Page 1
Date 20/6/18

(*) Indian Financial system
- Broadly classified as formal or organised financial system an informal or unorganised financial system

1. The Formal financial system comes under the various ministry of finance RBI, SEBI, and other regulatory bodies.
2. The informal financial system comes under moneylenders, neighbours, relatives, landlord, store owners.

3. Group of persons operating funds or association.

4. Partnership forms consisting of ~~co~~ local brokers, chit fund company.

Imp.
(*) Components of Formal Financial System.
1. Financial Institution - Banking, Non Banking, Te
2. Finance, Sectoral, investment
2. Financial Markets - Money market, capital market, Primary market, Secondary market.

3. Financial Instruments - A Intrument a claim aga or an institution for payment at a future d of a some of money or periodic payment in the form of interest or dividend. All fin instruments should be marketable and paidal

4. Financial Services - Borrowing & funding, lending & Investing, buying and selling Securities ma and unassing, make payments & settlements, and managing risk explosure.

A. FUNCTIONS OF FINANCIAL SYSTEM.

1. Mobilise and allocate savings
2. Monitor cooporate finance
3. Provide payment and settlement systems.
4. Optimum allocation risking bearing and reduction
5. Financial system makes, overall price related information
6. Lower cost of transactions and promote the process financial deepening and broadening → Refer to Building increa... Increase of Fin. Assets as % of GDP In no. Participants & Inst.

Imp

B. FUND based and fee based services.

1) Underwritting of or investment in shares, debenture, bonds of new issue (primary market activities)

2) Dealing in Secondary market activities.

3) Participating in money market instruments like commercial paper, etc.

4) Involving in equipment, leasing, HP, VC
5) Dealing in Foreign Exchange market activities

• Fee based activities

1) Managing capital issues (pre issue & post issue) in accordance with SEBI guidelines and enabling.

2) Marketing arrangements for the placement of capital and debt instruments with investment institution

) Arrangement of funds from financial institution for the clients project cost or his working capital requirement.

4. Assisting in the process of getting all govt and other clearance.

→ Financial utility to financial activism

At present financial system in India is in a process of rapid transformation particularly after introduction of the reforms in the financial sector.

The main objective of financial sector reforms is to promote and efficient competitive and diversity financial system in the country. This is essential to raise the allocative efficiency of available saving. Increase the return on investment and promote the growth of economy.

The financial system has witnessed changes in money market, security market, capital market, debt market, foreign exchange market.

New financial intermediaries have started functioning which include extending various services to investing public.

The emergence of various financial intermediaries and institution and regulatory bodies have transformed the fin service sector from being a conservative industry to a dynamic serve.

Camlin Page
Date 26/ 6 /18

⊛ Financial volatile to financial stability
- After the financial sector reforms various meas were initated like liberalisation, privatisation globalisation. In India, the deregulation interest rates were introduced to ensure a healthy competition pvt players and Foreign players were allowed in fin. system. by which a sort of stability was introduced to bring about stab in security market separate regulatory authority SEBI (Security exchange board of India) (1992) to regulate insurance sector IRDA was established by enacting 1999.

Scanned by CamScanner

Camlin Page
Date 28 / 6 / 18

2. INDIAN MONEY MARKET

(A) As per RBI defination, Money market Money Market is a Market for short term financial Assets that are close substitute for money facilitates the exchange of money for new fin claims for fin. market are also fin. claims already issued in the sec. market

(B) Features Money market
- Market purely for Short term funds or fin. assets
- It deals with Fin. Assets having maturity period upto 1 year.
- It deals with only those Assets with can be easily converted to ready cash which minimum cost.
- There are no authorised exchanges in money market.
- Transaction have to be conducted without the help of brokers
- Money market is not homogenous market i.e. it contains various sub-markets.
- The participants in money market include RBI comm. banks, non-banking fin. companies, discount and acceptance houses.
- MM provide parking places to employ Short term funds to provide room for overcoming S.T deficit.

Scanned by CamScanner

To enable central bank to regulate liquidity through its interventions and to provide short funds at reasonable cost

(x) IMPORTANCE OF MONEY MARKET

Money Market is an important part in a country economy a developed money market helps the smooth funtioning of the fin. system in any economy in the following.

1) Development of trade & Industry
- Money market through discounting operations finance the working capital requirement of trade and industry.

