Trade

Order Type

Limit Order-A limit order is an order to buy or sell a security at a specific price. A buy limit order can only be executed at the limit price or lower, and a sell limit order can only be executed at the limit price or higher. Eg. If the current market price of Idea Cellular is Rs.75 & you wish to Buy at Rs. 70 or Sell at Rs. 80, you have to place a Limit Order.
Steps to place a limit order: Trade -> Buy/Sell->Order Type -> Limit Order.
A limit order can be placed via Market Watch, After Market Order, Basket Order and Markets Live too.

Market Order-A market order is an order to buy or sell a stock at the current market price. The advantage of a market order is you are almost always guaranteed your order will be executed.

Stop Loss Limit Order-A stop loss limit order is an order to buy a security at no more (or sell at no less) than a specified limit price. This gives the trader some control over the price at which the trade is executed, but may prevent the order from being executed. A stop loss buy limit order can only be executed by the exchange at the limit price or lower. A stop loss sell limit order can only be executed at the limit price or higher. Eg. If you have short sold NTPC @ Rs.145 in expectation that the price will fall, in case of price increase, you can limit the loss by placing a Stop Loss Buy order. In the Buy Screen we can put the trigger price @ Rs.150 and Limit Price @ Rs.155. As soon as NTPC's last traded price rises above Rs. 150, a limit order for NTPC @ Rs. 155 will get activated.
To place Limit Order: Trade -> Buy/Sell ->Order Type ->Stop Loss Order.
Stop Loss Order can be placed via Market Watch, After Market Order, Basket Order and Markets Live too.

Stop Loss Market Order-A stop loss market order is an order to buy or sell a security at the current market price prevailing at the time the stop order is triggered. This type of stop loss order gives the trader no control over the price at which the trade will be executed. A sell stop market order is an order to sell at the best available price after the price goes below the stop price. A sell stop price is always below the current market price. A buy stop market order is typically used to limit a loss (or to protect an existing profit) on a short sale. A buy stop price is always above the current market price.

1. **Disclosed Quantity-** The disclosed quantity attribute allows the client to hide the actual quantity that he wishes to buy or sell. Client can place an order to buy or sell shares and also specify the disclosed quantity. When the order is sent to the Exchange only the disclosed quantity will be shown. If SL (Stop Loss) is selected for the order Type, the Disclosed Quantity field cannot be used. Disclosed Quantity should not be less that 10% of the Order Quantity and at the same time should not be greater than or equal to the Order Quantity. Eg- If an order is placed to buy/sell 1000 shares with a disclosed quantity condition of 200 will mean that 200 is displayed to the market at a time. After this is traded, another 200 is automatically released and so on till the full order is executed.

2. **Order Validity-** The validity field is used to select the validity of the order. The Validity options are

- **Immediate or cancel Orders (IOC Orders)-**It is an active order type subject to the condition of execution in part. As soon as it is entered, this order matches with the outstanding counter-orders, and its non-executed part is automatically cancelled. It may be given in the form of a "Limit Order" or a “Market Order”.

- **Day Orders**-Any order to buy or sell a security that automatically expires if not executed on the day the order
is placed.

- **Good Till Cancel orders (GTC Orders)-**An order to buy or sell a security at a set price that is active until the investor decides to cancel it or the trade is executed. A GTC order will not be executed until the limit price has been reached, regardless of how many days or weeks it might take. GTC Orders are applicable for Commodities only. Eg – you are long 1 Dec Gold and have a GTC order to sell 1 Dec Gold @ 17000 Stop. You decide to sell your 1 long Dec Gold on a Market order. Your GTC order must be cancelled…or you will sell (short) 1 Dec Gold if the market trades (or is “bid”) at 17000 or lower.

- **Good Till Date orders (GTD Orders)-**also known as Good-Till-Time, orders are limit orders to buy or sell products, which - if not filled completely - remain valid in the market until a specified date. GTD orders suit long-term traders and investors who want to buy or sell stocks on reaching specific price levels and traders who lack time to regularly monitor price movements. Applicable for Commodities only.

- **GTDys orders-**are the Orders valid till the no of days specified in the No of Days field.

3 **Verify Order-**The system asks you to reconfirm the transaction details to ensure you only give the correct order. When you click on 'Confirm' button, the system displays you a dialog box where you can view your order details. Click on 'Submit' button to place the order. Alternatively, you can click on 'Back' button to go back and make changes in the order.
The system asks you to reconfirm the transaction details to ensure you only give the correct order. When you click on 'Confirm' button, the system displays you a dialog box where you can view your order details. Click on 'Submit' button to place the order. Alternatively, you can click on 'Back' button to go back and make changes in the order.

4 **NSE Future & Options (NFO)-**A 'Future' is a contract to buy or sell the underlying asset for a specific price at a pre-determined time. If you buy a futures contract, it means that you promise to pay the price of the asset at a specified time. If you sell a future, you effectively make a promise to transfer the asset to the buyer of the future at a specified price at a particular time.
Options contracts are instruments that give the holder of the instrument the right to buy or sell the underlying asset at a predetermined price. An option can be a 'call' option or a 'put' option. A call option gives the buyer, the right to buy the asset at a given price. This 'given price' is called 'strike price'. It should be noted that while the holder of the call option has a right to demand sale of asset from the seller, the seller has only the obligation and not the right

5 **Instrument**

- **Future Index-**An index future is a derivative, similar to a stock future, whose value is dependent on the value of the underlying, By trading in index futures, an investor is buying and selling the basket of stocks comprising the index, in their respective weights.

- **Future Stock**are financial contracts where the underlying asset is an individual stock. Stock Future contract is an agreement to buy or sell a specified quantity of underlying equity share for a future date at a price agreed upon between the buyer and seller. The contracts have standardized specifications like market lot, expiry day, and unit of price quotation, tick size and method of settlement.

- **Option index-**A stock index option provides the right to trade a specific stock index (Nifty) at a specified price by a specified expiration date. A call option on a stock index gives you the right to buy the index, and a put option on a stock index gives you the right to sell the index. Options on stock indexes are similar to exchange-traded funds (ETF's), the difference being that ETF's values change throughout the day whereas the value on stock index options change at the end of each trading day. Therefore, profit/loss on an index option is based on the market's closing price for the day, not on any price during the market's open hours. If an index option is exercised before the close of the market, the buyer of the option will in- or out-of-the-money for an additional amount equal to the difference between the closing price and the exercise price. If the market closes above the intra-day exercise price, then the option will accrue an additional loss, and if the market closes below the intra-day exercise price, the option will accrue an additional gain. For this reason, index options are typically closed out after the market has closed.

- **Option Stock-**stock options are a contract between two parties that expires at an agreed-upon time in the future. The contract purchaser is buying the right, but not the obligation, to buy (a "call" option) or sell (a "put" option) an asset (the "underlying") at a specific price, on or before the agreed-upon date. The contract seller is accepting the obligation to take the other side of the transaction.

6 **Option Type**

- **Call Option-**is an option to buy a stock at a specific price on or before a certain date. In this way, Call options are like security deposits. When you buy a Call option, the price you pay for it, called the option premium, secures your right to buy that certain stock at a specified price, called the strike price.

