

STRUCTURE OF CAPITAL MARKET

A) Capital Market Investment Institutions

✓ All India Development Bank

1) Industrial Development Bank of India (IDBI)

→ July 1964

→ Apex financial institution for industrial development in Country.

→ Funding to large & medium scale industry.

→ Facilitates project financing underwriter, soft loan etc.

2) Industrial Finance Corporation of India (IFCI)

→ Set up under IFCI act 1948.

→ Long term funding to large & medium scale industry.

→ It provides Rupee & foreign currency loans.

→ Can act as an underwriter, merchant banker, assignments relating to merger & amalgamation.

3) Small Industrial Development Bank of India (SIDBI)

→ Set up by Government of India in April 1990.

- Wholly owned subsidiary of IDBI
- Promotion & development of small scale industry.
- Aims to empower micro, small & medium enterprises.
- With a view to contributing in economic growth & development.

4) Industrial Investment Bank of India (IIBI)

- Set up under IIBI Act, 1984.
- Set up in 1985.
- Full-fledged development financial institution.
- Assist medium & large scale industry.
- Can act as an underwriter, project financier etc.
- Short term loans to companies to fulfill their fund requirement.

Specialised Financial Institution

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1) IFCI Venture Capital Fund

- Formerly known as Risk Capital & technology finance Corporation of India.
- Subsidiary of IFCI.
- Funding to ventures involving innovative product process & technology.

- Initially provides soft loans to promoters under its sub Capital Scheme.
- Also provides finance under technology finance & development scheme.

2) ICICI Venture Capital Fund

- Formerly known as technology development & information Company of India Ltd.
- Founded in 1988.
- Joint Venture of ICICI & UTI - Unit Trust of India
- Now wholly owned subsidiary of ICICI.
- Project finance in new technology venture.
- Investment in the field of Computer, drug etc.

3) Tourism Finance Corporation of India Ltd

- Set up by Government of India.
- Promotion & development of tourism industry.
- Provides assistance to conventional tourism like amusement park, rope way etc.

✓ Investment Institutions

1) Life Insurance Corporation of India Ltd

- Wholly owned Corporation of govt. of India.
- Established under LIC Act 1956.
- Life Insurance in Particulars to rural area.

- Assistance for development of infrastructure facility like housing, sewer, electrification, water supply etc.
- Support to financial institution through subscription to their shares, bonds etc.

2) Unit Trust of India

- BC established under UTI Act, 1963
- Encourage saving & investment
- Mobilize savings of small investors through sale of unit & channelize them into corporate investment.
- UTI Act 1963 was replaced by UTI act 2002
- Bifurcation into 2 entities.
- UTI 1 & UTI 2 from Feb 2003.

critical undertaking
of UTI

↳ UTI MF

3) General Insurance Corporation of India

- Formed under GIC Act 1972
- Carrying on & controlling the business of general insurance or non-life insurance.
- Four subsidiary company
 - a) National Insurance Corporation Ltd.
 - b) New India Assurance Company Ltd.
 - c) Oriental Insurance Company Ltd.
 - d) United India Insurance Ltd.

These branches were declined from GIC India to form an association (GIPSA), General Insurance Public Sector Insurance.

✓ State level Institutions

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1) State Financial Corporation

- Development of small & medium enterprise in concerned state.
- Financial assistance in the form of term loan, direct subscription to equity, debenture or discounting of bill.
- Objective is to generate greater employment & increasing the ownership base of industry.
- Also provide assistance to floriculture, Commercial Complex etc. (Ex flower ki kheti)
- 18 state financial Corporation in the Country.

2) State Industrial Development Corporation

- Established under Companies Act 1956
- Wholly owned subsidiary of state government.
- Promotion of industrial development in respective state & financial assistance to small enter entrepreneurs.
- Also involves in setting up of medium & large industrial project.
- Undertake promotional activities such as preparation of feasibility report, industrial survey, trading & development programmes.

