

# WELCOME



**CTFs**

# WEBINAR SERIES

On

## BUSINESS STUDIES

Ensuring Success : Because CTF cares..!!

# BUSINESS STUDIES

Ensuring Success.. Because CTF Cares..!!

# WEBINAR SERIES

# FINANCIAL MARKETS

Initiative by

**COMMERCE  
TEACHERS'  
FOUNDATION**



तत् त्वं पूषन् अपावृणु

 [www.ctf.org.in/webinar.html](http://www.ctf.org.in/webinar.html)

For any queries/suggestion at  9810447742

# **WEBINAR SERIES**

## **FINANCIAL MARKETS**

**Team CTF Members**

**Ms. Kavita Sachdeva**

**D A V Centenary Public School**

**Paschim Enclave, New Delhi**

**Ms. Nameet Chadha**

**G D Goenka Public School,**

**Sector 22, Rohini , New Delhi**

**Ms. Harleen Sharma**

**Delhi Public School, Sector- 30, Noida**

# COMMERCE TEACHERS' FOUNDATION

Webinar: Chapter 10  
FINANCIAL MARKETS

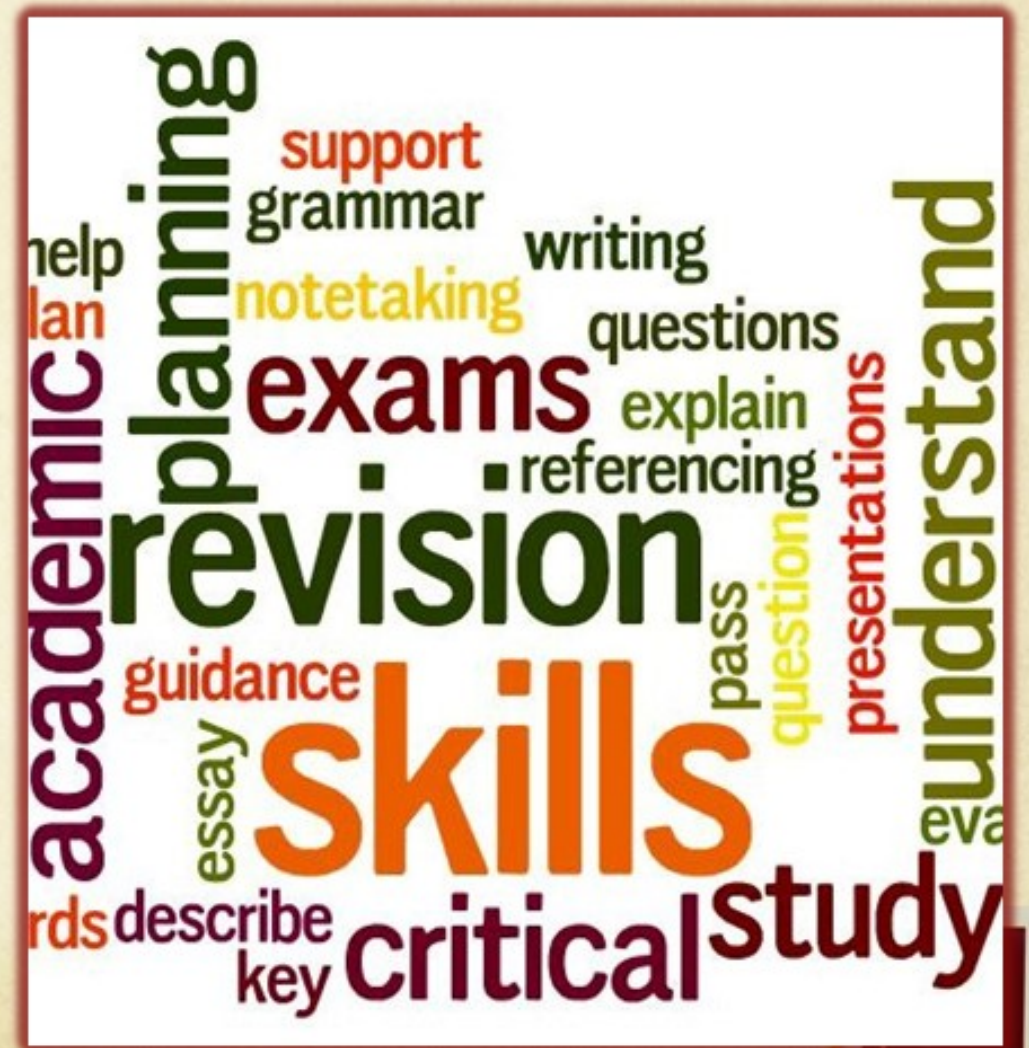
RESOURCE PERSONS: TEAM CTF



# Chapter 10: FINANCIAL MARKETS

In this Session we will be covering the following topics:

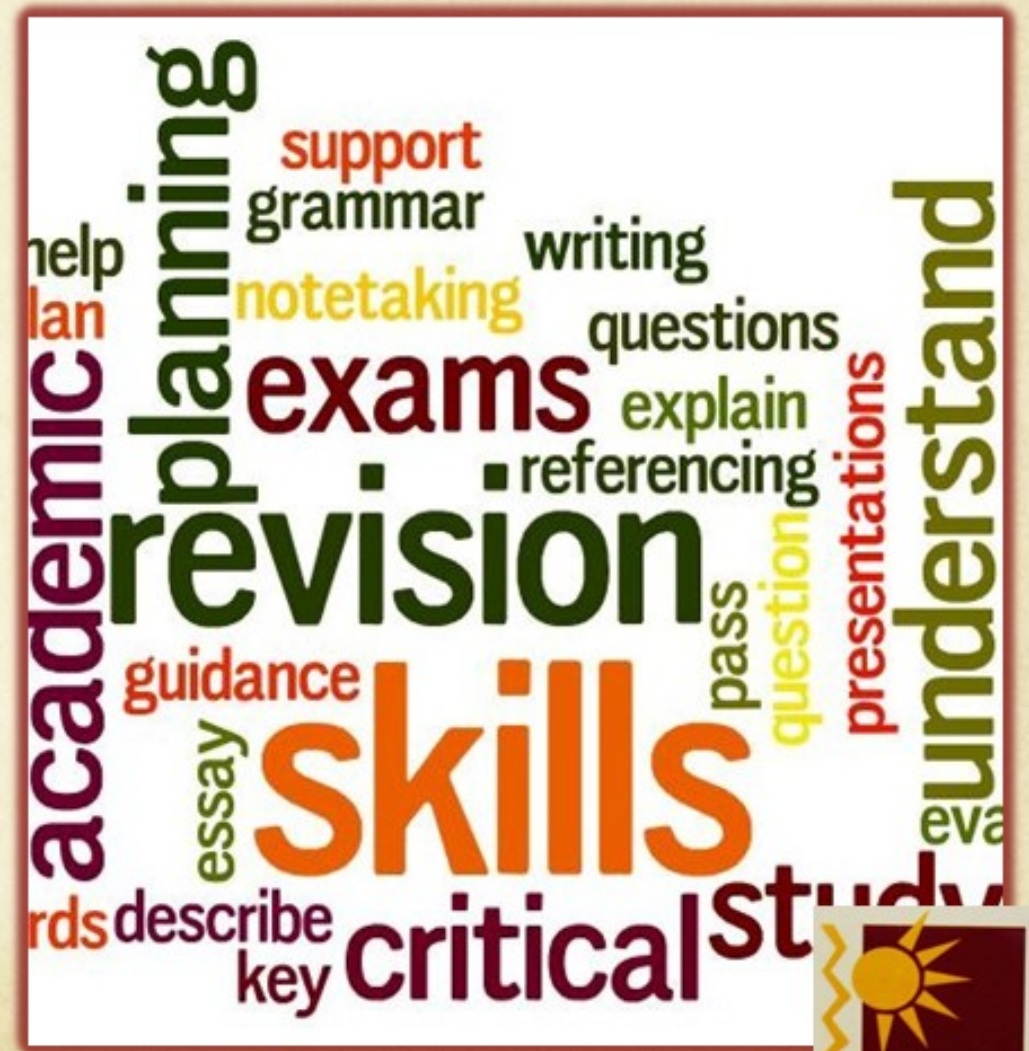
- Concepts from the Chapter
- Tips to Crack Case Studies
- Case Studies at the end of each topic
- Google Form and Feedback Form: Test to be attempted (Link)



# Chapter 10: FINANCIAL MARKETS

In this Session we will be covering the following topics:

- Types of financial markets
- Money Market Securities
- Methods of Floatation
- ONLINE TRADING  
PROCEDURE
- DEPOSITORY AND  
DEMAT ACCOUNT
- Functions of Stock  
Exchange
- Functions of SEBI



# DELETED TOPICS OF NCERT

- Topics in NCERT but not in your syllabus:
- 1) National Stock Exchange
- 2) Objectives of NSE
- 3) Market Segments of NSE
- 4) Over the counter exchange of India (OTCEI)
- 5) Advantages of OTC market
- 6) Organizational structure of SEBI



# CONCEPT OF FINANCIAL MARKETS

○ *Meaning:* The place where the buyers and sellers meet for the exchange of Financial Securities



○ It helps in:

○ *ALLOCATION OF FUNDS*





# PROCESS



## *In a nutshell:*

Process by Financial Markets : FINANCIAL INTERMEDIATION

(Competing Intermediaries: Banks and Financial markets)

Purpose served by Financial Markets: ALLOCATION OF FUNDS



# FUNCTIONS OF FINANCIAL MARKETS

*MNEUMONIC: My Face is Purely Ravishing*

**M**obilization of Savings  
and Channelizing them  
into the most  
Productive Uses

**F**acilitates Price  
Discovery

**P**rovide Liquidity to  
Financial Assets

**R**educe the Cost of  
Transactions



# FUNCTIONS OF FINANCIAL MARKETS

## 1) Mobilization of Savings and Channelizing them into the most Productive Uses:

- Facilitates transfer of savings from the savers to the investors.
- Financial markets help people to invest their savings in various financial instruments and earn income and capital appreciation.



