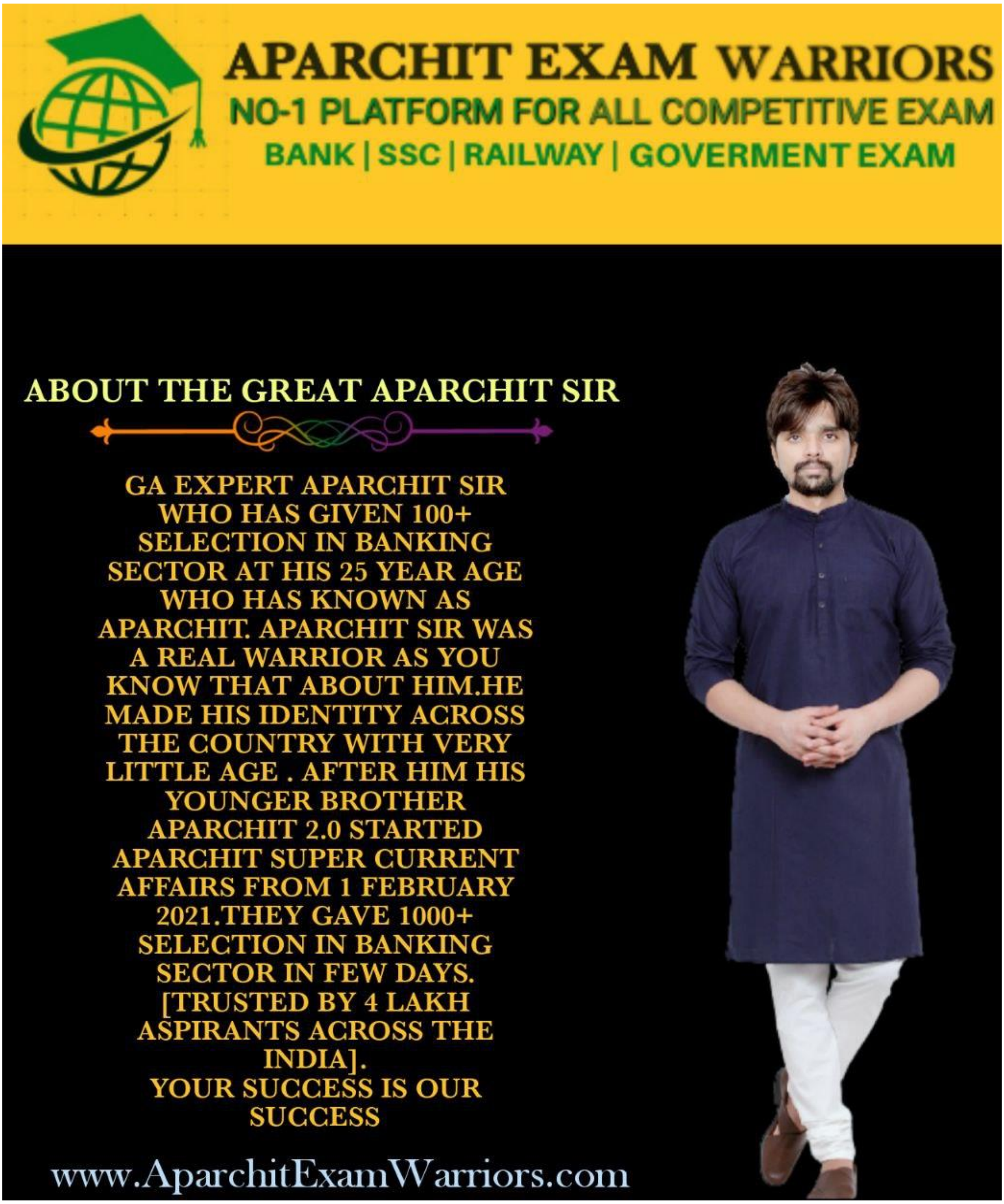
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Financial Markets in India

Any location or system that allows buyers and sellers to trade financial assets such as bonds, shares, international currencies, and derivatives is referred to as a financial market. Financial markets make it easier for individuals who need money to get it and those who want to invest it. Any market where securities can be bought and sold is referred to as a financial market. The stock market, bond market, and commodities market are all examples of Financial Markets.

Financial Market

Financial Market is a transfer process between lender and debtor through which the transfer of financial fund can be done easily. It provides safe exchange of financial assets. It provides liquidity to investors in the sale of financial assets and also ensures the minimum cost of exchange and related information.

Components of Indian Financial Market

Components of Indian financial market are as follows

- **Money Market** It is used by a wide array of participants from a company raising money by selling commercial paper into the market to an investor purchasing CDs as a safe place to park money in the short term.
- **Capital Market** It is a market for buying and selling equity and debt instruments. Capital market channel savings and investment among suppliers of capital such as retail investors and institutional investors and users of capital like businesses, government and individuals.
- **Commodity Market** It is a market that trades in primary rather than manufactured products. Soft commodities are agricultural products such as wheat, coffee and sugar. Hard commodities are mined such as gold, rubber and oil.
- **Derivatives Market** It is the financial market for derivatives, financial instruments like future contracts or options, which are derived from other forms of assets.
- **Insurance Market** Objective of this market is the equitable transfer of the risk of a loss from one entity to another. It is a form of risk management primarily used to hedge

against the risk of a contingent uncertain loss.

- **Foreign Exchange Market** The Foreign Exchange Market (Forex, FX or currency market) is a global decentralised market for the trading of currencies. The main participants in this market are the larger international banks.

Money Market

The cluster of financial institutions that deal in short term securities and loans, gold and foreign exchange are termed as money market. The money market is a key component of the financial system, as it is the function of monetary operations conducted by the Central Bank in its pursuit of Monetary policy objectives. It is a market for short term funds with maturity ranging from overnight to one year and includes financial instruments that are deemed to be close substitutes of money.

Functions of Money Market

The money market performs three broad functions which are as follows

- It provides an equilibrating mechanism for demand and supply of short term funds.
- It enables borrowers and lenders of short term funds to fulfill their borrowing and investment requirements at an efficient market clearing price.
- It provides an avenue for Central Bank intervention in influencing both quantum and cost of liquidity in the financial system, thereby transmitting Monetary Policy impulses to the real economy.

Types of Money Market

In Indian money market. Reserve Bank of India plays the central role, as it regulates and controls the money market. Indian money market is mainly divided into two parts

- Organised Sector It comprises of all the public sector banks and foreign exchange banks except Reserve Bank of India.

- Unorganised Sector It comprises of domestic bankers and moneylenders. They do not have been given any financial validity or certification by any financial institution. They are commonly found in underdeveloped areas, e.g. moneylenders landlord, broker, committee, etc.

Sub-Markets and Instruments

A specialised sub-division of a market is known as sub-market. In Indian money market, sub-market is an inevitable part. It includes call money market, bill market, etc.

