



**Class 12**  
**Business Studies**

## Chapter 10

# FINANCIAL MARKET

**Ajith Kanthi Wayanad**  
[www.hssplustwo.blogspot.com](http://www.hssplustwo.blogspot.com)

# Financial market

It is a market for the creation and exchange of financial assets such as shares, debentures, bonds and government securities



It is a network of institutions which provide short, medium and long term funds

# Financial market

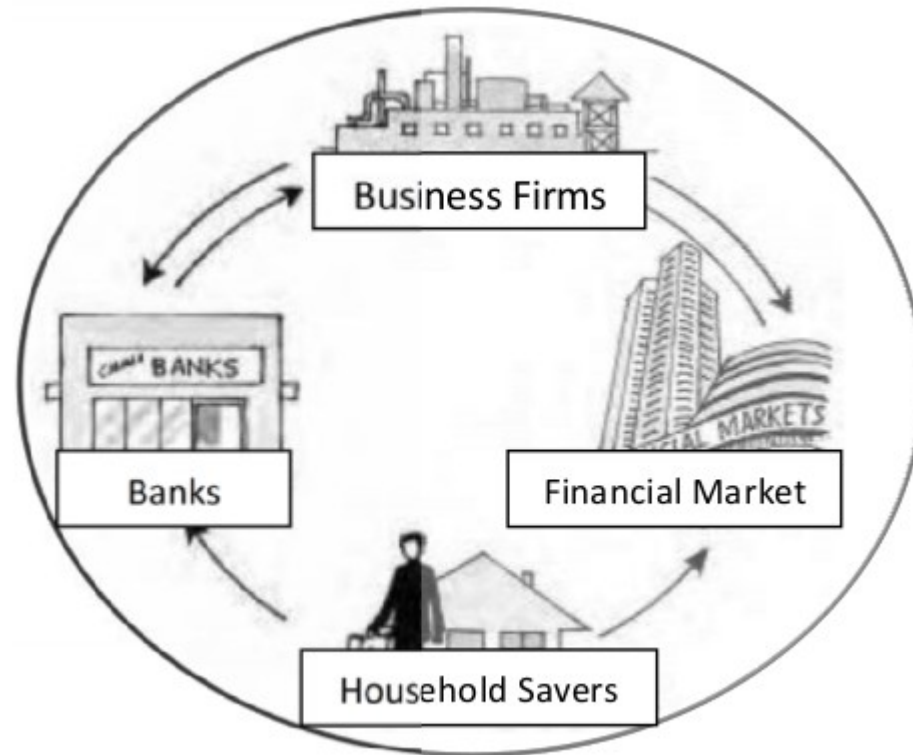
Financial markets make possible the transfer of money from the investors to the entrepreneurial borrowers



They bring together the lenders of funds and borrowers of funds

# Allocation of Funds

Two alternatives through which allocation of funds can be done – banks and financial markets



Household savers can deposit their surplus funds with banks

Banks then lend these funds to business firms

# Allocation of Funds

Household savers can also invest their savings in financial market directly by purchasing shares and debentures offered by business firms



Both banks and financial markets are competing financial intermediaries



# Functions of Financial Market

# Functions of Financial Market

## 1. Mobilize savings

It mobilizes savings and channelize them into most productive purposes



It offers the investors different investment avenues and helps to channelize surplus funds into productive use



# Functions of Financial Market

## 2. Price discovery

Price of any product is determined by the forces of demand and supply



The interaction between investors and business firms facilitates the price determination for the financial assets, which is being traded in a particular market

# Functions of Financial Market

## 3. Providing liquidity

Financial markets provide liquidity to financial assets as they can be converted into cash by selling them in the market very easily



# Functions of Financial Market

## 4. Reducing cost of transaction

Financial markets provide a common platform where buyers and sellers meet and to trade their securities without much cost and time

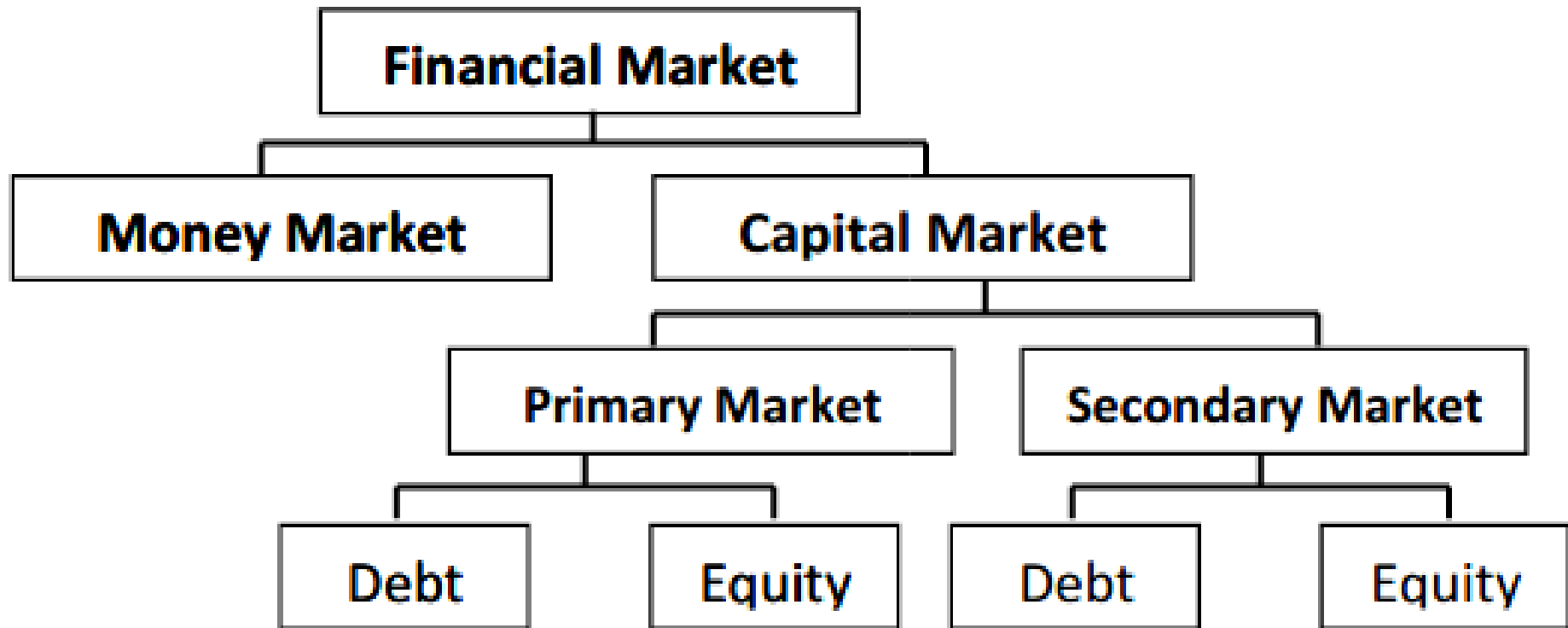


# Functions of Financial Market

1. Mobilize savings
2. Price discovery
3. Providing liquidity
4. Reducing cost of transaction



# Classification of financial markets



# Money Market



**Ajith Kanthi Wayanad**

[www.hssplustwo.blogspot.co](http://www.hssplustwo.blogspot.co)



# Money Market

Money market is the market for short term funds

Short term funds are meant for a period of up to one year

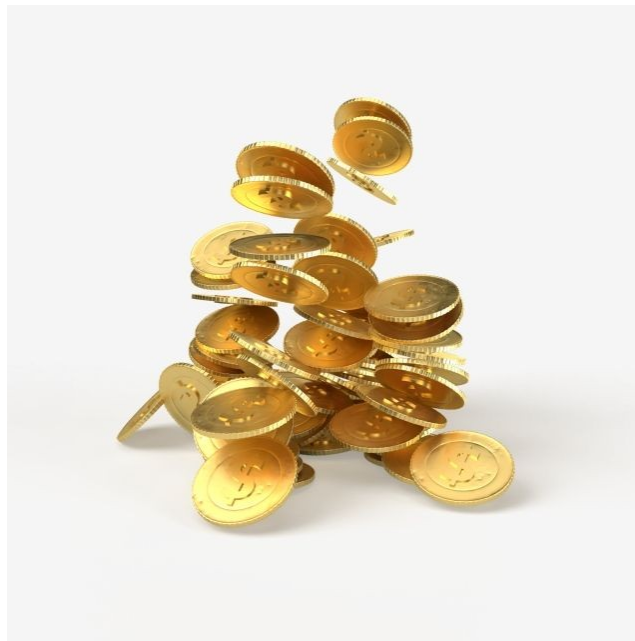


Money market is not usually located at a particular place

It is a term used to describe all organizations and institutions that deal in short term debt instruments.

