity program that invest the entire corpus only in goods.
- Aggressive hybrid program are the best funding vehicle for extra conservative equity lenders lender looking to create long-term wealth without much volatility.
- Some equity lenders want to play safe even while investing in goods. Large cap program are meant for such peoples. These program invest in top 100 goods and they are relatively safer than other pure equity mutual fund program.
- They are also relatively less volatile than mid cap and small cap program. In short, it should invest in large cap program if it are looking for modest returns with relative stability.
- A regular equity lender (with a moderate risk appetite) looking to invest in the goods market need not look beyond multi cap mutual funds or diversified equity programs.
- These programs invest across market capitalizations and sectors, based on the view of the fund executive. A regular lender can benefit from the uptrend in any of the sectors, categories of goods by investing in these programs.
- What about aggressive lenders looking to pocket extra returns by taking extra risk? Well, they can bet on mid cap and small cap programs.
- Mid cap programs invest mostly in medium-sized institutions and small cap funds invest in smaller institutions in terms of market capitalization. These programs can be volatile, but they also have the potential to offer superior returns over a long period.
- It can invest in these mutual fund categories if it have a long-term funding horizon and an appetite for higher risk.
- Looking for mutual fund SIP anthology's to start investing to create wealth over a long period? Here are our recommended mutual fund SIP anthology's for three verity risk profiles - conservative, moderate, aggressive - and three verity basket of SIP funding's. For more, read: Best mutual fund SIP anthology's to invest in 2019

- Finally, any search starting with the word 'best' is unlikely to offer it the best solution. It should always choose a program that matches its funding objective, horizon, and risk profile. If it does not understand these basic concepts or is totally new to mutual funds and investing, it should always seek the help of a mutual fund advisor.

6.5 PROGRAMS ACCORDING TO MATURITY PERIOD:

A mutual fund program can be classified into open-ended program or close-ended program depending on its maturity period.

Open-ended Fund/ Program:

An open-ended fund or program is one that is available for subscription and repurchase on a continuous basis. These programs do not have a fixed maturity period. Investors can conveniently buy and sell units at Net Asset Value (NAV) related prices which are declared on a daily basis. The key feature of open-end programs is liquidity.

Close-ended Fund/ Program:

A close-ended fund or program has a stipulated maturity period e.g. 5-7 years. The fund is open for subscription only during a specified period at the time of launch of the program. Investors can invest in the program at the time of the initial public issue and thereafter they can buy or sell the units of the program on the goods exchanges where the units are listed. In order to provide an exit route to the investors, some close-ended funds give an option of selling back the units to the mutual fund through periodic repurchase at NAV related prices. SEBI Regulations stipulate that at least one of the two exit routes is provided to the investor i.e. either repurchase facility or through listing on goods exchanges. These mutual funds programs disclose NAV generally on weekly basis.

Programs according to Funding Objective:

A program can also be classified as germination program, income program, or balanced program reviewing its funding objective. Such programs may be open-ended or close-ended programs as described earlier. Such programs may be classified mainly as follows:

Germination / Equity Oriented Program: The aim of germination funds is to provide capital appreciation over the medium to long-term. Such programs normally invest a major part of their corpus in equities. Such funds have comparatively high risks.

These programs provide various options to the investors like dividend option, capital appreciation, etc. and the investors may choose an option depending

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on their desire. The lenders must indicate the option in the application form.

The mutual funds also allow the lenders to change the options at a later date. Germination programs are good for lenders having a long-term outlook seeking appreciation over a period of time.

Income / Debt Oriented Programe: The aim of income funds is to provide regular and steady income to lenders. Such programs generally invest in fixed income securities such as bonds, corporate debentures, Government securities and finance market documents. Such funds are less risky compared to equity programs.

These funds are not affected because of fluctuations in equity markets. However, opportunities of capital appreciation are also limited in such funds. The NAVs of such funds are affected because of change in interest rates in the country.

If the interest rates fall, NAVs of such funds are likely to increase in the short run and vice versa. However, long term lenders may not bother about these fluctuations.

Balanced Fund:

- The aim of balanced funds is to provide both germination and regular income as such programs invest both in equities and fixed income securities in the proportion indicated in their offer documents. These are appropriate for lenders looking for moderate germination.
- They generally invest 40-60% in equity and debt documents. These funds are also affected because of fluctuations in share prices in the goods markets.
- However, NAVs of such funds are likely to be less volatile compared to pure equity funds.

Finance Market or Liquid Fund:

- These funds are also income funds and their aim is to provide easy liquidity, preservation of capital and moderate income.
- These programs invest exclusively in safer short-term documents such as treasury bills, certificates of deposit, commercial paper and inter-bank call finance, government securities, etc. Returns on these programs differ much less compared to other funds. These

funds are appropriate for corporate and people lenders as a means to park their surplus funds for short periods.

Mutual fund

Gilt Fund:

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- These funds invest exclusively in government securities. Government securities have no default risk.
- NAVs of these programs also differ due to change in interest rates and other economic factors as is the case with income or debt oriented programs.

Index Funds:

- Index Funds replicate the anthology of a certain index such as the BSE Sensitive index, S&P NSE 50 index (Nifty), etc.
- These programs invest in the securities in the same weightage comprising of an index. NAVs of such programs would rise or fall in accordance with the rise or fall in the index, though not exactly by the same percentage due to some factors known as "tracking error" in technical terms.
- Necessary disclosures in this regard are made in the offer document of the mutual fund programe.

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UNIT VII PORTFOLIO PERFORMANCE MEASURES

7.1 Objective

7.2 Sharpe Ratio

7.3 Regulations Regarding Mutual Funds

7.4 Regulation Of Mutual Funds

7.1 OBJECTIVE

- Evaluation of dynamic portfolio administration.
- A performance estimate is useful, for example, in ranking the presentation of mutual funds.
- Portfolio managers strive to “beat the market” by identifying over-valued and under-valued stocks.
- They invest in the reliability they deem to be undervalued and in such cases short-sell the ones they trust are overvalued.
- If the CAPM holds, the best scheme is to buy-and-hold the market portfolio (passive portfolio administration), and dynamic portfolio administration is useless or even harmful, due to the costs of trading and research activities.
- In the actual world, however, it is feasible that the market is not in equilibrium and prof-it able opportunities arise.
- Any index of portfolio presentation would have to estimate the actual returns of funds relative to such prospect/return relationship.
- A executive who consistently turns in a taller return than all other managers is not definitely the best trader, since the portfolio force carry a higher level of hope than that borne by other traders.

7.2 SHARPE RATIO

As in the level (Sharpe–Lintner) CAPM, it is presume that all investors are up to invest funds at a usual presume–free rate and to borrow funds at the identical rate (at least to the desired extent).