2) Development of capital market
- Depends upon the existence of developed money market as short-term interest rates infludes the long-term interest rates and reserves mobilisation in capital market.

3) Smooth Functioning of commercial banks
- Money Market provides commercial banks with facility for temporary employe there surplus funds in easily realisiable Assets. it enables commercial banks to meet there statutory requirements of SLR and CRR throug money market requirements ~~through~~. effective mechan

Date 27 / 6 / 18

4) Effective central Bank control
- Develop money market helps the Central Bank to effectively implement the monetary policy by which they can regulate the flow of money in the economy.

5) Conditions prevailing in the money market serve as the true indicator of monetary state of economy as such it provides a guide to the govt for formulating a monetary policy of economy.

6) A develop money market help the govt to raise short term funds to the treasury bills ~~total~~ in the market by which the govt need not print press currency notes

Composition of money market

- Money market is not a homogenous market it consists of various sub-markets like

1) Call money market
2) Commercial bills market
3) Acceptance market
4) Treasury bills market

DEffects of money market

1) The money market consists of organised and Unorganised market in India one of the major defects is the existence of unorganised market which do not follow the condition prescribed by RBI.

2) In India there is absence of organised & Unorganised market as such the diff. markets in money market are losely connected with each other.

3) One of the major defects in money market is diversity of interest rates by which funds for one section of the market are not easily available for another section of the market

4) Seasonal requirement funds
- Demand for money in MM is of seasonal in nature.

Imp

Participants of money market

Following are institution which can take part in money market

1) Central and State govt.
2) Public Sector undertaking
3) Private "
4) Mutual funds
5) Insurance Co.
6) Primary dealers
7) Non-banking fin. co.

Date 28 . 6 . 18

A/P

- Money Market instruments

Following are the importance money market instruments of security.

1) Call money
2) Treasury bills
3) Commercial paper

- Is issued in PN it always issued at higher values at discount. They are short term instruments highly reputed companies and are transferable endorsement & delievery.

4) Certificate of deposits
- Short term instruments issued at disc by comm. banks and fin. institutions.

5)

- Reforms
- To improve money market indian money market is highly violatile on the recommendations of narsimham committee RBI initated reforms in the Indian money market introducing new market instruments like C of D, CP, deregulation of interest rates, reduce / remitting the stamp duties.

- Sector specific refinance
- Introduction of REPO transactions
- Introducing MM, MF
- Setting the discount or finance in India.

- RBI cent estd / SEBI details, Organised / Unorganised mkt

Fin. sect reforms, components fin system, advantages, features, defects C of D, money mkt, distinguish.

Scanned by CamScanner

* Bill market

- Bills are a promise by the borrower to creditor to pay there are 3 types of bills promisory notes, bill of Exchange, treasury bill

* ~~Sec. 138~~ Capital market

- Dealing in medium and long-term funds which also provides facilities for marketing and trading of security it includes all long-term borrowings from banking and fin. institution Borrowing from foreign market rising of capital issuing various securities, shares, debentures, bonds. Capital mkt has two interdependent segments namely primary market and Secondary market.

→ PM - consists of arrangements which facilitate long term funds for co. by making fresh issue of shares & debentures. The type of activities done in primary market include private placement offer for sale by making public issue.

→ SM - also known as stock market or stock exchanges when shares and debentures are traded. The major players in primary market includes mutual funds, fin. institutions, an individual investors, in sec. market. Apart from place in primary market, Stock brokers, and members of Stock exchange are there.

(*) Capital . M & Money . M.

Long	Short
1) Nature (Formal)	Informal

2) Types of institutions
3) Risk factor
4) Liquidity
5) Purpose
6) Time
7) Merits (less)
8) Return (more) on investment

(*) Equity Shares signifies the total capital of a of a company and it also signifies ownership in a company and represent ~~players~~ claimed over cooperation and represent financial Assets and Earnings of cooperation.

(*) Preference shares signifies the claims of shareholders to be before the other liabilities. that instruments is an arrangement in which the issuer agrees to pay interest and repay the borrowed amt after a specified period of time. All the instruments having F.R of Inco agreed rate of interest that instruments with the maturity more than 5 yrs are called bonds then

Global Depository Receipt

- Is a $ dominated instrument in Europe or USA or both it represents a certain number of underlined equity shares. Though GDR is quoted $ the underlined equity shares are denominated in Rs. The shares are issued by the company to an intermediary in whose name is depository. Subsequently issues the GDR.