# Money Market

It makes possible the raising of short term funds for meeting the working capital needs and temporary deployment of excess funds to get returns



# Features of Money Market



# Features of Money Market

## 1. Participants

RBI, Commercial banks, non-banking finance companies, State governments, large corporate houses and mutual funds



# Features of Money Market

## 2. Instruments

Short term debt instruments are traded



# Features of Money Market

## 3. Investment outlay

Huge sums of money is being transacted





# Features of Money Market

## 4. Duration

One day to one year



# Features of Money Market

## 5. Liquidity

It enjoys high degree of liquidity



# Features of Money Market

## 6. Safety

Short term duration ensures grater safety



# Features of Money Market

## 7. Location

No physical location, activities conducted over telephone or internet



# Features of Money Market

## 8. Returns

Comparatively less returns



# Features of Money Market

## 9. Unsecured

Instruments traded are unsecured





# Features of Money Market

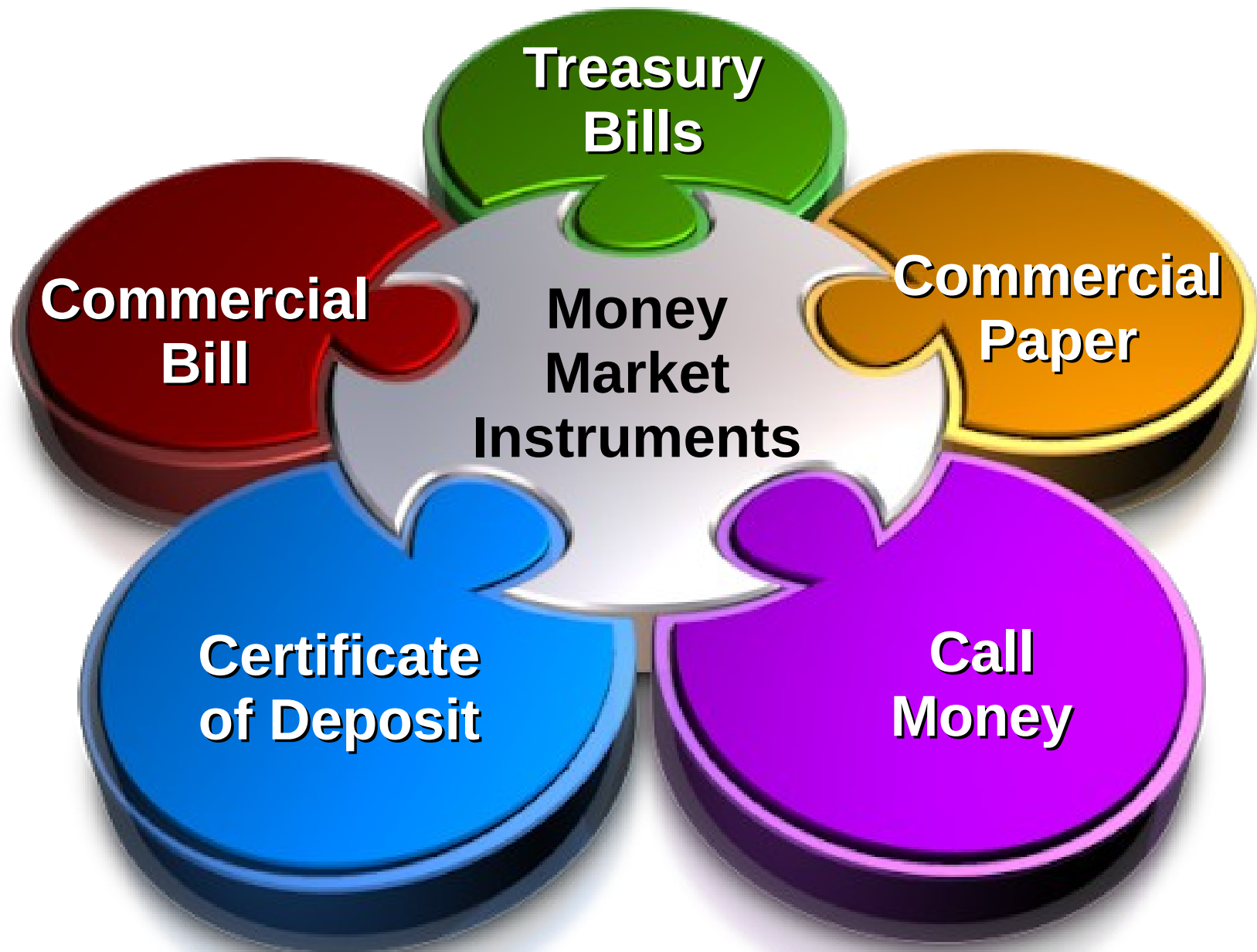
1. Participants
2. Short term instruments
3. Investment outlay
4. Duration
5. Liquidity
6. Safety
7. Location
8. Returns
9. Unsecured





# Money Market Instruments

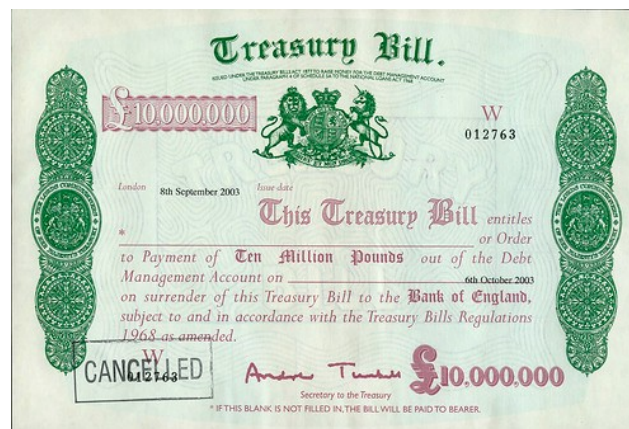
# Money Market Instruments



# Money Market Instruments

## 1. Treasury Bills (T-Bills / Zero Coupon Bonds)

These are issued by RBI on behalf of Central Government

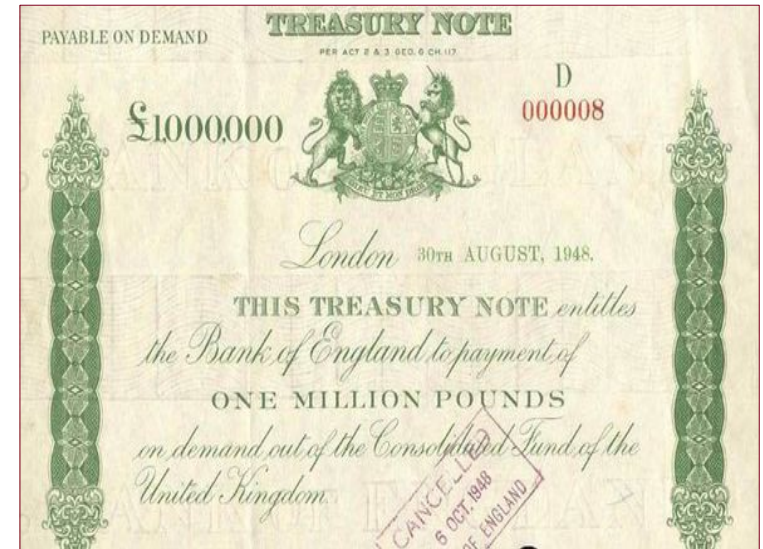


Maturity less than one year

It is an instrument for short term borrowings by Government of India

# T-Bills

They are issued in the form of promissory notes and freely transferable as it comes under Negotiable Instrument Act



They are issued at a price which is lower than their face value and repaid at par, the difference between issue price and redemption value is called **discount**

It is available for a minimum amount of Rs. 25,000 and in the multiples thereof



# Money Market Instruments

## 2. Commercial Paper (CP)

It is an unsecured promissory note issued to the public with a fixed maturity period ranging from 15 days to 1 year

### EXAMPLE

- ▮ Deepak Nitrite issues commercial paper of Rs 30 crore
- ▮ Jul 17, 2015 at 15:10 | Source: Moneycontrol.com
- ▮ Deepak Nitrite has informed that the Commercial Paper of Rs 30 crore issued on April 17, 2015, has been repaid on July 16, 2015. Further, the Company has issued Commercial Paper (CP) for Rs 30 crore value dated July 17, 2015. This has been subscribed by SBI Fund Management Private Limited having maturity on October 15, 2015.

Since being unsecured, this is issued by highly reputed corporate entities

Issuing commercial paper in India as a money market instrument took place in 1989-90.

