
Securities Market

An overview

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ROAD MAP

- OVERVIEW OF SECURITIES MARKETS IN INDIA
 - PRIMARY MARKETS
 - SECONDARY MARKETS – TRADING AND SETTLEMENT PROCESS
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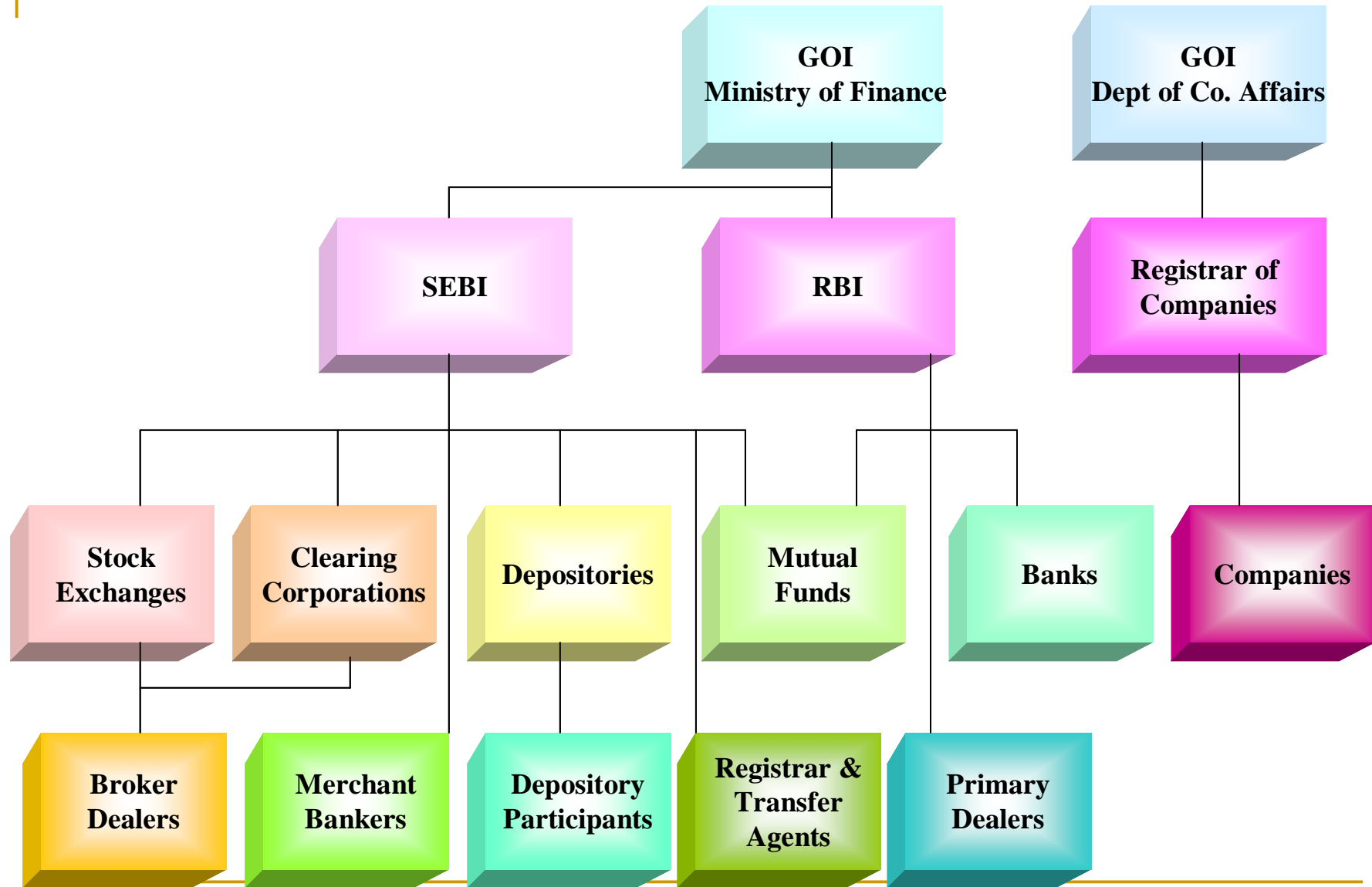
Product & Participants