Call Money Market

The call/notice money market forms an important segment of the Indian money market. It is an amount borrowed or lent on demand for a very short period.

If the period is greater than 1 day and upto 14 days, it is called the notice money otherwise, the amount is known as call money.

No collateral security is needed to cover these transactions. This is a completely interbank market. Interest rates are market determined. In view of the short tenure of these transactions, both borrowers and lenders are required to have current accounts with Reserve Bank of India (RBI).

Bill Market

The underlying purpose of developing the bill market was to enable banks and other financial institutions to invest their surplus funds profitably by selecting appropriate maturities.

Some types of bill market are as follows

- **Commercial Bill** It is the market that deals in commercial bills. Commercial bills of exchange are negotiable instruments drawn by the seller or drawer of the goods of the buyer or drawee of the goods for the value of the goods delivered. These bills are called trade bills. These trade bills are called commercial bills when they are accepted by commercial banks. Duration of commercial bill is 1 to 14 days only.

- **Treasury Bills** (T-Bills) It is an instrument for short term borrowing by the government. The bills are issued by tender to the money market and to government departments through tap issues. Tenders are invited every week from bankers, discount houses and brokers.

On the one hand, T-bills provide the government with a highly flexible and relatively cheap means of borrowing money to meet its fluctuating needs for cash and on the other, the bills provide a sound security for dealings in the money market. The Reserve Bank of India, being the banker to the government, issues treasury bills at a discount.

There are four types of treasury bills

- ✓ 14 days T-bill,
- ✓ 91 days T-bill
- ✓ 182 days T-bill,
- ✓ 364 days T-bill

The Reserve Bank now auctions 91 days T-bills on a weekly basis and 182 days T-bills (re-introduced in April, 2005) and 364 days T-bills on a fortnightly basis, on behalf of the Central Government. The Reserve Bank has been paying special attention to this market segment.

- **Commercial Paper** (CP) Commercial Paper is issued in the form of a promissory note, sold directly by the issuer to investors or else placed by the borrowers through agents such as merchant banks and security houses. CP can be issued in denominations of Rs. 5 lakh or multiples thereof.

These papers have a maturity of minimum 7 days and maximum of upto 1 year from the date of issue. These are negotiable and transferable by endorsement.

- **Promissory Note** (PNs) It is a legal document between a lender and a borrower, whereby the latter agrees to certain conditions for the repayment of the sum of money borrowed. When one borrows from a commercial bank, he signs a promissory note.

Particular forms of promissory notes, known as commercial paper, can be bought and sold. They are usually issued by large corporations, but in some countries. Promissory notes are a common form of small business finance.

- **Certificate of Deposits** (CDs) It is a negotiable claim issued by a bank in return for a term deposit. Certificates of Deposits (CDs) are securities that are purchased for less than their face value, which is the bank's promise to repay the deposit and thus, offer a yield to maturity. Certificate of Deposits were first issued in New York in the 1960s and thus, denominated in dollars. Sterling Certificate of Deposits followed in 1968. Maturity period of Certificate of Deposits is from 7 months to 1 year. Certificate of Deposits is issued for Rs. 1 lakh or its multiples.

Unorganised Money Market

The sector consists of unregulated non-bank financial intermediaries such as moneylender s chit funds, nidhis, etc. Chit funds are savings institutions. They are of various types and do not have any standardised form. Chit funds have regular members, who make periodic contributions,Organised chit funds are regulated by the Registrar of Chit Funds and the relevant legislation in this regard is the Chit Funds Act, 1982. There is however, regulatory confusion since Collective Investment Schemes (CIS) are to be registered and regulated by SEBI. Many chit funds take advantage of the regulatory loopholes.

Money in Financial Market

Money is an object or record that is generally accepted as payment for goods and services and repayment of debts in a given socio-economic context of country. Any kind of object or secure variable record that fulfills these functions can be considered as money.

Adjacent Money -It is not exact money, but near to money. Because it's nature of liquidity is more in comparison to others like bond, government debenture, etc.

Different Types of Money

Three main types (forms) of money in a modern economy: metallic money, paper money and credit money. Economists, however, further classify money into many other forms.

The important types of money are explained below

Metallic Money

Money made up of any metal is called metallic money. It refers to coins that are made up of various metals like gold, silver, nickel, copper, etc. The right of minting coins, is the monopoly of the state.

Metallic money is further classified into

Standard Money Standard money or full bodied money is that money whose face value (value as money) is equal to the intrinsic value (value as commodity). Standard money/coins are generally made up of gold and silver.

Token Money Token money is that money whose face value (value as money) is greater than its intrinsic value (value as commodity). Token money/coins are generally made up of cheaper metals like copper, nickel etc; (Indian

Rs. 1 coin is token money).

Subsidiary money The purpose of subsidiary money is to help the token money. All coins from 50 paise to Rs. 10 is the subsidiary money. It is legal money.

Paper Money

Money made up of paper is called **paper money.** Paper money consists of currency notes issued by the government or the Central Bank of a country.

Paper money is of following types

- Representative Paper Money The paper money which is fully backed by gold and silver reserves is called representative paper money.
- Convertible Paper Money It is that paper money which is convertible into standard coins.
- Inconvertible Paper Money It is that paper money which is not convertible into standard coins or valuable metals.

- Fiat Money Paper money which circulates on the authority (i.e. fiat) of the government is flat money. Fiat money is created and issued by the state. It is only a variety of inconvertible paper money.

Acceptable Money

On the basis of general acceptability, money can be categorised into legal tender money and non-legal tender money (optional money).

Legal Tender Money

It refers to that money which the state and the people accept as means of payment in discharge of debts. Legal tender money is enforced by law. No one can refuse to accept it as a means of payment.

Legal tender money may be of two types

- **Limited Legal** Tender Money It is accepted only upto a certain limit, e.g. In India, the small coins of 50 paise is legal tender money only upto a sum of Rs. 10.
- **Unlimited Legal** Tender Money It is that money which has to be accepted as a medium of payment upto any amount. In India, 50 paise coins, Rs. 1, Rs. 2, 5 coins and currency notes of all denominations are unlimited legal tender money

Non-Legal Tender Money

It is also known as optional money. It refers to that money which may or may not be accepted as a means of payment. Optional money has no legal sanction. No one can be forced to accept optional money. Different credit instruments like cheques, bankdrafts, bill of exchange, treasury bills, insurance policies, bonds etc; are examples of optional money.

Demonetisation

Demonetisation is the act of Banning/taking back of a currency unit of its status as legal tender. Demonetisation is necessary whenever there is a change of national currency. The old unit of currency must be retired and replaced with a new currency unit.

