

ch-6 Securities Market Intermediaries.

⇒ Introduction -

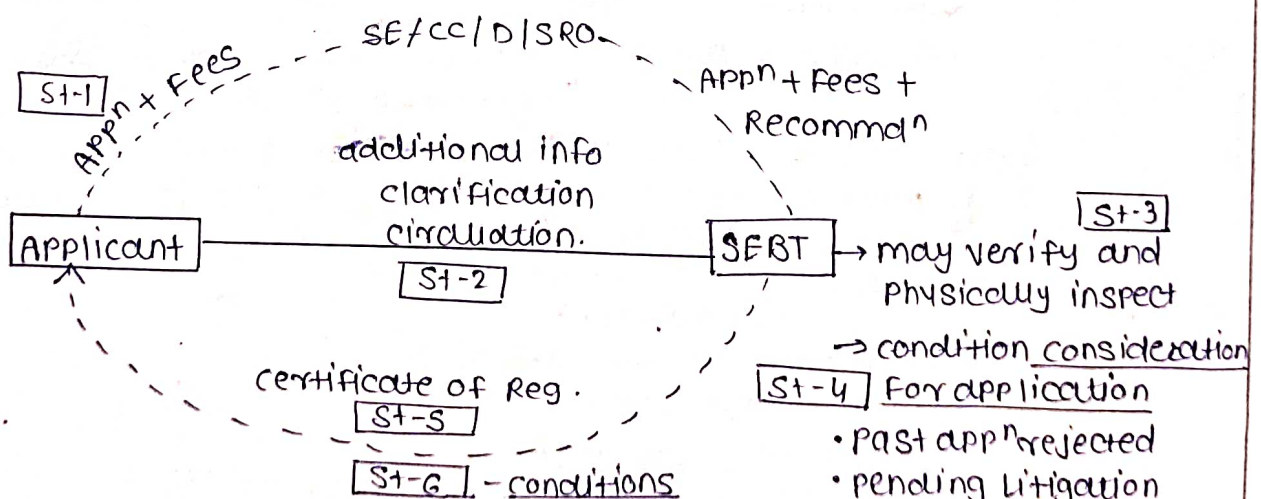
- Intermediaries are service providers and are integral part of any financial system.
- SEBI regulates various intermediaries in the primary & secondary markets through its regulations for these respective intermediaries

⇒ objectives -

- To smoothen the process of investment.
- To establish a link between the investors and the users of fund.
- corporation and Government do not market their securities directly to the investors.
- market intermediaries help investors to select investment by providing invt consultancy
- in order to operate in secondary market investor have to transact through share broker.

Primary Market Intermediaries	Secondary market Intermediaries.
<ul style="list-style-type: none"> - Merchant Banker - Bankers to an Issue. - Underwriters - Debenture trustees. - Register to an issue and share transfer Agent. 	<ul style="list-style-type: none"> - Stock Broker - Depository - Share transfer Agent.

⇒ Securities and Exchange Board of India (Intermediaries) Reg Regulations, 2008.



- 1] change of status / constitution - only with appⁿ SEBI
- 2] fees.
- 3] abide by sec. law - circular, guideline
- 4] Regulation 4 - condition - comply.
- 5] eligibility condition.

- Past appⁿ rejected
- pending litigation
- fitability criteria
- in the int of investor
- in the int of divid. & security market.

Intermediary Name	Definition:	Role and Responsibilities	Regulation & Networth ②
① Merchant Banker.	<ul style="list-style-type: none"> - engage in business of issue mgmt. - making arrangement regarding selling buying, subscribing securities. - acting as consultant manager / advisor. 	<ul style="list-style-type: none"> - managing public issue. - Private placement for Sec. - Stock Broking - Advisory Service for Project. - syndication of rupee term loan. - International Financial Advisory Services. 	SEBI (Merchant Banker) Reg. 1992. N.W = Min Scr.
② Stock Brokers.	person having trading rights in any RSE & include a trading member.	<ul style="list-style-type: none"> - Helping both seller and buyer of sec. to enter into transaction. - Buyer / seller → Broker / client - act as principal or as an agent - also act as a underwriter - the prices charged should be fair and justify by the condition of the market 	SEBI (Stock Broker) Reg. 1992. N.W = specific by SEBI
③ Registrar & Share transfer Agent.	<p><u>Registrar to an Issue</u> →</p> <ul style="list-style-type: none"> - appointed by body corporate or any person or group of person for • collecting appn • keeping record • assisting body c. in → determining the basis of allotment → Finalising the list of person entitled to allot. of Sec. → Processing / dispatch allotment letter, refund order etc. <p><u>Sh. transfer Agent</u></p> <ul style="list-style-type: none"> - person maintain the record of holder of securities - dept. or division of body corporate performing the activities of STA if total No. of holder exceed 1 lakh. 	<p>→ <u>pre-issue activity</u> :</p> <ul style="list-style-type: none"> - sending instn to banks for reporting of collection fig. - provide practical inputs to the lead manager. - establish info. flow system betn client, bank & manager - Liaisoning with regulatory authorities <p>→ <u>Activities during the issue</u></p> <ul style="list-style-type: none"> • collection / reporting of daily collection fig. • collection of data & forms from banks • Liaisoning with clients & intermediaries to an issue <p>→ <u>post issue activities</u> .</p> <ul style="list-style-type: none"> • Data capturing & validation • Reconciliation • facilitating listing • Reconciliation of Refund payments • attending to post issue investor queries . 	SEBI (Registrar to an issue and share transfer Agents) Reg. 1993. NW :- cat I = 50 L cat II = 25 L