# FUNCTIONS OF FINANCIAL MARKETS

## 2) Facilitates Price

### Discovery:

- Price of anything depends upon the demand and supply factors.
- Helps in evaluation of current and future investment
- Business firms represent the demand and the households represent the supply.



# FUNCTIONS OF FINANCIAL MARKETS

## 3) Provide Liquidity to Financial

### Assets:

- Financial markets provide liquidity to financial instruments by providing a ready market for the sale and purchase of financial assets.
- Whenever the investors want, they can invest their savings into long term investments and whenever they want, they can sell the investments/instruments and convert them into cash.



# FUNCTIONS OF FINANCIAL MARKETS

## 4) Reduce the Cost of Transactions:

- By providing valuable information to buyers and sellers of financial assets, it helps to save time, effort and money.
- Also investors can buy/sell securities through brokers who charge a nominal commission for their services. This way financial markets facilitate transactions at a very low cost.





# OTQ - 1

- Financial market provides liquidity to financial assets (True/False)

Answer: True: Financial Markets are ready Markets for Financial securities which can be easily bought and sold

Efforts By:-

Ms. Kavita Sachdeva, D A V Centenary Public School, Paschim Enclave, New Delhi

Ms. Nameet Chadha, G D Goenka Public School, Sector 22, Rohini , New Delhi

Ms. Harleen Sharma, Delhi Public School, Sector- 30, Noida





# CASE STUDY - 1

A bank named 'Dhan Sangraha Karta' allows Kapoor family to deposit their money time and again in it. It gives a definite return to this family which is in the form of interest.

Nearby there is a stock exchange, Mr. Raj Kapoor, who is the head of the family, goes there and buys securities. He says that in this way more return is earned by him on his saved money though the risk is also there.

- 1) Identify the process in above case performed by the bank and the stock exchange.
- 2) Briefly describe the functions performed by Financial Markets



# ANSWER

- 1) Financial Intermediation
- 2) Functions of Financial Markets:

○ My Face is Purely Ravishing

- a) Mobilisaation of savings and channelising into productive cases
- b) Facilitates Price discovery
- c) Provides liquidity to financial assets
- d) Reduces cost of transaction

Efforts By:-

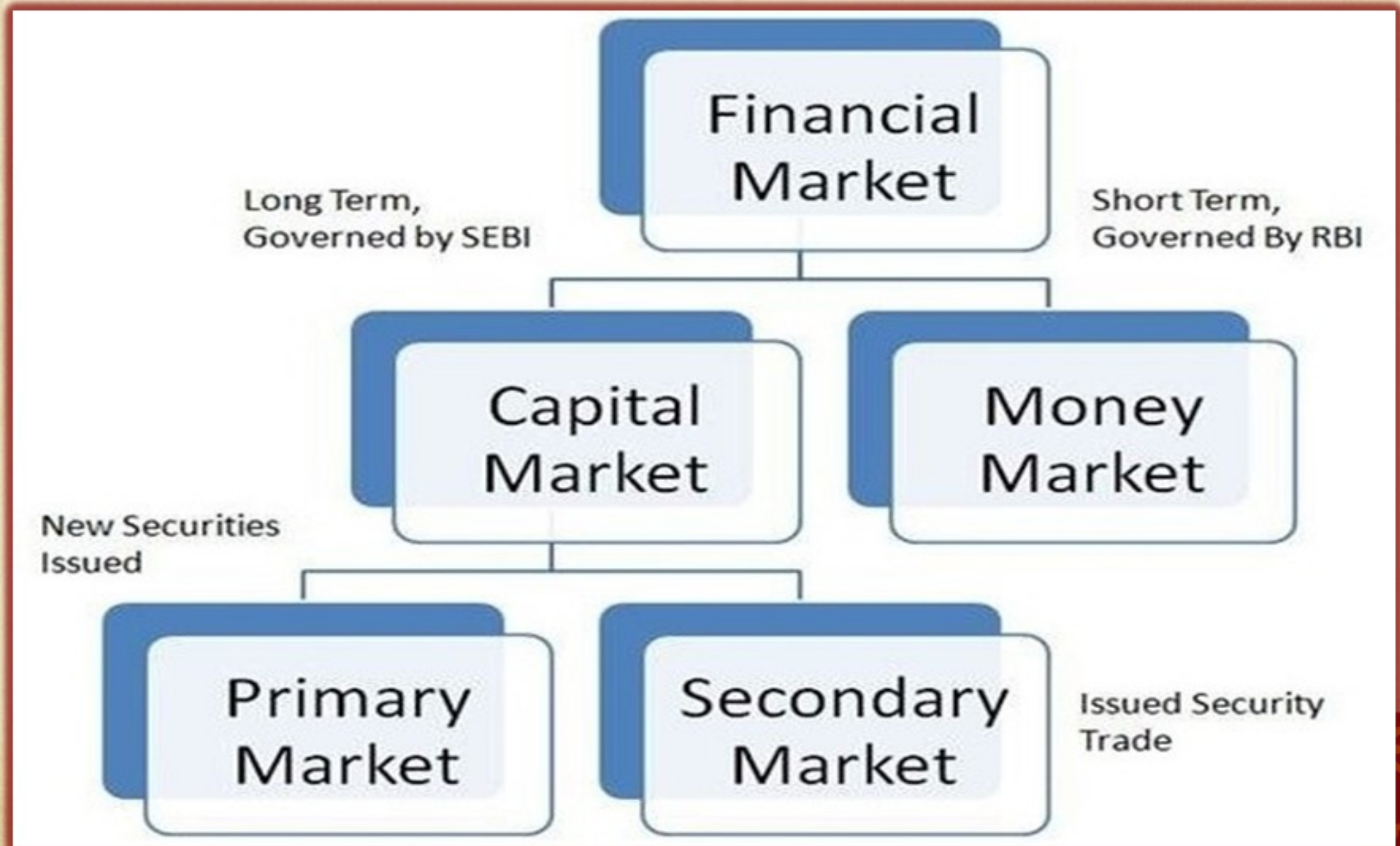
Ms. Kavita Sachdeva, D A V Centenary Public School, Paschim Enclave, New Delhi

Ms. Nameet Chadha, G D Goenka Public School, Sector 22, Rohini , New Delhi

Ms. Harleen Sharma, Delhi Public School, Sector- 30, Noida



# TYPES OF FINANCIAL MARKETS



# MONEY MARKET

○ **Meaning:** The money market is a market for short term funds which deals in monetary assets whose period of maturity is up to one year.

○ **Features:**

1) *Duration:* Money Market deals in short term securities for a period of less than 1 year

2) *Participants:* The Reserve Bank of India (RBI), Commercial Banks, Non Banking Finance Companies, State Governments, Large Corporate Houses and Mutual Funds.

3) *Investment Outlay:* Huge investment as instruments are expensive

4) *Liquidity:* High degree of liquidity due to arrangement of Discount Finance House of India (DFHI)

5) *Safety:* Less risk due to short duration and high repute participants



# MONEY MARKET INSTRUMENTS

**MNUEMONIC: Take Care (4 times)**

## TYPES

Treasury Bill

Commercial Paper

Call Money

Certificate of  
deposit

Commercial Bill



# MONEY MARKET INSTRUMENTS

## Treasury bill - (RBI → Investor)

- An instrument of short-term borrowing by the Reserve Bank Of India
- They are also known as Zero Coupon Bonds issued with minimum and multiples of Rs 25,000
- Freely Transferable/ Negotiable
- They are issued at a price which is lower than their face value and repaid at par.
- They are generally issued for a period of 14 to 364 days



# MONEY MARKET INSTRUMENTS

## Commercial paper - (Company → Company)

- A short-term unsecured promissory note which is freely transferable.
- It is issued by large and creditworthy companies to raise short-term funds at lower rates of interest than market rates.
- It is sold at a discount and redeemed at par.
- It usually has a maturity period of 15 days to one year. (New Guidelines: 07 days)
- The original purpose of commercial paper was to provide short-term funds for Floatation costs, seasonal and working capital needs such as **bridge financing**.



# MONEY MARKET INSTRUMENTS

## Call money - (Bank $\rightsquigarrow$ Bank)

- Short term finance repayable on demand, with a maturity period of one day to fifteen days, used for inter-bank transactions.
- Call money is a method by which banks borrow from each other to be able to maintain the Cash Reserve Ratio (CRR).
- The interest rate paid on call money loans is known as the call rate.
- High rate of call rate makes other Money Market Instruments cheaper.





# MONEY MARKET INSTRUMENTS

## Certificate of Deposit: (Bank ---> Company)

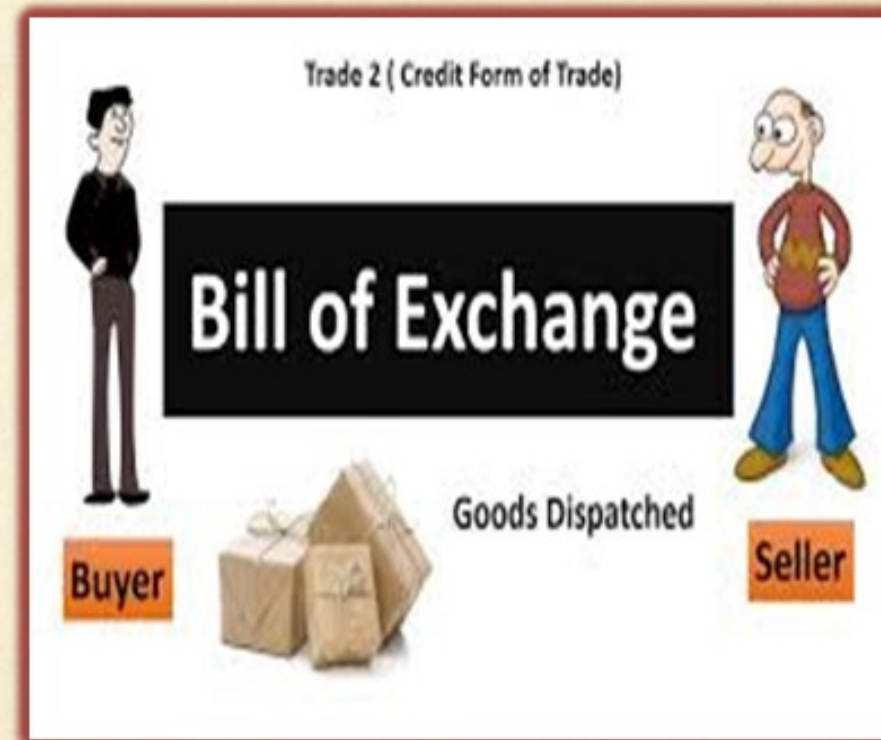
- Certificates of Deposit (CoD) are unsecured, negotiable, short-term instruments in bearer form, issued by commercial banks and development financial institutions.
- They are issued to companies during periods of tight liquidity when the deposit growth of banks is slow but the demand for credit is high.
- They help to mobilize a large amount of money for short periods.
- The time period ranges from 91 days to one year



# MONEY MARKET INSTRUMENTS

## Commercial Bill (Company → Company)

- A commercial bill is a bill of exchange used to finance the working capital requirements of business firms.
- It is a short-term, negotiable, self-liquidating instrument which is used to finance the credit sales of firms.
- Also called a trade bill which can be discounted with bank.