- Need of securities market
 - Securities market provides channel for reallocation of savings to investments and entrepreneurship.
 - Savers and investors are not constrained by individual abilities but by economy's abilities to invest and save.
 - Categories of Participants
 - Issuers of securities
 - Investors in securities
 - Intermediaries
 - Products
 - Services of Intermediaries
 - Securities
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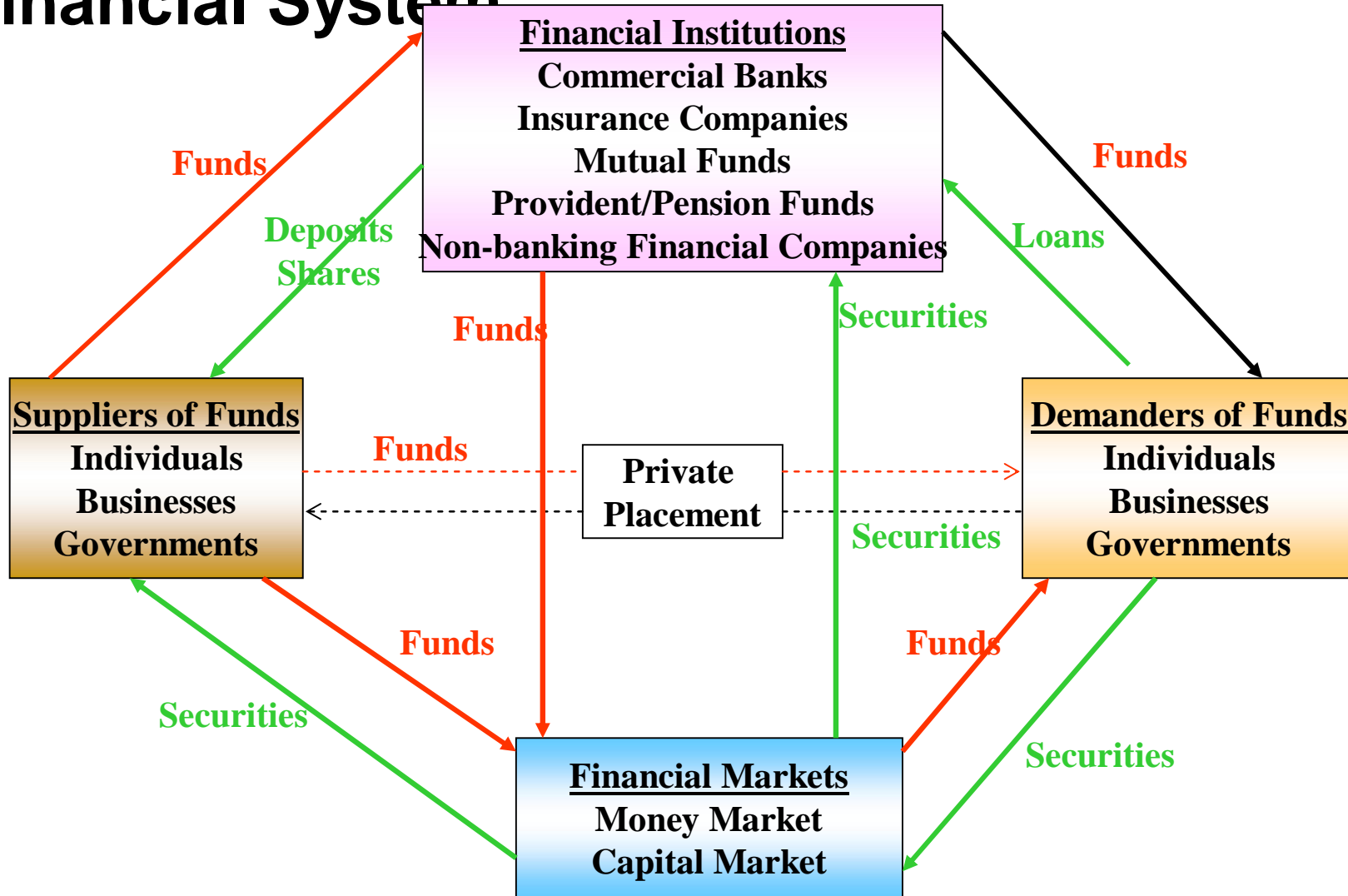
Types of Financial Markets