History of Demonetisation in India

PM Narendra Modi has demonetised Rs. 500 and Rs. 1000 notes from 9th Nov, 2016 similar banknote demonetisation have been taken in the past. In January 1946, banknotes of Rs. 1000 and Rs. 100 were withdrawn and new notes of Rs. 1000, Rs. 50 and Rs. 10000 were introduced in 1954. The Janata Party coalition government had again demonetised banknotes of Rs. 1000, Rs. 5000 and Rs. 10000 on 16 Jan, 1978 as a means to curb counterfeit money and black money.

Monetary Standards

It refers to the commodity that fixes the value of the standard money used in a country. Monetary standard, on the other hand, relates to commodity by which the standard money unit is determined.

A sound monetary standard aims at the following

(i) Stability in the internal value of the currency through internal price stability.

(ii) Stability in the external value of the currency through exchange rate stability.

Monetary Standards in India

These are as follows

- **Gold Exchange Standard** In 1898, Fowler Committee was appointed and on their recommendations, gold standard was established in India.

This standard, was used till 1914-15 but after the first world war put to an end the volatility of money in gold.

- **Paper Currency in India** Reserve Bank of India was established in 1935 as Central Bank of India and controller of credit. British Government had given right of issuing of currency notes to Bank of Bengal, but from 1st April, 1935, the only rights of issuing currency was given to RBI.

Capital Market

Capital market is one of the most important segments of the Indian financial system. It is the market available to the companies for meeting their requirements of the long term funds. It refers to all the facilities and the institutional arrangements for borrowing and lending funds. In other words, it is concerned with the raising of capital money for purposes of making long term investments.

The demand for long term capital comes predominantly from private sector manufacturing industries, agriculture sector, trade and the government agencies, while the supply of funds for the capital market comes largely from individual and corporate savings, banks, insurance companies, specialised financing agencies and the surplus of governments.

The Indian capital market is broadly divided into the following

- Gilt edged market
- The Industrial Securities Market

Securities Exchange Board of India (SEBI)

The regulatory authority under the SEBI Act, 1992 was established on 12 April, 1992 in order to protect the interests of the investors in securities as well as to promote the development of the capital market. SEBI has its headquaters at Mumbai and its regional offices in New Delhi, Kolkata, Chennai and Ahmedabad respectively.

It involves regulating the business in stock exchanges supervising the working of stock brokers, share transfer agents, merchant bankers, underwriters etc, as well as prohibiting unfair trade practices in the securities market.

Function of SEBI

The main functions of SEBI are as follows

- To regulate the business of the stock market and other securities market.
- To promote and regulate the self-regulatory organisations.
- To prohibit fraudulent and unfair trade practices in securities market.
- To promote awareness among investors and training of intermediaries about safety of market.

- To prohibit insider trading in securities market
- To regulate huge acquisition of shares and take over of companies.

SEBI's Guidelines in 1999

The SEBI, had issued guidelines in 1999 (referred to as ESOP Guidelines) to provide a regulatory framework for the listed companies to implement security based compensation schemes.

New Law of SEBI, 2014

In August 2014, the Securities Laws (Amendment) Act, 2014, gave SEBI additional powers, including to order the arrest of violators and seek call data records of individuals under investigation.

The new law gave SEBI the powers to search and obtain information, including call records, about any suspected entity from within or outside the firm.

The main objectives of SEBI Amendment Act, 2014 are as follows

- To empower SEBI to seek permission for search and seizure from a designated Court/Magistrate in Mumbai. Excessive delegation of power to SEBI with regard to Collective Investment Schemes.
- To empower disgorgement (repayment) i.e. amount of profit made or the loss averted in the said fraudulent transaction.
- Securities Appellate Tribunal's (SAT) power with regard to settlement proceedings.
- A set of new provisions in the form of Section 26A to 26E has been inserted by the Act, which provides for the establishment of Special Courts for speedy trial of all offences committed under the SEBI Act.
- Rationalising the penalties that can be imposed under the Act.

Indian Capital Market

The capital market in India is a market for securities, where companies and government can raise long term funds. It is a market designed for the selling and buying of stocks and bonds.

This market refers to the market which deals in equities and debentures of the corporates.

It is further divided into two parts

Primary Market

Primary market (new issues market) deals with 'new securities', i.e. securities which were not previously available and are offered to the investing public for the first time. It is the market for raising fresh capital in the form of shares and debentures.

It provides the issuing company with additional funds for starting a new enterprise or for either expansion or diversification of an existing one and thus, its contribution to company financing is direct. The new offerings by the companies are made either as an Initial Public Offering (IPO) or rights issue.

Initial Public Offering (IPO) or Stock Market Launch is a type of public offering where shares of stock in a company are sold to the general public, on a securities exchange for the first time. Through this process, a private company transforms into a public company.

Secondary Market

Secondary market/Stock market (old issues market or stock exchange) is the market for buying and selling securities of the existing companies. Under this, securities are traded after being initially offered to the public in the primary market and/or listed on the stock exchange. The stock exchanges are the exclusive centres for trading of securities.

Security market is an economic institute within which the sale and purchase transactions of securities take place between subjects of the economy on the basis of demand and supply.

Difference between Money Markets and Capital Markets

	Money Markets	Capital Markets
Duration	It is for short term funds (1 year or less).	It is for long term funds (more than 1 year
Instruments	Instruments are T-bill, commercial papers, certificates of deposit, etc.	Instruments are shares, debentures, bonds, etc.
Institutions	Central Banks, commercial banks, acceptance houses, non-banking financial institutions, bill brokers, etc.	Stock exchanges, Commercial Banks and non-banking institutions such as insurance companies, mortgage banks, building societies, etc.
Broker	Transaction without the help of broker.	Transaction have to be conducted with the help of broker.
Market Regulation	Commercial banks are closely regulated.	The institutions are not much regulated.

Major Capital Markets Bond Market

It is defined as the environment in which the issuance and trading of debt securities occurs. The bond market primarily includes government issued securities and corporate debt securities and facilitates the transfer of capital from servers to the issuers or organisations requiring capital for government projects, business expansions and ongoing operations.

Types of Bond Markets

The Securities Industry and Financial Markets Association (SIFMA) classified the broad bond market into five specified bond markets.

They are-

- Corporate
- Government and agency
- Municipal

- Mortgage backed
- Fund

Bond Market Participants

These participants are similar to participants in most financial markets

- Institutional investors
- Governments
- Traders
- Individuals

Stock Market

An equity market or stock market is the aggregation of buyers and sellers (a loose network of economic transactions, not a physical facility or discrete entity) of stocks (share), these are securities listed on stock exchange as well as those only traded privately.

Share Market

A share is one unit into which the total share capital is divided. Share capital of the company can be explained as a fund or sum with which a company is formed to carry on the business and which is raised by the issue of shares. Shares are the marketable instruments issued by the companies in order to raise the required capital. These are very popular investments which are traded every day in the stock market and the value of the share at the end of the day decides the value of the firm.

D-Mat Account

In India, shares and securities are held electronically in a Dematerialised account (D-Mat account) instead of the investor taking physical possession of certificates. A Dematerialised account is opened by the investor while registering with an investment broker (or sub-broker).