Notes

7.3 REGULATIONS REGARDING MUTUAL FUNDS

- A mutual fund is a believe made up of money collected from general people or investors through the sale of units for funding in reliability like stocks, bonds, and money market documents.
- Mutual Funds in India are rule by the Reliability Exchange Board of India (Mutual Fund) Regulations 1996 with the deviation of Unit Trust of India (UTI) as it was generate by the UTI Act proceed by the Parliament of India.
- All mutual funds should be registered with SEBI. Formation of mutual fund in India
- Mutual Funds in India principally have a 3-tier formation i.e. Sponsor (1st tier), Public Trust (2nd tier) and Asset Administration Company (3rd tier).
- Sponsor is a part of person who himself or in union with another corporate, initiate a mutual fund. The Sponsor be after approval from the Reliability & Exchange Board of India (SEBI).
- One time SEBI approves it, the sponsor generate the Public Trust according the Indian Trusts Act, 1882.
- Since Trusts use no legal identity in India, the Trust away cannot enter into agreements. Thus, Trustees are assigned who are authorized to act on support of the Trust.
- The instrument of trust should be in the form of a document between the Sponsor and the trustees of the mutual fund recorded under the allocation of the Indian Registration Act.
- The Trust is next registered with SEBI leading to evaluation of mutual fund. Hereinafter, the Trust is known as mutual fund. Sponsor and the Trust are two individual entities.
- The Trustee's character is only to act as inside regulators of mutual fund where they perceive, whether the money is being govern as per the objectives.
- Trustees nominate the Asset Administration Company (AMC), to manage money collected through sale of mutual fund's units.
- The AMC's Board of Directors hold at least 50% of individualistic directors. The AMC is as well approved by SEBI. The AMC

activities under the supervision of its Board of Directors, the handling of the Trustees and SEBI.

- AMC in the title of the Trust floats new schemes and direct these schemes by buying and selling reliability. In arrangement to do this, the AMC needs to go after all rules and regulations recommended by SEBI and as per the Funding Administration Contract it signs with the Trustees.

7.4 REGULATION OF MUTUAL FUNDS

- Mutual funds are regulated principally by Reliability and Exchange Board of India (SEBI). In 1996, SEBI prepared the Mutual Fund Regulation. SEBI is also the apex damper of capital markets and its brokers.
- Issuance and business of capital market instruments as well comes under the compass of SEBI. Accompanying SEBI, mutual funds are regulated by RBI, Stock exchange, Indian Trust Act, Companies Act and Ministry of Finance.
- RBI acts as a damper of Sponsors of bank-sponsored mutual funds, mainly in case of funds offering guaranteed restore. In order to issue a guaranteed returns scheme, mutual fund requires to take approval from RBI.
- The Ministry of Finance acts as administrator of RBI and SEBI and appellate authority below SEBI regulations. Mutual funds can call to Ministry of finance on the SEBI governs. Some SEBI regulations for mutual funds
- Mutual funds should set up AMC with 50% independent directors, a individual board of trustee companies with least 50% of independent trustees and independent custodians to make sure an arm's length relationship betwixt trustees, fund managers and custodians.
- As the funds are direct by AMCs and the custody of strength are with trustees, a counter level of prospects exists as twain can keep tabs on each other.
- SEBI takes charge of the track register of a Sponsor, integrity in trading transactions and financial soundness while granting permission.

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- The point of schemes are required to be evaluated by SEBI. Mutual funds should adhere to a key of advertisement. As per the present SEBI guidelines, mutual funds should have a minimum of Rs. 50 crore for an open-ended scheme, and Rs. 20 crore compilation for the closed-ended scheme.
- In nine months, mutual funds should invest money relief from the saving schemes. This insulate the mutual funds from the demerits of investing funds in the bullish market and tolerating from poor NAV after that.
- Mutual funds can invest a high level of 25% in money market instruments in the starting six months after ending the funds and a maximum of 15% of the compilation after six months to encounter short-term liquidity requirements.

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UNIT VIII CREDIT RATING

- 8.1 Introduction
- 8.2 Credit rating methodology
- 8.3 Steps involved in credit rating methodology
- 8.4 Importance of credit rating
- 8.5 Credit rating agencies in India
- 8.6 Securitization of debts

Notes

8.1 INTRODUCTION

A credit rating evaluates the credit worthiness of a debtor, especially a business (company) or a government. It is an evaluation made by a credit rating agency of the debtor's ability to pay back the debt and the likelihood of default. Credit ratings are determined by credit ratings agencies. The credit rating represents the credit rating agency's evaluation of qualitative and quantitative information for a company or government; including non-public information obtained by the credit rating agencies analysts. Credit ratings are not based on mathematical formulas. Instead, credit rating agencies use their judgment and experience in determining what public and private information should be considered in giving a rating to a particular company or government.

The credit rating is used by individuals and entities that purchase the bonds issued by companies and governments to determine the likelihood that the government will pay its bond obligations. A poor credit rating indicates a credit rating agency's opinion that the company or government has a high risk of defaulting, based on the agency's analysis of the entity's history and analysis of long term economic prospects.

8.2 CREDIT RATING METHODOLOGY

1. **Business analysis** - Covers an analysis of industry risk, market position in the country, operating efficiency of the company and legal position.
2. **Financial Analysis** - Analysis of accounting quality, earnings protection, cash flow adequacy and financial flexibility.
3. **Management Evaluation** - Study of track record of the management's capacity to overcome adverse situations, goals, philosophy and strategies.

4. **Fundamental analysis** - Analysis of liquidity management, asset quality, profitability and interest and tax sensitivity.

8.3 STEPS INVOLVED IN CREDIT RATING METHODOLOGY

- Information is collected and then analyzed by a team of professionals in an agency.
- If necessary, meetings with top management suppliers and dealers and a visit to the plant of proposed sites are arranged to collect additional data. This team of professionals submit their recommendations to the rating committee.
- Committee discusses this report and then assigns rating.
- Rating assigned is then notified to the issuer and only on his acceptance, rating is published.
- Assures confidentiality of information.
- Once the issuer decides to use and publish the rating, agency has to continuously monitor it over the entire life of instrument, called surveillance.

8.4 IMPORTANCE OF CREDIT RATING

For The Money Lenders

1. **Better Investment Decision:** No bank or money lender companies would like to give money to a risky customer. With credit rating, they get an idea about the credit worthiness of an individual or company (who is borrowing the money) and the risk factor attached with them. By evaluating this, they can make a better investment decision.
2. **Safety Assured:** High credit rating means an assurance about the safety of the money and that it will be paid back with interest on time.

For Borrowers

1. **Easy Loan Approval:** With high credit rating, you will be seen as low/no risk customer. Therefore, banks will approve your loan application easily.
2. **Considerate Rate of Interest:** You must be aware of the fact every bank offers loan at a particular range of interest rates. One of the major factors that determine the rate of interest on

the loan you take is your credit history. Higher the credit rating, lower will the rate of interest.

8.5 CREDIT RATING AGENCIES IN INDIA

The credit rating agencies play a major role in the securitization action is to help lenders to build informed resolutions regarding underwriting in the fundamental securities. As guardians of the public through their research, survey, and grading of diverse threats, rating agencies are expected to protect lenders against taking excessive credit threat. The ratings allow companies such as insurance organization and pension funds, who are prohibited to invest in securities rated below underwriting level by their specific regulators, to actively compete in the securitized develop as lenders. Underwriting level rating conveys details to the lenders that the fundamental document will pay coupon regard and principal according to the terms of the indenture.

1. Credit Rating Information Services of India Limited (CRISIL)
2. Investment Information and Credit Rating Agency of India (ICRA)
3. Credit Analysis & Research Limited (CARE)
4. Brickwork Ratings (BWR)
5. India Rating and Research Pvt. Ltd.
6. Small and Medium Enterprises Rating Agency of India (SMERA)

1. Credit Rating Details Services of India Limited (CRISIL)

CRISIL is one of the oldest credit rating agencies in India. It was launched in the nation in 1987 following which the company went public in 1993. Headquartered in Mumbai, CRISIL ventured into form rating in 2016 and completed 30 years in 2017. CRISIL acquired 8.9% slay hold of in CARE credit rating agency in 2017. It launched India's first index to benchmark presentation of underwritings of foreign portfolio lenders (FPI) in the fixed-income develop, in the rupee as well as dollar version in 2018. The company's portfolio includes, mutual funds ranking, Unit Linked Insurance Plans (ULIP) rankings, CRISIL coalition index and so on.