- **Put Option-**is an options to sell a stock at a specific price on or before a certain date. In this way, Put options are like insurance policies

7 **Strike Price-** The predetermined price upon which the buyer and the seller of an option have agreed is the strike price, also called the exercise price or the striking price. Each option on a underlying instrument shall have multiple strike prices.

8 **Security Information-** It provides the basic information pertaining to the selected scrip. The information can be the tick0020size, the board lot qty, price unit, etc.

9 **After Market Orders (AMO Orders)-** An After Market Order (AMO) is a feature using which a customer can place an order even after the close of regular trading hours. While placing an AMO; a customer cannot specify Market Price. Only Limit orders and Stop Loss orders can be placed. After Market Order is executed only if the limit price set by customer matches the market price on the next trading day and upon availability of sufficient margins.

10 **Basket Orders-** Basket orders is a feature for those who want to execute large orders in a very short period of time. The basic reason behind creating a basket is to place bulk orders. You can use this feature for both, buy and sell orders. It is to be noted that both orders will be placed in the same window. Only when the sell button is clicked, the order entry part of the window turns to red. If it's a buy order entry, then the order entry part will be blue, just like in the case of normal buy and sell order.

11 **Spread Order-** spread order is an order listing the series of options that you want to buy and sell and the desired spread between the premiums paid and received for the options. The spread order entry feature is for derivative and commodity scrip through which you can place spread, two leg orders. The spread order should have same contract legs and the second expiry date should be greater than the first expiry date. Using spread order you can buy (sell) the current month (near month / far month) expiry and sell (buy) the near month (far month / current month) expiry by mentioning the spread that you are expecting out of the trade.

12 **Cover Order-**offers an order placement feature through which you can take an intra-day position in the equity segment and at the same time, system place's a cover order for this position specifying the Stop Loss Trigger Price and the limit price. This cover order will help you to limit the loss, if any, on the position. Cover Orders are accepted for selected scrip's as configured by the administrator.

13 **Product Type**

- **MIS / Margin-**In Margin trading / Intraday trading, if you place a buy order then you will have to place a sell order or vice versa same day i.e. in same settlement cycle. You are required to close all your intraday positions prior to the market closure. You can also convert margin orders to delivery if you have sufficient buying power available in your trading account.

- **Cash N Carry / CNC-**Delivery Trading is basically delivery based trading wherein 100 percent Funds / Shares are blocked at the time of placement of the order. i.e. if you want to buy shares you should have the entire amount of funds in your cash limit and if you want to sell shares the same should be available in your demat account. For sell positions, your trading limits will be increased immediately with the sell trade value. This will enable you to take further positions in the market.

Transfer Funds

Transfer Funds option enables the user to deposit and withdraw funds from the trading account.

1 **Transfer Funds to** increase margin limit by way of electronic fund transfer from payment gateway banks (………)

Select the segment to which you want to make the fund transfer.

Select the bank account from which you want to make a transfer. Note: If you have provided multiple bank accounts, all bank account details will be displayed here and there is an option with drop down to select any one of the linked bank account.

Mention the amount that you wish to transfer in the Amount column.

Click on Transfer Funds

It will take you to the respective Bank payment gateway link.

Enter your bank unique user id / password to transfer the amount from your bank account to the ABML trading account.

Once the transfer is successful, your fund available in your bank account gets debited instantaneously and your margin limit of your trading account will get increased immediately. A transaction reference number will be generated as an acknowledgement for your transaction. Your trading limits get increased immediately on your transfer and you can view the details under the menu - My Trading Limits. Important Note: You are advised not to close the application before the receipt of success reference no.

2 **Request Payout-** enables you to withdraw the funds lying in your Trading Account to your Bank Account.

3 **Fund Transfer Status-** provides the previous transaction status along with the transaction number, reference number, time and date when the process is initiated etc so that you can track your Transactions.

Holdings

The Holdings screen displays all the free balance scrips available in your Demat Account, Scrips available in your Base Capital /Margin Account, T1 day's transactions (T1Holdings) along with their Last Traded Price details.

Alerts

An alert is an action that is triggered when an event notification rule has been met. The alert action could be a notification like an e-mail, or an action. Alerts can be set at index level or other levels. A user can set the alerts for the index touching a specified level. Whenever the index meets the condition specified in the alert it gets triggered. Security alert also can be set using the same window, across segments. The types of alerts which can be set are Last Traded Qty, Last Traded Qty, Best Buy Qty, Best Sell Qty etc.

Tab Options

1. **Order Book-** The Order Book allows you to check the status of the orders you have placed but are not yet traded. Various order status messages that can be observed under order book are as follows:

- Put Order Request Received (After order acknowledged by server)
- Validation Pending (Order is going through risk validations)
- Open Pending (Order sent to Exchange)
- Open (Order confirmed by exchange)
- Modify Validation Pending (Order modification is going through risk validation)
- Modify Pending (Order Modification request sent to exchange)
- Modified (Order Modification confirmed by exchange)
- Not Modified (Order Modification rejected by exchange)
- Modified (Order Modification confirmed by exchange)
- Cancel Pending (Order Cancel request sent to exchange)
- Cancelled (Order Cancellation confirmed by exchange)
- Rejected (Order Rejected by exchange)
- Order Frozen (Order frozen at exchange)

- You can modify or cancel the order till it is there in the pending list.

2 **Trade Book-** The Trade Book allows you to view orders that have been traded during the current trading day. Position Conversion can be used to convert your Intraday trade to Delivery and vice versa. Trade history will display all info like Date/Time, Price, Total Qty, Traded Qty, Filled Shares, and Status. After selecting particular row all details of that row will be displayed area shown below that.

3 **Net Position-** Shows Net Position of the client for a segment and for a particular duration. By default the net position displays Day-wise positions. By selecting the Net-wise option, you can view the carry forward positions.

4 **Message-** All the types of messages are displayed in the Message Bar. The message bar consists of the following:

- **Order Message-**lists the order acknowledgements sent by the exchange for the orders you have placed during the course of the trading day.

- **Trade Message-**lists the trade acknowledgements sent by the exchange for the trades you have made during the course of the trading day.

- **System Message-**the messages which are displayed from the time the User logs in to the Trader. You can view all the messages regarding to the actions done by the user from the time of login. Messages such as technical difficulty warnings, occasional trading advice, margin requirement alerts, sun outages, site news and updates etc. can be found here.

- **Exchange Message-**displays various announcements broadcasted by the Exchanges during the day.

What is Equity?

1 **Equity is unsecured and a high risk-return investment-** When you invest your money in a debt investment such as a bank deposit, bonds, etc., you are promised a fixed amount of interest on your investment and return of capital. This isn't the case with an equity investment. By becoming an owner, you bear the risk of the company not being successful. However, the rewards for bearing this risk are high. You, as an equity shareholder, are entitled to a share in the profits of the company’s business as well as any appreciation in the perceived value of the shares. The risks and rewards of investing in equity are clearly apparent from the Bombay Stock Exchange Sensitive Index (BSE Sensex), which is a popular stock market index. This index reflects the

movement of the share prices on the stock markets. The Sensex rises and/or falls continuously during trading hours. Rises indicate gains and falls indicate losses. True equity money is unsecured and directly reflects the faith of the investor in the business, its management and the commitment of its principals to it. Limited liability Another extremely important feature of equity is its limited liability, which means that, as a part-owner of the company, you are not personally liable if the company is not able to pay its debts. In case of other entities such as partnerships, if the partnership goes bankrupt, the partners are personally liable towards the creditors/lenders and they may have to sell off their personal assets like their house, car, furniture, etc., to make good the loss. In case of holding equity shares, the maximum value you can lose is the value of your investment. Even if a company of which you are a shareholder goes bankrupt, you can never lose your personal assets.