The Dematerialised account number is quoted for all transactions to enable electronic settlements of trades to take place. Every shareholder will have a Dematerialised account for the purpose of transacting shares.

Types of Shares

The shares which are issued by companies are of two types

- **Equity Shares** These shares are issued and are traded every day in the stock market. Equity shareholders only get dividend after preference shareholders and debenture holders. The returns on the equity shares are not at all fixed.

It depends on the amount of profits made by the company. The Board of Directors decides on how much of the dividends will be given to equity shareholders. Shareholders can accept to it or reject the offer during the annual general meeting. Equity shareholders have the right to vote on any resolution placed before the company.

- **Preference Shares** These are other type of shares. The preference shares are market instrument issued by the companies to raise the capital. Preference shares have the characteristics of both equity shares and debentures.

Fixed rate of dividends are paid to the preference shareholder as in case of debentures, irrespective of the profits earned company is liable to pay interest to preference shareholders.

Debentures

Debentures are creditorship securities representing long term indebtedness of a company. A debenture is an instrument executed by the company under its common seal acknowledging indebtedness to some person or persons to secure the sum in advance.

Debentures are usually secured by the company by a fixed or floating debentures at periodical intervals, generally 6 months and the company agrees to pay the principal amount at the expiry of the stipulated period according to their terms of issue. Like shares, they are issued to the public at part, at a premium or at a discount. Debenture holders are creditors of the company.

They have no voting rights, but their claims rank prior to preference shareholders and equity shareholders. Their exact rights depend upon the nature of debentures they hold.

Advantages of Debentures

It involves less cost to the firm than the equity financing because

- investors consider debentures as a relatively less risky investment alternative and therefore, require a lower rate of return.
- interest payments are tax deductible.
- the floatation costs on debentures is usually lower than floatation costs on common shares.
- debenture holders do not have voting rights and therefore, debenture issue does not cause dilution of ownership.
- debenture holders do not participate in extraordinary earnings of the company. Thus, their payments are limited to interest.
- during periods of high inflation, debenture issue benefits the company. Its obligations of paying interest and/principal, which remain fixed, decline in real terms.

Types of Debentures

The major types of debentures are as follows

1. **On the Basis of Record Point of View**

- **Registered Debentures** These are the debentures that are registered with the company The amount of such debentures is payable only to those debenture holders, whose name appears in the register of the company.
- **Bearer Debentures** These are the debentures which are not recorded in a register of the company. Such debentures are transferable merely by delivery. Holder of bearer

debentures is entitled to get the interest.

2. **On the Basis of Security**

- **Secured or Mortgage Debentures** These are the debentures that are secured by a charge on the assets of the company. These are also called mortgage debentures. The holders of secured debentures have the right to recover their principal amount with the unpaid amount of interest on such debentures out of the assets mortgaged by the company.
- **Unsecured Debentures** Debentures which do not carry any security with regard to the principal amount or unpaid interest are unsecured debentures. These are also called simple debentures.

3. **On the Basis of Redemption**

- **Redeemable Debentures** These are the debentures which are issued for a fixed period. The principal amount of such debentures is paid off to the holders on the expiry of such period. These debentures can be redeemed by annual drawings or by purchasing from the open market.
- **Non-Redeemable Debentures** These are the debentures which are not redeemed in the life time of the company. Such debentures are paid back only when the company goes to liquidation.

4. **On the Basis of Convertibility**

- Convertible Debentures These are the debentures that can be converted into shares of the company on the expiry of pre-decided period. The terms and conditions of conversion are generally announced at the time of issue of debentures.
- Non-Convertible Debentures The holders of such debentures cannot convert their debentures into the shares of the company.

5. **On the Basis of Priority**

- First Debentures These debentures are redeemed before other debentures.
- Second Debentures These debentures are redeemed after redemption of first

debentures.

Stock Exchanges in India

Bombay Stock Exchange (BSE), the oldest stock exchange in Asia, was established in 1875. It is synonomous with Dalal Street. BSE was corporatised and renamed BSE Limited in 2005. In 1894, the Ahmedabad Stock Exchange was started to facilitate dealing in the shares of textile mills. In 1908, Calcutta Stock Exchange was started to facilitate market for shares of plantations and jute mills. At present, there are 21 stock exchanges in the country.

List of Approved Stock Exchanges in India

Approved stock exchanges in India are as follows

- UP Stock Exchange, Kanpur
- Vadodra Stock Exchange, Vadodara
- Coimbatore Stock Exchange. Coimbatore
- United Stock Exchange of India Limited
- Bombay Stock Exchange, Mumbai
- Over The Counter Exchange of India, Mumbai
- National Stock Exchange, Mumbai
- Ahmedabad Stock Exchange, Ahmedabad
- Bangalore Stock Exchange, Bengaluru
- Bhubaneshwar Stock Exchange, Bhubaneshwar
- Calcutta Stock Exchange, Kolkata
- Cochin Stock Exchange, Cochin
- Delhi Stock Exchange, Delhi
- Guwahati Stock Exchange, Guwahati
- Hyderabad Stock Exchange, Hyderabad
- Jaipur Stock Exchange, Jaipur
- Ludhiana Stock Exchange, Ludhiana
- Chennai Stock Exchange, Chennai
- Madhya Pradesh Stock Exchange, Indore

- Pune Stock Exchange, Pune
- Interconnected Stock Exchange of India Limited

Tit-Bits

- **Bull and Bear** A bull market is a period of generally rising prices. A bear market is a general decline in the stock market.
- **Penny stock** They are common shares of small public companies that trade at low prices per share.
- **Badla** Badla was an indigenous carry forward system inverted on the BSE as a solution to the perpetual lock of liquidity in the secondary market. It was banned by SEBI in 1994.

National Stock Exchange (NSE)

NSE was promoted by leading financial institutions at the behest of the Government of India and was incorpoiated in November, 1992 as a tax-paying company unlike other stock exchanges in the country. On the basis of the recommendations of high powered Pherwani Committee, the National Stock Exchange was incorporated in November, 1992.

Indices of NSE

- S and P CNX Nifty (NSE-50, renamed on July, 1998)
- CNX Nifty Junior
- CNX 100
- S and P CNX 500 (Crisil 500 renamed on. July, 1998)
- CNX Midcap
- Nifty Midcap 50
- S and P CNX Defty
- S and P CNX Nifty Dividend
- India VIX

MIBOR and MIBID

NSE had developed MIBID (Mumbai Inter Bank Bid Rate) and MIBOR (Mumbai Inter Bank Offer Pate) for the overnight market. This was launched sometime in 1998. They are the reference rates, then NSE launched the 14 days MIBID/MIBOR and then the 1 month and the 3 months MIBOR and MIBID. Thus, all the 4 categories of MIBOR and MIBID are now available.