Kya yeh chal panyga
jeh report lene dga

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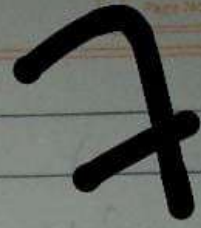
Qualified Institutional Buyers

- Others than individual investors who buys the shares on a large scale.
- 75% allotted to QIB in case of Alternate book building method. → [Job hum IPO ki condition fulfil krni hain]
- In case of normal book building method max 50% can be allotted to QIB. [Job hum IPO ki condition fulfil krni hain]

It includes

- Mutual fund, Venture Capital fund, alternate investment fund, foreign venture Capital investor.
- Foreign portfolio investor other than Category 3.
- Public financial institution.
- Schedule Commercial bank.
- Multilateral & bilateral development financial institution.
- State industrial development corporation.
- Insurance Company.
- Provident fund Corpus a/c.
- Pension fund Corpus a/c.
- National investment fund.
- Insurance fund managed by army, navy, air force.
- Insurance fund set up by department of post.
- NIBFC.

✓ Alternative Investment Fund



- Privately Pooled Investment (1000 persons)
- Collect Investment from India & outside India.
- In the form of trust, Company, BC, LLP
- Not Covered under mutual fund, CIB regulation.
- Minimum Investment size - 1 cr (Employee 25 lakhs)

It Excludes

- Family trust for the benefit of relative.
- EXOP trust
- Employee welfare trust
- Holding Company
- Fund managed by Securitisation & reconstruction Company
- Other fund regulated by any other regulation
- Special Purposes Vehicle.

✓ AIF divided into 3 Categories

(i) Category 1

- Venture Capital fund
- Small & medium enterprises
- Social Venture fund.

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(ii) Category II

- Equity fund
- Debt fund
- Which is not covered 1 & 3

(iii) Category III

→ Hedge fund (Angel fund),

✓ Foreign Portfolio Investor

→ Investment in Indian securities by foreign investors (Individual or Institutional Investor)

✓ Category I

→ Foreign govt, foreign agencies, Central bank, international or multilateral organisation or agencies in which 25% owned by such govt

→ Pension fund & University fund

→ Regulated entities such as insurance company, asset management company, investment manager, portfolio manager, stock brokers etc.

→ Entities from financial action task force members countries.

→ Appropriately regulated fund.

→ Unregulated fund but investment manager is regulated.

- University related fund which have been in existence for more than 5 years
- Entities whose investment manager is from financial action task force members

✓ Category 2

- Appropriately regulated fund not eligible in Category 1.
- Charitable Organisation
- Endowments & foundation
- Foreign offices
- Individual.
- Unregulated fund.

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✓ Category 3

- Not registered under Category 1 & 2 like charitable society trust foundation individual trust, family offices.

✓ Private Equity

- Types of equity or debt finance in operating companies
- Investment in securities not publicly traded on stock exchange or investment in publicly traded asset with an intention of taking it private.

- Investment in Companies, from which can lead to very high return.
- → Capital of private equity is raised from retail + institutional investor to invest in new technology expansion or to fulfill the working capital requirement.
- Fund raised from angel investor, institutional investor like pension fund, insurance company or bank.

✓ Types of Private Equity

- 1) Leverage buyout → Loan Let's take an example of investment bank
- Equity investment in company, business unit is acquired from the current shareholder by using financial leverage.
- Investment in matured & operating equity.

2) Venture Capital

- One of the innovative financing resources for a company.
- Promoter has to give some level of ownership & control of business in exchange of capital.
- Equity investment made typically in less matured company for expansion or launch of new product, etc.

- Investment by Venture Capital fund into the Venture Capital undertaking.
- Resources for supporting innovation knowledge, technology etc.
- High risk investment which may give high returns or heavy loss.

3) 3 types Growth Capital

- Equity investment, Minority investment in the Company that are looking for expansion or restrictive its operation.

✓ Atal Pension Yojana



- Announced in 2015-16 budget
- Focuses on old age income security in unorganized sector.
- It encourages the workers in Unorganized Sector to voluntarily save for their retirement.
- Scheme administered by Pension Fund Regulatory & Development Authority
- Monthly Pension in range of 1000 to 5000 p.m.

✓ Currency Derivative

- Contract to exchange currencies at different stipulated rate.
- Similar to future & option trading.

- Underlying Assets is Currency.
- Major participants are bank, corporations, exports etc.
- Offer diversification to investors.

✓ Commodity Derivative → Jo bahut Imp hai

- Financial instrument which derive its value based on underlying commodities - oil, gas, metals, agriculture products, etc.
- Goods & services of critical information & indicators of instruments.

