



Ministry of Corporate Affairs
Government of India

A Beginner's Guide To The Capital Market



 **INDIA**
INVESTOR WEEK

July 12-17, 2010

An initiative under the year long investor awareness programme

Published by



**THE INSTITUTE OF
Company Secretaries of India**
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament

Editor :
Prithvi Haldea
PRIME Database

Under the aegis of Investor Education and Protection Fund.



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Ministry of Corporate Affairs
Government of India
Shastri Bhawan, New Delhi-110 001



MESSAGE

The Ministry of Corporate Affairs has decided to mainstream the investor awareness program as a national agenda during the current financial year. For this purpose, we have partnered with a number of institutions who will be organizing more than 3,000 investor programmes throughout the country during the current financial year. We are also organizing the 'India Investor Week' during July 2010 with the theme 'Informed investor – an Asset to Corporate India'. The Ministry is bringing out a comprehensive investor guide on this occasion which will help the aam aadmi desirous of making investments to understand their rights and responsibilities as well as various investment instruments along with their associated risks and returns. I am sure that the publication of this Book will be a significant step in spreading awareness on investor issues and will help in integrating the common man into the corporate economy of the country.

Salman Khurshid
Minister of State (I/C) for
Corporate Affairs



Ministry of Corporate Affairs
Government of India
Shastri Bhawan, New Delhi-110 001



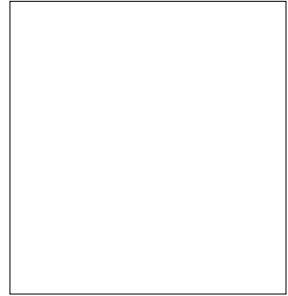
MESSAGE

With a view to convert the investor education and awareness programme of the Ministry into a mass movement, it has been decided to upscale this initiative in a big way and to bring a number of organizations as partners in this area. In order to educate the investors in an easy to understand manner, the Ministry has decided to bring out a book that provides lucid information on various investment instruments and the rights and responsibilities associated with each one of them. The publication of this book will help in encouraging a much larger number of common people to participate in the corporate economy. This will be a small contribution by the Ministry of Corporate Affairs towards the national agenda of inclusive growth. I am sure that a large number of investors – existing and potential – will benefit from the content of this Book which has been edited by Shri Prithvi Haldea, a noted expert on the subject.

R. Bandyopadhyay
Secretary,
Ministry of Corporate Affairs



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MESSAGE

Investors being the backbone of the Capital Market, it becomes essential that they are well informed about the various technicalities and are equally educated to understand the nuances of Capital Market. It helps the investors in taking right investment decisions and enable them to protect their interest. This in turn helps in better governance of the Capital Market.

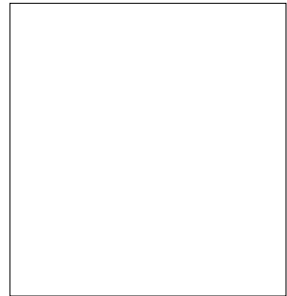
The year long initiative taken by the Ministry of Corporate Affairs for organising Investor Awareness Programmes through out the country is a big step forward towards educating the investors. The Institute of Company Secretaries of India (ICSI) as partner organisation in this initiative is making all efforts in organising Investor Awareness Programmes to make this initiative a grand success.

'A Beginners's Guide to the Capital Market' contains very important and valuable information and I am sure, this will help in generating wide spread awareness amongst the Investors about various aspects of Capital Market.

(VINAYAK S KHANVALKAR)
PRESIDENT



**THE INSTITUTE OF
Company Secretaries of India**
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MESSAGE

One of the most important components of orderly development of Capital Market is educated and informed investor. The Investor Education and Awareness help investors to make informed investment decisions thus creating a rational investment culture and protecting the interest of investors.

In that context, the Institute of Company Secretaries of India (ICSI) feels privileged to be associated with year long Investor Awareness Programme an initiative taken by the Ministry of Corporate Affairs. The ICSI on its part is organising nation-wide Investor Awareness Programmes through its various Regional Councils and Chapters.