2. ICRA Limited

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ICRA Limited is a public limited company that was set up in 1991 in Gurugram. The company was formerly known as Underwriting Details and Credit Rating Agency of India Limited. Before going public in April 2007, ICRA was a joint venture in the middle of Moody's and some Indian financial and banking service organizations. The ICRA Group currently has four subsidiaries - Consulting and Analytics, Data Services and KPO, ICRA Lanka and ICRA Nepal. At present, Moody's Lenders Service, the international Credit Rating Agency, is ICRA's largest shareholder. ICRA's product portfolio includes rating for - corporate debt, financial rating, form finance, infrastructure, insurance, mutual funds, project and public finance, SME, develop linked debentures and so on.

3. Credit Survey and Research limited (CARE)

Launched in 1993, CARE offers credit rating services to areas such as corporate governance, debt ratings, financial sector, bank loan ratings, issuer ratings, protect ratings, and form ratings. Headquartered in Mumbai, CARE offers two vary groups of bank loan ratings, long-term and short-term debt documents. The company also offers ratings for Initial Public Offerings (IPOs), real estate, renewable energy service organization (RESCO), financial determine of shipyards, Energy service organization (ESCO) levels diverse courses of educational companies. CARE Ratings has also ventured into estimate services and offers estimate of equity, debt documents, and develop linked debentures. Moreover, the company has launched a new international credit rating agency 'ARC Ratings' by teaming up with four partners from South Africa Brazil, Portugal, and Malaysia. ARC Ratings has commenced operations and completed sovereign ratings of countries, inclusive of India.

4. Brickwork Ratings (BWR)

Brickwork Rating was established in 2007 and is developed by Canada Bank. It offers ratings for bank loans, SMEs, corporate governance rating, Municipal Corporation, capital develop document, and financial companies. It also levels NGOs, tourism, IPOs, real estate underwritings, hospitals, IREDA, educational companies, MFI, and MNRE. Brickwork Ratings is recognized as external credit determine agency (ECAI) by Reserve Bank of India (RBI) to carry out credit ratings in India.

5. India Rating and Research Pvt. Ltd.

India Ratings is a wholly-owned additionally of the Fitch Group. It offers credit ratings for insurance organization, banks, corporate issuers, project finance, financial companies, finance and leasing organization, managed funds, and urban local bodies. In added to SEBI, the company is recognised by the Reserve Bank of India and National Housing Bank.

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6. Small and Medium Enterprises Rating Agency of India (SMERA)

Established in 2005, SMERA is a joint initiative of SIDBI, Dun & Bradstreet India and leading banks in India. SMERA has joined hands with prominent companies such as IIT Madras, The Bangladesh Rating Agency Limited, CAFRAL, CoinTribe, and SIES. Apart from its shareholder banks, SMERA has also entered into MoUs with over 30 Banks, Financial Companies and Trade Associations of the nation.

8.6 SECURITIZATION OF DEBTS:

Securitization of debt or asset refers to the process of liquidating the illiquid and long term assets like loans and receivables of financial institutions like banks by issuing marketable securities against them.

Definition

The definition can be stated as “A carefully structured process where by loans and other receivables are packaged , underwritten and sold in the form of asset backed securities”.

Stages in securitization

There are 5 stages involved in the working of securitization

1. Identification stage/ process
2. Transfer stage/ process
3. Issue stage/ process
4. Redemption stage / process
5. Credit rating stage/ process

Types of Securitization

1. Mortgage Backed securitization (MBS)
2. Mortgage pass through securitization
3. Auto loan securitization (ALS)
4. Credit card segment
5. Trade receivable
6. Non asset based securitization
7. Asset based securitization (ABS)

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Notes

UNIT IX UNIT TRUST OF INDIA

Notes

- 9.1 Introduction
- 9.2 Objectives of unit trust of India
- 9.3 Functions of unit trust of India
- 9.4 Schemes of unit trust of India
- 9.5 Advantages of unit trust of India
- 9.6 Types of unit trust fund
- 9.7 Benefits of securitization
- 9.8 Risk assessment in securitization
- 9.9 Issues in securitization in India
- 9.10 CRISIL
- 9.11 CRISIL credit rating scales
- 9.12 ICRA
- 1.13ARE

9.1 Introduction

The Unit Trust of India (UTI) was established on 1st February, 1964 under the “Unit Trust of India Act, 1963” by the government of India. UTI began operations in July 1964. It provides opportunity for small-savers to invest in areas where their risk is diversified. The Unit-holders, if necessary, can sell their units to UTI at the prices determined by UTI. One of the attractions is that the investment in UTI has an income-tax rebate and the income from the UTI is exempted; from income-tax subject to certain limits.

9.2 OBJECTIVES OF UNIT TRUST OF INDIA

1. To encourage and pool the savings of the middle and low income groups.
2. To enable them to share the benefits and prosperity of the industrial development in the country.
3. To promote and pool the savings from small investors.
4. To give them an opportunity to share the benefits.

9.3 FUNCTIONS OF UNIT TRUST OF INDIA

- 10 To accept discount, purchase or sell bills of exchange, promissory note, bill of lading, warehouse receipt, documents of title to goods etc..
- 11 To grant loans and advances.

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- 12 To provide merchant banking and investment advisory service.
- 13 To provide leasing and hire purchase business.
- 14 To extend portfolio management service to persons residing outside India.
- 15 To buy or sell or deal in foreign exchange dealings.
- 16 To formulate unit scheme or insurance plan in association with or as agent of GIC.
- 17 To invest in any security floated by the Central Government, RBI or foreign bank.

9.4 SCHEMES OF UNIT TRUST OF INDIA

1. Unit scheme—1964.
2. Unit Linked Insurance Plan—1971.
3. Children Gift Growth Fund Unit Scheme—1986.
4. Rajyalakhmi Unit Scheme—1992.
5. Senior Citizen's Unit Plan—1993.
6. Monthly Income Unit Scheme.
7. Master Equity Plan—1995.
8. Money Market Mutual Fund—1997.
9. UTI Growth Sector Fund—1999.
10. UTI - Unit Linked Insurance Plan

9.5 ADVANTAGES OF UNIT TRUST OF INDIA

1. Good opportunity for small investors
2. Wide choice of schemes
3. Safe investments
4. Steady incomes
5. Expert handlings
6. Tax concession
7. Liquidity

9.6 TYPES OF UNIT TRUST FUND

1. Balanced Funds
2. Equity Funds
3. Exchange Business cremation (ETF)
4. Hard and fast take-home pays Funds
5. Index funds
6. International impartiality funds
7. Money promote Funds
8. Truly Estate Speculation Trusts (REITS)

9. Shariah Funds
10. SPV

9.7 BENEFITS OF SECURITIZATION

For Originator

1. Off-balance sheet financing.
2. Improves capital requirements.
3. Enhances Liquidity
4. Concentrate on core business.
5. Reduction in borrowing costs.
6. Another mode of Financing.

For Investors

1. Advantage to earn a high return on risk adjusted basis.
2. Opportunity to invest in a pool of high quality credit enhanced assets
3. Portfolio diversification – alternate investment vehicle.
4. Bankruptcy Remoteness – Investors are not affected by the insolvency of the originator.