2 **Equity remains in perpetual existence-** The perpetual existence of a company implies that the death, disability, retirement or termination of a shareholder, director or officer, will not affect the existence of the company. For an equity shareholder, this is convenient since he does not need to renew/renegotiate the terms of his investment (like in the case of a fixed tenure debt investment). He also has the option to sell his equity holding through the stock exchange if he no longer wants to remain invested in the company.

3 **Limited liability-**Another extremely important feature of equity is its limited liability, which means that, as a part-owner of the company, you are not personally liable if the company is not able to pay its debts. In case of other entities such as partnerships, if the partnership goes bankrupt, the partners are personally liable towards the creditors/lenders and they may have to sell off their personal assets like their house, car, furniture, etc., to make good the loss. In case of holding equity shares, the maximum value you can lose is the value of your investment. Even if a company of which you are a shareholder goes bankrupt, you can never lose your personal assets.

4 **About Equity-**Equity is a share in the ownership of a company. It represents a claim on the company's assets and earnings. As you acquire more stock, your ownership stake in the company increases. The terms share, equity and stock mean the same thing and can be used interchangeably. Holding a company's stock means that you are one of the many owners (shareholders) of a company, and, as such, you have a claim (to the extent of your holding) to everything the company owns. Yes, this means that technically, you own a portion of every piece of furniture; every trademark; every contract, etc. of the company. As an owner, you are entitled to your share of the company's earnings as well as any voting rights attached to the stock.

5 **Income from Equity Investing Capital appreciation-** Equity shares of companies are listed and traded on a stock exchange (the Bombay Stock Exchange or the National Stock Exchange). The market prices of these shares are continuously moving up or down depending on the interest in the company's stock, it's business potential, etc. As an equity shareholder, you can profit/lose from the market price rise/fall. For instance, if you have purchased the equity shares of Company ABC at Rs 25 per share and the market price of the share rises to Rs 30, you can sell the shares at this price to make a profit. This is called 'capital appreciation'. However, if the market price falls to below Rs 25, you would lose. This loss would be notional till you actually sell at this price and book the loss. Bonus shares. When you purchase shares of a company, you become a shareholder of the company. When the company is doing well, it may declare a 'bonus issue'. This means that the company will issue fresh equity shares to its existing shareholders, for free. As a shareholder, you will be entitled to receive bonus shares in proportion to your holding in the

company. For instance, if the company declares a bonus in the ratio of 1:2 (this means it will issue one share for every two shares you hold) and if you hold 100 shares, you will be entitled to 50 shares as a bonus. When you sell your bonus shares in the stock market, the market price at which you sell your bonus, minus brokerage charges and necessary taxes (Service Tax, Securities Transaction Tax, etc.), will be your profit i.e. capital appreciation. In this case, there will be no cost of purchase since you have received the bonus for free. For instance, if the company declares a 'bonus issue' in the ratio of 1:2 (this means it will issue one bonus share for every two shares you hold) and if you hold 100 shares, you will be entitled to 50 shares as a 'bonus shares'. The cost of these shares will be nil. In this case, if you sell your bonus shares in the market at say, Rs 35, your capital appreciation will be the entire Rs 35 per share minus brokerage, taxes, etc.

6 **Rights shares-** Another way a company offers benefits to its shareholders is by offering 'rights shares'. This means that the company will offer fresh equity shares to its existing shareholders at a price, which is lower than the current market price of the share. For instance, if the current market price of the company's share is Rs 35, it will offer shares at below this price, say Rs 25. As a shareholder, you will be entitled to receive 'rights shares' in proportion to your holding in the company. For instance, if the company declares a 'rights issue' in the ratio of 1:2 (this means it will issue one share for every two shares you hold) and if you hold 100 shares, you will be entitled to 50 shares as a 'rights shares'. This implies that to obtain the 'rights shares', you will have to pay Rs 1,250 (50 shares you are entitled to x Rs 25 per share). In this case, if you sell your rights shares in the market at say, Rs 35, your capital appreciation will be Rs 10 per share minus incidental selling costs. However, if you don't want to subscribe to the rights offered to you, you can sell your rights entitlements. The price that you receive to sell your rights entitlements will depend on the rights offer price, the current market price and the demand for the company's shares. For instance, taking the above example forward, if you decide to sell your rights entitlements of 50 shares and you receive Rs 2.50 per share, you will get a total of Rs 125. This will be your profit after deducting incidental selling expenses.

7 **Dividend income-** Companies report their profits earned on a quarterly basis. Based on the quantum of profits, companies declare dividends to distribute a portion of these profits to their shareholders. Dividends are declared as a percentage of the share's face value. For instance, if a company declares a dividend of 10 per cent and its share has a face value of Rs 10, it implies that it will pay Re 1 per share as dividend (Rs 10 x 10 per cent). As a shareholder, you will be entitled to dividend to the extent of your share holding. For instance, in this case if you hold 500 shares, you will get a dividend of Rs 500 (500 shares x Re 1 per share). However, dividend income is uncertain. Companies don't declare dividends regularly. Dividends are declared only when there are profits available for distribution.

8 **Reason for Issuing Equity-** To expand its business, a company, at some point, needs to raise money. To do this, it can either borrow by taking a loan or raise funds by offering prospective investors a stake in the company --- which is known as issuing stock. A company usually borrows from banks and/or financial institutions. This is called 'debt financing'. On the other hand, issuing stock is called 'equity financing'. While raising loans is used for temporary cash requirements (such as borrowing to fund a project), issuing stock is used to raise funds of a permanent nature.

Why trade with us?

Aditya Birla Money offers a host of benefits to ensure a hassle free trading experience.

You get a Demat and trading account and the convenience of linking multiple bank accounts. Along with this, you avail of instant trading limits on online funds transfer.

You can trade however you're most comfortable; online, on phone or through a dealer.

At Aditya Birla Money, we offer the lowest transaction and maintenance costs on demat accounts, along with highly competitive brokerage charges.

We keep you informed; receive research reports (covering over 200 stocks a month), money morning, intra-day calls, and much more. For those who are always on the move, we have options that allow you to receive all recommendations straight to your mobile phone!

Get access to Market Tracker, a unique, real-time market information platform with built in decision making support tools that empower you to make the most informed investment decisions.

Call and trade support; you can place your orders 24/7 by calling the centralized trading desk.

Equity

The key to higher returns / Make maximum returns

Principally, if you divide the net worth of an organization into equal units of small denominations, then each denomination denotes a share and share holders are the ones that hold voting rights to the organization. Equity is the ownership interest of these shareholders.