It is the simple average of the quotes by the various participants in the market banks, PDs, institutions polled on a daily basis.

LIBOR (London Inter-Bank Offered Rate) It is the average of interest rates provided by leading banks in London that they would be charged while borrowing from other banks, it is used as a global benchmark interest rate by many banks around the world.

World's Most Important Index

Index	**Place**
DOLLEX, SENSEX,S and P CNX-NIFTY FIFTY BANKEX	Mumbai
Dow Jones	New York
Nikkei	Tokyo
MIDDAX	Germany
HONG SENG	Hongkong
SIMEX, STRAITS TIMES	Singapore
KOSPI	Korea
SET	Thailand
TAIEN	Taiwan
SHANGHAI COM	China
NASDAQ	USA
S and P	Canada
BOVESPA	Brazil

MIBTEL	Itali
IPC	Mexico

Bombay Stock Exchange (BSE)

It was established in 1875, BSE Limited (formerly known as Bombay Stock Exchange Limited), is Asia's first stock exchange and one of India's leading exchange groups. Over the past 137 years, BSE has facilitated the growth of the Indian corporate sector by providing it an efficient capital raising platform.

Major BSE Indices

Five share indices are working under BSE which are as follows

(i) **SENSEX** It is measured by sensory index and at present 30 companies are notified under it.

(ii) **BSE 500** This new index started operation in the year 1999 by BSE and it is the biggest base index.

(iii) **National Index** 100 companies are there in this index and it is coated by the regional share markets.

(iv) **BSE 200** It is the share index of 200 biggest base companies. It is also called Dollex as it also depicts the value of the American Dollar.

(v) **Indo Next** It is established by BSE and Federation of India Stock Exchange (FISE) with the aim of liquidity among small companies encouraging.

BSE-GREENEX

Bombay Stock Exchange on 22nd Feb. 2012 has launched a new index called 'BSE-GREENEX' which measures the performance of the company s interims of Carbon Emissions. The top-ranking companies from each sector like power, steel, cement have made it to the new index called BSE-GREENEX. Greenex has 20 companies from the broader BSE 100 index that meet energy efficiency norms, allowing investors to derive benefit from the related cost savings.

- Around 5000 companies are listed on BSE, making it world's No. 1 exchange in terms of listed members. BSE limited is world's 5th most active exchange in terms of number or transactions handled through its electronic trading system. It is also one of the world's leading exchange (5th largest m May, 2012) for index options trading (Source- World Federation of Exchanges).
- BSE is the first exchange in India and second in the world to obtain an ISO 9001:2000 certification.
- It is also the first exchange in the country and second in the world to receive Information Security Management System Standard certification for its BSE On-line Trading System (BOLT).

Over the Counter Exchange of India (OTCEI)

Traditionally, trading in stock exchanges in India followed a conventional style, where people used to gather at the exchange offices and bids and offers were made by open outcry. This old-age trading mechanism in the Indian stock markets used to create many functional in efficiencies. OTCEI was incorporated in 1990, under the Companies Act, 1956.

OTCEI is the first screen based nationwide stock exchange in India created by Unit Trust of India (UTI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Development Bank of India (IDBI), SBI capital markets, Industrial Finance Corporation of India (IFCI), General Insurance Corporation (GIC) and its subsidiaries and bank financial services.

Residex

Keeping in view, the prominence of housing and real estate as a major area for creation of both physical and financial assets and its contribution in overall national wealth, a need was felt for setting up of a mechanism which could track the movement of prices in the residential housing segment. Regular monitoring of the house prices can be useful inputs for the different interest groups.

Futures Market

A futures market is an auction market in which participants buy and sell commodity and future contracts for delivery on a specified future date. Examples of future markets are the New York Mercantile Exchange, the Kansas City Board of Trade, the Chicago Mercantile Exchange, the Chicago Board of Options Exchange and the Minneapolis Grain Exchange. Originally, trading was carried on though open yelling and hand signals in a trading pit, though in the 21st century, like most other markets, future exchanges were mostly electronic.

Merging of SEBI and Future Market Commission

With the Forward Markets Commission (FMC) formally got merged with SEBI on 28th Sep, 2015. The first priority would be to develop trust in the commodities market and then the focus would be on developing the market.

MCX Stock Exchange (MCX-SX)

It is a private stock exchange headquartered in Mumbai, which was founded in 2008. Now, it is a MCX-SX full-fledged stock exchange. Securities and Exchange Board of India (SEBI) on 10th July, 2012 granted permission to MCX Stock Exchange (MCX-SX) to operate as full-fledged stock exchange. MCX-SX would be able to offer additional asset classes such as equity and equity F and 0 (Futures and Options) interest rate futures and wholesale debt segments. SEBI has not allowed the exchange to operate in segments other than currency derivatives. This move of

SEBI will bring more competition in the market.

Commodity Exchange

- Multi-Commodity Exchange of India Limited (MCX)
- National Commodity and Derivatives Exchange Limited (NCDEX)
- National Multi-Commodity Exchange (NMCE)
- Indian Commodity Exchange Limited ICEX
- MCX Stock Exchange (MCX-SX)

- Universal Commodity Exchange (UCX)

Future Trading of Foreign Currency

It is exchange where people can trade standardized future contract. That is a contract to buy specific quantities of a. commodity at specified price with delivery set at a specified time in future.

Apart from this, India has (ICE) regional exchanges. All these commodity exchange are overseen by Forward Market Commission (FMC), which was setup in 1953.

Reference Rates

A reference rate is an accurate measure of the market price. In the fixed income market, It is an interest rate that the market respects and closely watches. It plays a. useful role in a variety of situations.

Credit Rating

It is a company that assigns credit ratings to institutions that issue debt obligations i.e. assets backed by receivables on loans, such as **mortgage backed securities.**

These institutions can be companies, cities; non-profit organisations or national governments and the securities they issue can be traded on a secondary market. Credit Rating Agency at present; there are four credit rating agencies in the country. They are

- Credit Rating Information Services of India (CRISIL)
- Investment Information and Credit Rating Agencies of India (CRAI)
- Credit Analysis and Research (CART)
- Duff Falps Credit Rating India Private Limited (DCR India)
- Cruist is the first credit rating agency of the country started in its functionary, since 1988.

Credit Rating Information Services of India Limited (CRISIL)

It is a global analytical company providing ratings, research, risk and policy advisory services. CRISIL's majority shareholder is Standard and Poor's, a division of McGraw Hill financial and provider of financial market intelligence. Headquarter of CRISIL is in Mumbai. CRISIL ratings has rated/assessed over 61000 entities in India.

International Cultivar Registration Authorities (ICRA)

It is an Indian independent and professional investment information and credit rating agency. It was established in 1991 and was originally named Investment Information and Credit Rating Agency of India Limited (IICRA, India). It is second largest Indian rating company in terms of customer base. It was a joint venture between Moody's and various Indian commercial banks and financial services companies. Headquarter of ICRA is Gurugram.