This booklet 'A Beginners's Guide to the Capital Market' will go a long way in helping investors to get their queries clarified and to make well considered investment decisions.

(N. K. JAIN)
SECRETARY & CEO

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INVESTOR EDUCATION AND PROTECTION FUND

Investor Education and Protection Fund (IEPF) has been established under the Companies Act, 1956 for promotion of investors' awareness and protection of the interests of investors.

Activities undertaken by the IEPF include educating and creating awareness among investors through seminars and media and funding projects pertaining to investor education awareness and protection. IEPF has also sponsored three websites for this purpose.

Investor Related Websites of IEPF

iepf.gov.in

This website fulfils the need for an information resource for small investors on all aspects of the capital market and does it in the small investors' language.

This website presently covers information on IPO Investing, Mutual Fund Investing, Stock Trading, Depository Account, Debt Market, Derivatives, Indices, Index Funds, Investor Grievances & Arbitration (Stock Exchanges), Investor Rights & Obligations, Dos and Don'ts etc.

This website is now available in English and Hindi as well as 12 major regional languages.

watchoutinvestors.com

The best defense against frauds is self-defense. This first-of-its-kind-in-the-world, free public service arms the investors with a self-defense tool to protect themselves from fraudulent/non-compliant companies, intermediaries and individuals. This website is now a national web-based registry of such entities.

watchoutinvestors.com enables investors to do a fast, efficient and user-friendly search and provides them with the information on such entities/persons which they can use before making any new investments and for reviewing their portfolio vis-à-vis such entities.

As of 31st May, 2010, the website had listed over 1,06,000 indicted/non-compliant entities covering 72,517 companies/firms and 33,947 individuals. These relate to the orders passed by several regulatory bodies including BSE, CDSL, CLB, DRT, EPFO, IRDA, MCA, NHB, NSDL, NSE, RBI, ROC and SEBI.

watchoutinvestors.com is being used by lakhs of investors (over 27 lakhs as on 31st May, 2010).

investorhelpline.in

This is a dedicated, free of charge, portal to handle investor grievances under one roof covering areas related to various authorities like Ministry of Company Affairs, Registrar of Companies,

Securities and Exchange Board of India and Reserve Bank of India. Complaints are taken up by the website for redressal both with the companies and with the concerned regulators.

Investors can log-in their grievances related to the capital market and company deposits in easy-to-fill forms and track progress of their grievance redressal online.

A large number of investors are using this facility.

EDITOR'S 20 MANTRAS

Save prudently...

Invest even more wisely

Investing

- Investing is compulsory.
- You have to invest otherwise your savings will depreciate in value/purchasing power.
- However, mindless or reckless investing is hazardous to wealth.

20 Mantras to Wise Investing

Mantra 1

Invest only in fundamentally strong companies

- Do not go for momentum or penny stocks.
- Invest only in companies with strong fundamentals; these are the ones that will withstand market pressures, and perform well in the long term.
- Equity investments cannot be sold back to the company/promoters.
- Strong stocks are also liquid stocks.

Mantra 2

Read carefully

- Do not gamble away your hard earned money.
- Due diligence is a must.
- Read about the offer. This is an advice difficult to practice with offer documents now running into more than 1000 pages; abridged prospectus too is difficult to read. Yet, read you must, at least sections on risk factors, litigations, promoters, company history, project, objects of the issue and key financial data.

Mantra 3

Follow life-cycle investing

- You can afford to take greater risks when you are young.
- As you cross 50, start getting out of risky instruments.
- By 55/60, you should be totally out of equity. (You can't afford to lose your capital when you have stopped earning new money). There are better things in life at that age than watch the price ticker on TV!

Mantra 4

Invest in IPOs

- IPOs are a good entry point.

During bull runs, almost all IPOs provide positive, and in many cases huge, returns on the listing day. If an investor does not book profit, he is either greedy or takes a wrong call on the company/industry/ market. He should then not fault the IPO price. Remember that...

- IPOs have to be bought; these are not forced upon the investors.
- The problem is that we put IPOs on a pedestal and expect them to perform forever. An IPO becomes a listed stock on the listing date. It will then behave like that.
- Decide whether you are investing in an IPO or in a company. If as an IPO, then exit on listing date. If as a company, then remain invested as you would in a listed stock.