Efforts By:-

Ms. Kavita Sachdeva, D A V Centenary Public School, Paschim Enclave, New Delhi

Ms. Nameet Chadha, G D Goenka Public School, Sector 22, Rohini, New Delhi

Ms. Harleen Sharma, Delhi Public School, Sector- 30, Noida

# RECAPITULATION

Basis	T- Bills	Commercial Paper	Call Money	Certificate of Deposit	Commercial Bill
Issued by	RBI	Company	Bank	Bank and FI	Company
Issued to	Banks, FI, Company	Company	Bank	Company	Company
Maturity Pd	14 - 364 days	15 - 365 days	1 - 15 Days	91 - 365 days	90 days (generally)
Min Amount	25,000 and its multiples	Variable	Variable	Variable	Variable
Purpose	Meet short term financial needs.	Meet working capital and seasonal needs. Used for bridge financing.	Used by banks to meet CRR.	Mobilize funds to those who are in need of credit	Finance credit sales for a firm Source of working capital.
Other Features	Zero coupon bonds	Issued at discount and redeemed at par	Interest rate is called "Call rate"	Unsecured negotiable, short-term instruments	Unsecured negotiable, short-term instruments



# OTQ - 2

- Which of the following statement is **NOT TRUE** about Treasury Bill:
- (a) These are issued by RBI on behalf of Central Government
- (b) These are issued in the form of promissory note
- (c) These are highly liquid and have assured yield
- (d) These are issued at a price higher than their face value and repaid at par.

Answer: (d) These are issued at a price higher than their face value and repaid at par.



# OTQ - 3

- Which of the following is NOT A Money Market Instrument?
- (a) Treasury Bill
- (b) Commercial paper
- (c) Public Deposits
- (d) Certificate of Deposits

Answer: (c) Public Deposits

Efforts By:-

Ms. Kavita Sachdeva, D A V Centenary Public School, Paschim Enclave, New Delhi

Ms. Nameet Chadha, G D Goenka Public School, Sector 22, Rohini , New Delhi

Ms. Harleen Sharma, Delhi Public School, Sector- 30, Noida



# CASE STUDY - 2

R Bank Ltd buys a financial asset from the RBI. This financial asset is an instrument of short term borrowing. He has bought it because he doesn't want to take risk and wants an assured return. This instrument is a promissory note. It is highly liquid. This instrument is also known as Zero Coupon Bond.

- 1) Which financial asset is indicated in the above case?
- 2) On whose behalf does the RBI issue this instrument?
- 3) Why is this instrument called as the Zero Coupon Bond?
- 4) What is the minimum amount for which this instrument is available?



# ANSWER

- 1) The financial asset which is indicated in the above case is 'Treasury Bill'.
- 2) The RBI issues this instrument on the behalf of the Government of India.
- The instrument is called as Zero Coupon Bond because the interest in fact comes in the form of discount which is given on the face value. The instrument is redeemed at par (on the written face value).
- 3) The minimum amount for which T- Bills are available is Rs 25,000. For a higher value it is given in the multiples of Rs 25,000.





# CASE STUDY - 3

A Company needs to buy machinery for which it issued equity. This turned out to be expensive as this issue involved floatation costs. The company is a large and creditworthy and buys "X" instrument from other company and this method has come up as a great help to it.

- 1) Which financial instrument is indicated in the above case?
- 2) Which type of instrument is this?
- 3) How has this method helped the company?
- 4) Name any other instrument of the same category which is issued at discount and redeemed at Par.



# ANSWER

- 1) The financial instrument indicated in the above case is 'Commercial Paper'.
- 2) This is a money market instrument.
- 3) This method has helped the company by providing short-term funds for its Floatational, seasonal and working capital needs.
- 4) The other money market instruments which are issued at discount and redeemed at par is: Treasury bill/ Certificate of Deposit

## Efforts By:-

Ms. Kavita Sachdeva, D A V Centenary Public School, Paschim Enclave, New Delhi

Ms. Nameet Chadha, G D Goenka Public School, Sector 22, Rohini , New Delhi

Ms. Harleen Sharma, Delhi Public School, Sector- 30, Noida



# CASE STUDY - 4

These days, the development of a country is also judged by its system of transferring finance from the sector where it is in surplus to the sector where it is needed the most. To give strength to the economy, SEBI is undertaking measures to develop the capital market. In addition to this, there is another market in which unsecured and short term debt instruments are actively traded every day. These markets together help the savers and investors in directing the available funds into their most productive investment opportunity.

- 1) Name the function being performed by the market in the above case.
- 2) Name the market segment other than the capital market segment in which unsecured and short-term debt instruments are traded. Also, give any three points of difference between the two.



# ANSWER

- 1) Allocative Function: Allocative function of financial market refers to linking the savers and investors by mobilizing funds between them.
- 2) Money Market

## Efforts By:-

Ms. Kavita Sachdeva, D A V Centenary Public School, Paschim Enclave, New Delhi

Ms. Nameet Chadha, G D Goenka Public School, Sector 22, Rohini , New Delhi

Ms. Harleen Sharma, Delhi Public School, Sector- 30, Noida



# CASE STUDY - 5

- During Navratras, Varun finalizes a deal to buy a new house. So, he visits a nearby branch of "Shubh Bank" to withdraw Rs. 10 lakhs from his account in order to pay the token money to the seller. In the bank he observes that a large number of customers are present to make cash withdrawals, probably because it is an auspicious time to make purchases. After sometime, he overhears one of the bank staff members telling his colleague that, "Today "Shubh Bank" is likely to fall short of cash and to make up for the deficit and maintain its cash reserve ratio it will have to approach another bank."
- In context of the above case:
  - 1. Identify the instrument that "Shubh Bank" will use to meet its short term requirements of funds.
  - 2. State any three feature of the instrument as identified in part (a).



# ANSWER

- 1. Call money is the instrument used by "Shubh Bank" to meet its short term requirements of funds.
- 2. Three features of call money are:
  - a) Short term finance repayable on demand, with a maturity period of one day to fifteen days, used for inter-bank transactions.
  - b) Call money is a method by which banks borrow from each other to be able to maintain the Cash Reserve Ratio (CRR).
  - c) The interest rate paid on call money loans is known as the call rate.



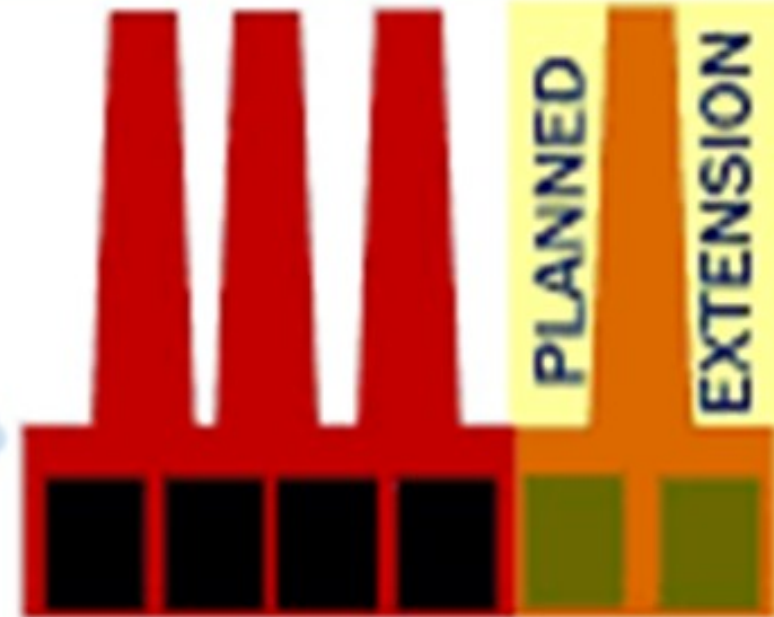
# CAPITAL MARKET

# Capital Markets



Surplus money to  
invest

Money  
channeled  
through  
capital  
markets



Company needs  
money

# CAPITAL MARKET

Meaning: The term capital market refers to facilities and institutional arrangements through which long-term funds; both debt and equity are raised and invested

## Features of Capital Market

1. **Duration:** It deals with medium and long-term securities
2. **Participants:** Financial Institutions, banks, Companies, Stock exchanges, Government and INDIVIDUALS
3. **Investment Outlay:** Low Investment Outlay
4. **Liquidity:** Liquid as marketable in stock exchanges but less as compared to money market
5. **Safety:** Riskier as chances of frauds are higher
6. **Expected Returns:** High yield as held for longer duration





# DIFFERENCE (Important)

Basis	Capital Market	Money Market
Liquidity	liquid as can be sold anytime in stock exchanges	higher liquidity as they are self liquating
Safety	The capital market instruments are riskier	Securities in this market are less riskier
Expected return	The expected rate of return is unpredictable	The rate of return is fixed
Duration	Traded over a long period of time	It is borrowed for a day or up to year
Participants	Financial Institutions, Banks, Companies, Foreign Investors, Individual Investors	RBI, Banks, Companies, Financial Institutions. (Individual Investors do not participate)
Investment Outlay	Low investment	Huge investment as they are expensive



INVESTING IN  
BRANDS

Re 1 invested in Maruti Suzuki shares in its IPO in July 2003 (IPO Price Rs 125 per share) is approximately worth Rs 45 today. If you had bought Maruti Suzuki shares instead of a Maruti car you would be a lot richer today.