Credit Analysis and Research Ltd. (CARE)

CARE Ratings commenced operations in April, 1993 and over nearly two decades, it has established itself as the second largest credit agency in India. CARE Ratings has also emerged as the leading agency for covering many rating segments like that for banks, sub-sovereigns and IPO gradings.

EXERCISE

Q. Under the call money market, funds are transacted on what basis?
(a) one Day basis
(b) Overnight basis
(c) 7 days basis
(d) 15 days basis
Answer- B
Explanation: Call money is any type of short-term, interestearning financial loan that the borrower has to pay back immediately whenever the lender demands it

Q. Under notice money market, funds are transacted for a period between?
(a) 2 days and 14 days
(b) 1 day and 15 days
(c) 14 days and 30days
(d) 30 days and 365 days
Answer-A
Explanation: The call/notice money market forms an important segment of the Indian Money Market. Under call money market, funds are transacted on an overnight basis and under notice money market, funds are transacted for --a period between 2 days and 14 days.

Q. Funds under the Term Money Market are transacted for a period between?
(a) 30 days and 365 days
(b) 2 days and 14 days
(c) 15 days and 365 days
(d) 1 day and 14 days
Answer-C
Explanation: Term Money refers to borrowing/lending of funds for period between 15 days and one year

Q. Name the Money Market Instruments which is an unsecured money market instrument issued in the form of a promissory note?
(a) Government Security (G-Sec)
(b) Call money
(c) Government bonds
(d) Commercial Paper (CP)

Answer-D

Explanation: Commercial paper is an unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts payable and inventories and meeting short-term liabilities

Q. Which financial institutions are permitted to participate in the call/notice money market both as borrowers and lenders?

(a) Scheduled commercial banks (excluding RRBs),co-operative banks (other than Land Development Banks) and Primary Dealers (PDs)
(b) Scheduled commercial banks only
(c) Regional Rural Bank
(d) co-operative banks only

Answer-A

Explanation: The call/notice/term money market facilitates lending and borrowing of funds between banks and entities like Primary Dealers. An institution which has surplus funds may lend them on an uncollateralized basis to an institution which is short of funds. Money market transactions are categorized as follows:

- ✓ Borrowing/Lending for 1 day is known as Call Money
- ✓ Borrowing/Lending for 2-14 days is known as Notice Money
- ✓ Borrowing/Lending for more than 14 days is known as Term Mone

Q. Primary Dealers (PDs) and all-India financial institutions (FIs) were also permitted to issueCommercial Paper (CP) to enable them to meet their_____ funding requirements.

(a) Short-term
(b) Long term
(c) 15 days
(d) 30 days

Answer-A

Explanation: CP can be issued for maturities between a minimum of 7 days and a maximum of up to one year from the date of issue. However, the maturity date of the CP should not go beyond the date up to which the credit rating of the issuer is valid.

Q. CP shall be issued in denominations of?

(a) 2 lakh and multiple
(b) 10 lakh and multiple
(c) Rs. 5 lakh and multiples thereof
(d) 1 lakh and multiple

Answer-C

Explanation: CP can be issued in denominations of Rs.5 lakh or multiples thereof

Q. Name the negotiable money market instrument which is issued in dematerialised form or as a Usance Promissory Note against funds deposited at a bank or other eligible financial institution for a specified time period?

(a) Cash Management Bills
(b) Commercial Paper (CP)
(c) Call money
(d) Certificate of Deposit (CD)
Answer-D
Explanation: A certificate of deposit (CD) is a product offered by banks and credit unions that offers an interest rate premium in exchange for the customer agreeing to leave a lump-sum deposit untouched for a predetermined period of time

Q. What should be the minimum amount of a Certificate of Deposit (CD)?
(a) Rs.1 lakh
(b) Rs.2 lakh
(c) Rs.3 lakh
(d) Rs.4 lakh
Answer-A
Explanation :Minimum amount of a CD should be Rs.1 lakh, i.e., the minimum deposit that could be accepted from a single subscriber should not be less than Rs.1 lakh, and in multiples of Rs. 1 lakh thereafter.
Q. Maximum maturity period of CDs issued by banks is?
(a) 15 days
(b) 30 days
(c) 1 Year
(d) 1 week
Answer-C
Explanation: A Certificate of Deposit issued by the commercial banks can have maturity period ranging from 7 days to 1 year

Q. Financial Institutions (FIs) can issue CDs for a period not less than 1 year and not exceeding _____ from the date of issue.
(a) 1 years
(b) 2 years
(c) 5 years
(d) 3 years
Answer-D

Q. Non-Convertible Debenture (NCD) is a debt instrument issued by?
(a) co-operative banks (other than Land Development Banks)
(b) Scheduled commercial banks (excluding RRBs),
(c) Corporate (including NBFCs)
(d) Primary Dealers (PDs)
Answer-C

Explanation: Non-convertible debentures (NCD) are fixedincome instruments, usually issued by high-rated companies in the form of a public issue to accumulate long-term capital appreciation. They offer relatively higher interest rates when compared to convertible debentures.

Q. Minimum maturity period of Non-Convertible Debenture (NCD)?
(a) 15 days
(b) 30 days
(c) 365 days
(d) 90 days
Answer- D
Explanation : Maturities range from 90 days to as long as 10 or even 30 years

Q. Non-Convertible Debenture (NCD) may be issued in denominations with a minimum amount of?
(a) Rs.10 lakh
(b) Rs.1 lakh
(c) Rs.50,000
(d) Rs.5 lakh
Answer -D
Explanation: NCDs may be issued in denominations with a minimum of Rs. 5 lakh (face value) and in multiples of Rs. 1 lakh

Q. Primary Dealer (PD) is a financial institution which holds a valid letter of authorisation as a PD issued by?
(a) The Reserve Bank of India
(b) Securities and Exchange Board of India
(c) Government of India
(d) Public sector banks
Answer-A
Explanation: Primary Dealer (PD) means a financial institution which holds a valid letter of authorisation as a PD issued by the Reserve Bank

Q. What is the full form of 'IPA'?
(a) International payment agent
(b) Issuing and payable agent
(c) Issuing and Paying Agent
(d) Issuing payable authority
Answer-C
Explanation: IPAs are commercial banks used by the issuer to facilitate MMI debt instructions including maturity obligations, Principle and Income Payment (P&I), and Reorganization (RP) payments to investors

Q. 'CRA' means a Credit Rating Agency registered with?
(a) Companies act 2013
(b) The Reserve Bank of India
(c) Government of India
(d) Securities and Exchange Board of India
Answer-D

Q. A tradeable instrument issued by the Central Government or the State Governments is known as?
(a) Government Security (G-Sec)
(b) Call money
(c) Bonds
(d) stocks
Answer-A
Explanation: A Government Security (G-Sec) is a tradeable instrument issued by the Central Government or the State Governments. It acknowledges the Government's debt obligation. Such securities are short term (usually called treasury bills, with original maturities of less than one year) or long term (usually called Government bonds or dated securities with original maturity of one year or more).