9.8 RISK ASSESSMENT IN SECURITIZATION

1. Collateral Risk: Extent to which the borrowers of underlying assets will default.
2. Structural Risk: Risk involved in passing on the cash flows from asset pools and credit enhancement to the investors.
3. Legal Risk: Extent to which the regulatory action can delay or prevent the payment to investors.
4. Third Party Risk: Failure of performance of third parties such as servicer, trustees, bankers etc.

9.9 ISSUES IN SECURITIZATION IN INDIA

- 10 Stamp Duty: is heavy in some states.
- 11 Accounting Treatment: No clear guidelines
- 12 Lack of Standardization: Format of the mortgage loan agreement is not uniform.
- 13 Foreclosure Laws: No separate Law for securitization

9.10 CRISIL:

Credit Rating Information Services of India Limited

- Global analytical company
- Largest and leading credit rating agency in India (share greater than 80%)
- offers services in manufacturing service and financial sectors
- Majority shareholder is standard and poor's(s&p)
- Incorporated on January 29, 1987 and started operations from January 1, 1988 is promoted by ICICI Ltd along with UTI and other financial institutions.

9.11 CRISIL's Credit Rating Scales

- Long Term Scale
- Short Term Scale
- Long Term Structured Finance Scale
- Short Term Structured Finance Scale
- Fixed Deposit Scale
- Corporate Credit Scale

9.12 ICRA

- ICRA Limited was set up in 1991 by financial institution, commercial banks and financial companies. It is an independent and professional investment information and credit rating agency. The international credit rating agency MOODY'S investor services is ICRA's largest shareholder.

ICRA'S RATING SCALES

- Long term rating scale
- medium term rating scale
- short term rating scale
- long term structured instruments
-

9.13 CARE

CARE is promoted by IDBI jointly with Financial Institutions, Public/Private Sector Banks and Private Finance Companies. It commenced its credit rating operations in October, 1993 and offers a wide range of products and Services in the field of Credit Information and Equity Research.

It offers services like:

- Credit rating of debt instruments
- Advisory services like securitization of transactions
- Information services like providing information to companies, industry and businesses.
- Equity research

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Notes

UNIT X CREDIT RATING PROCESS

- 10.1 Introduction
- 10.2 Types of credit ratings
- 10.2 International credit rating agency

10.1 INTRODUCTION

The rating process begins with the receipt of formal request from a company desirous of having its issue obligations rated by credit rating agency. A credit rating agency constantly monitors all ratings with reference to new political, economic and financial developments and industry trends. The process/ procedure followed by all the major credit rating agencies in the country is almost similar and usually comprises of the following steps.

1. Receipt of the request: The rating process begins, with the receipt of formal request for rating from a company desirous of having its issue obligations under proposed instrument rated by credit rating agencies. An agreement is entered into between the rating agency and the issuer company. The agreement spells out the terms of the rating assignment and covers the following aspects: i. It requires the CRA (Credit Rating Agency) to keep the information confidential. ii. It gives right to the issuer company to accept or not to accept the rating. iii. It requires the issuer company to provide all material information to the CRA for rating and subsequent surveillance. **2. Assignment to analytical team:** On receipt of the above request, the CRA assigns the job to an analytical team. The team usually comprises of two members/analysts who have expertise in the relevant business area and are responsible for carrying out the rating assignments.

3. Obtaining information: The analytical team obtains the requisite information from the client company. Issuers are usually provided a list of information requirements and broad framework for discussions. These requirements are derived from the experience of the issuers business and broadly confirms to all the aspects which have a bearing on the rating. The analytical team analyses the information relating to its financial statements, cash flow projections and other relevant information.

4. Plant visits and meeting with management: To obtain classification and better understanding of the client's operations, the

team visits and interacts with the company's executives. Plants visits facilitate understanding of the production process, assess the state of equipment and main facilities, evaluate the quality of technical personnel and form an opinion on the key variables that influence level, quality and cost of production.

A direct dialogue is maintained with the issuer company as this enables the CRAs to incorporate non-public information in a rating decision and also enables the rating to be forward looking. The topics discussed during the management meeting are wide ranging including competitive position, strategies, financial policies, historical performance, risk profile and strategies in addition to reviewing financial data.

5. Presentation of findings: After completing the analysis, the findings are discussed at length in the Internal Committee, comprising senior analysts of the credit rating agency. All the issue having a bearing on rating are identified. An opinion on the rating is also formed. The findings of the team are finally presented to Rating Committee.

6. Rating committee meeting: This is the final authority for assigning ratings. The rating committee meeting is the only aspect of the process in which the issuer does not participate directly. The rating is arrived at after composite assessment of all the factors concerning the issuer, with the key issues getting greater attention.

7. Communication of decision: The assigned rating grade is communicated finally to the issuer along with reasons or rationale supporting the rating. The ratings which are not accepted are either rejected or reviewed in the light of additional facts provided by the issuer. The rejected ratings are not disclosed and complete confidentiality is maintained.

8. Dissemination to the public: Once the issuer accepts the rating, the credit rating agencies disseminate it through printed reports to the public.

9. Monitoring for possible change: Once the company has decided to use the rating, CRAs are obliged to monitor the accepted ratings over the life of the instrument. The CRA constantly monitors all ratings with reference to new political, economic and financial developments and industry trends. All this information is reviewed regularly to find companies for major rating changes. Any changes in the rating are made public through published reports by CRAs.

10.2 TYPES OF CREDIT RATINGS

Each credit agency uses its own terminology to determine credit ratings. That said, the notations are strikingly similar among the three credit agencies. Ratings are bracketed into two groups: investment grade and speculative grade.

1. Sovereign credit rating

A sovereign credit rating is the credit rating of a sovereign entity, i.e., a national government. The sovereign credit rating indicates the risk level of the investing environment of a country and is used by investors looking to invest abroad. It takes political risk into account.

2. Short term rating

A short-term rating is a probability factor of an individual going into default within a year. This is in contrast to long-term rating which is evaluated over a long timeframe. In the past institutional investors preferred to consider long-term ratings. Nowadays, short-term ratings are commonly used.

3. Corporate credit ratings

The credit rating of a corporation is a financial indicator to potential investors of debt securities such as bonds. Credit rating is usually of a financial instrument such as a bond, rather than the whole corporation and have letter designations such as A, B, C. The Standard & Poor's rating scale is as follows, from excellent to poor: AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B, B-, CCC+, CCC, CCC-, CC, C, D. Anything lower than a BBB-rating is considered a speculative or junk bond.

10.3 INTERNATIONAL CREDIT RATING AGENCY

- 11 Moody's investors services
- 12 Standard and poor's corporation(S &P)

MOODY'S INVESTORS SERVICES

- John Moody founded the Moody's agency at the beginning of the 20th century.
- It undertakes the rating of wide range of debt related securities, international issues, commercial papers, etc. Both in USA and international markets.

- Other services include- assessing financial strength of insurance companies, mutual funds, banks, public utilities.

STANDARD AND POOR'S CORPORATION(S &P)

- One of the first credit rating institutions which has a history of 157 years, founded in the year 1860.
- Offers rating on wide range of debt securities , both in the US and overseas markets.