Many view equity as a risky investment option. Yet without doubt, it is one of the best sources to beat inflation and optimize returns.

Why Invest in Equity?

- Best hedge against inflation

- Supports long-term wealth creation

- Diversify portfolio

Trading in equity through a broker or other convenient options like a branch, call and trade or even an online broking account is simple and time-saving.

Commodities

1 What is a Commodity?

The term 'commodity' includes all kinds of goods. FCRA defines 'goods' as 'every kind of movable property other than actionable claims, money and securities'. Futures' trading is organized in such goods or commodities as are permitted by the Central Government. At present, all goods and products of agricultural (including plantation), mineral and fossil origin is allowed for futures trading under the auspices of the commodity exchanges recognized under the FCRA. The national commodity exchanges have been recognized by the Central Government for organizing trading in all permissible commodities which include precious (gold and silver) and non-ferrous metals; cereals and pulses; raw jute and jute goods; sugar, gur, potatoes, coffee, rubber and spices, etc.

2 What are commodity futures?

Futures are contracts to buy specific quantity of a particular commodity at a future date. It is similar to the Index futures and Stock futures but the underlying happens to be commodities instead of Stocks and Indices. Enrich your portfolio with Commodities / Energize your portfolio with Commodities. Raw products that can be bought, sold and traded at an exchange are called Commodities. They could be agro products like wheat, soybeans, rapeseed, cotton and the likes. Or they could be enlisted as gold, silver and other precious metals. Typically, commodities are traded on Multi Commodity Exchange (MCX) and National Commodity Derivative Exchange (NCDEX). Although there is a cloud of unpredictability around them, commodities can fetch high-returns from price fluctuations. But certain commodities like Gold are a safe bet. This has turned commodities into a popular investment destination for a balanced portfolio.

3 Why Invest in Commodity?

- Earn high returns
- Balance portfolio by diversifying
- Gold can be a good long-term investment
- Perk up overall returns

4 Who are the players in the Commodity Market?

Investors in the commodities market fall into the following categories:

- **Hedgers:**Hedgers enter into commodity contracts to be assured access to a commodity, or the ability to sell it, at a guaranteed price. They use futures to protect themselves against unanticipated fluctuations in the commodity's price.

- **Speculators:**Speculators are participants who wish to bet on future movements in the price of an asset. Individuals, willing to absorb risk, trade in commodity futures as speculators. Speculating in commodity futures is not for people who are averse to risk. Unforeseen forces like weather can affect supply and demand, and send commodity prices up or down very rapidly. As a result of this leveraged speculative position, they increase the potential for large gains as well as large losses.

- **Arbitrageur:**A type of investor who attempts to profit from price inefficiencies in the market by making simultaneous trades that offset each other and capture risk-free profits. Arbitrageurs constitute a group of participants who lock themselves in a risk-less profit by simultaneously entering into transactions in two or more contracts.

5 How do Commodity prices move? The following factors have an impact the commodity prices.

- Demand & Supply

- Natural Factors: Soil and climatic conditions, natural calamities etc

- Government Policies - e.g. EXIM Policies like tariff rates, minimum support prices

- Annual production, consumption and carry-over quantity of stocks

- Economic policies and conditions

- Interest Rates - e.g. hike in federal rates bring down the dollar, thereby increasing lucrative-ness of investment in precious metals

6 Indian Commodity Market?

Supply-Worlds leading producer of 17 Agri Commodities

Demand -Worlds , major market of Bullion, Foodgrains, Edible oils, Fibers, Spicies and plantation crops.

GDP Driver-Predominantly an AGRARIAN Economy

Captive Market-Agro products produced and consumed locally

Width and Spread-Over 30 major markets and 5500 Mandies

Waiting to Explode-Value of production around Rs. 3,00,000 crore and expected futures market potential around Rs. 30,00,000 crore.

7 Who regulates the Indian Commodity Future Market?

Just as SEBI regulates the stock exchanges, commodity exchanges are regulated by the Forwards Market Commission (FMC), which comes under the purview of the Ministry of Food, Agriculture and Public Distribution

8 What are the major commodity exchanges?

Multi-Commodity Exchange of India Ltd, Mumbai (MCX).

National Commodity and Derivatives Exchange of India, Mumbai (NCDEX).

National Multi Commodity Exchange, Ahemdabad (NMCE).

9 Is delivery of commodities available? Is it compulsory?

Yes, but its not compulsory, buyers and sellers intending to take/give delivery should express their intention to the exchange. The exchange will match delivery randomly and assign it accordingly.

Derivatives

1 What are Derivatives?

A Derivative is a financial instrument, or simply put, an agreement between two people or two parties that has a value determined by the price of something (called the underlying). It is a financial contract linked to the anticipated future price movements of the connected asset - such as a share or a currency. There are many derivative types, notably swaps, futures, and options. The term "Derivative" indicates that it has no independent value, i.e. its value is entirely "derived" from the value of the underlying asset. The underlying asset can be securities, commodities, bullion, currency, live stock or anything else. In other words, Derivative means a forward, future, option or any other hybrid contract of pre determined fixed duration, linked for the purpose of contract fulfillment to the value of a specified real or financial asset or to an index of securities. With Securities Laws (Second Amendment) Act,1999, Derivatives has been included in the definition of Securities. The term Derivative has been defined in Securities Contracts (Regulations) Act, as:- A Derivative includes: - a security derived from a debt instrument, share, loan, whether secured or unsecured, risk instrument or contract for differences or any other form of security a contract which derives its value from the prices, or index of prices, of underlying securities

2 Why invest in Derivatives

- **Price Discovery-**Future market prices depend on a continuous information stream from around the world and require a high degree of transparency. A broad range of factors impact supply and demand of assets (commodities in particular) – and thus the current and future prices of the underlying asset on which the derivative contract is based. This kind of information and the way people absorb it constantly changes the price of a commodity. This process is known as price discovery.

- **Risk Management-**Risk management, a process to identify the desired and actual level of risk and alter the latter to equal the former. This process can fall into the categories of hedging and speculation. Hedging has traditionally been defined as a strategy for reducing the risk in holding a market position while speculation has been about taking a position in the way the markets will move. Today, hedging and speculation strategies, along with derivatives, are useful tools or techniques that enable companies to manage risk much more effectively.

- **Reduce Market Transaction Costs-**Because derivatives are a form of risk management, the cost of trading in them has to be low or investors will not find it economically sound to purchase such "insurance" for their positions.

3 What is a Futures Contract?

- Futures Contract means a legally binding agreement to buy or sell the underlying security on a future date. Future contracts are the organized/standardized contracts in terms of quantity, quality (in case of commodities), delivery time and place for settlement on any date in future. The contract expires on a pre-specified date which is called the expiry date of the contract. On expiry, futures can be settled by delivery of the underlying asset or cash. Cash settlement enables the settlement of obligations arising out of the future/option contract in cash. However so far delivery against future contracts have not been introduced and the future contract is settled by cash settlement only. Futures trading means taking buy/sell positions in index or stock(s) contracts having a longer contract period of up to 3 months. Trading in futures is simple. If, during the course of the contract life, the price moves in your favour (i.e.

rises in case you have a buy position or falls in case you have a sell position), you make a profit. Presently only selected stocks, which meet the criteria on liquidity and volume are marked for futures trading.