# Commercial Paper

This serves as an important source of working capital and for bridge financing for raising long term funds from capital market

Proforma of Commercial Paper (CP)

To be stamped as per the applicable rate in force in the State in which it is to be issued

## Commercial Paper

NAME SERIAL \_\_\_\_\_ Date of issue: \_\_\_\_\_

Issued at: (PLACE) \_\_\_\_\_

Date of Maturity: \_\_\_\_\_ without days of grace (If such date happens to fall on a day) \_\_\_\_\_ the immediate preceding working day)

For value received \_\_\_\_\_

COMPANY/ INSTITUTION Promises to pay \_\_\_\_\_ NAME OF THE ISSUING COMPANY/ INSTITUTION \_\_\_\_\_

NAME OF THE INVESTOR maturity date as specified above the sum of Rs. \_\_\_\_\_ (in words) upon presentation and surrender of this Commercial Paper to \_\_\_\_\_

NAME OF THE ISSUING AND PAYING AGENT) \_\_\_\_\_

For and on behalf of \_\_\_\_\_

NAME OF THE TRANSFEROR) \_\_\_\_\_

Pay to \_\_\_\_\_ or order the amount within named.

NAME OF TRANSFEREE) \_\_\_\_\_

ALL ENDORSEMENTS AND DISTINCT. EACH EN... THIS COMMERCIAL PAPER MUST BE CLEAN WITHEIN THE SPACE

www.aubsp.com

**In India**  
**Issue, Investment and Buyback**

Commercial banks and mutual funds contribute towards this kind of instruments

Eg: To meet flotation cost, brokerage, advertising, printing share applications etc.



# Money Market Instruments

## 3. Call Money

In this case day-to-day surplus funds of banks and other financial institutions are dealt with



The banks with surplus funds lend other banks that are facing deficiency

# Call Money

Duration of call money is from one day to 15 days and is repayable on demand, either by the lender or by the buyer



Interest paid on call money is called **Call rate**

# Money Market Instruments

## 4. Certificate of Deposit (CD)

It is an unsecured, negotiable, short term instrument in bearer form, issued by commercial banks and financial institutions to individuals, corporations and companies

Maturity period 3 months to 12 months

These are issued at a discount and redeemed at par

बैंक ऑफ इंडिया Bank of India No. 000136  
L.F. No. 33545110  
A/c No. \_\_\_\_\_  
ब्रह्मचर्या संस्था  
No.: S  
SABUJ PRIMARY TEACHERS TRAINING INS  
Received from  
Repayable to: JOINTLY BY ALL  
रुपये/Rupees Three Lakh only.  
as a deposit at the rate of 7.25  
5 years 0 months 0 days either side expires.  
3,00,000.00  
₹./Rs.  
\* Less TDS, if applicable  
Notice of withdrawal given

अस्थकालिक जमा रसीद  
SHORT DEPOSIT RECEIPT  
प्रतिशत वार्षिक दर से  
Per Cent, per annum to remain until notice of  
तक जमा हेतु प्राप्त हुआ जो किसी भी पक्ष से ख्याति की सूचना तक कायम रहेगा।  
On either side expires.  
रुपये बैंक ऑफ इंडिया/For BANK OF INDIA  
04-09-2019  
Due 04-09-2019  
Nomination : Not

# Money Market Instruments

## 5. Commercial Bills (Trade Bill)

This is a bill of exchange used to finance working capital requirements of a business

BILL OF EXCHANGE	
<b>STAMP</b>	Mr. Avadhoot Raktade, 586, Main Road, Ajara, 1 <sup>st</sup> May, 2013
Rs. 8,800/-	
Two months after date pay to me or my order the sum of rupees Eight Thousand Eight Hundred only for the value received.	
Mr. Mukund Aglawe, 133, Chandni Chowk, Panvel	Sd/- Avadhoot Raktade
ACCEPTED Sd/- Mukund Aglawe [5 <sup>th</sup> May, 2013]	

It is a short period, negotiable and self-liquidating instrument used to finance credit sales

# Commercial Bill

Stamp

Kalpetta

01-01-2014

Rs.10,000/-

Two months after date pay to me or my order the sum of Rupees Ten thousand only, for value received.

To

Mr. K. Krishnan

General Merchants,

Kalpetta

Accepted

Sd/-

K. Krishnan

General Merchants, Kalpetta

Sd/-

S. David

# Commercial Bill

On credit sales, the seller (drawer) draws the bill and the buyer (drawee) accepts it, by putting his signature on it



On acceptance, the bill becomes a marketable instrument and is called a **trade bill**



# Commercial Bill

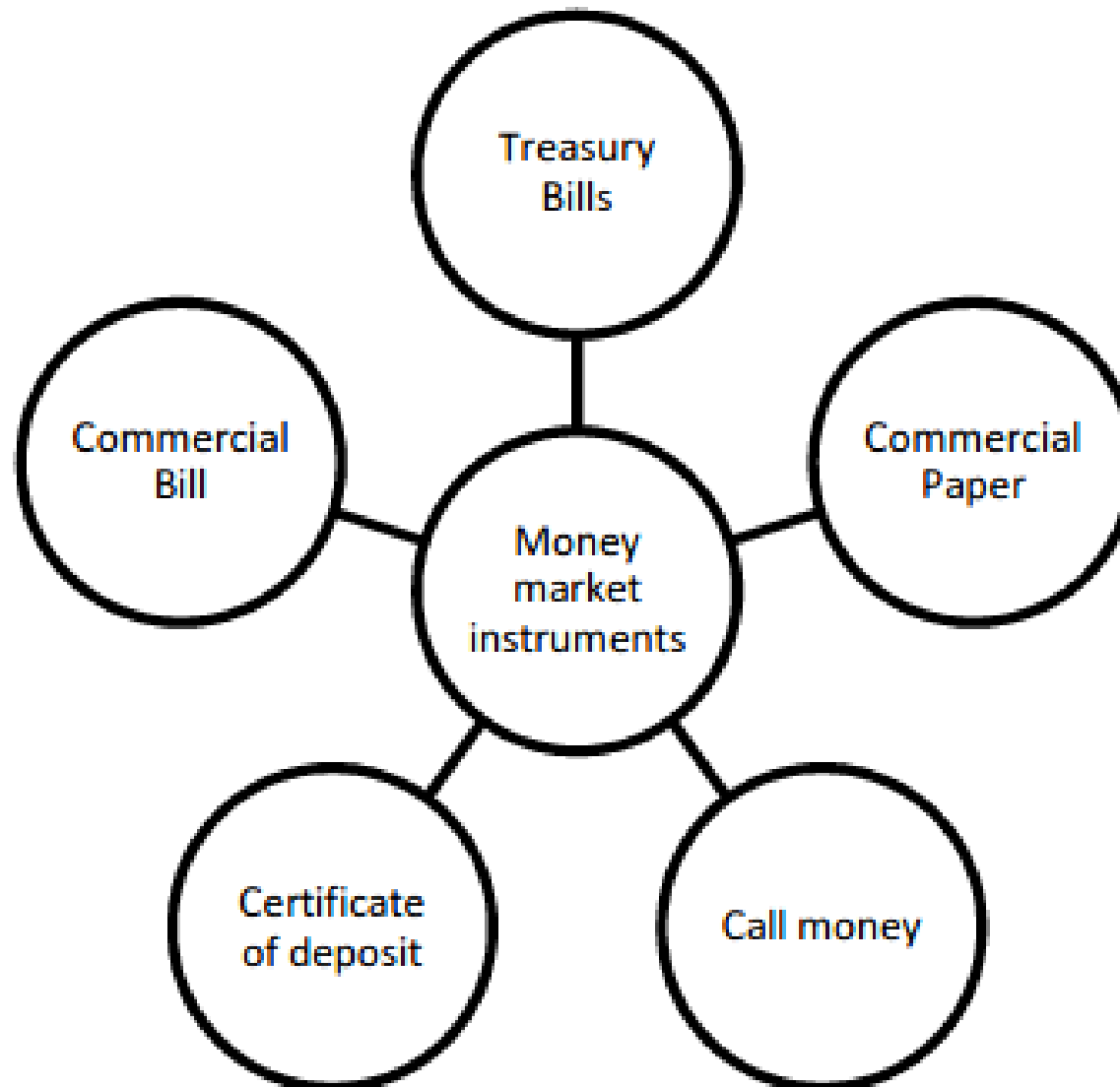
This bill can be discounted with a bank if the seller requires funds before maturity



When a trade bill is accepted (discounting of bills) by a commercial bank, it is known as commercial bill



# Money Market Instruments



# Capital Market



**Ajith Kanthi Wayanad**

[www.hssplustwo.blogspot.com](http://www.hssplustwo.blogspot.com)

m

# Capital Market

Capital market is an institutional arrangement by which savings are channelized into investment avenues



It enables the borrowers to raise funds for their purpose

Similarly, it gives opportunities to the lenders to wisely invest their funds

# Capital Market

The borrowers raise required funds through issue of securities like shares, debentures, bonds etc.