Other international agencies

- Duff and Phelps Credit Rating Company
- Japan Credit Rating Agency
- Fitch Investors Service
- Thomason Bank Watch
- IBCA Ltd

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Notes

UNIT XI

ROLE OF UTI AS INVESTMENT INSTITUTION

- 11.1 Role as investment institutions
- 11.2 LIC of India as investment institution
- 11.3 Portfolio management services (PMS)
- 11.4 services of NBFC to investors

11.1 ROLE AS INVESTMENT INSTITUTIONS

1. Mobilization of Savings
2. Pattern of Investment
3. Assistance to corporate sector undertaking
4. Forms of assistance
5. Purpose wise distribution of assistance
6. Sectoral distribution of UTI's support
7. UTI's assistance to backward areas

11.2 LIC OF INDIA AS INVESTMENT INSTITUTION

Life Insurance Corporation of India (abbreviated as LIC) is an Indian state-owned insurance group and investment corporation owned by the Government of India. The Life Insurance Corporation of India was founded in 1956 when the Parliament of India passed the Life Insurance of India Act that nationalised the insurance industry in India. Over 245 insurance companies and provident societies were merged to create the state-owned Life Insurance Corporation of India.

As of 2019, Life Insurance Corporation of India had total life fund of ₹ 28.3 trillion. The total value of sold policies in the year 2018-19 is ₹ 211.4 million. Life Insurance Corporation of India settled 26 million claims in 2018-19. It has 290 million policy holders.

The Corporation shall have power—

- To take on capital redemption trade, annuity certain business or reinsurance trade in so far as like reinsurance business connects to life insurance business.

- To spend the funds of the Corporation in that manner as the Corporation might think fit and to take every steps as may be needed or expedient for the safeguard or realization of any speculation; including the taking over of and managing any property offered as protection for the investment until a appropriate opportunity arises for its clearance;
- To obtain, hold and dispose of any possessions for the purpose of its industry;
- To convey the whole or any element of the life insurance business approved on outside India to some other person or persons, if in the awareness of the Corporation it is measure so to do;

11.3 PORTFOLIO MANAGEMENT SERVICES (PMS)

Portfolio management is the art and science of making decisions about investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk against performance. Portfolio management is all about determining strengths, weaknesses, opportunities and threats in the choice of debt vs. equity, domestic vs. international, growth vs. safety, and much other trade-offs encountered in the attempt to maximize return at a given appetite for risk.

Portfolio management benefits

1. Higher return on project investments
2. Lower organizational risk
3. Balanced project portfolio workload
4. Increased project throughput
5. Shorter project cycle times
6. Greater confidence of meeting customer commitments.

Need for portfolio management

1. Portfolio management presents the best investment plan to the individuals as per their income, budget, age and ability to undertake risks.
2. Portfolio management minimizes the risks involved in investing and also increases the chance of making profits.
3. Portfolio management enables the portfolio managers to provide customized investment solutions to clients as per their needs and requirements.

Types of portfolio management

1. Discretionary Portfolio management: An individual authorizes a portfolio manager to take care of his financial needs on his behalf. The individual issues money to the portfolio manager who in turn takes care of all his investment needs, paper work, etc
2. Non-Discretionary Portfolio management: The portfolio manager suggests investment ideas. Choice and timings of investment depends with investor. However, execution of trade is done by the portfolio manager.
3. Advisory Portfolio Management: Portfolio manager only suggests investment ideas. Decision taking and execution is done by investor himself

11.4 SERVICES OF NBFC TO INVESTORS

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 and is engaged in the business of Loans , Advances, Acquisition of shares/stock/bonds/debentures/ securities issued by Government or local authority or other securities of like marketable nature, Leasing, Hire-purchase, Insurance business, Chit business. A non-banking institution which is a company and which has its principal business of receiving deposits under any scheme or arrangement or any other manner, or lending in any manner is also a non-banking financial company (Residuary non-banking company).

Service provided by NBFC

1. Loans and credit facilities
2. Private education funding
3. Retirement planning
4. Trading in money market
5. Underwriting stocks and shares
6. Helps in managing portfolios of stocks and shares
7. Provide advice on merger and acquisition

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*Role Of Uti As Investment
Institution*

Notes

Notes

UNIT XII STOCK EXCHANGE

- 12.1 Development financial institutions
- 12.2 History of development financial institutions
- 12.3 Why development financial institutions required in India?
- 12.4 Functions of development financial institutions
- 12.5 The industrial development bank of India - IDBI
- 12.6 International finance corporation
- 12.7 Industrial credit and investment corporation of India
- 12.8 Industrial reconstruction bank of India (*IRBI*)
- 12.9 Reserve bank of India

12.1 DEVELOPMENT FINANCIAL INSTITUTIONS

A financial agency that provide medium and long-term financial assistance and engaged in promotion and development of industry, agriculture and other key sectors. Industrial finance is a very complicated problem. It is of vital importance as development of any country depends on industrial development of that country's economy. These are the institutions who involved in financing of industrial and infrastructure projects that usually have long gestation period. A DFI is defined as "an institution promoted or assisted by Government mainly to provide development finance to one or more sectors or sub-sectors of the economy. A DFI is on long-term finance and on assistance for activities or sectors of the economy where the risks may be higher than that the ordinary financial system is willing to bear.

12.2 HISTORY OF DEVELOPMENT FINANCIAL INSTITUTIONS

Developing countries set up DFIs to resolve market failures, especially in regard to financing of long-term investments. The DFIs played a very significant role in rapid industrialization of the Continental Europe. Many of the DFIs were sponsored by national governments and international agencies. The first government sponsored DFI was created in Netherlands in 1822. In France, significant developments in long-term financing took place after establishment of DFIs, such as, Credit Financier and Credit Mobiliser, over the period 1848-1852. In Asia, establishment of Japan Development Bank and other term-lending institution fostered rapid industrialization of Japan. The success of these institutions provided strong impetus for creation of DFIs in India after independence

12.3 WHY DEVELOPMENT FINANCIAL INSTITUTIONS REQUIRED IN INDIA?

1. India is a growing country.
2. For making funds available for entrepreneurial activity.
3. To eliminate poverty both directly and indirectly.
4. To maintain the availability of long-term finance for infrastructure and industry, finance for agriculture and Small and Medium Enterprises (SME) development and financial products for certain sections of the people.

12.4 FUNCTIONS OF DEVELOPMENT FINANCIAL INSTITUTIONS

1. Financial gap fillers.
2. Joint finance.
3. Refinance facility.
4. Credit guarantee.
5. Underwriting Securities.
6. Take entrepreneurial Development Initiatives

12.5 THE INDUSTRIAL DEVELOPMENT BANK OF INDIA - IDBI

The Industrial Development Bank of India (IDBI) was established on 1 July 1964 under an Act of Parliament as a wholly owned subsidiary of the Reserve Bank of India. In 16 February 1976, the ownership of IDBI was transferred to the Government of India and it was made the principal financial institution for coordinating the activities of institutions engaged in financing, promoting and developing industry in the country.

The principal source of funds of IDBI

1. Share capital and reserves
2. Borrowing from government of India and RBI
3. Market borrowing by way of bonds
4. Deposits and other borrowings
5. Repayment of past assistance by borrowers
6. Foreign currency borrowings from world banks
7. Asian development banks and international markets

Functions of IDBI

The IDBI has been established to perform the following functions

Notes

1) To grant loans and advances to IFCI, SFCs or any other financial institution by way of refinancing of loans granted by such institutions which are repayable within 25 year.

2) To grant loans and advances to scheduled banks or state cooperative banks by way of refinancing of loans granted by such institutions which are repayable in 15 years.

3) To discount or re-discount bills of industrial concerns.

4) To underwrite or to subscribe to shares or debentures of industrial concerns.