Capital Market	Money Market	Forex Market	Derivatives Market
<p data-bbox="293 549 461 660">Equity Debt</p> <p data-bbox="293 935 551 1238">Retail Corporate Banks FI FIs</p>	<p data-bbox="705 580 992 759">T-Bills Call Money CP, CD</p> <p data-bbox="705 1031 965 1209">Banks Corporate FI, FIs</p>	<p data-bbox="1137 580 1384 692">Spots Forwards</p> <p data-bbox="1137 1094 1397 1273">Banks Corporate FI, FIs</p>	<p data-bbox="1550 580 1839 948">Agriculture Produces, Metals, futures , options etc</p> <p data-bbox="1550 1094 1823 1209">Banks, FIs Corporate</p>

Structure of Indian Financial System:



Financial System



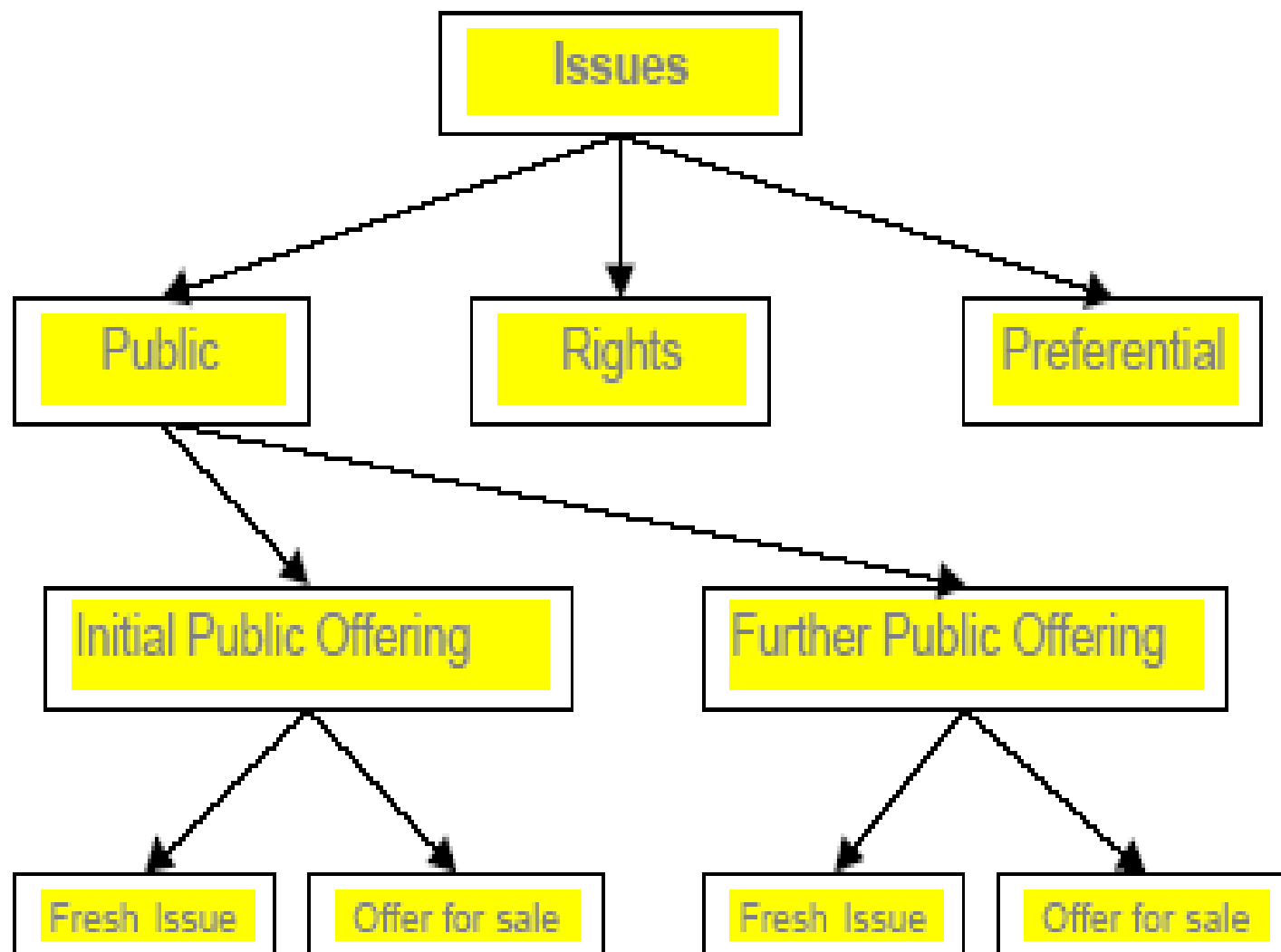
Primary Market

An Overview

Introduction

■ Issuers of Securities

- Government and Corporate
 - Issuers create and issue fresh Securities in exchange for funds
 - Public/Private Issue
 - Face Value/Premium/Discount
 - Equity/Debt/Hybrid
 - Domestic Market /International Market
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Issues Norms

- **Entry Norm I (EN I):** The company shall meet the following requirements:
 - (a) Net Tangible Assets of at least Rs. 3 crores for 3 full years.
 - (b) Distributable profits in at least three years
 - (c) Net worth of at least Rs. 1 crore in three years
 - (d) If change in name, at least 50% revenue for preceding 1 year should be from the new activity.
 - (e) The issue size does not exceed 5 times the pre- issue net worth
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PROSPECTUS

- A prospectus is a legal document that institutions and businesses use to describe the securities they are offering for participants and buyers.(section 2 (36) of Indian companies act, 1956.



Contents of Prospectus

- Definitions and abbreviations.
 - Risk Factors
 - Historical consolidated information of the company.
 - About the issue.
 - Capital structure
 - Business
 - About the promoters
 - Any litigations pending in the court of law.
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Pricing of Issues