A security means a certificate of title evidencing investment made in the capital or debt of any entity

# Features of Capital Market



# Features of Capital Market

## 1. Participants

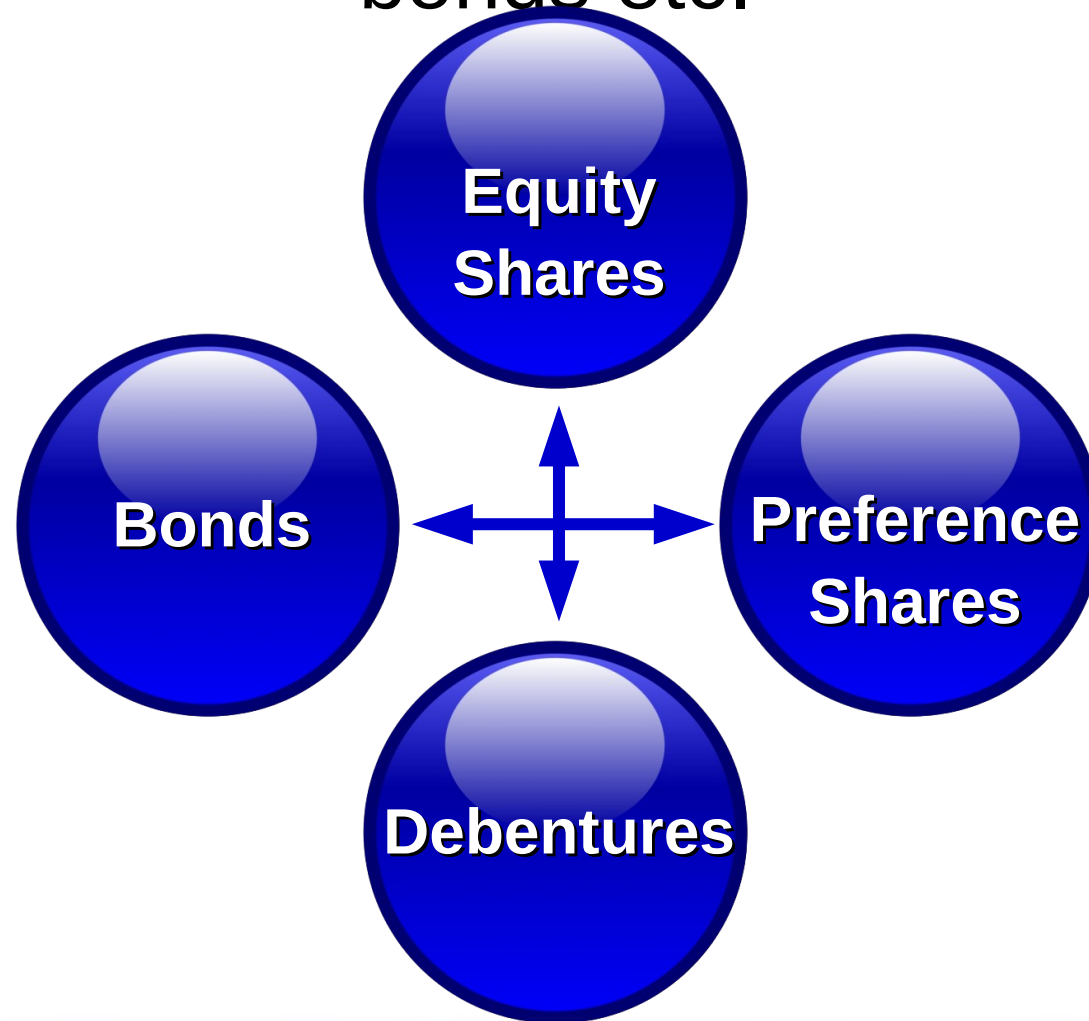
Financial institutions, banks, corporate entities, foreign investors and individual investors.



# Features of Capital Market

## 2. Instruments

Equity shares, preference shares, debentures, bonds etc.





# Features of Capital Market

## 3. Small Investment outlay

The value of one unit is Rs.10, Rs. 100 etc. and they are traded in lot of 1, 5, 50, 100 etc.



# Features of Capital Market

## 4. Duration

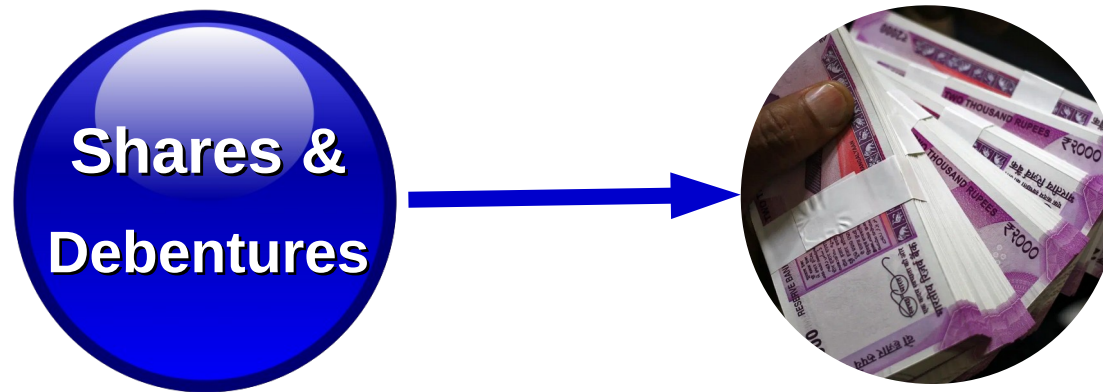
Medium and long term



# Features of Capital Market

## 5. Liquidity

High liquidity as they are marketable in stock exchanges



# Features of Capital Market

## 6. High risk

There no is much safety of investment and returns



# Features of Capital Market

## 7. Expected Return

Normally the return on investment is higher than the money market



# Features of Capital Market

1. Participants
2. Instruments
3. Small Investment outlay
4. Duration
5. Liquidity
6. High risk
7. Expected Return



**Distinction  
between Money  
market  
And  
Capital market**





# Money Market Vs. Capital Market

## 1. Term

### Money Market

It is a market for short term instruments having a maturity period of less than one year

### Capital Market

It is for medium and long term instruments having maturity period of more than one year

# Money Market Vs. Capital Market

## 2. Purpose

### Money Market

It helps to meet the working capital needs

### Capital Market

It helps in meeting fixed capital needs

# Money Market Vs. Capital Market

## 3. Instruments

### Money Market

The instruments in money market are Bill of exchange, treasury bills, certificate of deposits, commercial papers etc.

### Capital Market

The instruments are equity shares, preference shares, debentures, bonds etc.

# Money Market Vs. Capital Market

## 4. Nature

### Money Market

It is a wholesale market where the instruments have large face value

### Capital Market

It is a retail market where the instruments have small face value

# Money Market Vs. Capital Market

## 5. Participants

### Money Market

The central bank, commercial banks and other financial institutions take part in the market

### Capital Market

Stock exchanges, Merchant banks, Issue houses and many financial intermediaries take part in the market

# Money Market Vs. Capital Market

## 6. Support of Secondary Market

### Money Market

Money market instruments do not have an active secondary market

### Capital Market

Capital market instruments have both primary and secondary markets

# Money Market Vs. Capital Market

## 7. Medium

### Money Market

Money market transactions normally take place over telephone and other ways

### Capital Market

Capital market transactions normally take place at stock exchanges



# Money Market Vs. Capital Market

## 8. Regulations

### Money Market

The market regulator is the central bank of the country

In India it is RBI

### Capital Market

There is a separate regulator in the capital market

In India it is SEBI

Sl No.	Money Market	Capital Market
1	Short term instruments	Medium & Long term
2	Working capital needs	Fixed capital needs
3	Bill of exchange, T-Bills etc.	Shares, debentures etc.
4	Wholesale market	Retail market
5	Banks and financial institutions are the participants	Stock exchange, Merchant banks etc.
6	No support of secondary market	Both primary and secondary market
7	Take place over telephone etc.	Take place at Stock Exchanges
8	Controlled by RBI	Controlled by SEBI

# Capital Market

```
graph TD; A[Capital Market] --> B[Primary Market]; A --> C[Secondary Market];
```

**Primary  
Market**

**Secondary  
Market**

# Primary Market

**Ajith Kanthi Wayanad**

[www.hssplustwo.blogspot.com](http://www.hssplustwo.blogspot.com)

m



# Primary Market

This is the market which deals in new securities issued by new companies or existing companies

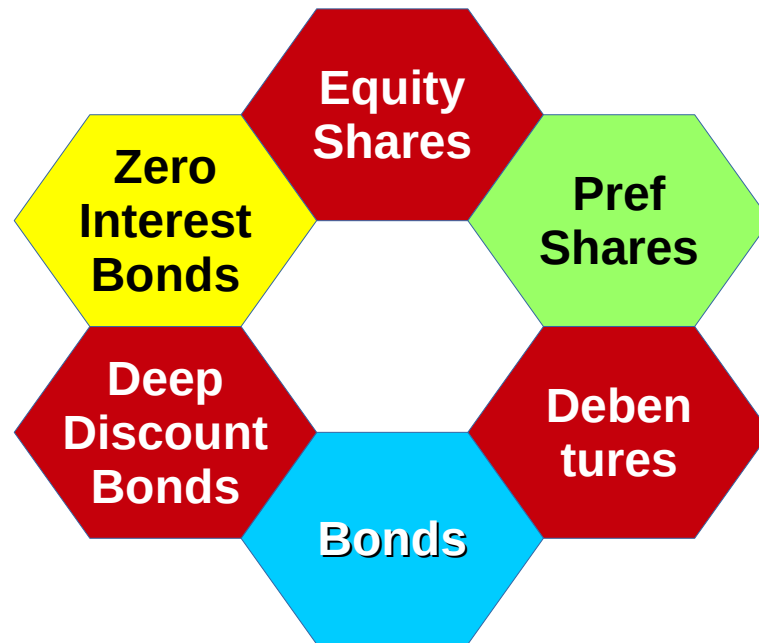
It is also called New Issue Market (NIM)



If it is issued by new companies it is called Initial Public Offerings (**IPOs**) and if it is issued by existing companies it is called Seasoned Equity Offerings (**SEOs**)

# Primary Market

The securities offered are equity shares, preference shares, debentures, bonds, innovative types of securities like deep discount bonds, zero interest bonds etc.