In any case, invest only if the QIB oversubscription is healthy.

And use the ASBA process to invest.

Mantra 5

Surely invest in every PSU IPO

- IPOs are only from very good and profitable PSUs; also very little risk of fraud.
- There would always be a discount for the retail investors.
- Don't get bothered by the listing price; stay invested.

Mantra 6

Invest in mutual funds, but select the right fund and scheme

- In India, mutual funds are dominated by corporate money, and have little focus on the small investors.
- Still, mutual funds are a better vehicle for a small investor.
- There are too many mutual funds, too many schemes; select the right one.

Mantra 7

Learn to sell

- Most investors buy and then just hold on (Most advice by experts on the media is also to buy or hold, rarely to sell).
- Profit is profit only when it is in your bank (and not in your register or Excel sheet).
- Remember, you cannot maximize the market's profits so don't be greedy.
- Set a profit target, and sell.

Mantra 8

Deal only with registered intermediaries

- Many unauthorized operators in the market who will lure you with promises of high returns, and then vanish with your money.

- Dealing with registered intermediaries is safer and allows recourse to regulatory action.

Mantra 9

Let not greed make you an easy prey!

- Many scamsters are roaming around, to exploit your greed.
- Most scams rob small investors.
- Be careful about the entity seeking your money.

Mantra 10

Beware of the media, especially the stock-specific advice on electronic media

- Too many “saints” in the capital market offering free advice!
- In reality, many of these advisors have vested interests.
- Also beware of the get-rich schemes being sold through SMS and emails.

Mantra 11

Don't get taken in by advertisements

- The job of an advertisement is to make you feel-good.
- Don't get carried away by attractive headlines, appealing visuals, catchy messages.

Mantra 12

Beware of fixed/guaranteed returns schemes

- Any one who is offering a return much greater than the bank lending rate is suspicious.
- Remember plantation companies-promised huge returns (in some cases 50% on Day 1)!

Mantra 13

Beware of the grey market premia

- These are artificial and normally created by the promoter himself.

Mantra 14

Don't get overwhelmed by sectoral frenzies

- The present sectoral frenzy is around Logistics and Infrastructure.
- Remember, all companies in a sector are not good. Each sector will have some very good companies, some reasonably good companies and many bad companies.
- Be also wary about companies that change their names to reflect the current sectoral fancy.

Mantra 15

Don't over-depend upon 'comfort' factors like

- IPO Grading
- Independent Directors

Mantra 16

Don't blindly take decisions based on accounts just because these are audited

- High incidence of fraudulent accounts and of mis-advertising of financial results. Satyam case is a wake up call.
- Read qualifications and notes to the accounts.
- Look out especially for unusual entries-related party transactions, sundry debtors, subsidiaries' accounts.

Mantra 17

Cheap shares are not necessarily worth buying

- Do not chase price, chase value.
- Price can be low because the company in fact is not doing well (but hype over the company/sector may induce you).
- Worse, the price can be low because the face value has been split (over 500 companies have split their shares).
 - Rationale given: make shares affordable to small investors
 - Not valid as in demat, one can buy even one share
 - Real purpose: to make shares appear "cheap"
 - Companies with a share price of Rs.50 have split 1:10!

Mantra 18

Be wary of companies where promoters issue shares/warrants to themselves

- Preferential allotments to promoters are almost always made for the benefit of the promoters only. (The fair route should be rights issue).

Mantra 19

Don't be fooled by Corporate Governance Awards/CSR

- There is a high incidence of fraudulent companies upping their CG and CSR activities.

The last Mantra 20

Be honest

- Be honest to yourself as only then you can demand honesty.
- We are very weak investors/no strong investor associations/take every thing lying down.
- Need to form/join strong investor associations and fight for our rights.
- Need to demand disgorgement.

RIGHTS OF INVESTORS

Capital Market

A capital market is a market for securities (equity and debt), where companies and government raise long-term funds, and the secondary capital market provides a trading platform for these securities. Regulators, such as SEBI and RBI, regulate and oversee the capital market to ensure an orderly development of the market and protection of investors.