Derivatives

- It security is a value depends upon the value of other ~~basic~~ variables backing the security. DS is basically used as risk mgmt tool and it is resorted to cover the risk due to price fluctuations. Its instruments consists of Forward contracts future contracts, auctions, swap.

ADR

Is certified negotiable instrument issued by an American bank suggesting the number of shares of a Foreign Co. that can be traded in US financial market. It is a security issued by US ~~bank~~ to domestic firm as a substitute for direct ownership of stocks in foreign companies. ADR are traded on a major stock exchange like new york stock exchange. They are dollar denominated negotiable certificate Owned only investor who are resident in U.S.

(A) SIGNIFICANCE OF CAPITAL MARKET

- A well functioning Stock market may help the development process in an economy through following channels

1) Growth of savings
2) Efficient allocation invest resources
3) Better utilisation are existing resources

In India, fin. markets Institutions provide the avenue by which long term savings are mobilised and channeled into investments. The confidence of the investors depend upon the performance of stock market and market index is the barometer of the performance of any company. Stock index provide investors with the information regarding the average share price. The stock price of any company depend upon company specific, industry, economic.

(B) Role of capital markets in India

- As grown on amount of several parameters like amount rates, no. of stock exchanges, and intermediaries, listed stocks, market turnover, trading volumes, market capitalisation, instrument, investor population, issues, intermediary people. Capital market primarily consists of debt and equity markets contributing significantly to mobilising funds to meet public and private companies finance and requirement. Introd of exchange trades derivatives trades like future, forwards, option, swap contracts has enabled investors to hedge there position and minimize there risk.

(iv) India compares well with other emerging economies in terms of sophisticated market design of equity spot and derivatives widespread retail part^n and liquidity aspect SEBI also has undertaken measures like insisting on submission of compliance reports monitoring cooperate governance on A/c of role of capital market there is a considerable growth in the economy in terms of job, global integration, On a/c of reforms factors like foreign capital inflows the Indian market have become globally competitive in terms of pricing efficiency and liquidity. In addition to resource allocat cap mkts also provide medium for risk mgt by allowing the diversif of risk. adop cooperate governance principle for this SEBI came out various ~~reforms~~ ~~to~~ attract flow of foreign investment like FDI, institutions investors.

(v) Role of capital market posed U.S financial crisis in 2008.

- In 2008, there was a major crisis in U.S fin. market by which it had an impact in the entire glob most of the fin. lending in majority of the countries abroad are based on sub-prime mortgage.
- Well funtioning capital market improved
- information quality played a major role encouraging a adoption of stronger cooperates. governance principles trading environment which is founded on integrity making it possible to obtain financing for capital intensive projects with long gestation period.

@ Stock Exchange

It is a term used for secondary market were different types of existing securities, shares, debentures, bonds, govt. issue can be bought and sold on regular basis. A Stock exchange is generally organised as a association society or a company with limited no. of members.

Securities contract regulation act define stock exchange as an association organisation or body of individuals whether incorporated or not established for the purpose establishing, regulating, controlling business, buying, selling, and dealing in securities.

~~the~~

The main features of stock exchange are

1) Organised market
2) It is a place where existing and approved securities can be brought and sold
3) Stock exchanges transactions takes place between its members or there autorised agents.
4) All transactions are regulated by rules & regulations of the concern stock exchange.
5) It makes complete information available in regard to prices and volume of transaction taking place everyday.

Scanned by CamScanner

(*) FUNCTIONS

1. Ready and continous market.
2. Wider avenue of investments
3. Investments priorities i.e stock exchange provide various options with regard liquidity and marketability.
4. Provide information about prices and sales.
5. Provide safety dealings investments as S.E are regulated by SEBI which is the regulatory authority of securities mkt.
6. Barometer economic and bus' condn
7. Helps in mobilisation of savings & capital fo
8. Financial resource For public and private se
9. Funds For development purpose like power projects, telecommunications, infrastructure development.
10. Indicator of industrial development.
11. Better allocation of funds

* All this S.E in india have to regonised u sec contract reg. Act and by SEBI and by law the exchange has to be approved by the govt. All this stock exchanges makes regul under SEBI A It will granted by cend. govt if the by law of S.E enshure fair dealing and protect the interest of the investors.