Q. ______ are called as risk-free gilt-edged instruments.
(a) Government Security (G-Sec)
(b) Call money
(c) Government bonds
(d) Certificate of Deposit (CD)
Answer-A
Explanation: In India, the Central Government issues both, treasury bills and bonds or dated securities while the State Governments issue only bonds or dated securities, which are called the State Development Loans (SDLs). G-Secs carry practically no risk of default and, hence, are called risk-free gilt-edged instruments.

Q. Treasury bills or T-bills are short term debt instruments issued by the Government of India and are presently issued in three tenors, namely?
(a) 30 day, 90 day and 180 day
(b) 91 day, 182 day and 364 day
(c) 15 days, 45 days and 60 days
(d) 7 days 28 days and 35 days
Answer-B
Explanation : Treasury bills or T-bills, which are money market instruments, are short term debt instruments issued by the Government of India and are presently issued in three tenors, namely, 91 day, 182 day and 364 day.

Q. What is the full form of CMBs?
(a) Cheque management bill
(b) Cash monetary bills
(c) Credit management bills
(d) Cash Management Bills
Answer-D
Explanation: Government of India, in consultation with RBI introduced a new short-term instrument, known as Cash Management Bills (CMBs), to meet the temporary mismatches in the cash flow of the Government of India. The CMBs have the generic character of T-bills but are issued for maturities less than 91 days

Q. What is the tenor of Dated G-Secs securities ranges from?
(a) 3 years to 10 years
(b) 1 years to 20 years
(c) 5 years to 40 years
(d) 5 years to 10 years
Answer-C
Explanation: G-Secs are securities which carry a fixed or floating coupon (interest rate) which is paid on the face value, on half-yearly basis. Generally, the tenor of dated securities ranges from 5 years to 40 years.

Q. Sovereign Gold Bond (SGB) are denominated in multiples of gram(s) of gold with a basic unit of?
(a) 2 gram
(b) 1 gram
(c) 3 gram
(d) 5 gram
Answer-B
Explanation: To be issued by Reserve Bank India on behalf of the Government of India. The Bonds will be denominated in multiples of gram(s) of gold with a basic unit of 1 gram. The tenor of the Bond will be for a period of 8 years with exit option in 5th, 6th and 7th year, to be exercised on the interest payment dates.

Q. The loans raised by State Governments from the market are called?
(a) Indian financial market
(b) syndicated loan market
(c) India personal loan market
(d) State Development Loans (SDLs)
Answer-D
Explanation: State Development Loans (SDLs) are market borrowings by state governmentsGenerally, the coupon rates on State Development Loans are higher than those of government securities (popularly called G-secs) of the same maturity.

Q. OMOs are the market operations conducted by?
(a) Government of India
(b) The Reserve Bank of India
(c) Finance ministry
(d) SBI
Answer-B
Explanation: An open market operation (OMO) is an activity by a central bank to give (or take) liquidity in its currency to (or from) a bank or a group of banks.

Q. LAF is a facility extended by RBI to the scheduled commercial banks (excluding RRBs) and PDs to avail of liquidity in case of requirement. What is the full form of LAF?
(a) Liquidity adjustment fund
(b) Leverage adjustment facility
(c) Liquidity Adjustment Facility
(d) Liquidity accounts fund
Answer-C
Explanation: A liquidity adjustment facility (LAF) is a tool used in monetary policy, primarily by the Reserve Bank of India (RBI), that allows banks to borrow money through repurchase agreements (repos) or for banks to make loans to the RBI through reverse repo agreements. This arrangement manages liquidity pressures and assures basic stability in the financial markets

Q. RBI has launched NDS-OM-Web on?
(a) June 21, 2012
(b) June 30, 2012
(c) June 25, 2012
(d) June 29, 2012
Answer-D
Explanation: The RBI had introduced the NDS-OM system in August 2005. The NDS-OM is an electronic, screen based, anonymous, order driven trading system for dealing in government securities

Q. The CCIL is the clearing agency for G-Secs, full form of CCIL is?
(a) Clean Corporation of India Limited
(b) Cleaning Corporation of India Limited
(c) Clearing company of India Limited
(d) Clearing Corporation of India Limited
Answer-D
Explanation: The Clearing Corporation of India Ltd. (CCIL) was set up in 2001 commenced business operations in the securities market on February 15, 2002. CCIL provides an institutional infrastructure for the Clearing and Settlement of transactions by banks, financial institutions and primary dealers, in Government Securities, Money Market

instruments, Foreign Exchange and other related products

Q. The Fixed Income Money Market and Derivatives Association of India (FIMMDA) was incorporated as a Company under section 25 of the Companies Act,1956 on?
(a) June 5, 1999
(b) June 30, 1998
(c) June 3, 1998
(d) June 1, 1998
Answer-C
Explanation:The Fixed Income Money Market and Derivatives Association of India (FIMMDA), an association of Commercial Banks, Financial Institutions and Primary Dealers, was incorporated as a Company under section 25 of the Companies Act, 1956 on June 3rd, 1998 that deals in interest rate, currencies and commodity derivatives

Q. Name the market which deals with the trading of longterm securities?
(a) Money market
(b) Capital Market
(c) syndicated loan market
(d) India personal loan market
Answer-B
Explanation: the part of a financial system concerned with raising capital by dealing in shares, bonds, and other long-term investments.

Q. Capital Market consists of two types of markets,namely?
(a) Loan market and money market
(b) Money market and India personal loan market
(c) Primary market and money market
(d) Primary market and Secondary market
Answer-D
Explanation: Capital Market. There are broadly two types of financial markets in an economy – capital market and money market. Now capital market deals in financial instruments and commodities that are long-term securities. Capital markets perform the same functions as the money market.

Q. The Public issues can be classified into?
(a) Initial Public Offerings (IPOs)
(b) Further/Follow-on Public Offerings (FPOs)
(c) both a & b
(d) Mostly a and sometimes b also
Answer-C
Explanation- The Public issues can be classified into Initial Public Offerings (IPOs) and Further/Follow-on Public Offerings (FPOs)

Q. A market where securities are traded after being initially offered to the public in the primary market and/or listed on the Stock Exchange is known as?
(a) Syndicate market
(b) Statuary market
(c) Loan market
(d) Secondary Market
Answer-D
Explanation:Capital Market. Secondary Market refers to a market where securities are traded after being initially offered to the public in the primary market and/or listed on the stock exchange.

Q. What are the Instruments of Capital Market?
(a) Equity,
(b) Cumulative Preference Shares,
(c) Cumulative Convertible Preference Shares,
(d) All of the above
Answer-D
Explanation :Capital markets are perhaps the most widely followed markets. Both the stock and bond markets are closely followed, and their daily movements are analyzed as proxies for the general economic condition of the world markets. As a result, the institutions operating in capital markets—stock exchanges, commercial banks, and all types of corporations, including non-bank institutions such as insurance companies and mortgage banks—are carefully scrutinized.