Shareholders are the real owners of a company. They benefit, through dividends and capital appreciation, when the company performs well. On the other hand, they carry the risk of losing part or fully their investment if the company performs badly.

Rights as a shareholder

- To receive the shares on allotment or purchase within the stipulated time
- To receive copies of the Annual Report containing Balance Sheet, Profit & Loss Account and Auditor's Report
- To receive dividends in due time
- To receive approved corporate benefits like rights, bonus, etc.
- To receive offer in case of takeover, delisting or buyback
- To participate/vote in general meetings.
- To inspect the statutory registers at the registered office of the company
- To inspect the minute books of the general meetings and receive copies.
- To complain and seek redressal against fraudulent and investor unfriendly companies
- To proceed against the company, if in default, by way of civil or criminal proceedings
- To receive the residual proceeds in case of winding up

Rights as a debentureholder

- To receive interest/redemption in the stipulated time
- To receive a copy of the trust deed on request
- To apply before the CLB in case of default in redemption of debentures on the date of maturity
- To apply for winding up of the company if the company fails to pay its debt
- To approach the Debenture Trustee for grievances

Rights as a buyer/seller of securities to get

- The best price

- Proof of price/brokerage charged
- Money/shares on time
- Statement of accounts from the broker, depository etc.

Obligations as a buyer/seller of securities

- Enter into proper agreements with the broker, depository etc.
- Possess a valid contract note
- To make payment on time
- To deliver shares on time

With rights of redressal against

- Fraudulent prices
- Unfair brokerage
- Delays in receipt of money or shares

As an investor, your responsibility is

- To remain informed
- To be vigilant
- To exercise your rights on your own or as a group

DO'S AND DON'TS

Primary Market

DO's

- ✓ Read the Prospectus/ Abridged Prospectus carefully, with special attention to:
 - ✓ Risk factors
 - ✓ Background of promoters
 - ✓ Company history
 - ✓ Outstanding litigations and defaults
 - ✓ Financial statements
 - ✓ Object of the issue
 - ✓ Basis of Issue price
 - ✓ Instructions for making an application
- ✓ In case of any doubts/problems, contact the compliance officer named in the offer document.
- ✓ In case you do not receive, within due period, the credit to demat account or refund of application money, lodge a complaint with the compliance officer of the issuer company and with the post-issue lead manager.

DON'Ts

- * Don't be influenced by any implicit/explicit promise made by the issuer or any one else.
- * Don't invest only based on the prevailing bull run of the market index or of scrips of other companies in the same industry or scrips of the issuer company/group companies.
- * Don't expect the price of the shares of the issuer company to necessarily go up upon listing, and forever.

Secondary Market

DO's

- ✓ Before investing, please check about the credentials of the company, its management, fundamentals and recent announcements made by them and other disclosures made under various regulations. The sources of information are the websites of the exchanges and companies, databases of data vendors, business newspapers and magazines etc.
- ✓ Adopt trading/investment strategies commensurate with your risk-bearing capacity as all investments carry some risk, the degree of which varies according to the investment strategy adopted.

- ✓ Assess the risk-return profile of the investment as well as the liquidity and safety aspects before making your investment decision.
- ✓ Transact only through SEBI-recognized stock exchanges.
- ✓ Deal only through SEBI-registered brokers/sub-brokers.
- ✓ Read carefully and complete all required formalities for opening an account with the broker (Client registration, Client-Trade Member agreement etc).
- ✓ Sign the “Know Your Client” Agreement.
- ✓ Give clear and unambiguous instructions to your broker/sub-broker/DP.
- ✓ Insist on a contract note for each transaction and verify details in the contract note, immediately on receipt. If in doubt, crosscheck details of your trade available with the details on the exchange’s website.
- ✓ Pay the required margins in the prescribed time.
- ✓ Deliver the shares/depository slip in case of sale and pay the money in case of purchase within the prescribed time.
- ✓ Pay the brokerage/ payments/ margins etc. to an authorized person only.
- ✓ Obtain receipt for collateral deposited towards margin.
- ✓ Scrutinize both the transactions and the holding statements that you receive from your DP.
- ✓ Handle Delivery Instruction Slips (DIS) Book issued by the DP carefully. Insist that the DIS numbers are pre-printed and your account number (Client ID) is pre-stamped.
- ✓ In case you are not transacting frequently, make use of the freezing facility provided for in your demat account.
- ✓ Keep copies of all investment documents. Ask all relevant questions and clear your doubts before transacting.