<p>④ <u>Debenture trustees</u></p>	<p>Trustee appointed in respect of any issue of debⁿ of a body corporate.</p>	<ul style="list-style-type: none"> - call for reports on the Utilisation of Funds raised by issue of debentures - ensure the implementⁿ of conditions regarding creation of security - call for periodical status performance report → 7 days of ^(or) 45 D of } B.M. resp. } quarter } } ^{cor} _{lies} - Satisfy itself that prosp. or letter of offer does not contain any matter which is inconsistent with the terms of issue of deb. - trust deed are not pre-judicial to the int of the deb. holders. 	<p>SEBI (Debenture holder) Reg 1993.</p> <p>NW :- Min - 10 cr.</p>
<p>⑤ <u>Bankers to an Issue.</u></p>	<p>Means a schedule bank or such other banking co. specified by SEBI</p> <p>- <u>Activities</u> -</p> <ul style="list-style-type: none"> • acceptance of appn and appn monies. • acceptance of allot. or call monies. • Refund of app money • Payment of dividend or int. warrants. 	<ul style="list-style-type: none"> - ensuring that → • Funds are collected and transferred to escrow acc. • collecting applications for securities along with remittance in their numerous branches in diff. centres. • Furnish prompt info. and records to the co. and to the lead manager for monitoring & progressing the issue work. 	<p>SEBI (Bankers to an issue) Reg. 1994.</p> <p>NW :- Min to cr NW :- -</p>
<p>⑥ <u>custodians.</u></p>	<p>person providing custodial services to the client.</p> <ul style="list-style-type: none"> - keeps the custody of the securities of the client. - provide incidental services such as maintaining record accounts of sec. of the client - collecting the benefit or right accruing to the client in resp. of securities 	<p>The custodian →</p> <ul style="list-style-type: none"> • Administrate & protect the assets of the client. • open a separate custody account and deposit account in the name of each client. • Record asset. • conduct Registration of Securities. 	<p>SEBI (Custodian) Reg. 1996</p> <p>NW :- Min - 50 cr.</p>

<p>⑦ <u>Credit Rating Agency</u></p>	<p>means a body corporate which is engaged in business of rating of sec. that are listed or proposed to be listed on RSE</p>	<p>→ protect investor as well as benefits industry as a whole in terms of direct mobilization of saving from individual.</p> <p>→ Also provide marketing tool to the co. and its investment bankers</p> <p>→ encourage discipline amongst corporate borrow. to improve their financial structure & operating risk to obtain better rating for their debt obligation.</p>	<p>SEBI (Credit Rating Agency) Reg, 1999.</p> <p>NW :- Min - 25 cr.</p>
<p>⑧ <u>Investment Adviser.</u> <u>Research Analysts.</u></p>	<p><u>who is responsible for</u> →</p> <ul style="list-style-type: none"> - Preparation & publication of content of research report. - Providing research report. - making buy/sell hold recommendⁿ - Giving price target. - offering an opinion concerning public offer with resp. to securities that are listed or to be listed. 	<ul style="list-style-type: none"> - Study companies and industries, analyses raw data & make forecasts or recommendⁿ about whether to buy, hold or sell securities. → Analyses info to provide recommendⁿ about invt. in sec. to their clients. → Investor often view analysts as experts and they are basically 3 types <ul style="list-style-type: none"> - sell side analysts - Buy side analysts - Independent analysts. 	<p>SEBI (Research Analysts) Reg 2014</p> <p>NW :- - in case of <u>Body c. / LLP</u> Min - 25L</p> <p>- <u>I / Partnership</u> NTA - min 1L</p>
<p>⑨ <u>Investment Advisers.</u></p>	<p>person who for consideration is engaged in the business of providing invest. advice to clients or other person or group of person and includes any person who hold out himself as an invt. adviser.</p>	<ul style="list-style-type: none"> - provide investment advice. means. - investment in, purchasing selling or otherwise dealing in securities or investment product and advice on investment portfolio containing sec. or invt. products, whether written, oral or through any other means of commⁿ for the benefit of client & shall include financial planning. 	<p>SEBI (Investment Adviser) Reg, 2013</p> <p>NW - Non I - min 50L I - NTA min 5L</p>