✓ Real Estate Investment Trust

- Less Capital expensive
- Suitable for small investors.
- Transparency - listed
- Comparatively Assured return
- Easy to buy.
- Income arises by way of
 - a) Dividend
 - b) Capital Appreciation

✓ Infrastructure Investment Trust

- Objective is to promote infrastructure sector in India.

→ Create a pool & invest in infrastructure sectors directly / indirectly.

→ Trustee -

- ✓ Who is registered as debenture trustee.
- ✓ Invest atleast 80% in infrastructure

→ Sponsor -

- ✓ BC / LLP or promoter or Company having Networkth Rs. 1000cr
- ✓ Holds minimum 15% of total units with minimum locking of 3 years

→ Investment Managers -

- ✓ BC / LLP which supervise all the operational activity.

→ Project Managers -

- ✓ Authority in responsible for executing project.

→ Municipal Bond -

- ✓ Also known as Mini Bonds.

✓ Municipal Bond

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→ Also known as Mini Bonds.

→ Fund raised by Urban Local govt & agencies for project such as infrastructure, project, roads, aircrafts, etc.

→ First time such bond was issued by Bangalore Municipal Corporation.

→ Conditions -

as Positive Net worth in previous 3 years

b) No default in repayment of debt securities avail from bank or NBFC in last years.

c) Not listed in the wilful defaulters list.

✓ Offers to Public

✓ Book Building Method

- 1) QIB - Max 50%
- 2) HNI - Mini 15%
- 3) RII - Mini 35%

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✓ Alternate BM

- 1) QIB - Min 75%
- 2) HNI - Max 15%
- 3) RII - Max 10%

✓ Others than BB | Fixed Price Issue

- 1) RII - Min 50%
- 2) Others

* ✓ Angel fund → [like Ambani, Reliance Tata if kisi ko funding kare Capital de startups ko]

→ Also known as business angel, informal investor, private investor.

RII → Retail Individual Investor?

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- Individual who provide capital to start up in exchange of debt & equity
- Angel investor organise themselves & pool their investment.
- Former entrepreneurs themselves & typically enjoy working with the company at the earliest stage.
→ Idea hi denge, team hi krenge, develop krenge
- Category of alternate investment fund [AIF]
- Helps entrepreneurs to shape business model create business plan
- Successfully build company & have been spent time coaching young entrepreneurs.

✓ High net worth Individual (HNI)

↳ Just like Appa Sir

- Retail investor with high net worth.
- Minimum application size in public issue is more than 2Lac
- Individuals over 2cr investible fund surplus considered as HNI.
↳ 2cr invest kr skta hai
[2cr kusa]
- Investible wealth in the range of 25Lacs to 2cr is known as emerging HNI. new hai
- Alternate book building method max 15%
- Normal book building method min 15%

✓ Pension Fund

- Fund established by employer to organise the investment of employee.

- Retirement fund contributed by employer & employee.
- It is introduced to generate stable growth over the long term & give pension after the retirement.
- Fund managed by intermediary.
- Active role in the Indian equity market.

✓ Divided into 2 sectors

- a) Formal Sector → Regulated
- b) Informal Sector → Unregulated

✓ Government Pension Fund

- Referred under directive principle of state policy hence, not covered under any other law. [Section 71(1)]
- It includes employees of the Central as well as state government.
- Central government pension fund like defence fund, railway fund etc.
- State government pension like bank pension NABARD fund.

✓ Bonds

1) Government Bonds

1) Government Bonds

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- Issued by GOI
- Issued by RBI on behalf of GOI
- Secured or guaranteed by GOI
- Safe Investment
- Low rate of interest

2) Corporate Bonds

- Issued by private Corporates
- Secured or Unsecured
- Research before the investment
- Risk associated.

3) Bank or Financial Institution Bonds

- Issued to by bank financial institutions.
- Majority of bond is issued by bank or financial institution

4) Tax Saving Bonds

- Issued by GOI
- For providing tax benefit.
- Listed on BSE/NSE
- Can be sold in open market
- Liquid investment.

* ✓ Foreign Currency Convertible Bond

- Issued by Indian entities
- To person resident outside India.
- Represented in foreign Currency. → Denominated in \$
- Payment of interest & principle - Foreign Currency.
- Conversion into equity shares of Indian Company.
- FEMA (ECB) guidelines follow loan plug external Commercial Borrowings.
- Unsecured instrument which carry fixed rate of interest.