DON'Ts

- * Don't forget to take account of the potential risks that are involved in any investment.
- * Don't undertake off-market transactions.
- * Don't deal with unregistered intermediaries.
- * Don't fall prey to promises of unrealistic returns or guaranteed returns.
- * Don't invest on the basis of hearsays, rumors and tips.
- * Don't be influenced into buying into fundamentally unsound companies (penny stocks) based on sudden spurts in trading volumes or prices or favourable articles/stories in the media.
- * Don't follow the herd and don't play on momentum.
- * Don't blindly follow investment advice given on TV channels/websites/SMS.
- * Don't invest under peer pressure or blindly imitate investment decisions of others who may have profited from their investment decisions.
- * Don't try to time the market.

- * Don't get misled by companies showing approvals / registrations from Government agencies as the approvals could be for certain other purposes.
- * Don't get carried away with advertisements about the financial performance of companies.
- * Don't blindly follow media reports on corporate developments, as some of these could be misleading.
- * Don't get misled by guarantees of repayment of your investments (and returns) through post-dated cheques.
- * Don't hesitate to approach the proper authorities for redressal of your doubts/grievances.
- * Don't leave signed blank Delivery Instruction Slips (DIS) of your demat account in the open.
- * Don't give signed blank DIS to your DP or to your broker.

Dealing with Brokers & Sub-brokers

DO'S

- ✓ Deal only with SEBI registered brokers/sub-brokers and verify that the broker/sub-broker has a valid SEBI registration certificate.
- ✓ State clearly who will be placing orders on your behalf and give clear and unambiguous instructions to your broker/sub-broker.
- ✓ Insist on client registration form to be signed by the broker before commencing operations.
- ✓ Enter into an agreement with your broker/ sub-broker setting out terms and conditions clearly.
- ✓ Ensure that you read the agreement and risk disclosure document carefully before signing.
- ✓ Make sure that you sign on all the pages of the agreement and ensure that the broker or an authorized representative, signs on all the pages of the agreement. Also the agreement should be signed by the witnesses by giving their name and address.
- ✓ Insist on a valid contract note/ confirmation memo for trades done within 24 hours of the transaction.
- ✓ Sign the duplicate contract note/ confirmation memo to be kept with the broker once you receive the original.
- ✓ Insist on a bill for every settlement.
- ✓ Ensure that the broker's name, trade time and number, transaction price and brokerage are shown distinctly on the contract note.
- ✓ Insist on periodical statement of accounts.
- ✓ Issue cheques/drafts only in the trade name of the broker.
- ✓ Ensure receipt of payment/ deliveries within 48 hours of payout.
- ✓ In case of disputes, file written complaint to intermediary/ stock exchange/SEBI within a reasonable time.
- ✓ In case of disputes with the sub-broker, inform the main broker immediately.
- ✓ Familiarize yourself with the rules, regulations and circulars issued by stock exchanges /SEBI.

- ✓ Keep track of your portfolio in your demat account on a regular basis.
- ✓ Ensure that you have money before you buy.
- ✓ Ensure that you are holding securities before you sell.

DON'TS

- * Don't deal with unregistered brokers / sub - brokers or other unregistered intermediaries.
- * Don't execute any document with any intermediary without fully understanding its terms and conditions.
- * Don't leave the custody of your Demat Transaction Slip book in the hands of any broker/sub-broker.
- * Don't forgo obtaining all documents of transactions even if the broker/sub-broker is well known to you.