- Free Pricing
 - Fixed Price/Book Building
 - The company and merchant banker are however required to give full disclosures of the parameters which they had considered while deciding the issue price.
 - **Book Building**
 - A process undertaken by which a demand for the securities proposed to be issued is identified and the price for the securities is assessed on the basis of the bids obtained for the securities offered for subscription. This method provides an opportunity to the market to discover price for securities.
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Book Building

- **Options in Book building**
 - **75 % Book Building**
 - **100 % book Building**
 - **Books remain open for 7 working days (Fixed price issue 10 days)**
 - **Only Electronic Bidding**
 - **Bids to be submitted through Syndicate members**
 - **Floor price disclosed one day prior to bid date**
 - **Price band of 20 %**
 - **Green Shoe option**
 - **A Green Shoe , also known by its legal title as an “over-allotment option” which gives underwriters the right to sell additional shares in a registered securities offering if demand for the securities is in excess of the original amount offered. The Green Shoe can vary in size up to 15% of the original number of shares offered.**
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Difference between shares offered through book building and offer of shares through normal public issue

Features	Fixed Price Process	Book Building Process
Pricing	Price at which the securities are offered/allotted is known in advance to the investor	Price at which securities will be offered/allotted is not known in advance to the investor. Only an indicative price range is known.
Demand	Demand for the securities offered is known only after the closure of the issue	Demand for the securities offered can be known everyday as the book is built.
Payment	Payment if made at the time of subscription wherein refund is given after allocation.	Payment only after allocation.