4 What is an Option contract?

Options Contract is a type of Derivatives Contract which gives the buyer/holder of the contract the right (but not the obligation) to buy/sell the underlying asset at a predetermined price within or at end of a specified period. The buyer / holder of the option purchases the right from the seller/writer for a consideration which is called the premium. The seller/writer of an option is obligated to settle the option as per the terms of the contract when the buyer/holder exercises his right. The underlying asset could include securities, an index of prices of securities etc. Under Securities Contracts (Regulations) Act,1956 options on securities has been defined as "option in securities" means a contract for the purchase or sale of a right to buy or sell, or a right to buy and sell, securities in future, and includes a teji, a mandi, a teji mandi, a galli, a put, a call or a put and call in securities;An Option to buy is called Call option and option to sell is called Put option. Further, if an option that is exercisable on or before the expiry date is called American option and one that is exercisable only on expiry date, is called European option. The price at which the option is to be exercised is called Strike price or Exercise price.

Therefore, in the case of American options the buyer has the right to exercise the option at anytime on or before the expiry date. This request for exercise is submitted to the Exchange, which randomly assigns the exercise request to the sellers of the options, who are obligated to settle the terms of the contract within a specified time frame. As in the case of futures contracts, option contracts can also be settled by delivery of the underlying asset or cash. However, unlike futures cash settlement in option contract entails paying/receiving the difference between the strike price/exercise price and the price of the underlying asset either at the time of expiry of the contract or at the time of exercise / assignment of the option contract. However so far delivery against option contracts have not been introduced and the option contract, on exercise or expiry, is settled by cash settlement only. An option is a contract, which empowers the buyer to buy or sell shares at a specific price, on or before a specific date. For this, the buyer has to pay the seller some money, which is called premium. The sunny side to this is that the buyer is not obliged to complete the transaction if the price is unfavorable to him. To take the buy/sell position on index/stock options, you have to place certain percentage of order value as margin. With options trading, you can leverage on your trading limit by taking buy/sell positions more frequently than what you could have taken in the cash segment.

5 Trading in currency Derivatives

What are Currency Futures? Apart from conventional forms of derivatives, Currency Derivatives are a transferable futures contract that specifies the price at which a currency can be bought or sold at a future date. They allow investors to hedge against foreign exchange risk along with the below mentioned attributes.

- Standard contracts of a specified quantity

- To exchange one currency for another

- At a specified date in the future called settlement date
- At a price that is fixed on the purchase date

6 **Benefits of currency trading platforms:**

- Hedge against the high volatility in forex markets
- Take advantage of daily currency movements by trading daily
- Low margins and lesser risk
- No Transaction costs
- Low Brokerage

7 **What are Index Futures and Index Option Contracts?**

Futures contract based on an index i.e. the underlying asset is the index,are known as Index Futures Contracts. For example, futures contract on NIFTY Index and BSE-30 Index. These contracts derive their value from the value of the underlying index. Similarly, the options contracts, which are based on some index, are known as Index options contract. However, unlike Index Futures, the buyer of Index Option Contracts has only the right but not the obligation to buy / sell the underlying index on expiry. Index Option Contracts are generally European Style options i.e. they can be exercised / assigned only on the expiry date. An index, in turn derives its value from the prices of securities that constitute the index and is created to represent the sentiments of the market as a whole or of a particular sector of the economy. Indices that represent the whole market are broad based indices and those that represent a particular sector are sectoral indices.

In the beginning futures and options were permitted only on S&P Nifty and BSE Sensex. Subsequently, sectoral indices were also permitted for derivatives trading subject to fulfilling the eligibility criteria. Derivative contracts may be permitted on an index if 80% of the index constituents are individually eligible for derivatives trading. However, no single ineligible stock in the index shall have a weightage of more than 5% in the index. The index is required to fulfill the eligibility criteria even after derivatives trading on the index has begun. If the index does not fulfill the criteria for 3 consecutive months, then derivative contracts on such index would be discontinued. By its very nature, index cannot be delivered on maturity of the Index futures or Index option contracts therefore, these contracts are essentially cash settled on Expiry. Therefore index options are the European options while stock options are American options.

8 **What is the structure of Derivative Markets in India?**

Derivative trading in India takes can place either on a separate and independent Derivative Exchange or on a separate segment of an existing Stock Exchange. Derivative Exchange/Segment function as a Self-Regulatory Organisation (SRO) and SEBI acts as the oversight regulator. The clearing & settlement of all trades on the Derivative Exchange/Segment would have to be through a Clearing Corporation/House, which is independent in governance and membership from the Derivative Exchange/Segment.

9 **What is the regulatory framework of Derivatives markets in India?**

With the amendment in the definition of 'secruities' under SC(R)A (to include derivative contracts in the definition of securities), derivatives trading takes place under the provisions of the Securities Contracts (Regulation) Act, 1956 and the Securities and Exchange Board of India Act, 1992.Dr. L.C Gupta Committee constituted by SEBI had laid down the regulatory framework for derivative trading in India. SEBI has also framed suggestive bye-law for Derivative Exchanges/Segments and their Clearing Corporation/House which lay's down the provisions for trading and settlement of derivative contracts. The Rules, Bye-laws & Regulations of the Derivative Segment of the Exchanges and their Clearing Corporation/House have to be framed in line with the suggestive Bye-laws. SEBI has also laid the eligibility conditions for Derivative Exchange/Segment and its Clearing Corporation/House. The eligibility conditions have been framed to ensure that Derivative Exchange/Segment & Clearing Corporation/House provide a transparent trading environment, safety & integrity and provide facilities for redressal of investor grievances. Some of the important eligibility conditions are:

- Derivative trading to take place through an on-line screen based Trading System.
- The Derivatives Exchange/Segment shall have on-line surveillance capability to monitor positions, prices, and volumes on a real time basis so as to deter market manipulation.
- The Derivatives Exchange/ Segment should have arrangements for dissemination of information about trades, quantities and quotes on a real time basis through atleast two information vending networks, which are easily accessible to investors across the country.
- The Derivatives Exchange/Segment should have arbitration and investor grievances redressal mechanism operative from all the four areas / regions of the country.
- The Derivatives Exchange/Segment should have satisfactory system of monitoring investor complaints and preventing irregularities in trading
- The Derivative Segment of the Exchange would have a separate Investor Protection Fund.

- The Clearing Corporation/House shall perform full novation, i.e., the Clearing Corporation/House shall interpose itself between both legs of every trade, becoming the legal counterparty to both or alternatively should provide an unconditional guarantee for settlement of all trades.

- The Clearing Corporation/House shall have the capacity to monitor the overall position of Members across both derivatives market and the underlying securities market for those Members who are participating in both.

- The level of initial margin on Index Futures Contracts shall be related to the risk of loss on the position. The concept of value-at-risk shall be used in calculating required level of initial margins. The initial margins should be large enough to cover the one-day loss that can be encountered on the position on 99% of the days.

- The Clearing Corporation/House shall establish facilities for electronic funds transfer (EFT) for swift movement of margin payments.