# **Methods of flotation of new issue**



# Methods of flotation of new issue

## 1. Offer through prospectus

It is the most common form of raising capital from the primary market



Prospectus is an invitation for subscription or purchase of shares or debentures of a company

# Methods of flotation of new issue

## 2. Offer for sale

This is an indirect method of public issue

Securities are offered to an issue house or other intermediaries like brokers through a “letter of offer” at a negotiated price

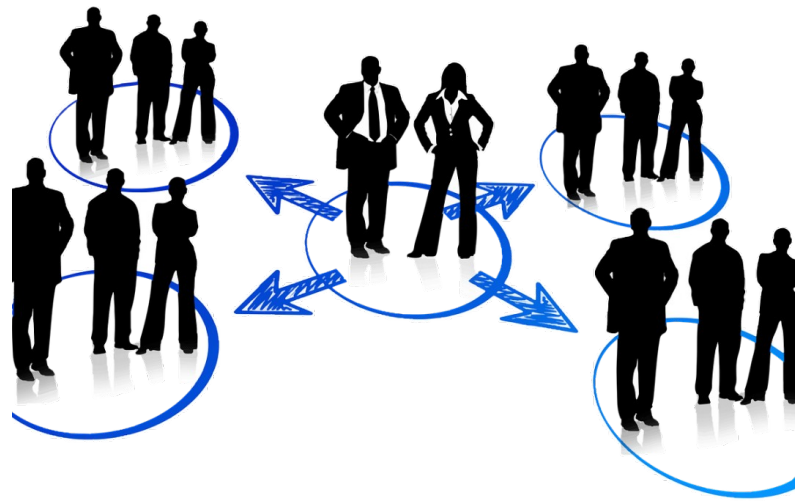


They, in turn, will sell them to the public generally at a higher price, by means of advertisement of their own

# Methods of flotation of new issue

## 3. Private placement

It means the direct sale by a company of its securities to a limited number of specified investors directly or through brokers



There is no risk of uncertainty in raising capital and it is a cost effective method of raising finance as compared to public issue

# Methods of flotation of new issue

## 4. Rights issue

Raising additional capital from existing shareholders by offering equity shares or debentures on pro-rata basis



When the issue price is less than market price, the rights have a market value

# Methods of flotation of new issue

## 5. e-IPOs

In case a company wishes to issue capital to the public through on-line system should enter into an agreement with the stock exchange



This method of new issue is called e-IPOs

# Methods of flotation of new issue

**1. Offer through prospectus**

**2. Offer for sale**

**3. Private placement**

**4. Rights issue**

**5. e-IPOs**



**Secondary Market**  
**(Stock Exchange)**



# Secondary Market

It is the market for the purchase and sale of second hand or listed securities



Shares, debentures, bonds etc. which have already been issued by companies or government are traded in this market

# Secondary Market

It consists of buyers and sellers of securities and brokers as intermediaries



The investors can buy and sell securities only through brokers

Secondary markets are also known as **stock exchanges**

A close-up photograph of a vibrant red rose in a dark, slender vase. The rose is in full bloom, with its petals showing a rich, deep red color. The vase is dark and appears to be made of a smooth material like glass or ceramic. The background is solid black, which makes the red of the rose stand out prominently. The lighting is dramatic, highlighting the texture of the petals and the stem of the rose.

**Comparison between  
Primary market and  
Secondary market**

# Primary Market **Vs.** Secondary Market

**1**

## Primary Market

It deals with new securities

## Secondary Market

It deals with existing securities

# Primary Market **Vs.** Secondary Market

2

## Primary Market

Securities are sold  
only once

## Secondary Market

It provides regular  
and continuous  
market

# Primary Market **Vs.** Secondary Market

**3**

## Primary Market

It links the issuing company and investors

## Secondary Market

Transactions are made between investors

# Primary Market **Vs.** Secondary Market

4

## Primary Market

Investors can only purchase securities

## Secondary Market

Investors can purchase and sell securities

# Primary Market **Vs.** Secondary Market

**5**

## Primary Market

It provides capital to the companies

## Secondary Market

Issuing company has no direct role



# Primary Market **Vs.** Secondary Market

6

## Primary Market

It does not have any physical existence

## Secondary Market

It has physical existence

# Primary Market **Vs.** Secondary Market

7

## Primary Market

Prices of securities are determined by the company

## Secondary Market

Price is based on demand and supply of securities

# Primary Market **Vs.** Secondary Market

8

## Primary Market

Securities can be sold without listing

## Secondary Market

Only listed securities can be traded

# Primary Market Vs. Secondary Market

Sl. No	Primary	Secondary
1	New securities	Existing securities
2	Sold only once	Continuous market
3	Links the company and investors	Between investors
4	Purchase of securities only	Purchase and sale of securities
5	Provides capital to company	Company has no direct roll
6	No physical existence	It has physical existence
7	Prices determined by Company	It is based on demand and supply
8	Sold without listing	Only listed securities are sold



# Stock Exchange

# Stock Exchange

Stock exchange is an organized market where second hand securities are bought and sold



# Stock Exchange

Trading in securities takes place inside the stock exchange at a place known as the trading ring



Only the members (brokers) are authorized to trade here



# Stock Exchange

In the traditional method of trading on the ring, trading actually resembles an auction



Brokers of intending sellers and buyers will shout quoting their prices

When the prices coincide, a deal will be struck



# Stock Exchange

Online trading in securities is facilitated through a computer network wherein one can buy or sell securities just by sitting in front of the broker's computer



Computer matches the buyer's quotation and a deal is struck

# Functions of Stock Exchange



# Functions of Stock Exchange

## 1. Liquidity and marketability to investment

Secondary market provides a continuous market to the listed securities, so that investors enjoy liquidity to their investment



They could sell securities with them and buy another

# Functions of Stock Exchange

## 2. Pricing of securities

A security is issued in the market at a price known as the issue price

Over a period of time, it reaches its true level through the interaction of the forces of demand and supply in stock exchange



# Functions of Stock Exchange

## 3. Safety of transactions

The rules and regulations ensures safety and fair dealings to investors



# Functions of Stock Exchange

## 4. Contributes to economic growth

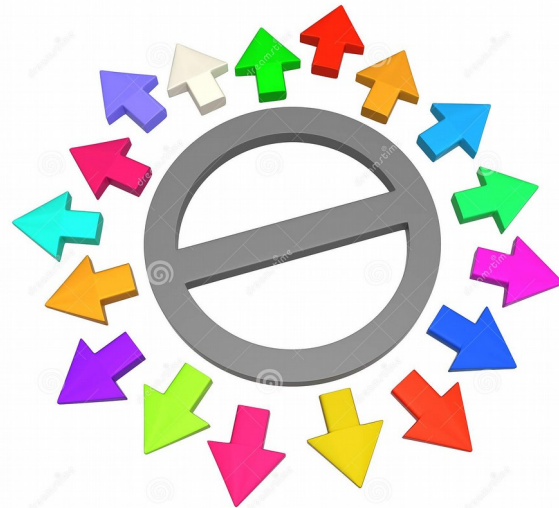
Stock exchanges contribute to economic growth of the nation through capital formation



# Functions of Stock Exchange

## 5. Spreading of equity cult (trend)

Stock exchanges can take effective measures in educating public about investments





# Functions of Stock Exchange

## 6. Providing scope for speculation

A reasonable degree of healthy speculation is needed to ensure liquidity and price continuity in securities





# Functions of Stock Exchange

## 7. Economic barometer

Business conditions like booms and depressions, important events (both national and international) etc. will affect the stock prices



In this sense we can say that the stock exchange is an economic barometer (indicator)

# Functions of Stock Exchange

1. Liquidity and marketability to investment
2. Pricing of securities
3. Safety of transactions
4. Contributes to economic growth
5. Spreading of equity cult (trend)
6. Providing scope for speculation
7. Economic barometer