2003  
Re 1

2020  
Rs 45

# PRIMARY MARKET

- Meaning: The primary market is also known as the new issues market. It deals with new securities being issued for the first time.
- Methods of Floatation in Primary Market:
  - (MNEUMONIC: E-POOR)

1. **Offer through Prospectus:** inviting subscription from the public through issue of prospectus.



# PRIMARY MARKET

**2. Offer for Sale:** company sells securities at an agreed price to brokers who, in turn, resell them to the investing public.

EXAMPLE 1: The company **Burger King** had filed with SEBI for an **IPO** on November 02, 2019 and has received a green signal on January 24, 2020. **Burger King IPO** offers the fresh issue of the equity shares of up to ₹400 crore and an offer for sale of up to ₹6 crore equity shares by QSR Asia.

EXAMPLE 2: SBI to sell 2.1% equity stake in SBI Life via offer for sale



# PRIMARY MARKET

## ○ Methods of Floatation in Primary Market (CONTINUED)

**3. Rights Issue:** Privilege given to existing shareholders to subscribe to a new issue of shares according to the terms and conditions of the company. (Pre-emptive Rights)

*EXAMPLE: The **rights issue of Reliance Industries Limited (RIL)** will be priced at Rs 1,257 per share with share ratio at 1:15 i.e. eligible shareholders are allowed to subscribe to one equity share for every fifteen shares held. News Dated: May 20, 2020*



# PRIMARY MARKET

## ○ Methods of Floatation in Primary Market (CONTINUED)

4. **Private Placement:** allotment of securities by a company to institutional investors and some selected individuals.

5. **e-IPOs:** issue capital to the public through the on-line system of the stock exchange





# OTQ - 4

- Falcon Limited has sold 1 Lac equity share of Rs 10 each at Rs 30 per share to an investment bank, which has offered such shares to public at Rs 40 per share. Identify the method of floatation:
- (a) Offer for sale
- (b) Right Issue
- (c) e-IPOs
- (d) Private Placement

Answer: Offer For Sale

Efforts By:-

Ms. Kavita Sachdeva, D A V Centenary Public School, Paschim Enclave, New Delhi

Ms. Nameet Chadha, G D Goenka Public School, Sector 22, Rohini , New Delhi

Ms. Harleen Sharma, Delhi Public School, Sector- 30, Noida





# MATCH THE FOLLOWING

- Identify the method of floatation highlighted in each statement:

METHOD	TYPE
1) Issue a prospectus to invite public to apply for share.	a) Right Issue
2) Use on line system of stock exchange	b) Private Placement
3) First ask existing shareholders to apply for new shares as it is compulsory requirement under companies Act.	c) Offer for Sale
4) Offer the entire new issue to life insurance company.	d) Initial Public Offer
5) Shares are sold to Public through an Intermediary	e) e-IPO

Answer: 1 - d, 2 - e, 3 - a, 4 - b, 5 - c



# CASE STUDY - 6

Ramesh the CEO of a company thinks of going with the most popular method of raising funds used by the public companies. He discussed this option with his immediate subordinates. After discussion he realizes that since his company is a private company he should think of some other option. Then they think of issuing the securities through intermediaries like issuing houses or stock brokers. When his nephew comes to know about his decision, he decides to suggest his uncle another way. He advises him to involve institutional investors which will help him raise funds more quickly and reduce many mandatory and non-mandatory expenses. After a lot of discussion the option suggested by his nephew is chosen as final.

- 1) In the above case identify the various methods of floatation highlighted.
- 2) In which type of capital market trading of only existing shares is done?
- 3) In which type of capital market only buying of securities is possible as



# CASE STUDY - 6

Ramesh the CEO of a company thinks of going with the most popular method of raising funds used by the public companies. He discussed this option with his immediate subordinates. After discussion he realizes that since his company is a private company he should think of some other option. Then they think of issuing the securities through intermediaries like issuing houses or stock brokers. When his nephew comes to know about his decision, he decides to suggest his uncle another way. He advises him to involve institutional investors which will help him raise funds more quickly and reduce many mandatory and non-mandatory expenses. After a lot of discussion the option suggested by his nephew is chosen as final.



- 1) In the above case identify the various methods of floatation highlighted.
- 2) In which type of capital market trading of only existing shares is done?
- 3) In which type of capital market only buying of securities is possible as securities can't be sold here?

# ANSWER

1) The various methods of floatation highlighted in the above case are:

Offer through prospectus. Ramesh the CEO of a company thinks of going with the most popular method of raising funds used by the public companies.

Offer for sale. Then they think of issuing the securities through intermediaries like issuing houses or stock brokers.

Private placement. He advises him to involve institutional investors which will help him raise funds more quickly and many mandatory and non-mandatory expenses could be avoided.

2) The type of capital market in which trading of only existing share is done is 'Secondary Market (Stock Exchange)'.

3) Primary Market



# CASE STUDY - 7

- Talco Ltd. is launching a new range of snacks which are 100% Fat free. Keeping in mind, the health conscious segment of market, company produced these cholesterol free snacks. For financing the production of snacks, company issued 10% debentures. Company was already burdened with fixed cost of salaries, Rent and 8% debentures interest.
- (i) In which market, were the debentures issued?
- (ii) Do you think, issue of debentures was a wise choice? Justify your answer.
- (iii) What could be the other sources of finance available to Talco Ltd.



# ANSWER

- (i) Primary Market
- (ii) No Company was already burdened with fixed cost.
- (iii) Equity Shares/ Preference Shares/ Retained Earnings

## Efforts By:-

Ms. Kavita Sachdeva, D A V Centenary Public School, Paschim Enclave, New Delhi

Ms. Nameet Chadha, G D Goenka Public School, Sector 22, Rohini , New Delhi

Ms. Harleen Sharma, Delhi Public School, Sector- 30, Noida



# SECONDARY MARKET

**MEANING:** The secondary market is also known as the stock market or stock exchange. It is a market for the purchase and sale of existing securities.

**STOCK EXCHANGE:** A stock exchange is an institution which provides a platform for buying and selling of existing securities.



# SECONDARY MARKET

## Functions of a Stock Exchange

### **MNEUMONIC:**

**Secondary Public School is Popular 4 Perfect Career**

1. **Providing Liquidity and Marketability to Existing Securities:** It gives investors the chance to disinvest and reinvest.





# SECONDARY MARKET

**2. Pricing of Securities:** Share prices on a stock exchange are determined by the forces of demand and supply. Screen based trading gives us Constant Price of shares



# SECONDARY MARKET

## Functions of a Stock Exchange

**3. Safety of Transaction:** The membership of a stock exchange is well regulated and its dealings are well defined according to the existing legal framework.



भारतीय प्रतिभूति और विनिमय बोर्ड  
Securities and Exchange Board of India



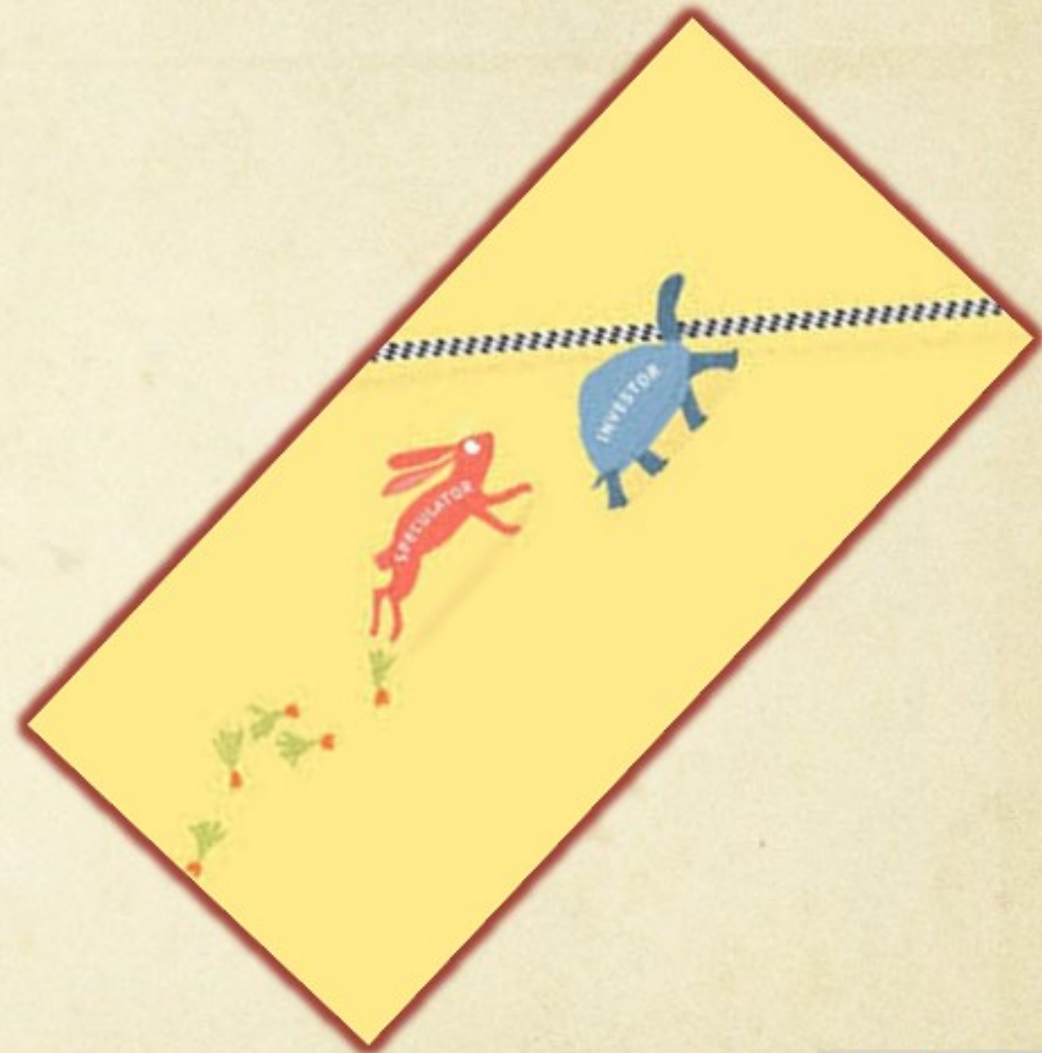


# SECONDARY MARKET

6. Providing Scope for Speculation: speculative activity in a restricted and controlled manner.

## Speculation-

Buy 100 shares of Tata Steel Ltd @ Rs.500 per share at 10 AM on 17-06-2019 and sell it @ Rs 472 per share on the same day evening and make a loss of Rs2800 (100X28)