- In the event of a Member defaulting in meeting its liabilities, the Clearing Corporation/House shall transfer client positions and assets to another solvent Member or close-out all open positions.

- The Clearing Corporation/House should have capabilities to segregate initial margins deposited by Clearing Members for trades on their own account and on account of his client. The Clearing Corporation/House shall hold the clients' margin money in trust for the client purposes only and should not allow its diversion for any other purpose.

- The Clearing Corporation/House shall have a separate Trade Guarantee Fund for the trades executed on Derivative Exchange / Segment. Presently, SEBI has permitted Derivative Trading on the Derivative Segment of BSE and the F & O Segment of NSE.

10 What derivative contracts are permitted by SEBI?

Derivative products have been introduced in a phased manner starting with Index Futures Contracts in June 2000. Index Options and Stock Options were introduced in June 2001 and July 2001 followed by Stock Futures in November 2001. Sectoral indices were permitted for derivatives trading in December 2002. Interest Rate Futures on a notional bond and T-bill priced off ZCYC have been introduced in June 2003 and exchange traded interest rate futures on a notional bond priced off a basket of Government Securities were permitted for trading in January 2004.

11 What is the eligibility criteria for stocks on which derivatives trading may be permitted?

A stock on which stock option and single stock future contracts are proposed to be introduced is required to fulfill the following broad eligibility criteria:

- The stock shall be chosen from amongst the top 500 stock in terms of average daily market capitalization and average daily traded value in the previous six month on a rolling basis.

- The stock's median quarter-sigma order size over the last six months shall be not less than Rs.1 Lakh. A stock's quarter-sigma order size is the mean order size (in value terms) required to cause a change in the stock price equal to one-quarter of a standard deviation

- The market wide position limit in the stock shall not be less than Rs.50 crores.

- A stock can be included for derivatives trading as soon as it becomes eligible. However, if the stock does not fulfill the eligibility criteria for 3 consecutive months after being admitted to derivatives trading, then derivative contracts on such a stock would be discontinued.

12 **What is minimum contract size?**

The Standing Committee on Finance, a Parliamentary Committee, at the time of recommending amendment to Securities Contract (Regulation) Act, 1956 had recommended that the minimum contract size of derivative contracts traded in the Indian Markets should be pegged not below Rs. 2 Lakhs. Based on this recommendation SEBI has specified that the value of a derivative contract should not be less than Rs. 2 Lakh at the time of introducing the contract in the market. In February 2004, the Exchanges were advised to re-align the contracts sizes of existing derivative contracts to Rs. 2 Lakhs. Subsequently, the Exchanges were authorized to align the contracts sizes as and when required in line with the methodology prescribed by SEBI.

13 **What is the lot size of a contract?**

Lot size refers to number of underlying securities in one contract. The lot size is determined keeping in mind the minimum contract size requirement at the time of introduction of derivative contracts on a particular underlying. For example, if shares of XYZ Ltd are quoted at Rs.1000 each and the minimum contract size is Rs.2 lacs, then the lot size for that particular scrips stands to be 200000/1000 = 200 shares i.e. one contract in XYZ Ltd. covers 200 shares.

14 **What is corporate adjustment?**

The basis for any adjustment for corporate action is such that the value of the position of the market participant on cum and ex-date for corporate action continues to remain the same as far as possible. This will facilitate in retaining the relative status of positions viz. in-the-money, at-the-money and out-of-the-money. Any adjustment for corporate actions is carried out on the last day on which a security is traded on a cum basis in the underlying cash market. Adjustments mean modifications to positions and/or contract specifications as listed below:

- Strike price

- Position
- Market/Lot/ Multiplier

The adjustments are carried out on any or all of the above based on the nature of the corporate action. The adjustments for corporate action are carried out on all open, exercised as well as assigned positions. The corporate actions are broadly classified under stock benefits and cash benefits. The various stock benefits declared by the issuer of capital are:

- Bonus
- Rights
- Merger/ demerger
- Amalgamation
- Splits
- Consolidations
- Hive-off Warrants, and
- Secured Premium Notes (SPNs) among others

The cash benefit declared by the issuer of capital is cash dividend.

15 **What is the margining system in the derivative markets?**

Two type of margins have been specified -Initial Margin - Based on 99% VaR and worst case loss over a specified horizon, which depends on the time in which Mark to Market margin is collected.Mark to Market Margin (MTM) - collected in cash for all Futures contracts and adjusted against the available Liquid Networth for option positions. In the case of Futures Contracts MTM may be considered as Mark to Market Settlement. Dr. L.C Gupta Committee had recommended that the level of initial margin required on a position should be related to the risk of loss on the position. The concept of value-at-risk should be used in calculating required level of initial margins. The initial margins should be large enough to cover the one day loss that can be encountered on the position on 99% of the days. The recommendations of the Dr. L.C Gupta Committee have been a guiding principle for SEBI in prescribing the margin computation & collection methodology to the Exchanges. With the introduction of various derivative products in the Indian securities Markets, the margin computation methodology, especially for initial margin, has been modified to address the specific risk characteristics of the product. The margining methodology specified is consistent with the margining system used in developed financial & commodity derivative markets worldwide. The exchanges were given the freedom to either develop their own margin computation system or adapt the systems available internationally to the requirements of SEBI. A portfolio based margining approach which takes an integrated view of the risk involved in the portfolio of each individual client comprising of his positions in all Derivative Contracts i.e. Index Futures, Index Option, Stock Options and Single Stock Futures, has been prescribed. The initial margin requirements are required to be based on the worst case loss of a portfolio of an individual client to cover 99% VaR over a specified time horizon. The Initial Margin is Higher of (Worst Scenario Loss +Calendar Spread Charges) Or Short Option Minimum Charge The worst scenario loss are required to be computed for a portfolio of a client and is calculated by valuing the portfolio under 16 scenarios of probable changes in the value and the volatility of the Index/ Individual Stocks. The options and futures positions in a client's portfolio are required to be valued by predicting the price and the volatility of the underlying over a specified horizon so that 99% of times the price and volatility so predicted does not exceed the maximum and minimum price or volatility scenario. In this manner initial margin of 99% VaR is achieved. The specified horizon is dependent on the time of collection of mark to market margin by the exchange. The probable change in the price of the underlying over the specified horizon i.e. 'price scan range', in the case of Index futures and Index option contracts are based on three standard deviation (3s) where 's ' is the volatility estimate of the Index. The volatility estimate 's ', is computed as per the Exponentially Weighted Moving Average methodology. This methodology has been prescribed by SEBI. In case of option and futures on individual stocks the price scan range is based on three and a half standard deviation (3.5 s) where 's' is the daily volatility estimate of individual stock. If the mean value (taking order book snapshots for past six months) of the impact cost, for an order size of Rs. 0.5 million, exceeds 1%, the price scan range would be scaled up by square root three times to cover the close out risk. This means that stocks with impact cost greater than 1% would now have a price scan range of - Sqrt (3) * 3.5s or approx. 6.06s. For stocks with impact cost of 1% or less, the price scan range would remain at 3.5s.For Index Futures and Stock futures it is specified that a minimum margin of 5% and 7.5% would be charged. This means if for stock futures the 3.5 s value falls below 7.5% then a minimum of 7.5% should be charged. This could be achieved by adjusting the price scan range.The probable change in the volatility of the underlying i.e. 'volatility scan range' is fixed at 4% for Index options and is fixed at 10% for options on Individual stocks. The volatility scan range is applicable only for option products.Calendar spreads are offsetting positions in two contracts in the same underlying across different expiry. In a portfolio based margining approach all calendar-spread positions automatically get a margin offset. However, risk arising due to difference in cost of carry or the 'basis risk' needs to be addressed. It is therefore specified that a calendar spread charge would be added to the worst scenario loss for arriving at the initial margin. For computing calendar spread charge, the system first identifies spread positions and then the spread charge which is 0.5% per month on the far leg of the spread with a minimum of 1% and maximum of 3%. Further, in the last three days of the expiry of the near leg of spread, both the legs of the calendar spread would be treated as separate individual positions. In a portfolio of futures and options, the non-linear nature of options make short option positions most risky. Especially, short deep out of the money options, which are highly susceptible to, changes in prices of the underlying? Therefore a short option minimum charge has been specified. The short option minimum charge is 3% and 7.5 % of the notional value of all short Index option and stock option contracts respectively. The short option minimum charge is the initial margin if the sum of the worst -scenario loss and calendar spread charge is lower than the short option minimum charge. To calculate volatility estimates the exchange are required to uses the methodology specified in the Prof J.R Varma Committee Report on Risk Containment Measures for Index Futures. Further, to calculate the option value the exchanges can use standard option pricing models - Black-Scholes, Binomial, Merton, Adesi- Whaley. The initial margin is required to be computed on a real time basis and has two components:- The first is creation of risk arrays taking prices at discreet times taking latest prices and volatility estimates at the discreet times, which have been specified. The second is the application of the risk arrays on the actual portfolio positions to compute the portfolio values and the initial margin on a real time basis. The initial margin so computed is deducted from the available Liquid Networth on a real time basis. At the end of the day NSE sends a client wise file to all the brokers and this margin is debited to clients. Next day the broker is supposed to report the collection of margin. If the margin is short, a penalty is levied and the outstanding position is liable to be squared up at the cost of the investor.

