

2 marks ✓

1. Define Primary market?

The Primary market is the part of the capital market that deals with issuance and sale of equity-backed securities to investors directly by the issuer. Investors buy securities that were never traded before.

2. Define Secondary market?

The Secondary market is where investors buy all sell securities they already own. It is what most people typically think of as the "stock market"; though stocks are also sold on the Primary market when they are first issued.

3. Expand NSE, BSE, OTCEI?

NSE - National Stock exchange.

BSE - Bombay Stock exchange

OTCEI - Over the Counter exchange of India.

4. Listing of Security?

Listed securities are shares debentures or any other securities that is traded through an exchange such as BSE, NSE, etc... exchanges have listings requirements to ensure that only high quality securities are traded on them and to uphold the exchange's reputation among investors.

5 Marks:

1. Features of primary market?

- \* This is the market for new long term equity capital
- \* The Primary market is the market where the securities are sold for the first time.
- \* In a Primary issue, the securities are issued by the company directly to investors.
- \* The company receives the money and issues new security certificates to the investors.
- \* Primary issues are used by companies for the purpose of setting up new business or for expanding or modernizing the existing business.

- \* It is related with new issues.
- \* It has no particular place.
- \* It comes before secondary market.

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## 2. Short Note on Secondary market?

\* Define Secondary market.

Secondary market include all stock exchanges where investors buy or sell their securities with other investors. Because investors who deal with securities needed a place to exchange their offering for money. the stock exchange emerged today it is highly sophisticated and uses advanced technologies to provide real-time prices of any share.

Secondary markets provide the liquidity for investors and even for the economy as a whole. In general, the higher the number of investors the greater the liquidity for that market.

Besides the widely accepted definition of secondary market, there also exists private secondary markets that deal with the buying and selling of investor commitment to provide equity funds.

Both these types of secondary markets are heavily regulated by the national government sources of capital formation and liquidity for companies, investors and the economy as a whole. These secondary market are an important way to monitor and control the public perceptions for the company.

## 3. Role of depository of India?

Introduction

In the twenty first century, many aspects of technology have become a blessing. One such blessing is the depository system which is the electronic mode of holding securities. There was a time when companies used to issue shares certificates in physical form. The introduction of depositories system also gave rise to a new type of stock trade called 'dematerialization'.

What is dematerialization?

Dematerialization or Demat is also called as 'seipless trade' or 'seipless transfer'. It is

basically the conversion of physical certificates into electronic records. The two depositories which are already registered under SEBI was.

1. National Securities Depositories Limited (NSDL):  
NSDL was set up in 1996 by NSE, IDBI and UTI helped to promote NSDL.

2. Central Depository Service Limited (CDSL): like NSE promoted NSDL BSE promoted CDSL

Importance Concepts:

\* Depository participant or a DP is an agent of the depositories which provides depository services to the investors.

\* Securities eligible for demat shares, stock, debentures, bonds, debentures stock, any other marketable security, any incorporated company, units of the mutual fund, unlisted security, commercial paper are some of the examples.

\* Beneficial owner - the benefits from the dematerialized securities are derived by the actual investors of the shares, so they are the beneficial owner as the depositories hold the security on behalf of the investor and in a fiduciary capacity.

④ DTCEET?

The OTC exchange of India is a company incorporated under the Companies Act, 1956 with the main objectives of setting up and operating an 'over the counter' exchange in India.

1. Unit Trust of India.
2. Industrial Credit and Investment Corporation of India.
3. Industrial Development Bank of India.
4. Industrial Finance Corporation of India.
5. Life Insurance Corporation of India and its subsidiaries.
6. SBI Capital Markets.
7. Can bank financial services.

Characteristics of DTCEET?

1. Trading through a network of computers of OTC dealers.

2. A national floorless exchange
3. Companies with paid up capital of Rs. 30 lakhs may be enlisted on the OTCEI.
4. Companies listed in OTCEI can be listed in other exchange after a period of 1 1/2 years of its listing in OTCEI.
5. Minimum offer should be a % of the issued capital or Rs. 20 lakh worth of shares in face value which ever is high.
6. Dealers in securities such as equity shares, Preference share bonds, debentures and warranty.

### Advantages of OTCEI?

#### 1. For the Investor:

1. Definite liquidity is ensured to investors.
2. Automatic registration of shares lodged by an individual up to 0.5% of its total paid up equity.
3. On the OTCEI, an transactions would be completed within 4 days.

#### 2. For the company:-

1. The company gets a nation-wide listing.
2. If a company wants to raise funds immediately, it can pledge its equity with the sponsor and thereby reduce interest cost.

10 Marks :-

① Difference between PM and SM?

| Box     | Primary Market                     | Secondary Market                              |
|---------|------------------------------------|---|
| Meaning | Offers security for the first time | Offering trading of already issued securities |
|         | New issue Market                   | Aftermarket or share market.                  |

|                            |  |  |
|----------------------------|--|--|
| Type of Product.           | Mainly include IPO, FPO  | Shares, warrants, derivatives and more. <span style="float: right;">(5)</span>                   |
| Frequency of Security.     | one  | As many as possible.   |
| Parties involved           | Company and the investors.   | Investors buy and sell among themselves Investor.  |
| How to identify investment | Investors primarily rely on Prospectus and word-of-mouth publicity.                | Several tools such as Price to earning (P/E), Price to book (P/B) Price to Sales (P/S) and more. |
| Intermediary               | underwriters   | Brokers  |
| Purpose.                   | To raise capital for expansion and diversification, etc..                          | Trading and thereby availing liquidity to investors.   |
| Price                      | The Company sells the shares to the investors at a fixed Price                     | Demand supply discovers the Price.   |
| Presence                   | No organisation set up.  | Geographical setup and Organisation Presence.  |
| Rules and Regulation.      | The Company issuing Securities goes through a lot of regulation and due diligence. | Investors and brokers follows the rules set by the exchange and the governing agencies           |

② Listing advantages, disadvantages?

Advantages the Company Management:-

1. It gives the management and the Company a higher Status and facilitates expansion Programmes.
2. Such Companies can raise finance very easily.
3. Such Companies are better placed while approaching the SEBI for its consent under any of the provisions of SEBI Act.
4. Listed companies are treated favourably by the financial institutions and commercial banks when they

approach them for short term and long-term accommodation.

### Advantages of Investors:

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1. Listing makes the securities more prestigious and enhances their marketability.
2. The security prices are regularly published in the financial news papers and periodicals.
3. Such securities generally → higher prices.
4. Holders of listed securities are eligible for certain concessions in tax etc. in their capacity as assesses.
5. Listed securities enjoy more public confidence. Hence, they have high collateral value.
6. Listed companies should make a fair disclosure of certain information and so the investors are given a reasonable opportunity of judging the merits of the concern.
7. Listed securities ensure safety to the funds of the investor.

### Disadvantages:

1. Listing makes people depend upon share brokers, jobbers etc. They create violent price fluctuations.
2. Securities, which are unable to have a stable value shall lose their prestige and fall down in the esteem of the investors and bankers.

### Role of Secondary market:

- organisation
- underwriting
- distribution.

### Definition of Hastings:- Stock exchange

"Stock exchange or security market comprises of all the places where buyers and sellers of stocks and bonds or their representative undertake transactions involving the sale of securities."