# DIFFERENCE

BASIS	PRIMARY MARKET	SECONDARY MARKET
Securities	Only new securities are traded.	Existing securities are traded.
Price of securities	Prices of securities are determined by the management of the company.	Prices are determined by the forces of demand and supply.
Purchase and Sale	Securities are sold directly by the Company or through intermediary	Investor exchange ownership
Place of Market	No fixed geographical location	Located at specific places
Buying and Selling	Only buying takes place	Both buying and selling takes place
Capital formation	The flow of funds is from savers to investors, i.e. the primary market directly promotes capital formation	Enhances encashability (liquidity) of shares, i.e. the secondary market indirectly promotes capital formation

# TERMINOLOGY

- **Share Certificate:** A share certificate is proof of ownership of securities by an individual.
- **Dematerialization:** an electronic book entry form of holding and transferring securities

## Efforts By:-

Ms. Kavita Sachdeva, D A V Centenary Public School, Paschim Enclave, New Delhi

Ms. Nameet Chadha, G D Goenka Public School, Sector 22, Rohini , New Delhi

Ms. Harleen Sharma, Delhi Public School, Sector- 30, Noida



# TRADITIONAL TRADING

Guru [ 2007 ] - Tamil Movie in Part 4 / 17 - Abhishek Bachchan, Aishwarya Rai, Vidya Balan



Pause (k)

SUBSCRIBE NOW

5:16 / 8:17



# Screen Based Trading System (SBTS)

In order to provide efficiency, liquidity and transparency, NSE introduced a nationwide, on-line, fully automated screen based trading system (SBTS) in 1994, where a member can punch into the computer the quantities of a security and the price at which he would like to transact, and the transaction is executed as soon as a matching sale or buy order from a counter party is found. Here orders are match on the basis of time and price priority.

**Ensure Fair Trading**

**Replace Open Outcry System**





# NSE: TRADING ONLINE

The screenshot shows the NSE website for Reliance Industries Limited. The page is titled "RELIANCE INDUSTRIES LIMITED" and is viewed on a browser window titled "Screen Shot 2020-06-08 at 12.05.34 PM". The browser address bar shows "nseindia.com". The page features a navigation menu with options like HOME, MARKET DATA, INVEST, LIST, TRADE, REGULATION, LEARN, and RESOURCES. The main content area displays "Price Information" for Reliance Industries Limited, including the current price of 1,595.20 (up 13.50 or 0.85% from the previous close of 1,581.70). Below this, there is an "Intraday Chart" showing the price movement from 1,582.20 to 1,618.40. The "Market Depth - Order Book" section is also visible, showing a list of buy and sell orders. The "Trade Information" section provides details such as Traded Volume (75,75,220 shares) and Traded Value (₹ 1,21,080.04 Lakhs). The "Value at Risk (VaR IN %)" section shows a Security VaR of 18.67 and an Applicable Margin Rate of 22.17. The page is annotated with red arrows and text: "Intra day prices" points to the price information and chart, and "Order book" points to the market depth table.

**Intra day prices**

**Order book**

**Price Information**

PREV. CLOSE	OPEN	CLOSE*	VIAP	LOWER BAND	UPPER BAND	PRICE BAND	ADJUSTED PRICE*
1,581.70	1,618.40	-	1,598.37	1,423.55	1,739.85	NO BAND	-

**INTRADAY HIGH LOW**

1,582.20	1,595.20	1,618.40
----------	----------	----------

**52 WEEK HIGH LOW**

866.98 (23-Mar-2020)	1,595.20 (08-Jun-2020)
----------------------	------------------------

**Market Depth - Order Book**

Qty	Bid (₹)	Ask (₹)	Qty
114	1,595.20	1,595.35	26
166	1,595.15	1,595.75	119
309	1,595.10	1,595.80	50
276	1,595.05	1,595.85	158
3,320	1,595.00	1,595.90	1,032

**Trade Information**

Traded Volume (Shares)	75,75,220
Traded Value (₹ Lakhs)	1,21,080.04
Total Market Cap (₹ Lakhs)	10,11,26,163.21
Free Float Market Cap (₹ Lakhs)	5,11,36,769.93
Impact cost	0.01

**Value at Risk (VaR IN %) [Updated intra-day]**

Security VaR	18.67
Index VaR	-
VaR Margin	18.67
Extreme Loss Rate	3.50
Adhoc Margin	-
Applicable Margin Rate	22.17

**Buy (Total Quantity) - 5,73,788**

**Sell (Total Quantity) - 34,23,654**

# TRADING PROCEDURE (SOPECS)

## 1. Selection of broker:

- The first step is to select a broker who will buy / sell securities on behalf of the speculator/ investor.
- The investor has to sign a broker -client agreement and a client registration form before placing an order to buy or sell securities.
- He has also to provide certain other details and information such as PAN number (mandatory), Bank account details, Depository account details etc.
- The broker then opens a trading account in the name of the investor



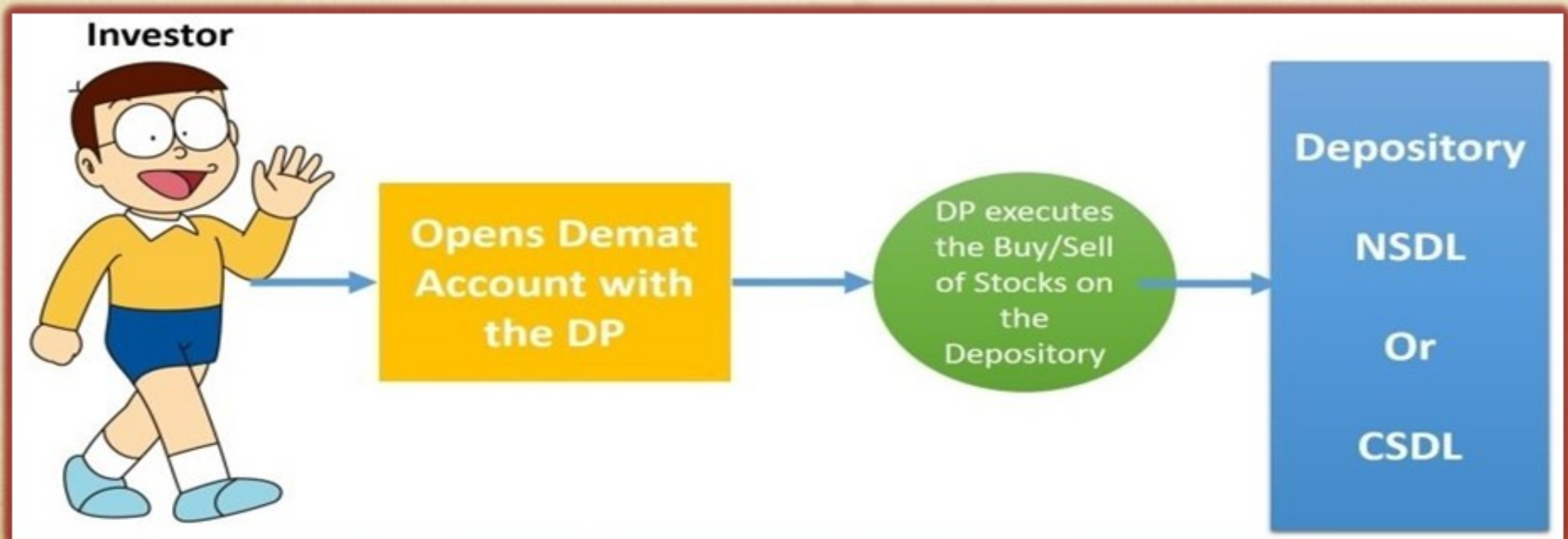
Hollywood star, Leonardo DiCaprio plays a stock broker in the movie, "The Wolf of Wall Street"



# TRADING PROCEDURE (SOPECS)

## 2. Opening Demat Account:

- The investor has to open a Demat account or beneficial owner' (BO) account with a depository participant (DP) for holding and transferring securities in the demat form.
- He will also have to open a bank account for cash transactions in the securities market.



# TRADING PROCEDURE (SOPECS)

## 3. Placing the order:

- The order can be communicated to the broker and should specify the securities to be bought or sold and the price range within which the order is to be executed.
- The broker will then go ahead with the deal at the above mentioned price or the best price available.
- An order confirmation slip is issued to the investor by the broker.
- Only the securities of listed companies can be traded on the stock exchange.



**Quote** As on Jun 19, 2019 12:40:20 IST

**Reliance Industries Limited**  
Series: EQ |

Symbol: **RELIANCE** ISIN: **INE002A01018** Status: **Listed**  
Symbol P/E: **23.09** Sectoral Index P/E: **30.84** Sectoral Index

<b>1,282.50</b>	<b>Pr. Close</b>	<b>Open</b>
▲ 1.50 0.12%	1,281.00	1,286.90

# TRADING PROCEDURE (SOPECS)

## 4. Executing the order:

- The broker goes on-line and connect to the main stock exchange and match the share and best price available.
- When the shares can be bought or sold at the price mentioned, it will be communicated to the broker's terminal and the order will be executed electronically.
- The broker will issue a trade confirmation slip to the investor.



The screenshot displays a trading terminal interface with a table of securities. The table has columns for various data points including security codes, names, and prices. A blue callout bubble points to a specific entry in the table.