16 What is Market wide position limits for single stock futures and stock option Contracts?

Market wide position limits on Single Stock Derivative Contracts are as follows The market wide limit of open position (in terms of the number of underlying stock) on futures and option contracts on a particular underlying stock is lower of-- 30 times the average number of shares traded daily, during the previous calendar month, in the relevant underlying security in the underlying segment,Or- 20% of the number of shares held by non-promoters in the relevant underlying security i.e. free-float holding.This limit would be applicable on all open positions in all futures and option contracts on a particular underlying stock.

17 What measures have been specified by SEBI to protect the rights of investor in Derivatives Market?

The measures specified by SEBI include:

- Investor's money has to be kept separate at all levels and is permitted to be used only against the liability of the Investor and is not available to the trading member or clearing member or even any other investor.

- The Trading Member is required to provide every investor with a risk disclosure document which will disclose the risks associated with the derivatives trading so that investors can take a conscious decision to trade in derivatives.

- Investor would get the contract note duly time stamped for receipt of the order and execution of the order. The order will be executed with the identity of the client and without client ID order will not be accepted by the system. The investor could also demand the trade confirmation slip with his ID in support of the contract note. This will protect him from the risk of price favour, if any, extended by the Member.

- In the derivative markets all money paid by the Investor towards margins on all open positions is kept in trust with the Clearing House/Clearing corporation and in the event of default of the Trading or Clearing Member the amounts paid by the client towards margins are segregated and not utilised towards the default of the member. However, in the event of a default of a member, losses suffered by the Investor, if any, on settled / closed out position are compensated from the Investor Protection Fund, as per the rules, bye-laws and regulations of the derivative segment of the exchanges.

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- The Exchanges are required to set up arbitration and investor grievances redressal mechanism operative from all the four areas / regions of the country.

IPO

1 What Is An IPO?

An initial public offering, or IPO, is the first sale of stock by a company to the public. A company can raise money by issuing either debt or equity. If the company has never issued equity to the public, it's known as an IPO. Companies fall into two broad categories, private and public. A privately held company has fewer shareholders and its owners don't have to disclose much information about the company. Anybody can go out and incorporate a company, just put in some money, files the right legal documents and follows the reporting rules of your jurisdiction. Most small businesses are privately held. But large companies can be private too. It usually isn't possible to buy shares in a private company. You can approach the owners about investing, but they're not obligated to sell you anything. Public companies, on the other hand, have sold at least a portion of themselves to the public and trade on a stock exchange. This is why doing an IPO is also referred to as "going public." Public companies have thousands of shareholders and are subject to strict rules and regulations. They must have a board of directors and they must report financial information every quarter. From an investor's standpoint, the most exciting thing about a public company is that the stock is traded in the open market, like any other commodity. If you have the cash, you can invest."

Going public raises cash, and usually a lot of it. Being publicly traded also opens many financial doors:

- Because of the increased scrutiny, public companies can usually get better rates when they issue debt.

- As long as there is market demand, a public company can always issue more stock. Thus, mergers and acquisitions are easier to do because stock can be issued as part of the deal.

- Trading in the open markets means liquidity. This makes it possible to implement things like employee stock ownership plans, which help to attract top talent.

- Being on a major stock exchange carries a considerable amount of prestige. In the past, only private companies with strong fundamentals could qualify for an IPO and it wasn't easy to get listed.

2 Getting In On An IPO

Getting a piece of a hot IPO is very difficult, if not impossible. To understand why, we need to know how an IPO is done, a process known as underwriting.

When a company wants to go public, the first thing it does is hire an investment bank. A company could theoretically sell its shares on its own, but realistically, an investment bank is required. Underwriting is the process of raising money by either debt or equity (in this case we are referring to equity). You can think of underwriters as middlemen between companies and the investing public. The company and the investment bank will first meet to negotiate the deal. Items usually discussed include the amount of money a company will raise, the type of securities to be issued and all the details in the underwriting agreement.

The deal can be structured in a variety of ways. For example, in a firm commitment, the underwriter guarantees that a certain amount will be raised by buying the entire offer and then reselling to the public. In a best efforts agreement, however, the underwriter sells securities for the company but doesn't guarantee the amount raised. Also, investment banks are hesitant to shoulder all the risk of an offering. Instead, they form a syndicate of underwriters. One underwriter leads the syndicate and the others sell a part of the issue.

Once all sides agree to a deal, the investment bank puts together a registration statement to be filed with the SEBI. This document contains information about the offering as well as company info such as financial statements, management background, any legal problems, where the money is to be used and insider holdings. Once SEBI approves the offering, a date (the effective date) is set when the stock will be offered to the public.

During the cooling off period the underwriter puts together what is known as the red herring. This is an initial prospectus containing all the information about the company except for the offer price and the effective date, which aren't known at that time. With the red herring in hand, the underwriter and company attempt to hype and build up interest for the issue. As the effective date approaches, the underwriter and company sit down and decide on the price. This isn't an easy decision it depends on the company and most importantly current market conditions. Of course, it's in both parties' interest to get as much as possible.