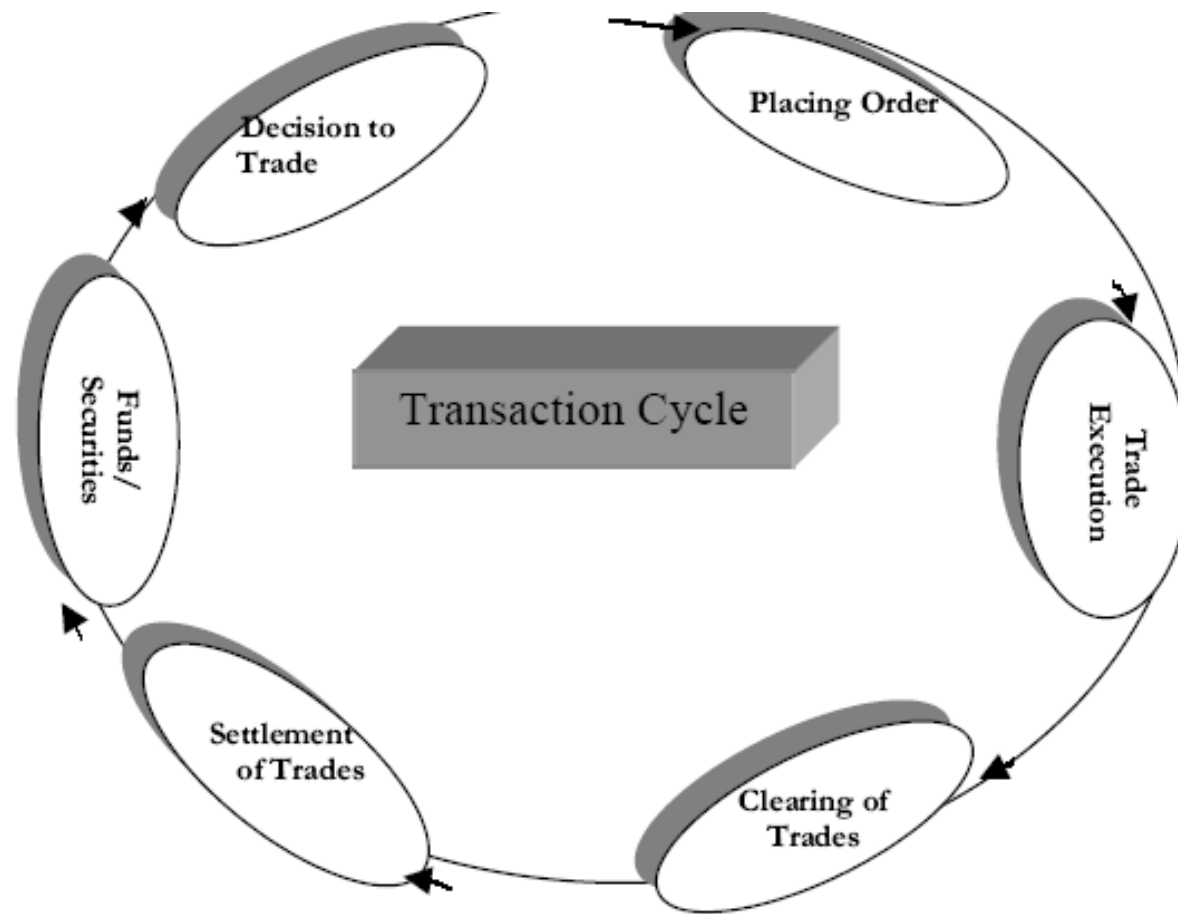
Secondary Market

Overview of Trading and settlement.