<p>⑩ <u>Depository</u></p>	<p>As per Depository Act, 1996, depository means a company formed and Reg under co. Act 2013 - Granted certificate of Reg. U/S 12(1A) of SEBI Act, 1992.</p>	<ul style="list-style-type: none"> - Hold securities of investor in demat / electronic form - Provide demat services to the investors through DP. - 2 DP - NSDL, CDSL - opening & maintaining Demat account. 	<p>SEBI (Depositories and Participant) Reg, 2018 Dep. Act, 1996 NW: - Min 100 cr.</p>
<p>⑪ <u>Depository Participant (DP)</u></p>	<p>A DP is a agent of depository through which it interfaces with the investor and provide depository services</p>	<ul style="list-style-type: none"> - Describe as a agent of Depository - intermediaries between depository & investors. - they execute pledge req. and off market transfer - transmission req. of investor shall also be handled. - Demat / Remat req handled 	<p>SEBI (Depositories and Participant) Reg, 2018 NW: - NBFC - min 50 L R & - min 10 cr STA</p>
<p>⑫ <u>Foreign Portfolio Investor.</u></p>	<p>person who has been registered under chapter II of SEBI (Foreign Portfolio Investor) Reg, 2019 - deemed to be intermediary in terms of the provision of SEBI Act, 1992.</p>	<p>FPI buy / sell or deal in Securities as a foreign portfolio investor by obtaining a certificate granted by a designated DP on behalf of SEBI.</p>	<p>SEBI (FPI) Reg, 2019 NW: -</p>
<p>⑬ <u>Portfolio managers.</u></p>	<p>means a body corporate which advises or directs on behalf of client the management or administration of Portfolio of sec. Goods / Funds. - Deal in goods received in delivery against physical settlement of commodity derivatives.</p>	<ul style="list-style-type: none"> - decide best investment plan for individual as per income, age as well as ability to under take risk - responsible for making an individual aware of the various investment tools available in the market & benefits associate with it. - Design customized invt solutions for client - Discretionary Portfolio manager exercise any degree of discretion. 	<p>SEBI (Portfolio managers) Reg, 2020. NW - min 5 cr</p>

⇒ Merchant Banker.	SEBI (Merchant Banker) Reg. 1992.
⇒ Stock Broker.	SEBI (Stock Broker) Reg. 1992.
⇒ Registrar and Share transfer Agent	SEBI (Registrar to an issue and Share transfer Agent) Reg. 1993.
⇒ Debenture trustees	SEBI (Debenture holder) Reg. 1993
⇒ Bankers to an issue	SEBI (Bankers to an issue) Reg. 1994
⇒ custodians	SEBI (custodian) Reg. 1996
⇒ credit Rating Agency	SEBI (credit Rating Agency) Reg. 1999
⇒ Investment Adviser	SEBI (Investment Adviser) Reg. 2013
⇒ Research Analysts	SEBI (Research Analysts) Reg. 2014
⇒ Depository / DP.	SEBI (Depository and DP-P) Reg. 2018
⇒ Foreign portfolio investor	SEBI (Foreign portfolio investor) Reg. 2019
⇒ Portfolio manager.	SEBI (Portfolio manager) Reg. 2020.

⇒ Intermediaries. - Means a person mentioned in

→ section 11(2)(b) and 11(2)(ba) and

→ section 12(1) and 12(1A)

and includes-

→ Asset management company

→ clearing corporation

→ Foreign Portfolio investor

→ Trading member.

does not include

→ Foreign venture capital investor

→ venture capital Fund

→ Mutual Fund

→ collective investment scheme

⇒ Audit of intermediaries by PCS

inter.				
Portfolio M.	Internal A.	by PCS	Half yearly	IC, Reg / R / RIG / cr.
Stock Bro.	Internal A.	by PCS	Half yearly	IC, Reg
CRA	Internal A.	by PCS	Half yearly	IC, Reg
RA	Internal A.	by PCS	Annually	IC Reg
IA	compliance A.	by PCS	Annually	Reg, records
RA	Annual A.	by PCS	Annually	Reg, records