5) To subscribe to or purchase stock, shares, bonds and debentures of other financial institutions.

12.6 INTERNATIONAL FINANCE CORPORATION:

The International Finance Corporation (IFC) is an international financial institution that offers investment, advisory, and asset-management services to encourage private-sector development in less developed countries. The IFC is a member of the World Bank Group and is headquartered in Washington, D.C. in the United States. It was established in 1956, as the private-sector arm of the World Bank Group, to advance economic development by investing in for-profit and commercial projects for poverty reduction and promoting development. The IFC's stated aim is to create opportunities for people to escape poverty and achieve better living standards by mobilizing financial resources for private enterprise, promoting accessible and competitive markets, supporting businesses and other private-sector entities, and creating jobs and delivering necessary services to those who are poverty stricken or otherwise vulnerable.

Function of IFC

1. For setting up a new industrial undertaking.
2. For expansion and diversification of existing industrial undertaking.
3. For renovation and modernization of existing concerns.
4. For meeting the working capital requirements of industrial concerns in some exceptional cases.
5. Direct financial support (by way of rupee term loans as well as foreign currency loans) to industrial units for under taking new projects, expansion, modernization, diversification etc.
6. Subscription and underwriting of public issues of shares and debentures.

Objectives of IFC

1. Promoted by new entrepreneurs
2. Based on indigenous technology
3. Which would result in substitution of imports
4. Providing input for increasing agricultural products

Notes

Operational activities

1. Concessional finance to projects in less development areas
2. Concessional finance for renewable energy systems
3. Power of attorney scheme
4. Bridging loans
5. Sub loans in foreign currencies

12.7 INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA

ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry. The principal objective was to create a development financial institution for providing medium-term and long term project financing to Indian businesses. In the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group offering a wide variety of products and services, both directly and through a number of subsidiaries and affiliates like ICICI Bank, (But officially It happened in 1994).

Objectives of ICICI

1. Expansion of enterprises.
2. Modernization of enterprises
3. Encouraging and promoting the participation of private capital
4. Encouraging and promoting private ownership

Function of ICICI

1. It provides long-term and medium-term loans in rupees and foreign currencies.
2. It underwrites new issues of shares and debentures.
3. It guarantees loans raised by private concerns from other sources.
4. It provides technical, managerial and administrative assistance to industrial concerns.
5. Assistance to industries
6. Provision of foreign currency loans
7. Merchant banking
8. Letter of credit
9. Project promotion

Notes

10. Housing loans
11. Leasing operations

12.8 INDUSTRIAL RECONSTRUCTION BANK OF INDIA (IRBI)

The Industrial Investment Bank of India (IIBI) was a government of India-owned financial investment institution that operated from its inception in 1971 until it was closed down by the Indian government in 2012. It was a type of development bank with the aim of rehabilitating sick industrial companies in India. IIBI offered a wide range of products and services, including term loan assistance for project finance, short duration non-project asset-backed financing, working capital/other short-term

Functions of IRBI:

1. To provide financial assistance to sick industrial units.
2. To provide managerial and technical assistance to sick industrial units.
3. To secure the assistance of other financial institutions and government agencies for the revival and revitalisation of sick industrial units
4. To provide merchant banking services for amalgamation, merger, reconstruction, etc.
5. To provide consultancy services to the banks in the matter of sick units
6. To undertake leasing business.

12.9 RESERVE BANK OF INDIA

It was set up on the recommendations of the Hilton Young Commission. It was started as share-holders bank with a paid up capital of INR 5 crore. Initially it was located in Kolkata. It moved to Mumbai in 1937. Initially it was privately owned. The govt. had a nominal value of shares of INR 2,20,000. Later on in 1949, the bank was nationalised and is fully owned by the Govt. of India

Monetary functions

1. Note issue (except one rupee note all other notes are issued)
2. Banker to the government
3. Banker's bank
4. Custodian of foreign reserves
5. Controller of credit

- Bank Rate
- Open market operations
- Variable reserve requirements (Cash Reserve Requirement & Statutory Liquidity Requirements)

Non-Monetary Functions

1. Supervisory functions
2. Promotional functions

Gilt security:

A gilt-edged security is either a bond that a government issues or a bond that a top-quality company issues. The top-quality company has a long record of good earnings. It also has a consistent record of paying its debts and other obligations punctually. Therefore, investors know that the company is a reliable payer of interest and dividends

Characteristics of Gilt-edged Securities Market

- Supply of government securities in the market arises due to their issue by the Central, State or Local governments and other semi-government and autonomous institutions explained above.
- Government securities are also held by Reserve Bank of India (RBI) for purchase and sale of these securities and using as an important instrument of monetary control.
- The securities issued by government organisations are government guaranteed securities and are completely safe as regards payment of interest and repayment of principal.
- Gilt-edged securities bear a fixed rate of interest which is generally lower than interest rate on other securities.
- These securities have a fixed maturity period.
- Interest on government securities is payable half-yearly.
- Subject to the limits under the Income Tax Act, interest on these securities is exempt from income tax.
- The gilt-edged market is an 'over-the-counter' market and each sale and purchase has to be negotiated separately.
- The gilt-edged market is basically limited to institutional investors.

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UNIT XIII STOCK EXCHANGE

- 13.1 Stock exchange
- 113.2 History of stock exchanges in India
- 13.3 Features of stock exchange:
- 13.4 Important function of stock exchange
- 13.5 National stock exchange
- 13.6 NSE offers trading in following segments
- 13.7 settlement process of NSE
- 13.8 The NSE was set-up with an express objective to fulfil the following functions:
- 13.9 Features of national stock exchange
- 13.10 Bombay stock exchange
- 13.11 Stocks of SENSEX
- 13.12 Functions of BSE stock exchange
- 13.13 OTC exchange of India (OTCEI),
- 13.14 Features of OTCEI
- 13.15 Constituents of OTCEI
- 13.16 Securities and exchange board of India

Notes

13.1 STOCK EXCHANGE:

Stock Exchanges are an organized marketplace, either corporation or mutual organization, where members of the organization gather to trade company stocks or other securities. The members may act either as agents for their customers, or as principals for their own accounts.

Definition

The Securities Contracts (Regulation) Act, 1956, has defined Stock Exchange as an “association, organization or Body of Individuals, whether incorporated or not, established for the purpose of assisting, regulating and controlling business of buying, selling and dealing in securities.

13.2 HISTORY OF STOCK EXCHANGES IN INDIA

It all started in 1875, when 318 persons came together to form “Native Shares and Stock Brokers Association” and the membership fee was Re.1.00. This association is now known as the Bombay Stock Exchange (BSE) and in 1965 it was given permanent recognition by the Government of India. National Stock Exchange (NSE) is the second popular stock market of India. Sensx or the 30 stock sensitive

index was first compiled in 1986. Nifty is the stock sensitive index for NSE.

13.3 FEATURES OF STOCK EXCHANGE:

1. Providing Liquidity and Marketability to Existing Securities
2. Pricing of Securities
3. Safety of Transaction
4. Contributes to Economic Growth
5. Spreading of Equity Cult
6. Providing Scope for Speculation

13.4 IMPORTANT FUNCTION OF STOCK EXCHANGE:

1. Provide central and convenient meeting places for sellers and buyer of securities
2. Increase the marketability and liquidity of securities
3. Contribute to stability of prices of securities
4. Equalization of price of securities
5. Smoothen price movement
6. Help the investors to know the worth of their holdings
7. Promote the habit of saving and investment
8. Help capital formation
9. Help companies and government to raise funds from the investors
10. Provide forecasting service

13.5 NATIONAL STOCK EXCHANGE

The National Stock Exchange of India Ltd. (NSE) is the country's leading stock exchange located in the financial capital of India. NSE provides a modern, fully automated screen-based trading system, with over two lakhs trading terminals.