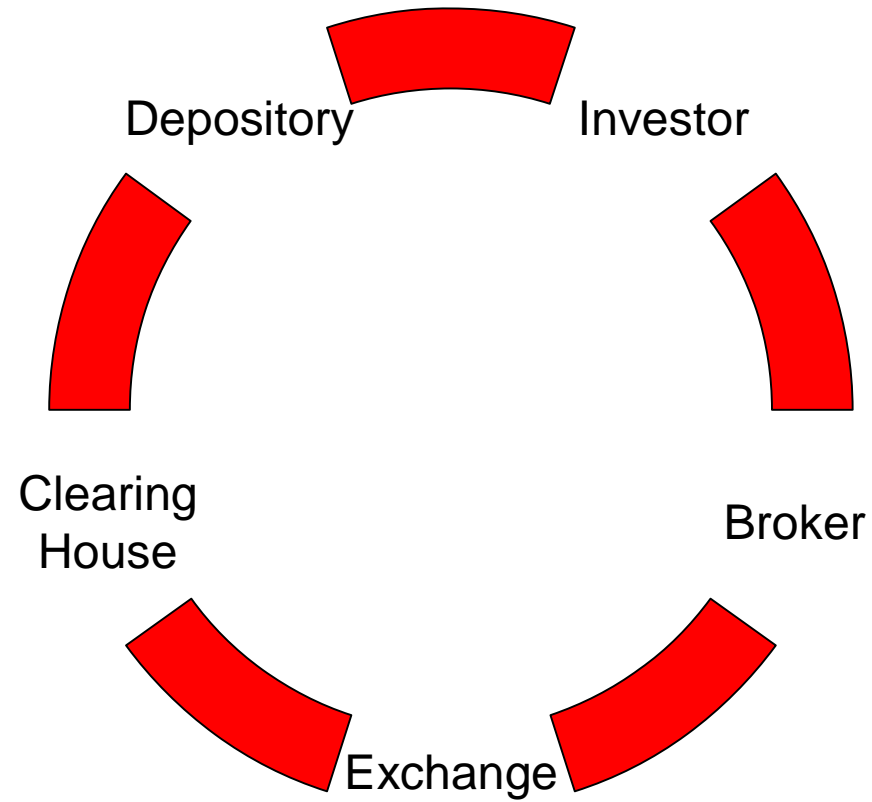
STOCK EXCHANGE

- Stock exchange is a market for the trading of company stocks, where there are large number of buyers and sellers.
 - Delhi Stock exchange, Calcutta stock exchange
 - NSE,BSE,OTCEI
 - NYSE,Tokyo SE,NASDAQ, Hongkong SE,LSE,
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Transaction Cycle