# Trading and Settlement Procedure



# Trading & Settlement Procedure

**Online trading** – Trading in securities is now carried out through online, screen based electronic trading system



Buying and selling of securities are effected through computer terminal

# Trading & Settlement Procedure

Shares can be held either in physical form or in electronic form

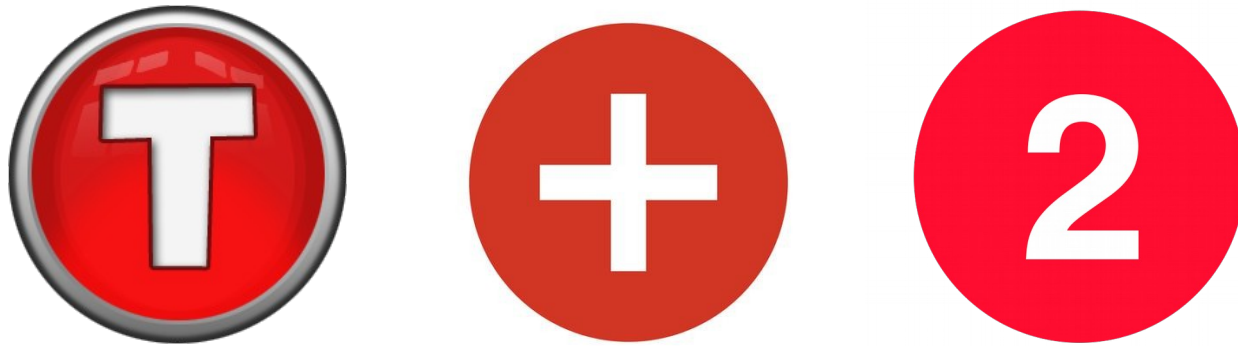


In physical form, a share certificate is issued and it is a proof of ownership of securities

The electronic form is called the de-materialized form

# Trading & Settlement Procedure

When the securities are bought or sold, it must be settled within 2 days of the trade



At present **T+2** pattern is followed, which means settlement is made within 2 days from the date of transaction

This system of settlement is called **rolling settlement**

# Steps in Trading and Settlement Procedure

**(Purchase and Sale of securities)**





# Steps in Trading and Settlement Procedure

1. Selection of a broker.
2. Open a Demat account with the Depository Participant.
3. Placing order for purchase or sale of securities with the broker.
4. Execution of order through computer terminal.

  
**Muthoot Securities**

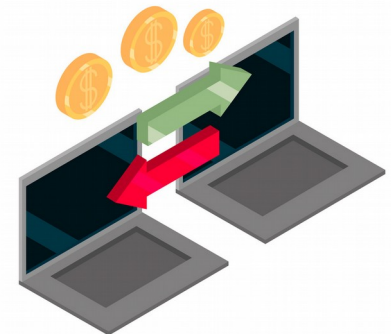
 **GEOJIT**

**UAE XCHANGE**  
Service of our Currency



# Steps in Trading and Settlement Procedure

5. Delivery of contract note to the investor, which contains details regarding name of security, number of securities bought or sold, rate at which the deal was made, brokerage etc.
6. Effecting changes in the Demat account.
7. Making/receiving payment of money.



# Advantages of online trading

**Ajith Kanthi Wayanad**  
[www.hssplustwo.blogspot.co](http://www.hssplustwo.blogspot.co)

m

# Advantages of online trading

## 1. Transparency

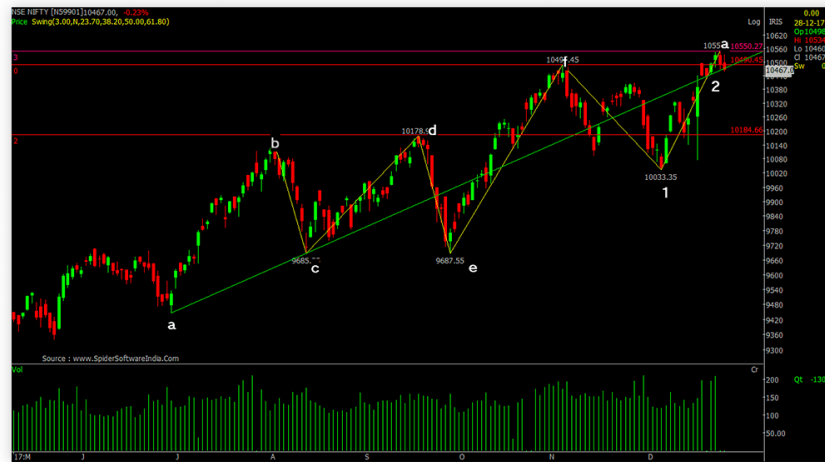
It allows the participants to view the prices of all securities on a real time basis



# Advantages of online trading

## 2. Efficient information

Computer screen displays the capital market developments that influence the share prices instantly



# Advantages of online trading

## 3. Efficient operations

It reduces time, cost and effort



# Advantages of online trading

## 4. Wide coverage

People from all over the world can participate in buying and selling of securities by sitting in front of a computer



# Advantages of online trading

## 5. Single platform

All trading centres spread across the world is brought into a single online platform



# Advantages of Online Trading

1. Transparency
2. Efficient information
3. Efficient operations
4. Wide coverage
5. Single platform







# **De-materialization and Depository Services**

# De-materialization and Depository Services

A depository is an organization where the securities of shareholders are held in electronic form at the request of the shareholders through the medium of depository participant



In the depository system, securities are held in depository account, which is just like holding money in a bank account

It is an electronic record of share ownership

# De-materialization and Depository Services

The depository system leads the capital market towards scrip less trading through de-materialization of securities



**De-materialization** is a process by which physical share certificates are converted into electronic form and credited in the investors account.

# De-materialization and Depository Services

To trade in de-materialized form, a **Demat** account is to be opened



The organization that offers this facility is called Depository Participant (DP)

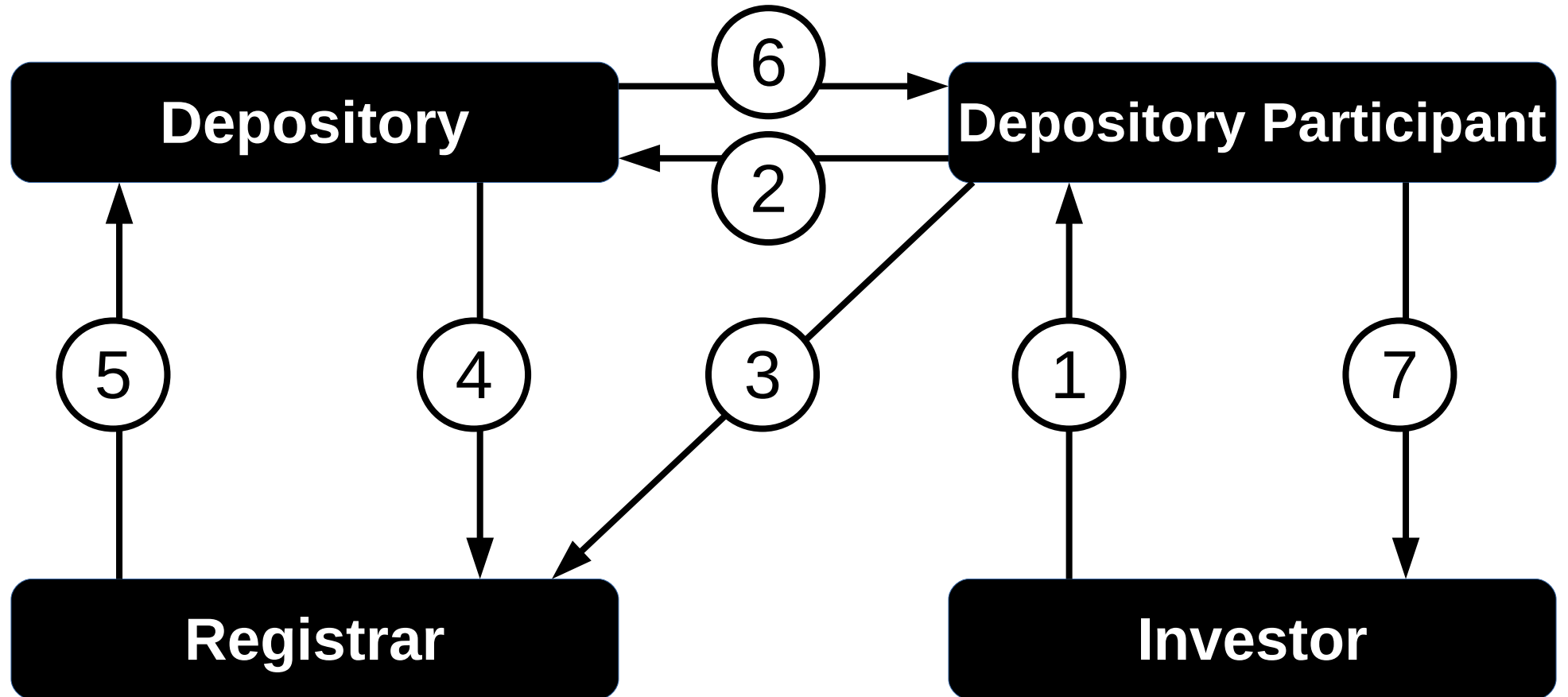
# De-materialization and Depository Services

In India, two depositories are operating in the market, namely, National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL).