* ✓ Foreign Currency exchangeable bonds.

- Issued by Indian entities.
- To person resident outside India.
- Represented in foreign Currency.
- Payment of interest & principle - Foreign Currency.
- Exchangeable into equity shares of another Company having same promoter group.
- FEMA (ECB) → Guidelines follow loan plug
- Unsecured instrument which carry fixed rate of interest.
- offerer Company is to be listed & eligible to receive foreign investment.

✓ Indian Depository Receipt

- Depository receipt created by domestic depository in India against the equity shares issued by company incorporated outside India.
- Instrument represented in Indian Currency.
- Follow ICDR Regulation.
- Shares held by overseas custodian who shall authorize domestic depository to issue IDR.
- Subscribed by Indian Investor.

✓ Derivatives → Derive → Khudki Value → Like Panna depends on milk

- Derives its value from an underlying asset.
- Underlying asset can be stock, bonds, currency, commodities.
- Different types like future, option, swaps.

✓ Future

- Exchange traded forward contracts.
- To buy or sell pre-determined quantity at pre-determined price.
- Standard contracts.
- Long position, Short position.
 - ↳ buy
 - ↳ sell
- long position → Ready to take delivery
- Future contract is purchase & buyer is ready to receive delivery of underlying asset.

Short Position → Ready to Make delivery

→ Future Contract is sold & Seller agrees to make delivery.

Options

→ Gives right to the holder but not the obligation

→ To take or make delivery on or before specified date at a stated price.

→ Option is given to one party while other party has an obligation to take or make delivery.

→ Option holder gives option premium.

→ Call Option: Option is with buyer & gives the holder a right to take deliveries.

→ Put Option: Option is with seller & gives the holder a right to make deliveries.

Types of Option

European Option

→ Option exercised only on expiry date.

→ Traded on stock exchange.

American Option

Option can be exercised on or before expiration date.

Warrants

- Option issued by Company
- Right to purchase a number of equity shares at a given price during a given period.
- Warrant gives signifies optional conversion one warrant one share.

Anchor Investor

- DIB
- Minimum application size to CR in book building method.
- Individual allotment min 5CR.
- Bidding - Same day allocation.
- Lock-in 30 days from trading.
- DIB - 60% allotted to Anchor investor.
- 1/3rd of total anchor portion shall be reserved for domestic mutual fund.
- Allotment up to 10CR - Max 2 set anchor investor.
- Allotment up to 250CR - Max 15.
- Allotment above 250CR min 5 - Max 15 (upto 250CR).
- For every additional 250CR max to anchor investor.

Application supported by blocked Amount [ASBA]

- Application containing authorization to block the application money in a bank account.

- Under ASBA application money do not transfer to Company till allotment.
- Investor will continue to receive the interest for blocked amount until allotment.
- In case of rejection the block is removed hence, no concern regarding non-payment or delay in refund.
- It is mandatory in all public issue through book building route.

Self - Certified Syndicate Bank

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- Bank which offer ASBA facility.
- Bank shall submit a Certificate to SEBI of inclusion of its name in SEBI's list of Self - Certified syndicate bank (SCSB).
- SCSB shall identify its designated branches as well as Controlling branches.
- SCSB also communicate the following details to STX,
 - a) Name & address of SCSB.
 - b) Address of designated branch & Controlling branch.
 - c) Name & Contact of nodal officers.

✓ ASBA Process

- Submit an ASBA electronically or physically to SCSB.

- SC&B block the application money.
- It remains block till allotment / withdrawal of offer / rejection of application.
- Application data uploaded by SC&B in electronic bidding system provided by the stock exchange.
- Registrar to an issue after finalisation of allotment give instruction to SC&B for unblocking the amount.
- SC&B transfer the requisite amount to Company.

✓ Unified Payments Interface (UPI) with A&BA

- UPI is an Instant Payment System developed by national Payments Corporation of India.
- It allows instant transfer money between any 2 parties.
- In public issue UPI ID - Can be used for blocking of fund & making payment.
- In case of allotment the money shall automatically remitted to Escrow.
- From 1st Jan 2019 UPI Mechanism for RII will be effective.
- The limit for IPO application is 1 lakh per transaction on UPI.
- The Only RII are allow to be use UPI for payment in public issue.