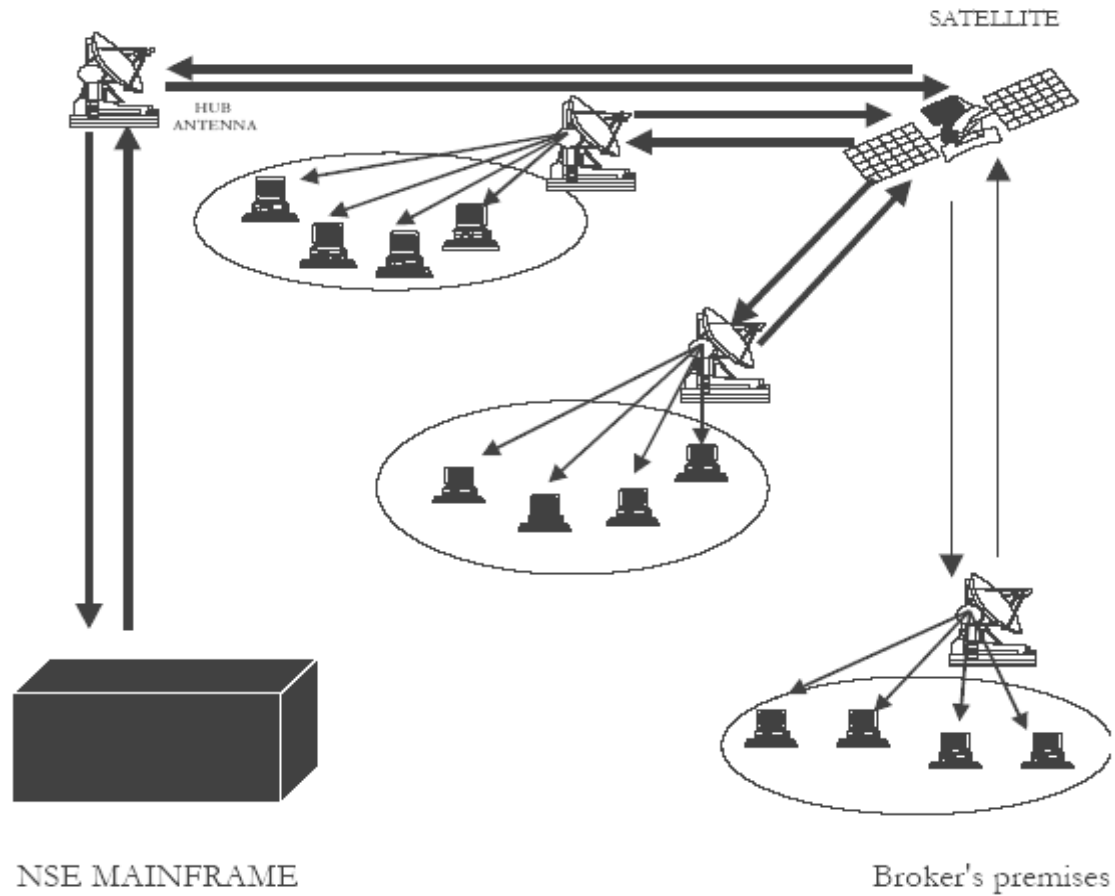


Trading & Settlement Process



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Figure 1.1: Trading Network



Market Participants

- Exchange – NSE/BSE
 - Depository – NSDL/CDSL
 - Custodian
 - Depository Participants
 - Clearing Corporation – NSCCL
 - Stock Broker
 - A broker is an intermediary who arranges to buy and sell securities on behalf of clients (the buyer and the seller) also known as CM – Clearing Member
 - Sub –Broker
 - Investors
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Trading At NSE

- The trading on stock exchanges in India used to take place through open outcry
 - NSE introduced a nation-wide on-line fully-automated screen based trading system (NEAT)
 - orders are electronically matched on a strict price/time priority
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Order Placement