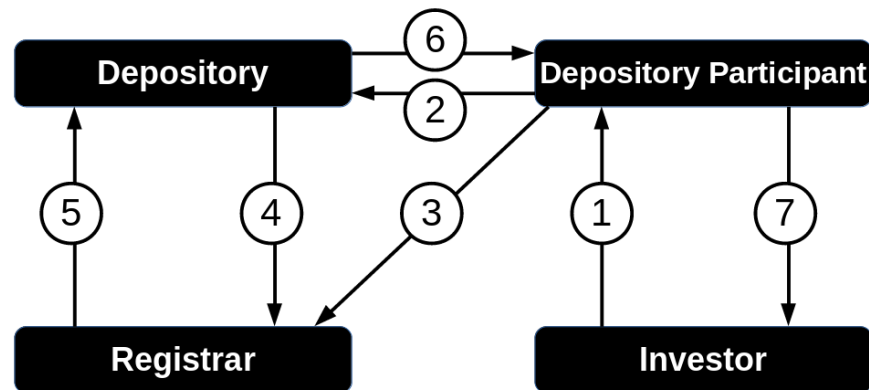
Many share brokers firms and commercial banks act as depository participants

# De-materialization Process



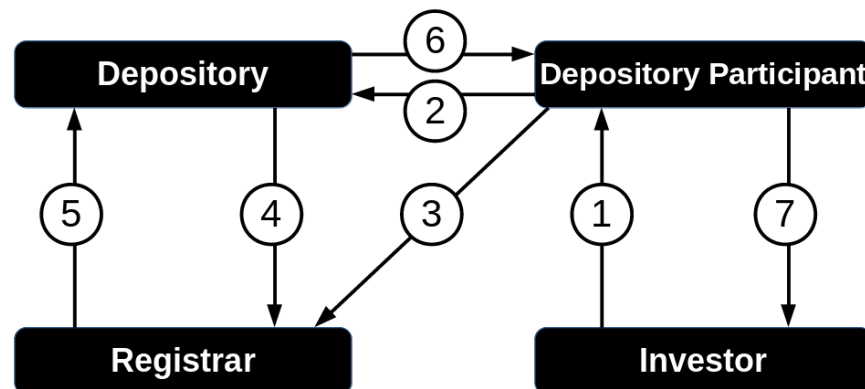
# De-materialization Process

1. Investors surrender certificates to DP for dematerialization.
2. DP informs the depository through electronic media.
3. DP sends original certificate to the Registrar for verification and cancellation.
4. Depository sends formal request for dematerialization to the Registrar.



# De-materialization Process

5. Registrar informs depository of cancellation of certificates and electronic credit given to the customer.
6. Depository updates its account and informs the DP concerned.
7. DP informs the customer about the credit in his account.







**National Stock  
Exchange  
(NSE)**

# National Stock Exchange (NSE)

Established in 1992 at Mumbai – set up by LIC, GIC, Commercial banks and other financial institutions with a paid up capital of Rs.25 crores.



Mumbai

# Features and Objectives of NSE

## 1. Nationwide coverage

Satellite linked trading facility

More than 6000 trading terminals in 370 cities



# Features and Objectives of NSE

## 2. On-line Trading (Electronic Trading system)

It has adopted a computer based trading system

Main computer at NSE is linked with the computers of trader members through satellite link



# Features and Objectives of NSE

## 3. Transparency in dealing

Screen based trading ensures complete transparency



Investors can verify the rate at which transactions took place



# Features and Objectives of NSE

## 4. Matching of orders

The computer itself matches the buy and sell orders of securities



# Features and Objectives of NSE

## 5. Trading in dematerialized form

Trading is carried on dematerialized form and settlement of transactions are made on rolling settlement basis (T+2)



# Features and Objectives of NSE

1. Nationwide coverage
2. On-line Trading
3. Transparency in dealing
4. Matching of orders
5. Trading in dematerialized form





# Segments of NSE

```
graph TD; A[Segments of NSE] --> B[Wholesale Debt Market]; A --> C[Capital Market Segment];
```

**Wholesale  
Debt Market**

**Capital Market  
Segment**

# Wholesale Debt Market

- 1) Debt instruments like government securities, treasury bills, PSU bonds, CPs and CDs are traded.
- 2) Transactions are wholesale in nature.
- 3) It involves high value.
- 4) Individual brokers are not permitted.



# Capital Market Segment

- 1) Retail market.
- 2) Shares and debentures of companies are traded.
- 3) Listing is provided to companies having minimum paid up capital of Rs.10 crores.
- 4) About 700 securities are listed.



# Bombay Stock Exchange (BSE)

**Ajith Kanthi Wayanad**

[www.hssplustwo.blogspot.co](http://www.hssplustwo.blogspot.co)

m

# Bombay Stock Exchange



Mumbai

# Bombay Stock Exchange (BSE)

- Established in the year 1875
- Voluntary non-profit association
- Oldest in Asia
- First one recognized by government
- Only one that has been granted permanent registration



# Bombay Stock Exchange (BSE)

- Premier stock exchange
- Trendsetter in stock market trading
- Companies having at least Rs.10 crores are eligible to be listed in **BSE**
- About 6000 scrips listed
- Securities are classified into many groups like group A, B, T and Z



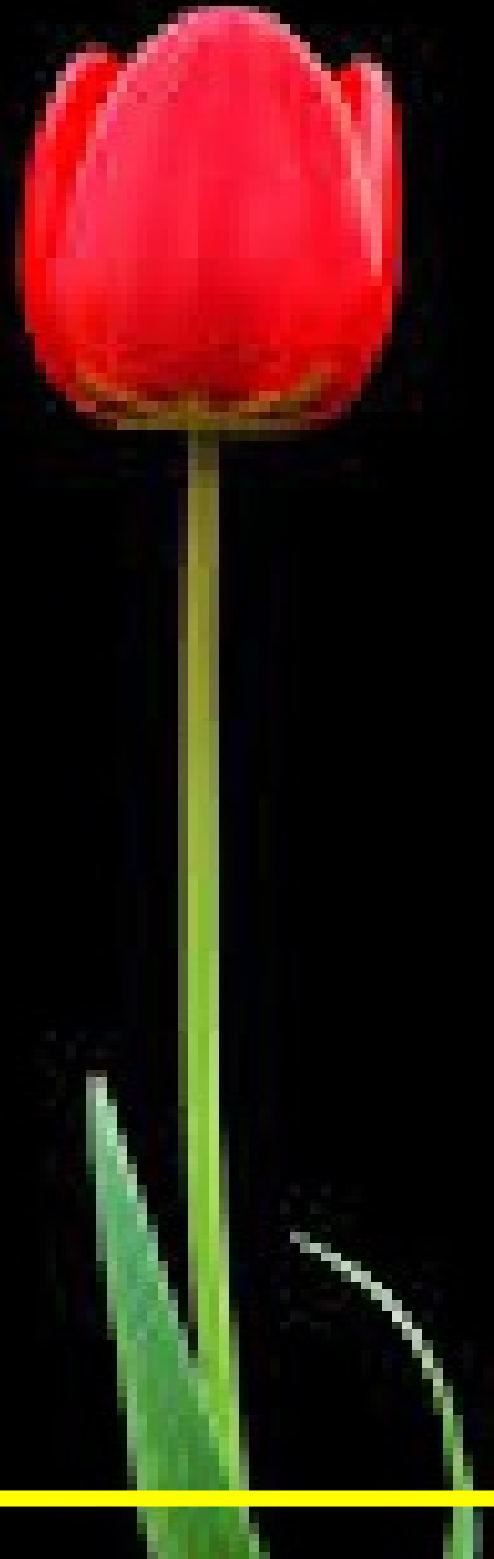
# Bombay Stock Exchange (BSE)

- “Group A” contains securities having good track record and large volume of business
- Traditionally trading was carried on outcry system
- In 1995 it introduced a screen based trading called **BOLT** (BSE On-Line Trading)
- At present BOLT has a nationwide network



**Securities and Exchange  
Board of India**

**(SEBI)**



# SEBI



Mumbai

# SEBI

- It is the regulatory and developmental agency of Indian Capital Market
- Established in 1988 based on the recommendations of G S Patel Committee
- It was made a statutory body under Securities and Exchange Board of India Act 1992



# Reasons for establishment of S E B I

During 1980's the capital market witnessed a tremendous growth due to increase in investor population

This hike in market capitalization led to various malpractices by companies, brokers, merchant bankers, investment consultants, etc.