Code	Name	Price	Volume	Other Data
NSE N E EQ ENHANCE	ENHANCE	1280	100	...
NSE N E EQ NITEL	NITEL	1280	100	...
NSE N E EQ ZPL	ZPL	1280	100	...
NSE N E EQ ...	...	...	...	...

To enter in Sell order


Order executed @  
Rs 1280/  
Per share



# TRADING PROCEDURE (SOPECS)

5. **Contract Note:** The broker then issues the contract note specifying the details of the security, price, commission etc. A Unique Order Code number is assigned to each transaction by the stock exchange and is printed on the contract note.

## SAMPLE CONTRACT NOTE

Digitally signed by: 

**CONTRACT NOTE CUM BILL**  
**Angel Broking Pvt Ltd.**

Registered Office: G-3, ANSUL Trade Centre, Road No. 7, MIDC, Marol, Andheri (E), Mumbai - 400011 Tel: No. (022) 28358800 / 30837700 Fax: No. (022) 28358811  
CIN No. - U67120MH1998PTC001709  
SEBI Regn. No. BSE CAPITAL: IN6020965310/BSE FUTURES: IN6020965310/BSE CAPITAL: IN623279830/NSE CAPITAL: IN623279830/NSE FUTURES: IN623279830  
NSE CURRENCY: INE231279830  
Member Code: BSE CAPITAL: 652 | BSE FUTURES: 652 | NSE: 118 | NSE CAPITAL: 12798 | NSE FUTURES: 12798 | NSE CURRENCY: 12798  
Visit us at [www.angelbroking.com](http://www.angelbroking.com) | For investor complaints / queries / feedback email us at [feedback@angelbroking.com](mailto:feedback@angelbroking.com) or call us on 1800007004 & 1800200206  
Compliance Officer: Mr. Anoop Goyal (Email: [M.Compliance@angelbroking.com](mailto:M.Compliance@angelbroking.com), Tel: 022-39413940)  
Dealing Office Address: JMD'S BRANCH, 2ND FLOOR, DEALING CHAMBERS, ABOVE PORTICO RESTAURANT, J.M. ROAD, PUNE 411005 Maharashtra. FAX: 020 35703335 Tel: 020 30710250

---

Client Code: \_\_\_\_\_  
Trading back office code: **Same as UCC Code for all segment**  
PAN NUMBER: \_\_\_\_\_  
CONTRACT NOTE NO.: \_\_\_\_\_  
Trade Date: **09/12/2016**

EXCHANGE	BSE CAPITAL	NSE CAPITAL
SETTLEMENT NO.		NA
SETTLEMENT DATE	14/12/2016	NA

Sir/Madam,  
I/We have this day done by your order and on your account the following transactions:

Order No.	Order Time	Trade No.	Trade Time	Security/Contract Description	Buy / Sell	Qty	Gross Rate/Trade Price Per Unit (₹)	Brokerage Per Unit (%)	Net Rate Per Unit (₹)	Closing Rate per Unit (Only for Derivatives) (%)	Net Total (Before Levies) (₹)	Remarks
BSE - CAPITAL - MKTROLLING (-----) - D - 14/12/2016 - REF. NO: (-----)												
				ICICI BANK LTD.	Buy	1	263.9500	0.1320	264.0820	0.0000	-264.0820	
				ICICI BANK LTD.	Sell	1	265.0000	0.1325	264.8675	0.0000	264.8675	
				(ISIN:INE090A01021 (NET TOTAL))							0.7855	
				ALOK INDUSTRES LTD.	Buy	1	2.7500	0.0500	2.8000	0.0000	-2.8000	
				ALOK INDUSTRES LTD.	Sell	1	2.7200	0.0500	2.6700	0.0000	2.6700	
				(ISIN:INE270A01011 (NET TOTAL))							-0.1300	
BSE - CAPITAL - MKTROLLING (-----) - D - 14/12/2016 - REF. NO: 00												
				00:00:00	BROKERAGE	Buy	0	0.0000	0.0000	0.0000	0.0000	-12.9960
				(NET TOTAL)							-12.9960	
Exchange	PAY IN/ PAY OUT OBLIGATION	Securities Transaction Tax	Service Tax @14.00%	Swachh Bharat Cess @0.5%	Krishi Kalyan Cess @0.5%	Exchange Transaction Charges	SEBI Turnover Fees	Stamp Duty	Auction/Other Charges	Net Amount Receivable by Client / (Payable by Client)		
BSE CAPITAL	-12.34	0.00	1.87	0.07	0.07	0.01	0.00	0.01	0.00	-14.37		
TOTAL (NET)	-12.34	0.00	1.87	0.07	0.07	0.01	0.00	0.01	0.00	-14.37		
Total Brokerage= 12.34 (Included in Net Amount)												

Service Tax @ 14.00%, Swachh Bharat Cess @ 0.50% and Krishi Kalyan Cess @ 0.50% is charged on Brokerage, SEBI Fees and Transaction Charges.  
\*\* Net Rate has been rounded off on this paper.  
ISIN's are subject to change due to corporate actions.  
Details of trade-wise levies shall be provided on request.  
Transactions mentioned in this contract note cum bill shall be governed and subject to the Rules, Bye-laws and Regulations and Circulars of the respective Exchanges on which trades have been executed and Securities and Exchange Board of India from time to time. The Exchanges provide Complaint Resolution, Arbitration and Appellate arbitration facilities at the Regional Arbitration Centres (RAC).  
The client may approach its nearest centre, details of which are available on respective Exchange's website.  
Please visit [www.bseindia.com](http://www.bseindia.com) for BSE, [www.mcx-sx.com](http://www.mcx-sx.com) for MCX, [www.nseindia.com](http://www.nseindia.com) for NSE.  
Date: **09/12/2016**  
Place: A

Yours faithfully,  
For Angel Broking Pvt Ltd.

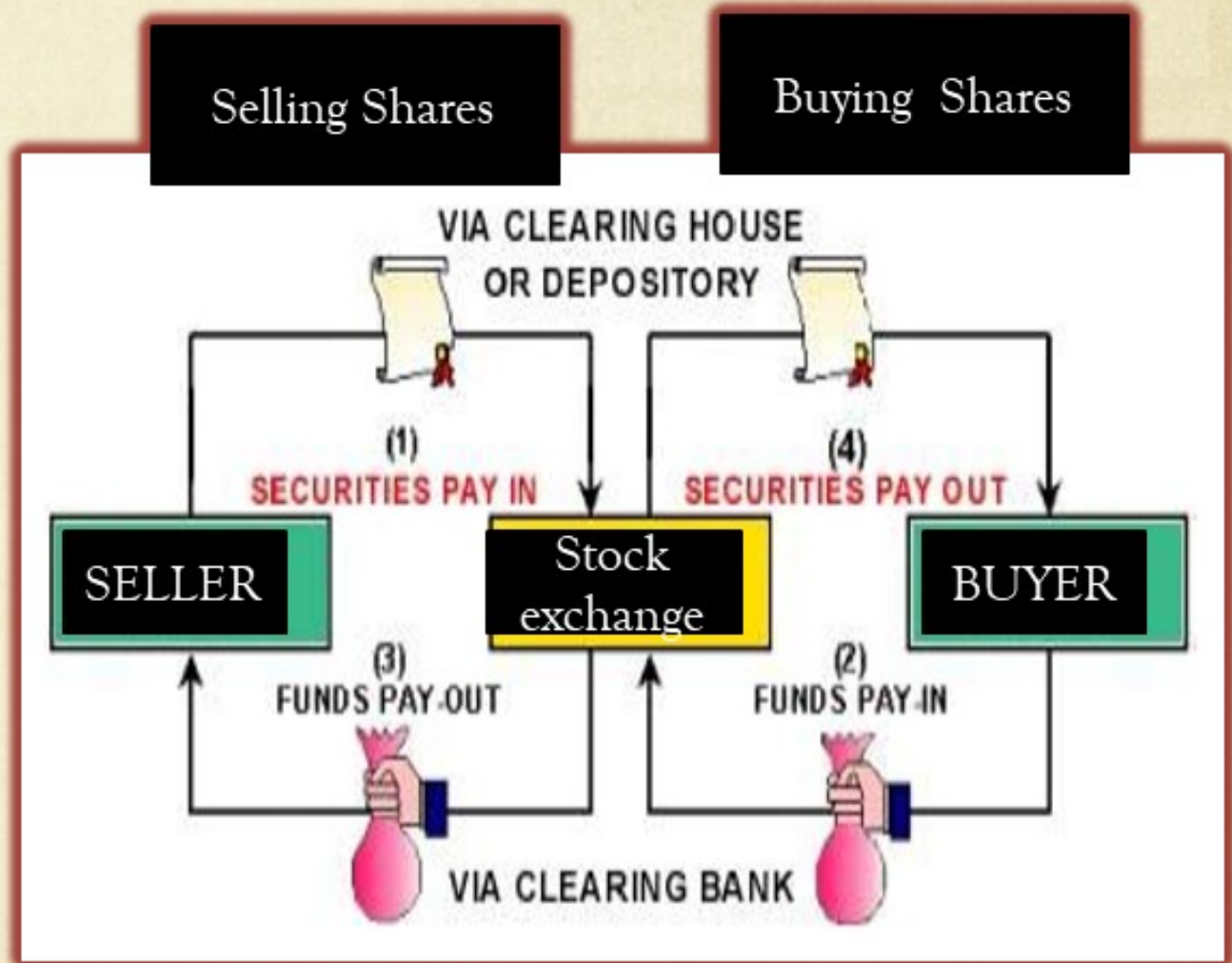
Authorised Signatory  
PAN No. AAACM60948  
Service Tax Reg No. AAACM60948ST001



# TRADING PROCEDURE (SOPECS)-

## 6. SETTLEMENT

- ❖ The settlement should be done in T+2 days. The investor has to deliver the shares sold or pay cash for the shares bought. This is called the pay-in day (T+1 day).
- ❖ On the T+2 day, the exchange will deliver the share or make payment to the other broker. This is called the pay-out day.
- ❖ The broker then has to make payment to the investor within 24 hours of the pay-out day.