13.6 NSE OFFERS TRADING IN FOLLOWING SEGMENTS

1. Equities
2. Derivatives
3. Debt

Stocks of NIFTY 50

1. ACC
2. Ambuja
3. Asian Paints
4. Axis Bank
5. Bajaj Auto
6. BPCL
7. Dr. Reddy's Laboratories Ltd.

13.7 SETTLEMENT PROCESS OF NSE

1. Trade details from exchange to NSCCL
2. NSCCL notifies the trade details to Clearing members
3. pay-in advice of funds/ securities
4. Instructions to clearing banks to arrange funds by pay-in time
5. Instruction to depositories
6. Pay-in of securities
7. Pay-in of funds
8. Pay-out of securities
9. Pay-out of funds

13.8 THE NSE WAS SET-UP WITH AN EXPRESS OBJECTIVE TO FULFIL THE FOLLOWING FUNCTIONS:

- Establishing a nation-wide trading facility for equities, debt and other hybrid instruments
- Ensuring equal access to investors across the nation through an appropriate communication network
- Providing a fair, efficient and transparent securities market to investors using electronic trading systems
- Enabling shorter settlement cycles and book entry settlements systems, and
- Meeting the current international standards of securities markets

13.9 FEATURES OF NATIONAL STOCK EXCHANGE

- NSE, like every other leading stock exchange today, runs an order-driven market as opposed to quote-driven market. The

fully automated screen based trading system that it runs is called **National Exchange for Automated Trading (NEAT)**.

- **order management** system under NEAT gives a unique number to each order received and if a match is not found immediately, it is added to an order book where the sequence of orders to be matched are determined based on price-time priority. That is, if two orders are entered into the system, the order having the best price gets the higher priority and within the orders of the same price priority is given to the older order.
- **Order matching** is done by comparing the best buy order, the buy order with the highest price, with the best sell order, the sell order with the lowest price. This is because a seller would like to sell to the buyer offering the highest price and vice versa. While orders can be partially matched till the complete order can be completed, the matches are always made based on the passive price of the order and not the active price at which the match is made.

13.10 BOMBAY STOCK EXCHANGE

Bombay Stock Exchange (BSE) Established in 1875, BSE Ltd. is Asia's first Stock Exchange and one of India's leading exchange groups. More than 5000 companies are listed on BSE making it world's No. 1 exchange in terms of listed members. BSE Ltd is world's fifth most active exchange in terms of number of transactions handled through its electronic trading system.

13.11 STOCKS OF SENSEX

1. ACC
2. BHEL
3. Bharti Airtel
4. HDFC
5. HUL
6. ITC
7. L & T

13.12 FUNCTIONS OF BSE STOCK EXCHANGE

1. Providing liquidity and marketability to existing securities
2. Pricing of securities
3. Safety of transactions
4. Contribute to economic growth

5. Spreading equity cult
6. Providing scope for speculation

13.13 OTC EXCHANGE OF INDIA (OTCEI),

Notes

OTC Exchange of India (OTCEI), also known as the Over-the-Counter Exchange of India, is based in Mumbai, Maharashtra. It is India's first exchange for small companies, as well as the first screen-based nationwide stock exchange in India. OTCEI was set up to access high-technology enterprising promoters in raising finance for new product development in a cost-effective manner and to provide a transparent and efficient trading system to investors.

13.14 FEATURES OF OTCEI:

1. **Use of Modern technology:** Unlike other stock market, OTCEI does not have any special counters and it is an electronically operated stock exchange.
2. **Restrictions for other stocks:** Stocks and shares listed in other stock exchanges will not be listed in the OTCEI and similarly, stocks listed in OTCEI will not be listed in other stock exchanges.
3. **Minimum issued capital requirements:** Minimum issued equity capital should be Rs. 30 Lakhs, out of which minimum public offer should be Rs. 20 Lakhs.
4. **Restrictions for large companies:** No company with the issued equity share capital of more than Rs. 25 Crores is permitted for listing.

13.15 CONSTITUENTS OF OTCEI

OTCEI commenced its operations in 1992. In OTCEI, we have the following parties taking part in various transactions. They are

- Companies
- Dealers
- Members
- Investors
- Custodian or Settlers
- Transfer agents
- OTCEI
- Government and
- SEBI.

13.16 SECURITIES AND EXCHANGE BOARD OF INDIA

The Securities and Exchange Board of India (SEBI) is the Regulator for the Securities market in India owned by Government of India. It was established in 1988 and given Statutory Powers on 30 January 1992 through the SEBI Act, 1992.

Function:

The Preamble of the Securities and Exchange Board of India describes the basic functions of the Securities and Exchange Board of India as "...to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected there with or incidental there to".

SEBI has to be responsive to the needs of three groups, which constitute the market:

- Issuers of securities
- Investors
- Market intermediaries

SEBI has three functions rolled into one body: quasi-legislative, quasi-judicial and quasi-executive. It drafts regulations in its legislative capacity, it conducts investigation and enforcement action in its executive function and it passes rulings and orders in its judicial capacity. Though this makes it very powerful, there is an appeal process to create accountability. There is a Securities Appellate Tribunal which is a three-member tribunal and is currently headed by Justice Tarun Agarwala, former Chief Justice of the Meghalaya High Court.^[6] A second appeal lies directly to the Supreme Court. SEBI has taken a very proactive role in streamlining disclosure requirements to international standards

Objectives of SEBI

- To regulate activities in stock exchange and ensure safe investments
- To prevent fraudulent practices by striking a balance between business and its statutory regulations

Organizational Structure of SEBI

- SEBI is a corporate sector divided into five departments. Each department is headed by an executive director.

- The current chairman of SEBI is U.K. Sinha.
- The head office of SEBI is in Mumbai and it has branch office in Kolkata, Chennai and Delhi.
- There are two advisory committees to deal with primary and secondary markets.

Investment Consultant

An investment consultant refers to a professional who provides investors with investment products, advice, and/or planning. Investment consultants do in-depth work on formulating investment strategies for clients, helping them fulfil their needs and reach their financial goals. Investment consultants have experience in many different facets of the financial world, and may work for a bank, investment firm, or on their own. They are normally educated in a financial field, must have experience in the financial services industry, and must be licensed in order to work.

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UNIT XIV MARKETING OF FINANCIAL SERVICES

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14.1 INTRODUCTION

Financial companies in recent times all ask themselves the identical query, “How are we able to efficaciously attain the right audience, to generate more income?” With the help of economic carrier advertising and its cognizance on lead generation, economic groups can attain their target market with the most superior and effective advertising services to be had.

Every financial provider business enterprise wishes the right advertising method to generate super leads. Financial offerings embody a large variety of companies that manage cash, together with credit score unions, credit score-card groups, accountancy organizations, client finance agencies, stock brokerages, individual managers, banks, non-public lending agencies, and some authorities-sponsored firms. Financial marketers act as a hyperlink among financial services vendors and enterprise corporations which might be in need of specific monetary offerings. Financial provider carriers adopt virtual advertising and marketing strategies or achieve the services of a advertising company with a view to achieve super leads. Some of these resourceful ways are stated below.