# Reasons for establishment of S E B I

All these made huge losses to the ordinary investors and they have lost their confidence in this segment

This made Government of India to constitute a regulatory body known as SEBI.



# Common Malpractices in stock market

- a. Self-styled merchant bankers
- b. Unofficial private placement
- c. Price rigging (artificially inflating prices of certain shares by a group)
- d. Unofficial premium on new issue
- e. Non-adherence of provision to Companies Act
- f. Violation of rules and regulations of stock exchanges and listing formalities



# Purpose and Role of SEBI

SEBI was constituted by the Govt. of India with a view to create a favorable environment for efficient mobilization and allocation of resources through securities market





# Purpose and Role of SEBI

SEBI was constituted for the purpose of fulfilling the needs of three groups:

**1. Issuers** – SEBI ensures a market place where the companies can confidently raise finance in easy, fair and efficient manner.





# Purpose and Role of SEBI

SEBI was constituted for the purpose of fulfilling the needs of three groups:

**2. Investors** – Provides protection of their rights and interest by providing authentic information



# Purpose and Role of SEBI

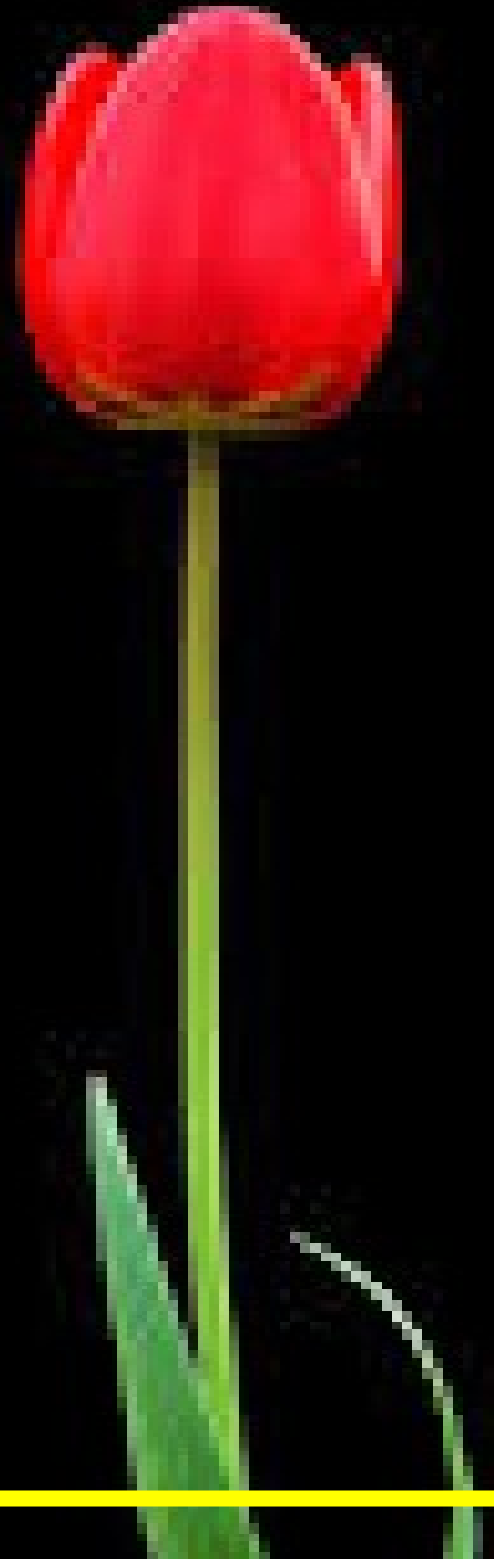
SEBI was constituted for the purpose of fulfilling the needs of three groups:

**3. Intermediaries** – Offers a competitive professional market by equipping intermediaries to render better services to the investors and issuers





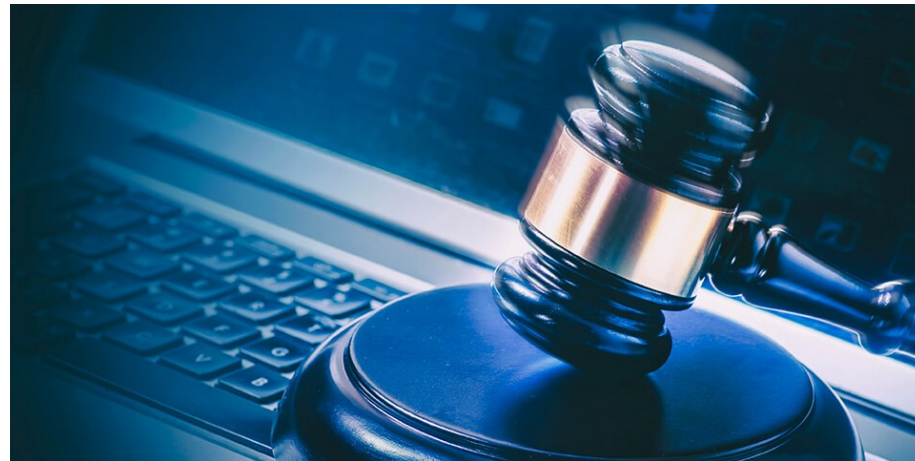
# Objectives of SEBI



# Objectives of SEBI

## 1. Regulatory functions

To regulate the securities market and ensure fair practices



# Objectives of SEBI

## 2. Protection of rights

To protect the interest of investors and thereby attract a steady flow of savings into capital market



# Objectives of SEBI

## 3. Prevention of malpractices

To prevent trading malpractices

**MALPRACTICE**



# Objectives of SEBI

1. Regulatory functions
2. Protection of rights
3. Prevention of malpractices
4. Develop a code of conduct





# Functions of SEBI

**Ajith Kanthi Wayanad**  
[www.hssplustwo.blogspot.co](http://www.hssplustwo.blogspot.co)

# Functions of SEBI

```
graph TD; A[Functions of SEBI] --> B[A. Regulatory Functions]; A --> C[B. Developmental Functions]; A --> D[C. Protective Functions];
```

**A. Regulatory Functions**

**B. Developmental Functions**

**C. Protective Functions**

# Regulatory Functions of SEBI

# Regulatory functions of SEBI

1. Registration of brokers and sub brokers in the market



# Regulatory functions of SEBI

## 2. Registration of investment schemes and Mutual Funds



# Regulatory functions of SEBI

3. Regulates the functioning of share brokers, underwriters etc.



# Regulatory functions of SEBI

## 4. Regulation of takeover bids by companies



# Regulatory functions of SEBI

5. Conducting enquiries and audits of stock exchanges





# Regulatory functions of SEBI

6. Levying fee or other charges as specified by the Act



# **Developmental Functions of SEBI**

# Developmental Functions of SEBI

1. Promoting investor education and training of intermediaries



# Developmental Functions of SEBI

## 2. Conduct of research and publication of useful information



# Developmental Functions of SEBI

3. Undertaking measures to develop the capital market



# Protective Functions of SEBI

# Protective Functions of SEBI

1. Prohibition of fraudulent and unfair trade practices like misleading statements, manipulations, price rigging etc.



## UNFAIR TRADE PRACTICES



[indianjudiciarynotes.com](http://indianjudiciarynotes.com)



# Protective Functions of SEBI

2. Controlling insider trading in securities to protect the interest of individual investors



Insider means the top officials of the company, who can make bulk purchase or sale for making huge profit on the basis of vital information such as declaration of dividend on a future date etc.



# Protective Functions of SEBI

## 3. Undertaking steps for investor protection



# Protective Functions of SEBI

4. Promotion of fair practices and code of conduct in securities market

**FAIR  
PRACTICE  
CODE**



# Stock Market Indices



**Ajith Kanthi Wayanad**  
[www.hssplustwo.blogspot.com](http://www.hssplustwo.blogspot.com)

# Stock Market Indices

Stock market index is a device, which reflects the relative change in prices of securities in a stock exchange



The general trend of the market can be measured by studying stock market index.

Eg: BSE Sensex (Sensitive Index), BSE 100, S&P CNX Nifty, S&P CNX500, CRISIL 500 etc.

# Stock Market Indices

BSE Sensex is calculated on weighted average basis of 30 shares, and Nifty applied in NSE is based on 50 shares.



Sensex – **S**ensitive Index

Nifty – The **N**ational Stock Exchange **F**ifty

*Prepared by:*

**Ajith Kanthi @ Ajith P P**

SKMJ HSS Kalpetta

Wayanad, Kerala

Ph: 9446162771, 7907712665

ajithkanthi@gmail.com



For latest updates, visit: **HssVoice Blog**  
[www.hssplustwo.blogspot.com](http://www.hssplustwo.blogspot.com)





**END**

BEST ANIMATIONS