# ADVANTAGES

We follow the Electronic Trading System: Screen Based Trading

Advantages: **MNEUMONIC**: In India People Enjoy Fries

1. Increases the efficiency of Operations
2. Improves liquidity of the Market
3. Provides Single Trading Platform
4. Ensures Transparency
5. Facilitates Efficient Price Fixing

**Online  
Trading: Monday-  
Friday  
9.15 AM-3.30 PM**





# ADVANTAGES

## 1. Ensures Transparency:

Electronic trading system allows participants to see the prices of all securities in the market while business being transacted. It ensures transparency.



## 2. Facilitates Efficient Price Fixing

Computer screens in brokers offices display information on share prices, historical prices, capital market developments that influences share prices etc. This increases the efficiency of information.



# ADVANTAGES

## 3. Increases efficiency of Operation

Electronic trading system reduces time, cost and risk of error involved in trading of securities. It increases efficiency of operation



## 4. Improves liquidity of the Market

Screen based trading allows people from India and abroad to participate in stock market operations like purchase and sale securities etc thus providing liquidity to the investors.



# ADVANTAGES

## 5. Provides single trading platform

Trade takes place in all the trading centres at the same time. Thus all the trading centres spread across the world have been brought into a single platform, i.e, the stock exchange server computer.





# OTQ - 5

- The last step in the trading procedure on a stock exchange is:
- (a) Placing an order
- (b) Executing the order
- (c) Settlement of Account
- (d) Selection of broker

Answer: (c) Settlement of Account

Efforts By:-

Ms. Kavita Sachdeva, D A V Centenary Public School, Paschim Enclave, New Delhi

Ms. Nameet Chadha, G D Goenka Public School, Sector 22, Rohini, New Delhi

Ms. Harleen Sharma, Delhi Public School, Sector- 30, Noida



# OTQ - 6

- Shiv wants to invest his savings in share market.  
What is the most important requirement for this?

Answer: Opening Demat Account

Efforts By:-

Ms. Kavita Sachdeva, D A V Centenary Public School, Paschim Enclave, New Delhi

Ms. Nameet Chadha, G D Goenka Public School, Sector 22, Rohini , New Delhi

Ms. Harleen Sharma, Delhi Public School, Sector- 30, Noida



# OTQ - 7

- Primary and secondary market:
- (a) Compete with each other
- (b) Complement each other
- (c) Function independently
- (d) Control each other

Answer:(b) Complement each other



# DEPOSITORY SERVICES AND DEMAT ACCOUNT

In the depository system, the physical securities are converted into electronic form through the process of dematerialization

In India, there are two depositories:



(a) **NATIONAL SECURITIES DEPOSITORY LTD. (NSDL)** promoted as a joint venture of the IDBI, UTI, and the National Stock Exchange

(b) **CENTRAL DEPOSITORY SERVICES LTD. (CDSL)** promoted by the Bombay Stock Exchange and the Bank of India.

**Depository:** It is an institution which holds securities of investors in electronic form at the request of investors through depository participant



# DEMATERILISATION PROCESS



Efforts By:-

Ms. Kavita Sachdeva, D A V Centenary Public School, Paschim Enclave, New Delhi  
Ms. Nameet Chadha, G D Goenka Public School, Sector 22, Rohini, New Delhi  
Ms. Harleen Sharma, Delhi Public School, Sector- 30, Noida

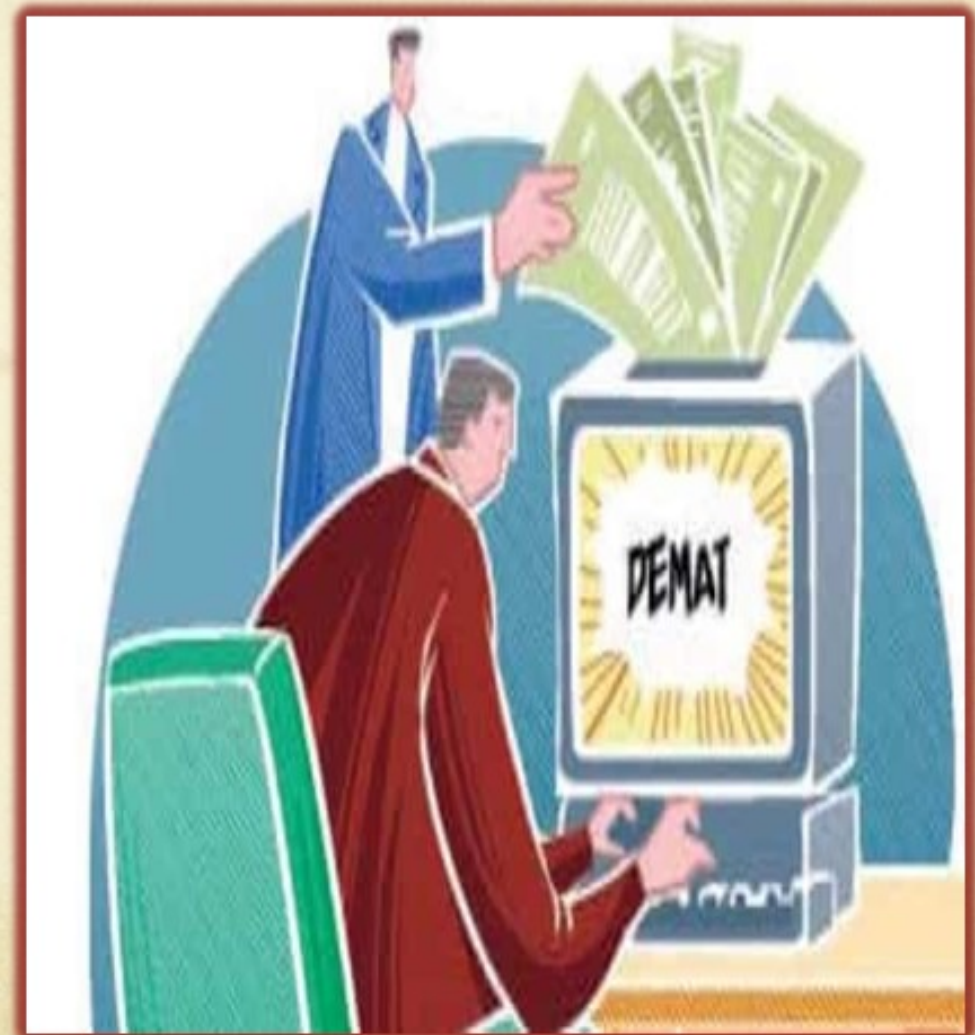
# DEPOSITORY SERVICES AND DEMAT ACCOUNT

## Demat Account

Account in which securities are held in electronic form

### Working:

1. DP should be identified
2. Filing up the form
3. Submission of Physical share certificate
4. While buying, give details of demat A/c for automatic credit
5. While selling shares, DP to be informed
6. Broker instructs DP for delivery of shares
7. Broker receives payment
8. Settlement in T+2 days



# DEPOSITORY SERVICES AND DEMAT ACCOUNT

## Benefits of Depository services

1. The risk of tearing, loss of share certificate is eliminated
2. The investor need not fill up transfer deeds and pay transfer stamp duty
3. Reduction in paper work
4. No risk of frauds
5. Transparency





# OTQ - 8

- The following is not a function of Depository Participant:
- (a) Keeping securities in electronic form
- (b) Opening Securities Account
- (c) Transferring securities from or to Securities Account
- (d) Buying or selling of consumer goods on behalf of investor

Answer: Buying or selling of consumer goods on behalf of investor



Efforts By:-

Ms. Kavita Sachdeva, D A V Centenary Public School, Paschim Enclave, New Delhi  
Ms. Nameet Chadha, G D Goenka Public School, Sector 22, Rohini, New Delhi  
Ms. Harleen Sharma, Delhi Public School, Sector- 30, Noida

# Match The Following - 2

- Identify the type of market highlighted in each statement:

METHOD	MARKET
1) Market where short term securities are sold	a) Financial Market
2) Market for creation and exchange of financial assets	b) Primary Market
3) It sells equity shares, debentures, bonds and preference Shares	c) Money Market
4) In this market the company issues new securities for the purpose of raising finance	d) Capital Market

**Answer:**

(i)-(c), (ii)-(a), (iii)-(d), (iv)—(b)



# SECURITIES EXCHANGE BOARD OF INDIA

Securities and Exchange Board of India (SEBI) was first established in 1988 as a non-statutory body for regulating the securities market.

It became an autonomous body on 12 April 1992 and was accorded statutory powers with the passing of the SEBI Act 1992: Indian Parliament.



# PURPOSE AND ROLE OF SEBI

SEBI was set up to meet the needs of three groups:

## 1. Issuers

For issuers, it provides a market place in which they can raise finance fairly and easily.

## 2. Investors

For investors, it provides protection of their rights and supply of accurate and correct information on a continuous basis.

## 3. Intermediaries

It provides competitive and professional market with adequate and efficient infrastructure so that they are able to render better service to the investors and issuers.





# SECURITIES EXCHANGE BOARD OF INDIA

Objectives of SEBI (MNEUMONIC: Ramji Pay My C/C)

R: Regulate, P: Protect, M: Malpractices, C/C: Code of conduct

The overall objective of SEBI is to protect the interests of investors and to promote the development of, and regulate the securities market.

1. To regulate stock exchanges and the securities industry to promote their orderly functioning. (REGULATORY)
2. To protect the rights and interests of investors, particularly individual investors and to guide and educate them. (PROTECTIVE)
3. To prevent trading malpractices and achieve a balance between self regulation by the securities industry and its statutory regulation. (PROTECTIVE)
4. To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc., with a view to making them competitive and professional. (DEVELOPMENT)

# FUNCTIONS OF SEBI (PDR)

## (i) Protective Functions

1. Prohibiting all types of fraudulent and unfair trade practices like misleading statements etc.
2. Controlling insider trading, price rigging and imposing penalties
3. Undertaking steps for investor protection
4. Promoting fair practices and code of conduct in securities market



# FUNCTIONS OF SEBI (PDR)

## (ii) Development Functions

1. Training of intermediaries
2. Undertaking measures to develop capital markets by adopting flexible approach
3. Conducting research and publishing information useful to all market participants.