- NSE has main computer which is connected through Very Small Aperture Terminal (VSAT) installed at its office.
 - Brokers have terminals (identified as the PCs in the Figure 1) installed at their premises which are connected through VSATs/leased lines/modems.
 - An investor informs a broker to place an order on his behalf. The broker enters the order through his PC, which runs under Windows NT and sends signal to the Satellite via VSAT/leased line/modem. The signal is directed to mainframe
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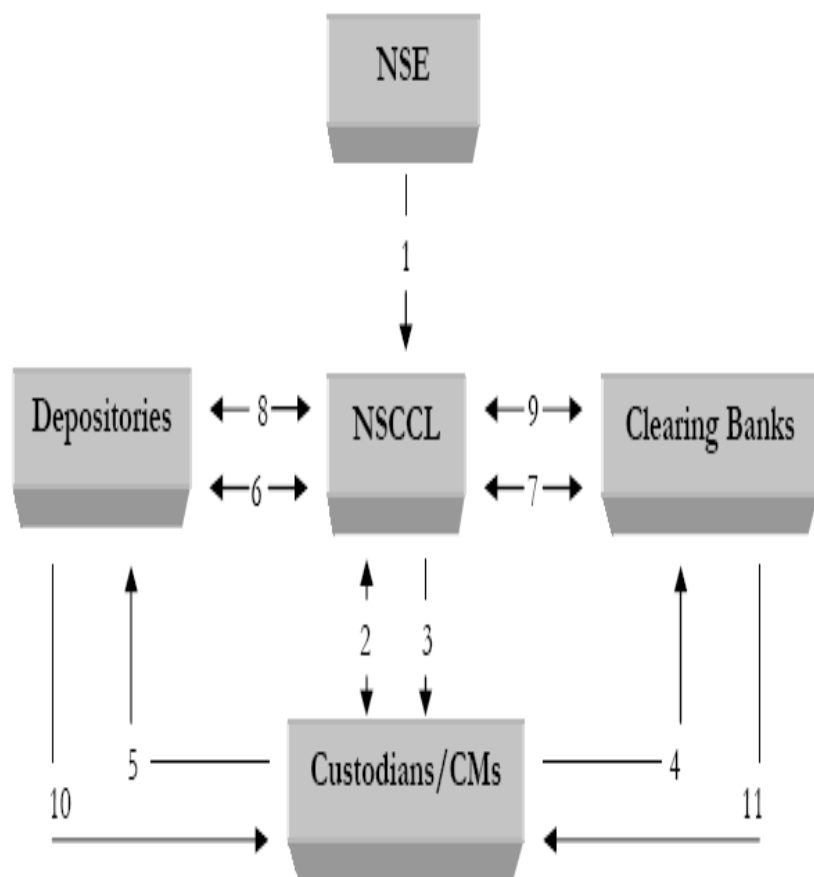
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- The order confirmation message is immediately displayed on the PC of the broker.
 - This order matches with the existing passive order(s), otherwise it waits for the active orders to enter the system.
 - On order matching, a message is broadcast to the respective member.
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- All orders received on the system are sorted with the best priced order getting the first priority for matching i.e., the best buy orders match with the best sell order. Similar priced
 - orders are sorted on time priority basis, i.e. the one that came in early gets priority over the later one.
 - Orders are matched automatically by the computer keeping the system transparent, objective and fair.
 - Where an order does not find a match, it remains in the system and is displayed to the whole market, till a fresh order comes in or the earlier order is cancelled or modified.
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Settlement Process in NSE



- (1) Trade details from Exchange to NSCCL
- (2) NSCCL notifies the trade details to CMs/custodians who affirm back. Based on the affirmation, NSCCL applies multilateral netting and determines obligations.
- (3) Download of obligation and pay-in advice of funds/securities.
- (4) Instructions to clearing banks to make funds available by pay-in time
- 5) Instructions to depositories to make securities available by pay-in-time.
- (6) Pay-in of securities
- (7) Pay-in of funds
- (8) Pay-out of securities
- (9) Pay-out of funds
- (10) Depository informs custodians/CMs through DPs.
- (11) Clearing Banks inform custodians/CMs

IMPORTANT EVENTS IN BSE-SENSEX

1000	25-Jul-90
2000	15-Jan-92
3000	February 29, 1992
4000	March 30, 1992
5000	October 8, 1999
6000	February 11, 2000
7000	June 20, 2005
8000	September 8, 2005
9000	November 28, 2005
10000	February 7, 2006
11000	March 7, 2006
12000	April 20, 2006
13000	October 29, 2006
14000	December 5, 2007
15000	July 6, 2007
16000	September 19, 2007
17000	September 26, 2007
18000	October 9, 2007
19000	October 15, 2007
20000	October 29, 2007
20290	December 13, 2007

Thank you