(4) Renewal of Recognition
IF any stock exchange intense to renew its recognition it must once gain make an application to central government in the manner specified 3 months before the expiry of the period registration.

In India, the stock exchanges were originally a mutually owned association after the financial sector reforms all the stock exchange are been converted to a company owned by shareholders. This process of conversion is called De-mutualation. It can also be defined as transforming the legal structure of an exchange from a mutual form to a business cooporation. In India, the members of the S.E were functioning has owners, managers and traders after de-mutualisation all these 3 functions have been separated. The examples of de-mutualised S.E are

1. NSE
2. Over the counter exchange of india
3. The recognised S.E by a govering board consisting of elected member directors from stock brokers members public represent and govt nominee nominated by SEBI

The Govt has also the power to Nominate presidents, VIP, of S.E and to approve the appointment of C.E.O. In India, the major stock exchanges are managed by chief. Ex. director and smallest S.E are under the control of Secretary. The governing board has wide powers such as selection of office bearers, like and settling up of committee like listing committee, arbitration, and defaulter

2) Admission of expansion of members.
3) Management of properties of finance of exchange.
4) Framing and interpretation of rules bye-laws for the regulation of S.E.
5) Adjucation of disputes amongs members or outsid
6) Management of the affairs of the exchange in the best
interest of the investors to become a member of a
recognition Stock. Exchange the foll qualifications
citizen of India, he should not be 21 yrs &
than. He should not have been adjusted as
bankrupt or insolvent. He should not have been
convicted for an offence involving fraud. or dishon
he should not be engaged in dealing any other
business other than security. He should not
have been expect or declare by any other
S.E apart from individuals a company satisfyi
all the criteria can become a member a
S.E.

NSE

- of India was incorporated in november 1992 which
an equity capital of ₹ 25 crores and promoted
by IDBI, ICICI, LIC, GIC, SBI, etc.

- It has the foll. objectives

1. To establish nationwide trading facility for
equities, debt, and hybrid instruments or
security.

To facilitate equal access to investors across the
country to provide transparency in security
training.

Scanned by CamScanner

3. Providing well efficient and transparent securities market to investor's using electronic - training system.

4. Enabling shorter settlement cycle and book entry and settlement system.

5. Meeting the current international standards of securities market. NSE guides the industry towards you orizon and greater opportunities

6. In order to encourage and institutional market were large volume trade come up for settlement to additional market segments like institutional lot segment and trade for trade have been setup.

7. The board of NSE comprises of senior executives from promoter institutions professionals in the field of law economics accountancy, finance, taxation, etc. 3 nominees of SEBI including senior official of SEBI and one full-time executive of exchange. While the board deals with board policy issued decision relating to market operations are delegated by the board to an executive committee. articles of association and rules the executive committee has 4 brokers members who are nominated by board of NSE laydown there experience in stock market and represent different regions. The day to day in gut of Exchange board is delicated to the managing director supported by the team of professional staff. NSE offers wide range of products and services in the equity, debt, and derivatives segment of the market off below

a) Indices
b) derivatives future and option.
c) Computer to computer link facility
d) Internet based trading
e) IPO
f) Mutual fund
g) MF service system
h) Exchange traded funds
i) Index funds
j) Working capital funding
k) Direct payout to investors

(A) BOMBAY STOCK EXCHANGE (1875)

- Is the oldest Stock Exchange in Asia and it was established in the early 1875. It is under the control of the governing body consisting of 19 directors including and RBI Nominee 9 directors executive director and one 5 houses public are elected by brokers and it has more than 700 representatives and they have started admitt individual members

BSE has 3 segments

1) Equity segment under which over 8000 company are listed in this segment the shares are classified in 3 categories

a) Group A shares – Large equity base highly liquid and good performance.

b) Group B1 Shares – Sound Financial conditions, li liquidity, equity of 3 crores

c) Group B2 Shares – Equity below ₹3 crores, low trading and financial cond[n]

2) Debt segment - deal in debt securities and are classified as F segment and G segment deal with all corporate debt securities and G segment deal with government securities treasury bills, pub. sector undertaking bonds.

3) Derivatives segment - This segment is only for derivative trading. SEBI has permitted derivatives products like index futures, currency futures, interest rate futures. The major indices of BSE are SENSEX, BSE National index. In 2018, corporate Bond trading platform has been setup in BSE to develop pvt. corporate debt market

4) &

2. EQUITY MARKET

(A) DEFINATIONS
- In equity market can be categoried as primary or new issue market and secondary market.