# FUNCTIONS OF SEBI (PDR)

## (iii) Regulatory Functions

1. Registration of brokers and sub brokers and other players in the market, collective investment schemes and Mutual Funds.
2. Regulation of stock brokers, portfolio exchanges, underwriters and merchant bankers and the business in stock exchanges and any other securities market.
3. Regulation of takeover bids by companies.
4. Calling for information by undertaking inspection, conducting enquiries and audits of stock exchanges and intermediaries.
5. Levying fee or other charges for carrying out the purposes of the Act.





# CASE STUDY - 8

“Unicon Securities Pvt. Ltd” was established to deal in securities. It was registered as a stock broker with National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) to trade in securities listed at these exchanges. It is also a depository participant with CDSL and NSDL. In the first three years, it developed its business successfully. After that the composition of Board of Directors changed. Some customers complained to the customer care centre of the company that shares purchased by them and for which the payment has been duly made, were not transferred to their D’mat Accounts by “Unicon securities Pvt. Ltd” . The executive of customer care centre promised the aggrieved customers that their shares will be transferred to their respective D’mat Accounts very soon. But the company delayed the matter and didn’t transfer the shares of the customers to their D’mat Accounts. This eroded investors confidence and multiplied, their grievances.

1) Identify the step of trading procedure in a stock exchange which has not been followed by “Unicon Securities Pvt. Ltd” .

2) Name the Apex statutory body of capital market to whom customer can complain to redress their grievances.

# Answer:

- 1) Settlement i.e. the delivery of shares through the Demat Account of the broker to Demat account of the investors.
- 2) The Securities and Exchange Board of India (SEBI)

## Efforts By:-

Ms. Kavita Sachdeva, D A V Centenary Public School, Paschim Enclave, New Delhi

Ms. Nameet Chadha, G D Goenka Public School, Sector 22, Rohini , New Delhi

Ms. Harleen Sharma, Delhi Public School, Sector- 30, Noida



# CASE STUDY - 9



- Mr. Vikas Mehra was the Chairman of IBM Bank. The bank was earning good profits. Shareholders were happy as the bank was paying regular dividends. The market price of their shares was also steadily rising. The bank was about to announce the taking over of "UK Bank." Mr. Vikas Mehra knew that the share price of IBM Bank would rise on this announcement. Being a part of the bank, he was not allowed to buy shares of the bank. He called one of his rich friends Mukand and asked him to invest Rs. 4 crores in the shares of his bank promising him the capital gains.
- As expected, after the announcement, the share prices went up by 50% and the market price of Mukand's shares was now Rs. 6 crores. Mukand earned a profit of Rs. 2 crores. He gave Rs. 1 crore to Vikas Mehra and kept Rs. 1 crore with him. On regular inspection and by conducting enquiries of the brokers involved, the Securities and Exchange Board of India (SEBI) was able to detect this irregularity. SEBI imposed a heavy penalty on Vikas Mehra.
- Quoting lines from the above paragraph, identify and state any two functions performed by the SEBI in the above case.



# CASE STUDY - 9



- Mr. Vikas Mehra was the Chairman of IBM Bank. The bank was earning good profits. Shareholders were happy as the bank was paying regular dividends. The market price of their shares was also steadily rising. The bank was about to announce the taking over of "UK Bank." Mr. Vikas Mehra knew that the share price of IBM Bank would rise on this announcement. Being a part of the bank, he was not allowed to buy shares of the bank. He called one of his rich friends Mukand and asked him to invest Rs. 4 crores in the shares of his bank promising him the capital gains.
- As expected, after the announcement, the share prices went up by 50% and the market price of Mukand's shares was now Rs. 6 crores. Mukand earned a profit of Rs. 2 crores. He gave Rs. 1 crore to Vikas Mehra and kept Rs. 1 crore with him. On regular inspection and by conducting enquiries of the brokers involved, the Securities and Exchange Board of India (SEBI) was able to detect this irregularity. SEBI imposed a heavy penalty o Vikas Mehra.
- Quoting lines from the above paragraph, identify and state any two functions performed by the SEBI in the above case.

# ANSWER

- The two functions performed by SEBI in the given case are stated below:
- 1. Regulatory function is being performed by SEBI: “on regular inspection and conducting inquiries of the brokers involved.”
- 2. Protective function is performed by SEBI: “The SEBI imposed heavy penalty on Mr. Vikas Mehra.

## Efforts By:-

Ms. Kavita Sachdeva, D A V Centenary Public School, Paschim Enclave, New Delhi

Ms. Nameet Chadha, G D Goenka Public School, Sector 22, Rohini , New Delhi

Ms. Harleen Sharma, Delhi Public School, Sector- 30, Noida



# OTQ - 9

- The institution which regulates the buying and selling of financial securities is \_\_\_\_\_
- Ans: Stock Exchange

## Efforts By:-

Ms. Kavita Sachdeva, D A V Centenary Public School, Paschim Enclave, New Delhi

Ms. Nameet Chadha, G D Goenka Public School, Sector 22, Rohini , New Delhi

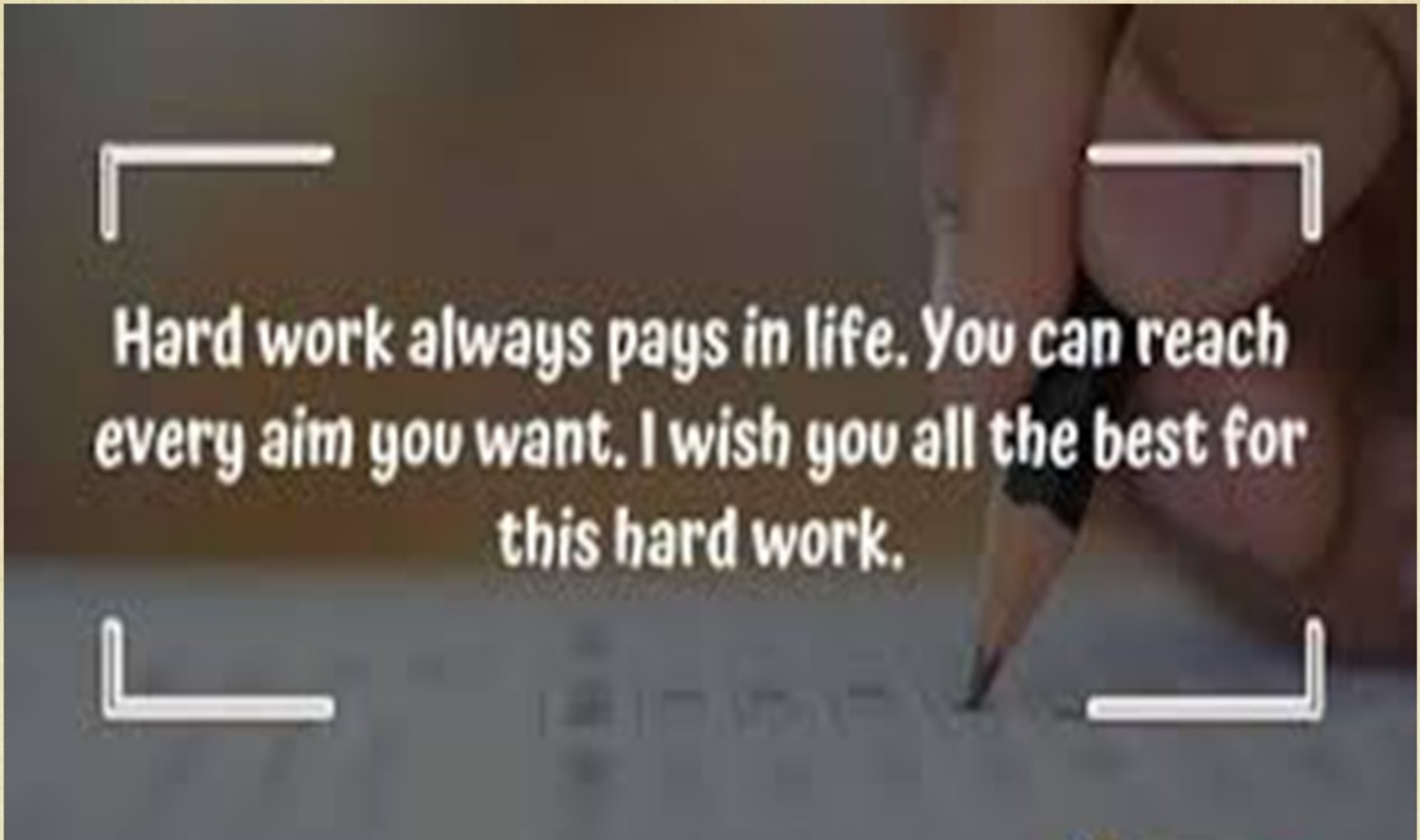
Ms. Harleen Sharma, Delhi Public School, Sector- 30, Noida



# KEYWORDS

CLUE WORDS IN CASE STUDY	UNDERLYING CONCEPT
New issue market	Primary Market
Market for existing Securities	Secondary Market
Bridge Financing	Commercial Paper
Holding securities in electronic form	Dematerialization
Institution Holding securities in electronic form	Depository
Market for: <ul style="list-style-type: none"> <li>• Maturity period less than one year</li> <li>• Low risk, unsecured and highly liquid</li> </ul>	Money Market
Market for funds for long term maturity	Capital Market
Process of allocating funds	Financial Intermediation
Market for creation and exchange of Financial assets	Financial Markets
Institution which regulates the buying and selling of securities	Stock Exchange
Watch Dog over Stock Markets	SEBI





Hard work always pays in life. You can reach every aim you want. I wish you all the best for this hard work.

Efforts By:-

Ms. Kavita Sachdeva, D A V Centenary Public School, Paschim Enclave, New Delhi

Ms. Nameet Chadha, G D Goenka Public School, Sector 22, Rohini , New Delhi

Ms. Harleen Sharma, Delhi Public School, Sector- 30, Noida