✓ Green Shoe Option

- First introduced by Green Shoe Company
- Also known as post listing price stabilising mechanism.
- Allocation of shares in excess of the shares included in public issue & operating a post listing price stabilising mechanism.
- Pass DR.
- Appointment of stabilising agent.
- Agreement with stabilising agent (SA).
- Agreement with promoter for borrowing.
- Open G&O bank account & G&O D'emat A/C.
- Allotment of shares to SA, (up to 15% of issue size).

✓ Drop in Price

Yes

- Process shares from open market (Purchase).
- Shares return to promoter excess amount transfer to IEPF.

No

- Issuer allots new shares to SA.
- SA return shares to promoter.
- Separate listing of new shares issued.

- ✓ Stabilising period - 30 days from commencement of trading.
- ✓ close G&D bank account & G&D Demat Account.

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Types of Securities

→ Listed Securities:

Securities of company which have sign the listing agreement with the stock exchange.

→ Permitted Securities:

Actively traded in other STX in India & Securities are not listed on such a STX.

Margin

→ Advance payment of a portion of the value of stock transaction.

Initial Margin → Min. amt.
 amount to be paid before buying

→ Min amount calculated as a percentage of the transaction value placed by client with the broker before the actual purchase.

Maintenance Margin

• Min amount calculated as a percentage of Market value of the Securities calculated with respect to last trading day's closing price to be maintained with broker.

- If deposit falls below maintenance margin the broker shall immediately make margin call.
- Broker may liquidate the securities if the client fails to meet margin call.

✓ Block deal

- Stock exchange allow separate trading window to execute large scale.
- New block window for block deal.
- Session timing - Morning 8:45 to 9:00 am
Afternoon - 2:05 to 2:20 pm
- Minimum order shall be Rs. 10CR.
- Order placed shall be within $\pm 1\%$ of the applicable reference price, buy or sell.
- Stock exchange disclose the details about block deals on the same day after the market hours.

✓ Bulk Deal → 1/2 block

- Total quantity bought or sold is more than 0.5% of the total no of equity shares of a listed company.

- Trading in the normal trading window
- Stock bankers inform to stock exchange about the bulk deal on daily basis.
- Visible to everyone
- If bulk deal through single trade notify to STX immediately after the execution
- If bulk deal through multiple transaction intimate STX within 1 hour from closure of the trading.

✓ Basis of SENSEX — indicator of BSE

- SENSEX is the indicator of BSE
- First publish in 1986.
- It is based on the market weighted stock index of 30 companies
- The level of index is indication of the performance of stock market.

✓ Steps to Calculate SENSEX

- 1) Market Capitalisation is taken into account. [Total no. of shares multiplied by MP]
- 2) BSE determine free float factor. [Difference between market Capitalisation]

✓ NIFTY

- NIFTY 50 is the indicator of NSE.

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- Collection of 50 Stock (Shares)
- Owned & managed by India Index Services & Product Ltd

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✓ Market Surveillance

A. Preventive Surveillance [Online Surveillance]

- Strict norms for trading members.
- Circuit Filters - Halt in trading.
- Trading execution range - Orders are matched if price is within reference range.
- Order Value Limitation - Maximum Value per order.
- Cancel on log out - All outstanding order shall be cancelled if user log out.
- Kill Switch - All outstanding orders are cancelled if trading member execute kill switch.
- Compulsory close out - Incoming order crossing the margin ~~are~~ such order will be partially or fully cancelled.

B. Post Trade Surveillance

- 1) End of day alert highlight the stock which behave abnormally from its past behaviour.

2) Pattern Model
It identifies suspect involving in unfair trading practices.

3) Transaction alert for Members Trading Members, Brokers.

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✓ Impact of various policies on STX

1) Fed Policy → Fed rate ↑ → Market ↓

- Federal Reserve is the central bank of USA.
- Federal Reserve promotes stability of financial system.
- It promotes the safety & soundness of individual institution.

a) Fed fund rate

- Interest rate changed by Federal Reserve when US bank borrow money.
- US Fed fund rate matters a lot to global capital flow.
- Increase in FFD rate will be negative in general for US market.

b) Rupee VS Dollar

- If the exchange rate of dollar is increasing,

it results into decrease in value of Rupee.

→ Increase in value of dollar is harmful for import & beneficial in case of export.