- Primary mkt is the market were the securities are issued for the 1st time i.e. IPO and FPO

- Sec. MKT were the securities are issued in primary market are traded in BSE and NSE.

(*) Functions of primary market
1. The main function of P.M is to facilitate transfer of resources from savers (Individuals, com. banks, insurance co.) to users (pub. ltd, govt.)
The main functions of P.M can be divided to 3 service functions
1) Origination - which refers to the work of investigation analysis and processing for new projects proposals this function starts before and issue is actually plotted in the market

2) Underwriting - It is an agreement were by we underwriter promises to subscribe to specified no. of shares and debentures on a specified amt of stock in the event of public not subscribing in the issue. If the issue is fully subscribed there is no liability to the underwriter. offer for sale

3) Offer for sale : Consists of outright sale of securities through intermediaries of issue i.e. brokers, in other words, the shares are not offered to public directly.

4) Private placement - Under this method, issuers and brokers buy the securities outright with the intention of placing them.

(*) Different kinds of issues in primary market

1. Inital public offer - In case of unlisted company or an offer of sale of existing securities for the 1st time to the public.

2. Follow on public offer or Public Issue - By listed company. This type of offering is public issue of shares for already listed co. (Raise funds for company)

3. Right issue - it involves sale of securities in the primary market by issuing to the existing share holder. When the company issue additional shares it has to be offered in the first instance to the existing shareholders on a pro-rata basis

4. Preferential issue like qualitative investment placement or qualitative investment buyers. It is an issue of an equity by a listed co. by selected investors at the price which may or may not be prevailing market price.

(*) Entry norms for primary market foll. are guidelines of SEBI for entry into primary market.
. Track record of the company for minimum 3 yrs before the issue.

For manufacturing company appraisal project done by a public financial institutions.

For banks 2yrs of profitability For issues above 1yrs

IPO
Is a way of raising money from general public by offering a certain fixed no. of shares. Initial Public offer is normally made in the primary market. The Shares offered in the primary market after the Subscription is over is to get listed in Stock exchange. IPO can be called as company going public. Most of co. IPO offer the Shares at premium or rarely at Par or discount. IPO helps to identifies the real value of a company by the Amt of Subscription make for the issue. For any IPO, services of merchant Bankers and underwriters are required for any company to come out for IPO has to obtain permission from SEBI and SEBI will grant permission only if the company is credit rated by Agency approved by SEBI and governed. For every IPO, services of registrar, merchant bankers, underwriters are required and For every IPO. It has to be clearly defined openly and closely date of subscription the Process involving IPO should be completed within 21 working days. From opening date of subscription and after the finalisation company has to get these shares listed in S.E.

ASBA - App Supported by block Amount

Camlin Page
Date / /

* Book building :- The issue price of the and bookedemand generated in the process in book building method the issue price will not be decided initally. The introduction of B.B was done in 1995 and SEBI expected the recomendation of the committee appointed for this purpose that B.B route should be opened to issue a company certain terms and conditions. The principle intermediaries in a b.b process are the companies book running lead managers syndicate members regstd with SEBI. As intermediary and eligible to act as underwriter. The book building process is undertaken basically to determine the investor appetite for particular share and price. This process is normally understaken before making a public offer. It helps a determine a issue price the no. of shares to be issued.

* Role Merchant Bankers
- For every public offer or issue is mandatory issues have to be managed by merchant Bankers. These bankers are the most important intermediary in the process of issue mangmnt. they perform the following services.

* Corporate Councelling
- It involves all the activities related setting up of a project it involves only giving opinion and suggestion or maintaining study growth. It doesnot involve financing.
- Project councelling involves preparation of project reports deciding financing pattern apraising project

report with financing institution. Organising for government approval getting financial assistance from institutions.

- Loan syndication refers to assistance rendered by M.B, to get mainly term loan for projects from a single development bank from syndicate of Fin. Institutions.