Mutual Funds

DO's

- ✓ Read the offer document carefully before investing.
- ✓ Note that investments in mutual funds may be risky, and do not necessarily result in gains.
- ✓ Invest in a scheme depending upon your investment objective and risk appetite.
- ✓ Note that past performance of a scheme or a fund is not indicative of the scheme's or the fund's future performance. Past performance may or may not be sustained in the future.
- ✓ Keep regular track of the NAV of the schemes in which you have invested.
- ✓ Ensure that you receive an account statement for your investments/redemptions.

DON'Ts

- * Don't invest in a scheme just because somebody is offering you a commission or some other incentive, gift etc.
- * Don't get carried away by the name of the scheme/mutual fund.
- * Don't be guided solely by the past performance of a scheme/fund or be taken in by promises of future returns.
- * Don't forget to take note of the risks involved in the investment.
- * Don't hesitate to approach the proper authorities for redressal of your doubts/grievances.
- * Don't deal with any agent/broker dealer who is not registered with AMFI.

Buyback

DO's

- ✓ Read the special resolution regarding the proposed buyback in detail and then vote for it.

- ✓ Compare the price offered in the buyback with the market price during last few months as also with the company's Earning per Share, Book Value etc. and then determine whether the price offered is reasonable.
- ✓ Read the instructions for making the application for tendering of shares carefully.
- ✓ Ensure that your application reaches the collection centre within the prescribed time.
- ✓ Furnish all the documents asked for in the letter of offer.
- ✓ Send application through the mode (post/courier/hand delivery/ ordinary post etc.) specified in the letter of offer.
- ✓ Contact the Merchant Banker if no response is received from the company regarding consideration for the tendered shares.
- ✓ Contact the Compliance Officer mentioned in the letter of offer in case of any grievance.
- ✓ Contact the Registrar of Companies in case Companies Act has been violated.

DON'Ts

- * Don't submit multiple applications.
- * Don't forget to fill up the application legibly.
- * Don't mutilate the application form.
- * Don't send the application form to a wrong address.
- * Don't send the application form after the closure of the offer.
- * Don't forget to give complete information in the application form.
- * Don't forget to sign the application form.
- * Don't give wrong/ contradictory information in the application form.

Open Offers (under Takeover Regulations)

DO's

- ✓ Ensure that you are aware of all competitive offers and revision of offer/offer price before deciding on accepting the offer.
- ✓ Refer to national dailies/ SEBI website for details of competitive offers or revisions of offers.
- ✓ Note that the offer is subject to statutory approvals as mentioned in the letter of offer.
- ✓ Check whether the offer will result in delisting of the company.
- ✓ In case of demat shares, ensure credit is received to the Special Depository Account before the closure of the Offer.
- ✓ Carefully note the timings/days for hand delivery of the documents mentioned in the letter of offer.
- ✓ Wait till the last date for Offer Revision (i.e. 7 working days prior to date of closing of offer) before tendering your acceptance.

- ✓ Submit the Form of Withdrawal accompanying the letter of offer at any specified collection center up to 3 working days before date of closing of the offer in case you want to withdraw the shares tendered.
- ✓ Ensure that signatures on the Form of Acceptance, Transfer Deed, Depository Instruction and Form of Withdrawal are the same and in the same order as those lodged with the company.
- ✓ In case of non receipt of the Offer Document, you can tender or withdraw from the Offer by making an application on a plain paper giving the necessary details.

DON'Ts

- ✗ Don't wait for the last date of the offer for tendering your acceptance.
- ✗ Don't fill in the details of the buyer/transferee in the transfer deed to be sent.
- ✗ Don't file an incomplete application form/invalid documents.

Collective Investment Schemes

DO's

- ✓ Ensure that the entity is registered with SEBI.
- ✓ Read the offer document carefully.
- ✓ Read the appraisal report of the scheme.
- ✓ Check the viability of the project.
- ✓ Check the background/expertise of the promoters.
- ✓ Ensure clear and marketable title of the property/assets of the entity.
- ✓ Ensure that the Collective Investment Management Company (CIMC) has the necessary resources for implementation of the scheme.
- ✓ Check the credit rating/tenure of the scheme.
- ✓ Check for the promise vis-à-vis performance of the earlier schemes, if any.
- ✓ Ensure that the CIMC sends you a copy of its Annual Report within two months from closure of each financial year.
- ✓ Remember that SEBI does not guarantee returns or undertake repayment of money to the investors.