Q. STT is a tax being levied on all transactions done on the stock exchanges at rates prescribed by the Central Government from time to time, full form of STT is?
(a) Securities Transaction Tax
(b) Securities Tarif tax
(c) semi Transaction tax
(d) Secondary Transaction tax
Answer-A
Explanation:Securities transaction tax (STT) is a tax levied at the time of purchase and sale of securities listed on stock exchanges in India

Q. What is the function of the Financial market?
(a) Involve the movement of money
(b) regulates the market
(c) issue fresh capital
(d) deals in short funds
Answer-A
Explanation :Financial Markets is the market, an arrangement or institution where the traders are involved in the buying and selling of the financial assets like shares, bonds,

derivatives, commodities, currencies, etc

Q. What is the effect of decrease in capital on the market?
(a) decrease in availability
(b) decrease in interest rate
(c) increase in availability
(d) increase in interest rate
Answer-D
Explanation :In financial markets, decrease in investment results in increase in interest rate. An interest rate is the amount of interest due per period, as a proportion of the amount lent, deposited or borrowed.

Q. Type of trading in which trading who takes positionevery day and also liquidate it on same day is called as
(a) broker traders
(b) day traders
(c) commercial traders
(d) non-position traders
Answer-B
Explanation:Day traders are active traders who execute intraday strategies to profit off price changes for a given asset.

Q. Which market is associated with the short-term financial assets that are close substitutes of money?
(a) Capital market
(b) Financial market
(c) Money market
(d) Commodities market
Answer- C
Explanation: The money market is the trade in short-termdebt investments. At the wholesale level, it involves large-volume trades between institutions and traders.

Q. Name the three sub-markets of the Indian Money Market?
(a) Call Money, Notice Money and Term Money markets
(b) Treasury bills, certificate of deposits, commercial papers
(c) Repurchase Agreements, Banker’s Acceptance ,Money Market Mutual Funds
(d) Participation Certificates, Collateralized Borrowing and Lending Obligation (CBLO), Repurchase Agreements
Answer- A
Explanation: Call Money, Notice Money and Term Money markets are sub-markets of the Indian Money Market. These refer to the markets for very short term funds

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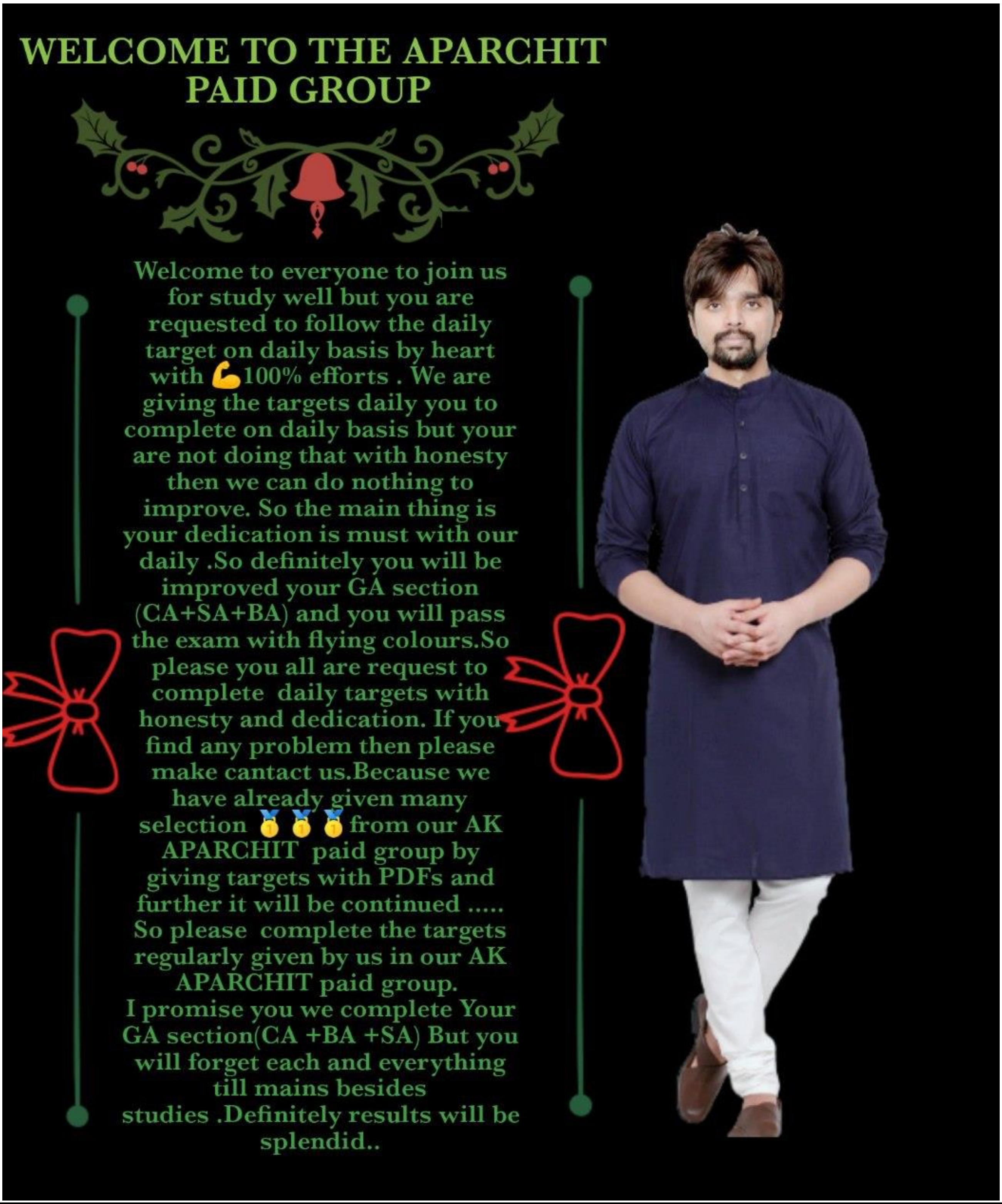
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Welcome to everyone to join us for study well but you are requested to follow the daily target on daily basis by heart with 💪100% efforts . We are giving the targets daily you to complete on daily basis but your are not doing that with honesty then we can do nothing to improve. So the main thing is your dedication is must with our daily .So definitely you will be improved your GA section (CA+SA+BA) and you will pass the exam with flying colours.So please you all are request to complete daily targets with honesty and dedication. If you find any problem then please make cantact us.Because we have already given many selection 🥇🥇🥇 from our AK APARCHIT paid group by giving targets with PDFs and further it will be continued ..... So please complete the targets regularly given by us in our AK APARCHIT paid group.
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