- Post issue mgmt involves statement of a/c receives from bankers deciding allotment pattern or refund orders. All the process relating to issue including listing of shares in S.E

UNDERWRITING OF ~~ISSUE~~

As to be completed within 21 working days from the date of issue pub. offer

UNDERWRITING PUBLIC ISSUE

- Every lead manager have to underwrite mandatory 5% of the issue.
- Managers consultant or advisor to the issue the merchant bankers act as advisors consultant or managers to the issue and SEBI has prescribed that every pub. offer mandatory manage by the M.B.
- Role of M.B also involve in the portfolio i.e. managing basket of securities.
- Every M.B accepts portfolio management service don deal any fund-based activity

* Green shoe option

- It means an auction of allocating shares in excess of the shares included in the public issue and operating opposed disting price stabiling mechanism for a period not exceeding 30 days. This is an arrangement where in over allotted to the extent of 15% of the issue size. From the investors point of view an issue with green shoe option provides more probability of getting shares and also that post listing price may show relatively more stability. This option will allow underwriters to sell upto 15% more then the original number set by the issuer depending upon the market conditions. The underwriters always paid a % of the IPO as such as they will be listed in making it as big as possible. The prospectus of the issuing company should spell out the actual % and condition related to the if the IPO is success and the stock price increases the underwriters may exercise the option by buying shares from the company at pre-determined and sell them at profit. In case, the price fall the writers will buy back the shares instead of the company to cover there position and support in stock price.

* Issue of Bonus Shares.

The term bonus issued also called as stock dividend paid to shareholders from additional profits. If the profits get accumulated the company may decide to share the same between existing shareholders in form of bonus or bonus shares.

Scanned by CamScanner

- A bonus shares is a share of stock freely given to current shareholders based upon the no. of shares the shareholders already owns issue of bonus shares increase the total number of shares.

Ⓐ Advantages of Bonus shares

1. By issuing b.s co. can retain earnings and there will be no cash outflow.

2. By issuing B.S the company will be able to keep earning per share at the reasonable level.

3. It increases the marketability of company shares as well as improves prestige.

4. It helps in financing projects for expansion.

(Benefit to shareholders)

Ⓐ Benefit of the shares

As the dividend is paying in the form of bonus shares, shareholders, will have no tax liability. Issue of bonus shares to shareholders indication of hire profits there will be increased in quick dividend and any company issuing bonus shares will be a positive sign of a market

The main disadvantage of a bonus issue is that the expectation of shareholders for increase returns will continue and bonus shares will prevent new investors. Issuance of B.S depends articles of association of the company.

(C) Rights Shares

Right to issue involves selling securities in primary market by issuing right to the existing shareholders on a pro-rata basis. To accept the offer it depends upon the choice of existing shareholders. The number of right that a shareholder gets = no. of shares held by him. The offer of his right is negotiable. The price of right issue is generally lower than the market price.

(A) SWEAT EQUITY SHARES

Are shares issued by a company who is directors of employees at a discount or for consideration other than cash for providing for know how for making available nature of intellectual property rights. This type of shares are issued to those employees who contribution lead to value edition for co. A special resolution for the BOD's has to passed authorising the issue the amount of sweat equity shares shall be treated as part of managerial remuneration the company has to disclose every year the issue of sweat shares. Every company has to call for general meeting for the purpose of issuance sweat shares which reason for same: Issuance of sweat shares compared on applicable accounting standard Bishop means employee stock ownership land is a type of employee benefit land which is intended to encourage to acquire stock or ownership in the company. This type of plans are aimed at improving the performance as full as minimizing problems related to incentives. This type of shares are paid remuneration

It may be accept by the custody of company with employees themselves. This type of offer provided by company may allow certain cases voting rights

Ⓐ INDIAN DEBT MARKET

- The debt market is where debt instruments for traded of types of assets were a fixed payment is made to the instrument holder returns in the debt market are in the form of govt securities or government issued bonds or cooperate bonds or securities. debt market india can be classified as
 1) Govt. sec. market were govt basis shortterm longterm funds by issuing sec. such as treasury bills govt dated. It is issued by central or state govt. and the investors will be mostly fin. institutions. Security carry less risk and payment of interest is guaranted by government
 2) Cooperate bond market are the markets by pvt and public cooperation. The investment in Cooperate bond does not have ownership interest unlike an equity share

ADVANTAGES

1. It is a Source of finance for garment as well as coopera
- Assured return
- Risk free as the govt bonds are guaranteed
- Investments in debt instruments facilitated tax exemption from the income of the investor
- Investment in debt market will be on the information were the principal and interest amount to be paid is know well in advance.