Marketing

The marketing concept is the strategy that firms implement to satisfy customers needs, increase sales, maximize profit and beat the competition. There are 4 marketing concepts that organizations adopt and execute. Marketing is a department of management that tries to design strategies that will build profitable relationships with target consumers.

14.2 FOUR PILLARS OF MARKETING

1. Customer orientation:

Customer Orientation is a management and sales approach in which the customer is at the center and the business departments work around their needs and demands. All its actions and decisions at every business keeps in mind the needs of the consumer.

2. Profit:

The eventual goal of company operations is to make a profit. Small businesses have to rely on profitable operations because they usually don't have financing to cover large losses. An effective marketing plan specifies the profit margins that the company requires and the means to attain them. An evaluation of the marketing plan looks at whether the plan forecasts the required profit margins and specifies a realistic strategy to meet them. After the company implements the marketing plan, a further evaluation can check to see that the plan is achieving the specified profit margin targets.

3. Total company effort

Effective implementation of the marketing concept requires involvement of employees from all departments at all levels of the business. Training must be provided and employees must be motivated to achieve the common goals of maximum customer satisfaction and the long-term organizational objectives.

4. Social responsibility

Socially responsible means an organization shows concern for the people and environment in which it transacts business. It also means that these values are communicated and enforced by everyone in the organization and, in some cases, with business partners, such as those that sell products to the company (e.g., supplier of raw material for product production) and those that help the company distribute and sell to other customers (e.g., retail stores)

14.3 SELLING CONCEPT

The selling concept proposes that customers, be individual or organizations will not buy enough of the organization's products unless they are persuaded to do so through selling effort. So organizations should undertake selling and promotion of their products for marketing success. The consumers typically are inert and

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they need to be goaded for buying by converting their inert need in to a buying motive through persuasion and selling action.

Features of Selling Concept of Marketing

1. Selling-orientation
2. Aggressive Selling and Promotion
3. No Concern with Consumers' Needs
4. Customer Persuasion

14.4 MARKET SEGMENTATION

Market segmentation is the process of dividing a market of potential customers into groups, or segments, based on different characteristics. The segments created are composed of consumers who will respond similarly to marketing strategies and who share traits such as similar interests, needs, or locations.

Types of Market Segmentation

1. Geographic Segmentation
2. Demographic Segmentation
3. Behavioural Segmentation
4. Psychographic Segmentation

TARGET MARKET SELECTION

Target market represents a group of individuals who have similar needs, perceptions and interests. They show inclination towards similar brands and respond equally to market fluctuations. Individuals who think on the same lines and have similar preferences form the target audience. Target market includes individuals who have almost similar expectations from the organizations or marketers. Obese individuals all across the globe look forward to cutting down their calorie intake. Marketers understood their need and came up with Kellogg's K Special which promises to reduce weight in just two weeks. The target market for Kellogg's K Special diet would include obese individuals. Individuals who sweat more would be more interested in buying perfumes and deodorants with a strong and lasting fragrance.

MARKET POSITIONING

Market Positioning refers to the ability to influence consumer perception regarding a brand or product relative to competitors. The objective of market positioning is to establish the image or identity of a brand or product so that consumers perceive it in a certain way.

TYPES OF POSITIONING STRATEGIES

There are several types of positioning strategies. A few examples are positioning by:

- **Product attributes and benefits:** Associating your brand/product with certain characteristics or with certain beneficial value
- **Product price:** Associating your brand/product with competitive pricing
- **Product quality:** Associating your brand/product with high quality
- **Product use and application:** Associating your brand/product with a specific use
- **Competitors:** Making consumers think that your brand/product is better than your competitors

14.5 PRICING:

Price is the value that is put to a product or service and is the result of a complex set of calculations, research and understanding and risk taking ability. A pricing strategy takes into account segments, ability to pay, market conditions, competitor actions, trade margins and input costs, amongst others. It is targeted at the defined customers and against competitors.

Pricing strategies:

1. Competition-Based Pricing
2. Cost-Plus Pricing
3. Dynamic Pricing
4. Freemium Pricing
5. High-Low Pricing
6. Hourly Pricing
7. Skimming Pricing
8. Penetration Pricing
9. Premium Pricing
10. Project-Based Pricing
11. Value-Based Pricing

Pricing decision:

An enormous number of factors affect pricing decisions. A marketing manager should identify and study the relevant factors affecting the pricing. Some factors are internal to organisation and, hence, controllable while other factors are external or environmental and are uncontrollable.

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14.6 FACTOR AFFECTING PRICING DECISION:

Internal Factors:

1. Top Level Management
2. Elements of Marketing Mix
3. Degree of Product Differentiation
4. Costs
5. Objectives of Company
6. Stages of Product Life Cycle
7. Product Quality
8. Brand Image and Reputation in Market
9. Category of Product
10. Market Share

External Factors:

1. Demand for the Product
2. Competition
3. Price of Raw Materials and other Inputs
4. Buyers Behavior
5. Government Rules and Restrictions
6. Ethical Consideration or Codes of Conduct
7. Seasonal Effect

14.7 MARKETING OF FINANCIAL SERVICES:

Services are very different from products. So the marketing concepts need to be revisited while marketing a service. Services can range from financial services provided by the banks, technology services provided by the IT company, food and ambiance as a service provided by restaurants or even a blog where an author provides a service (information presentation, interesting reading etc) to his audience. Services marketing are dominated by the **7 Ps of marketing** namely **Product, Price, Place, Promotion, People, Process** and **Physical evidence**. The 7 P framework is one of the most popular framework for deciding a marketing strategy, right from strategy formulation to actual implementation.

1. **Product** is your core offering. This is “the thing” that will fulfill the needs of your customer. If your product is faulty, everything else fails. The attributes of the product, vis-a-vis the attributes offered by competing products and substitutes,

- are important in estimating the competitive scenario for the marketing strategy formulation.
2. **Price** has a lot of impact on the service buyer's satisfaction level. Often, paying a higher price makes a customer more satisfied. Price is often considered a proxy for quality and vice-versa. What is important to note that services being all the more intangible, the price becomes an important factor for the actual service consumption to happen, after service awareness and service acknowledgement.
 3. **Place** often offers a different side of value (utility) to the customer. Who would want to travel 10 miles to have a regular dinner, even if that is priced very competitively and has a super quality? Services are often chosen for their place utility. Closer to the customer means higher probability of purchase. Place utility is important to evaluate, for strategizing on the other 6 Ps.
 4. **Promotion** plays a role in the perception the possible target audience may have about your service. There has to be a fit between the promotion and the positioning. Promotion leads to service (brand) recognition and further establishes a proxy to evaluate quality of services based by potential customers. Many different promotional tools are often used like internet advertisement, special events, endorsements which happen out of the store or in-store merchandising like branded boxes from Custom Boxes Now, plastic dump bins and digital signage.
 5. **People** are crucial in service delivery. The best food may not seem equally palatable if the waitress is in a sour mood. A smile always helps. Intensive training for your human resources on how to handle customers and how to deal with contingencies, is crucial for your success.
 6. **Processes** are important to deliver a quality service. Services being intangible, processes become all the more crucial to ensure standards are met with. Process mapping ensures that your service is perceived as being dependable by your target segment.
 7. **Physical evidence** affects the customer's satisfaction. Often, services being intangible, customers depend on other cues to judge the offering. This is where physical evidence plays a part. Would you like eating at a joint where the table is greasy or the waitresses and cooks look untidy and wear a stained apron? Surely you would evaluate the quality of your experience through proxies such as these.

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