DON'Ts

- ✗ Don't invest in a CIS entity not registered with SEBI.
- ✗ Don't get carried away by indicative or promised returns or by market rumours/ advertisements.

Derivatives

DO's

- ✓ Go through all rules, regulations, bye-laws and disclosures made by the exchanges.
- ✓ Trade only through a Trading Member (TM) registered with SEBI or authorized person of the TM registered with the exchange.
- ✓ While dealing with an authorized person, ensure that the contract note has been issued by the TM or the authorized person only.
- ✓ Pay the brokerage/payments/margins etc. to the TM only.
- ✓ Ensure that for every trade you receive duly signed contract note from your TM.
- ✓ Obtain receipt for collateral deposited with the TM towards margin.
- ✓ Go through details of the Client-TM Agreement.
- ✓ Know your rights and duties vis-à-vis those of the TM.
- ✓ Be aware of the risk associated with your positions in the market/margin calls.
- ✓ Collect/pay mark to market margins on your futures position on a daily basis from/to TM.

DON'Ts

- ✗ Don't start trading before reading and understanding the Risk Disclosure Documents.
- ✗ Don't trade on any product without knowing the risk and rewards associated with it.

PURCHASING PROCESS

From where to purchase the products?

- **Brokers:** Brokers offer several services like purchase/sale of equity, debt and derivative products, mutual fund units, IPOs etc.
- **Banks :** Many banks offer facilities for purchase/sale of equity, debt and derivative products, mutual fund units, IPOs etc. physically as well as through their websites
- **Mutual Funds:** Almost all Mutual Funds facilitate online and physical buying/selling of mutual funds.
- **Stock Exchanges:** Close ended mutual funds are traded on stock exchanges and can be brought through brokers. Open ended mutual funds can also be bought/sold on the stock exchange platform.

Steps involved for becoming a capital market investor

- The first requirement is a PAN Card. This is mandatory for all investors.
- The other requirements are a bank account and a demat account. The demat account is normally linked to a bank account in order to facilitate paying in and out of funds and securities.
- The next step is to select a broker and fill a KYC form and enter into a broker-client agreement.
- The broker then allocates a unique client ID, which acts as the identification.
- You are now ready to buy/sell securities.

WHO REGULATES WHICH TYPE OF ENTITY

Given below is a list of types of companies/ intermediaries/service providers in the financial market. The names of the relevant bodies that regulate them are given in the second column.

Type of Entity	Regulatory body
Auditors	ICAI/CAG
Banks	RBI
Banks - Issue Collection	SEBI
Chit Funds	REGISTRAR OF CHIT FUNDS
Collective Investment Schemes	SEBI
Companies - All	MCA/ROC
Companies - Listed	MCA/ROC/SEBI/SE
Company Secretaries	ICSI
Co-operative Banks	RBI
Cost Accountants	ICWAI
Credit Rating Agencies	SEBI
Custodial Services	SEBI
Debenture Trustees	SEBI
Depositories	SEBI
Depository Participants	SEBI/NSDL/CDSL
Foreign Investment Institutions	SEBI
Housing Finance Companies	NHB
Insurance Brokers/ Agents	IRDA
Insurance Companies	IRDA
Investment Bankers (Merchant Bankers)	SEBI
Investor Associations	SEBI
Media (Newspapers, Magazines, TV)	MIB
Mutual Funds & Asset Management Companies	SEBI
Mutual Fund Brokers/ Agents	AMFI/SEBI
Non-Banking Financial Companies (NBFCs)	RBI
Nidhi Companies	MCA
Plantation Companies	SEBI
Portfolio Managers	SEBI
Registrars & Share Transfer Agents	SEBI
Stock Brokers	SEBI/SE
Stock Exchanges	SEBI
Sub-Brokers	SEBI
Venture Capital Funds	SEBI

ACKNOWLEDGEMENTS & DISCLAIMER

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