DISADVANTAGES

1. The main requirement of a company or govt is that there should be rated positively by credit rating agency.

2. Amount in debt market as to be repaid with interest irrespective of the performance

3. The returns in debt market are comparatively low.

The debt market in India for govt. sec. and bonds are regulated by RBI and SEBI if the regulator for Indian corporate debt market

(B) Debt instruments. as follows

1) Money market
2) Govt. Security
3) Corporate bonds

1) Money market instruments - Treasury bills are short term borrowings of cent. govt. and bills are issued through RBI they are risk free instruments which maturity of 3 months and one year. Treasury bills are normally issued at discount. In India, govt of India issues 3 types of treasury bills through namely

1) 91, 182, 364 days
2) COD are issued by commercial bank as well as fin. Instit for mobilising short-term funds. The face value of this instruments are very high and or allways issued at discount.

3) commercial paper are short term promissory notes issued by corporates and financial institution etc. discounted value for short-term period. maximum upto 270 days.

They are unsecured promissory notes issued for the purp of financing a/c receivables, Inventories and meeting short-term liability.

4) Repurchase Agreement - Are also called as repo transa or reverse repo transactions. It is normally done between commercial banks RBI were in RBI will provide finance against securities available with commerci banks any change in the repo rate will have an imp in banks lending rate to the customers.
Govt. sec. are issued by central & state govt. The Go may be dated securities. which are long-term ins carrying fixed or ~~protein~~ routine rate of Interest payable at fixed time intervals.
Other type of govt. sec. cash management bills in consultation with RBI to meet the mismatch of cash of govt. then corporate Bonds are issued by pvt and public corporates for various purposes like expansion of industries and for growth corporate bon are normally issued which fixed rate or depending upon the situation may be issued on routine rate of interest.

Corporate debt Instrument/market and Role/future
The securities issued in co-operate debt market are not backed by government. There is a risk of default. The importance of coporate debt mkt for economic development is to maintain stable financial system by supporting the banking system to meet three long-term capital requirements, to meet financial needs of the coporate excess to corporate debt market, enables new class of investors and promote diversification of Investment of Investors

Enables the corporate debt market reduces the pressure on bank lending as the corporates can access funds directly from the debt mkt.

Derivatives Market

Securities contract regulation Act, 1956 define derivatives in the following manner include a security derived from a debt instrument share loan risk instrument or contract for differences or any other form of securities which derives its value from the prices or index of prices of underlined securities.

Benefits of derivatives

It reduces risk which increases the willingness to hold the underline. It enchance the liquidity of underline asset market. Derivatives lower transaction cost it enhance the price discovery process. It provides information on the magnitude in which various markets indices accepted to move it help the investor to adjust the risk and return of the portfolio.

Participants in derivatives market

There 3 types of traders in D.M.

Hedger – It is position taken in order to offset the risk associated with some other position. A Hedger is someone who faces risk associated with price ~~women~~ movement of an asset and uses derivates with means of reducing the risk a hedger is traded who enters the future market to reduces a pre-existing

Speculators

- While hedger are interested in reducing or eliminating risk speculators buy and sell derivatives to make profit and not to reduce risk. Speculator willing take increased risk as they take wish to reduce risk metting on future price. Future and option contracts can increase an losses in speculative ventures. It is important as they help ensuring a accurate pricing and to maintain price stability and they bear risk no one is willing to take. ~~Arrigeurs~~

ARbitrator

- It is person who enters into transactions two take advantage of this price discrepancy in this market.
eg: If the future price of an asset is very high relative to cash price and arbit treasure will make profit by buying the asset and simultaneously. Arbiterging involves making profits from relative mispricing they also help to make markets liquid ensure accurate and inform pricing and price generating.

TYPES

1. Forward contracts - It is customised contract 2 party settlement takes places on a specific date in the future at price agreed today they are over counter traded contracts.

① FORWARD	FUTURE
① It is customised contract in the sense terms of contract like quantity, price, period, date, delivery conditions can be negotiated between parties according to that convenience ~~on the~~	① It is standardized contract where all the terms of the contract are standardized and they cannot be altered to requirements of party concern.
② It cannot be traded on a organised stock exchange as such there is no secondary market.	② Being, standardized is always traded on stock exchange.
③ Forward contract is always settled only on the date of maturity.	③ It is settled on the daily basis irrespective of maturity date i.e. it is marked to market basis.
④ It requires the help of an intermediary like bank, there is no ④ of 3rd party in future contracts as it facilitated through organised Exchanges	④ In case, F.C forward the party involved need not pay any money while entering into agreement. The parties involved future-C are

(5) In case of forward contract delivery of asset is essential from the date of maturity whereas in c..