2) Inflation Index

→ Tool used to measure the state of inflation in an economy.

→ It helps to compare where we are now, to where we have been in the past.

→ 2 index to measure inflation.

a) Wholesale Price Index

→ Computed by the ministry of Commerce & Industry.

→ Earlier release on weekly basis however since 2012 WPI is released monthly.

→ Base year 2004-05 = 100

→ Total 676 items divided into 3 Category

(i) Primary articles

(ii) Fuel & power

(iii) Manufacture Product

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→ It does not consider retail price.

b) Consumer Price Index

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- (i) CPI for industrial workers
- (ii) CPI for agriculture labourers.
- (iii) CPI for rural & urban.

- First released by ministry of labour & employment.
- 3rd released by CSO [Central Static Organisation] under ministry of statistics.
- RBI uses [Combine for inflation purpose].
- Base year date = 100
- 448 items in rural & 460 in Urban.

✓ Wholesale price index

Consumer price index

→ It measures inflationary trend in the economy as a whole.

• It is used to adjust the income & expenditure for changes in cost of living.

→ It considers wholesale price for primary product controlled price, example factory price for manufacturing product.

• It considers retail price which includes distribution cost & taxes.

→ WPI are controlled on Voluntary basis.

• CPI data is collected after investigation.

Foreign Portfolio Investor...

Foreign Portfolio Investor (FPI) means a Person who satisfies the eligibility ~~are~~ criteria prescribed under SEBI.

(Foreign Portfolio Investors) Regulations, 2019 & has been registered under Chapter II of these regulations,

which shall be deemed to be an intermediary in terms of the provisions of the SEBI Act, 1992. All existing

Foreign Institutional Investors (FIIs) & Qualified Foreign Investors (QFIs) are to be merged into one Category.

Called FPI.

Categories of FPI

Category 1 FPIs include:

(i) Government & Government related investors such as Central banks, Sovereign wealth funds,

international or multilateral organizations or

agencies including entities controlled or at least
75.1

directly or indirectly owned by such Government
& Government related investor (s)

(ii) Pension funds & university funds.

(iii) Appropriately regulated entities such as
insurance or reinsurance entities, banks,
asset management.

Companies, Investment managers, investment advisors,
portfolio managers, broker dealers & swap

dealers.

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(iv) Entities from the Financial Action Task
Force member Countries which are -

I appropriately regulated funds.

II. Unregulated funds whose investment manager
is appropriately regulated & registered as

a Category I foreign portfolio investor. However
the investment manager undertakes the
responsibility.

of all the acts of Commission or omission
of such unregulated fund.

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111. University related endowments of such universities that have been in existence for more than five years.

(v) An entity (A) whose investment manager is from the Financial Action Task Force member Country &

Such an investment manager is registered as a Category I foreign portfolio investor, or (B) which is

at least seventy-five per cent owned, directly or indirectly by another entity, eligible under sub-clause

(ii), (iii) & (iv) of clause (a) of this regulation & such an eligible entity is from a Financial Action

Task Force member Country. However such an investment manager or eligible entity undertakes the

responsibility of all the acts of Commission or omission of the applicants seeking registration under this

sub clause.

Category II FPIs include all the investors not eligible under Category I foreign portfolio investors such as -

- (i) appropriately regulated funds not eligible as Category - I foreign portfolio investor
- (ii) Endowments & foundations
- (iii) Charitable organisations
- (iv) Corporate bodies
- (v) Family offices
- (vi) Individuals
- (vii) appropriately regulated entities investing on behalf of their client, as per conditions specified by the

Board from time to time

- (viii) Unregulated funds in the form of limited partnership & trusts.

Explanation : An applicant incorporated or established in an International Financial Services Centre shall be

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deemed to be appropriately regulated.

- DVR
- Limit 74.1 of total post voting power
- Removed - dividend track record of distributable profit for last 3 years.
- Foreign Currency Convertible bond

2022
Apr

SARAL Account Opening Form

- Facility available for resident individual
- Resident Individual can open an demat account by filing up simplified account opening form (SARAL)
- By submitting only one documentary proof of address can open a demat account
- In case the proof of address is not the address where the investor is currently residing then furnish a declaration of resident address.
- In case change in address, investor may intimate the new address to intermediary within a week of such change.
- This change may be verified by such intermediary.