(5) In F.C the ... exchange the differ... between future and price maturity.

(*) Types of Derivaties

1. Option - It is a type of contract which gives the buyer and option to buy or sell and underline asset like stock, bond, commodity, currency at predetermined price on or before a specify date a price so determined is called as strike price or exercise price. In an option contract a seller is usually refer to as a writer since it said to write the contract. The most important are Follows;

▷ Call option - Is one which gives the option holder the right to buy and underline asset on or before. In this case the writer of a call option is under a obligation to sell that asset in case the buyer exercise the option to buy i.e. obligation to sell arises only option is exer..

▷ Put option - Is one which gives the option holder is right to sell arises only when on or before specify date in future. In this writer of put option is under obligation at the exercise price provided the option holder the exercises the option to sell.

3) American option - which can exercise at anytime between the entity of a contract till expiry

4) European option - This contract which can exercise only at the time of maturity.
In an option contract all the contracts must be supported by a consideration which is called as premium.
The premium is nothing right to sell or buy i.e. the price required to be pay.
Premium is the max amt to which the party to which to the option contract are exposed. and the risk will be limited to the amount of premium. ~~The feature~~

(A) Features of Option
1) option are highly standardized contract which can be traded only in organised exchanges

2) Option contract must be supported by a some of money called premium.

3) option contract terminates either at the time of exercise by the option holder or maturity. settlement is made only when the option is not exercise till maturity the contract will automatically lapse.

4) In option contracts, there is no obligation to buy or sell only are right to exercise buy & sell during period of contract.

Camlin Page
Date / /

5) Profit / loss are not ~~semetrical~~ cross that means gain is not equal to loss.

(*) Types of underlying assets
1) ~~They are~~ Currency
2) Commodities
- It can be classified as hard and soft commodities. Hard commodities consist of Crude oil, timber, Rubber, soft commodities consist of agricultural products wheat, soy, palm oil, coffee.
In derivatives market the underline assets like gold silver can also be consider.

3) Equity Market
- It provides a base for underline assets and any transactions in derivative market will depend on price moment.

4) Indices
- All are the underline assets which have to be traded or affected by different factors so it is important for proper diligence is exercised.

Over the counter exchange (O.T.C.E)

- Was incorporated in 1990 and it became fully operational in September 1992.
- Over the counter exchange is recognised by govt of India are recognized stock exchange Sec 4 of Securities contract regulation act 1956
- It is a national ringless computerised exchange were the trading will be screen based OTCE deals with equity shares prefer, bonds, debentures.

- Participants OTCE will be companies, registrar, settlement bank. Every investor is required to registrar with OTC prior to trading. In case of OTCE both parties buyer and seller are transactions of selling. In case of buyer as to make payments and get a counter receipt in case of selling. Counter receipt and transfer to be submit by the trader.

SWAP

Is an arrangement to achieve the benefit arrising fluctuations from market. or int rate or any other market. It is any nother forward. C and requires to parties with equ and opposite need must come into to contract with each other

Scanned by CamScanner

Camlin Page
Date / /

(*) Commodity market

- In India commodity training is regulated by forward market commission, headquarter at Mumbai it is a regulatory authority which is overseen by ministry consumer affairs and public distribution and government of India Forward.M.C is a statutory body setup in 1953 under the forward contract regulation act. The major commodity exchanges are

1) Bombay Commodity Exchange Ltd. the mainly for different types of oil the Spices and oilseeds exchange Ltd. for turmeric

3) Ahmedabad. C.E for cotton seed, castor seed.

4) Indian pepper & Spices trade association Kochi for domestic pepper and black pepper then East India Cotton Association Mumbai

5) National multi-commodity Exchange of India. Rice, sugar, diff dals, etc

6) Multi-commodity exchange of India Ltd. for various types of oil, rice, wheat, Toor dal and so on.

There are various Inter. com. exe. namely NY, Merchantile Exchange, London metal Exchange, chicago board of trade, tokyo

In commodity exchange all the type of exchange a done through dematerealisation documents.