Finally, the securities are sold on the stock market and the money is collected from investors.

- **Don't Just Jump In-**Let's say you do get in on an IPO. Here are a few things to look out for.

- **No History-**It's hard enough to analyze the stock of an established company. An IPO company is even trickier to analyze since there won't be a lot of historical information. Your main source of data is the red herring, so make sure you examine this document carefully. Look for the usual information, but also pay special attention to the management team and how they plan to use the funds generated from the IPO. And what about the underwriters? Successful IPOs are typically supported by bigger brokerages that have the ability to promote a new issue well. Be more wary of smaller investment banks because they may be willing to underwrite any company

- **The Lock-Up Period-**If you look at the charts following many IPOs, you'll notice that after a few months the stock takes a steep downturn. This is often because of the lock-up period. When a company goes public, the underwriters make promoters and employees in case ESOP to sign a lock-up agreement. Lock-up agreements are legally binding contracts between the underwriters and insiders of the company, prohibiting them from selling any shares of stock for a specified period of time. The problem is, when lockups expire all the insiders are permitted to sell their stock. The result is a rush of people trying to sell their stock to realize their profit. This excess supply can put severe downward pressure on the stock price.

3 IPO Basics: Conclusion, let's review the basics of an IPO:

- An initial public offering (IPO) is the first sale of stock by a company to the public.

- Broadly speaking, companies are either private or public. Going public means a company is switching from private ownership to public ownership.

- Going public raises cash and provides many benefits for a company

- Getting in on a hot IPO is very difficult, if not impossible.

- The process of underwriting involves raising money from investors by issuing new securities.

- Companies hire investment banks to underwrite an IPO.

- An IPO company is difficult to analyze because there isn't a lot of historical info.

- Lock-up periods prevent insiders from selling their shares for a certain period of time. The end of the lockup period can put strong downward pressure on a stock.

- Flipping may get you blacklisted from future offerings.

- Road shows and red herrings are marketing events meant to get as much attention as possible. Don't get sucked in by the hype.

4 **What is an IPO?**

IPO is the abbreviation of Initial Public Offer. As the name indicates, it is the first time any Company Issues their shares to the public to raise funds.

5 **How to analyze an IPO?**

Our Research reports are readily available in adityabirlamoney.com ->Research -> IPO Note.

6 **Where can I get the prospectus?**

If you are a registered online client of ABML, then login into your online trading platform, select eIPO -> Prospectus.

7 **Who can apply?**

Any Resident Individual, Hindu undivided family (HUF) or a company can apply through ABML.

8 **Is DP A/c mandatory?**

Yes

9 **Should I hold a DP A/c with ABML?**

It is compulsory that you should have DP A/c with ABML. However, to avail online facilities both Trading & Demat A/c should be with ABML.

10 **Can I apply multiple forms with ABML?**

? No, please don’t do it. There is a possibility that Registrar will reject all application forms by the same investor.

11 **Should I be the client of ABML to apply for IPO?**

No, any Public Investor with DP A/c with any DP’s who wants to apply IPO, can use services of ABML.

12 **How shall I apply?**

Offline application - Client can fill in offline applications in CAPITAL LETTER & by attaching Cheque or DD. favoring the escrow account of the issuing company mentioned in the application & payable at the collection center or bidding center location. A Non ABML Client also can apply by this method.

13 **How can I check my orders placed?**

For offline: the BID number is the order confirmation number for an Investor in offline.

14 **Will I receive the same number of shares that I applied for?**

No, you may receive either the same or less than the shares applied for.

15 **Is there a chance that no shares are allotted?**

Yes

16 **How to check my allotment status?**

You can check for your allotment with your DP after 15 days of Issue closing both for offline & online.

17 **What happen to the excess money if paid?**

It will be refunded to your Bank A.c that is mapped in the DP Beneficiary Account.

18 **How are refunds IPO credited?**

The refund are credited either by RTGS to the bank account mapped in DP or by refund order along with warrant sent to the client address mentioned in DP.

Mutual Funds

The Holding screen display all the free balance scrips available in your Demat Account,Scrips available in your Base Capital/Margin Account, T1 Day's transactions (T1Holdings) along with their Last Traded Price details.

1 **What is Mutual Fund?**

A mutual fund is an entity that pools the money of many investors -- its unit-holders -- to invest in different securities. Investments may be in shares, debt securities, money market securities or a combination of these. Those securities are professionally managed on behalf of the unit-holders, and each investor holds a pro-rata share of the portfolio i.e. entitled to any profits when the securities are sold, but subject to any losses in value as well.

Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. To invest in Mutual Funds, an investor need to be Mutual Fund KYC (Know your client) compliant.

2 **Features & Benefits:**

- **Professional Management:**Fund managers are professionals who track the market on an ongoing basis. With their mix of professional qualification and market knowledge, they are better placed than the average investor to understand the markets.

- **Diversification and Lowered Risks:**Since a mutual fund is a trust that pools the savings of a number of investors sharing a common financial goal, the associated risks are greatly reduced. This is also because a fund will invest your money in different types of instruments like shares and bonds. Hence, loss in one sphere will not greatly affect your overall investment status.

- **Low Costs:**When compared to direct investments in the capital market, mutual funds cost less. This is due to savings in brokerage costs, Demat costs, depository costs, etc.

- **Liquidity:**Investments in mutual funds are quite liquid and hence can be redeemed at the Net Assets Value (NAV)–related price on any working day.

- **Transparency:**All that you invest in a scheme is made known to you and you are periodically informed about all the updates and changes taking place

- **Flexibility:**Mutual funds offer flexibility in their options and schemes to match individual needs. Also, with features like regular withdrawal plans and systematic investment plans, you can withdraw or invest funds according to your needs and convenience.

- **Choice of Schemes:**Mutual funds offer a vast variety of well-designed schemes and options that you can choose from depending on your risk appetite.

- **Tax Benefits:**In India, these funds become even more attractive because of the tax advantage, indexation benefits, long term capital gains tax, tax free dividends and much more.

3 Types of Mutual Funds:

- Equity Funds invest in equity shares across sectors, sizes and industries. The portfolio is spread across sectors and stocks, with no single security dominating the portfolio. Equity funds offer long-term capital appreciation and are bought more for growth than for income

- **Debt Funds:**Debt Funds are the mutual fund schemes that seek to generate income by investing in bonds and debt instruments issued by the government, companies, banks and financial institutions. It suits investors who want to optimize current income assuming low to moderate levels of risk.

- **Hybrid Funds:**Hybrid Funds invest in equity for capital appreciation and in debt securities to offer cushion from the risk of an all equity portfolio. Assets are generally held in predefined proportion of debt securities and equities. The exact mix of the portfolio is a function of interest rates, equity valuations and outlook for growth of earnings.

- **Liquid Funds:** Liquid Funds are mutual fund schemes that invest in debt and money market securities with less than 91 days to maturity. Liquid Fund are suited for investors who have a very short investment horizon (few days to 3 Months) and want quick liquidity and better than average returns from their surplus money.

- **Fund of Funds:** A Fund of Funds is a mutual fund scheme that invests in other mutual funds. It provides investors an opportunity to take advantage of the benefits of diversification by investing in a variety of fund categories.

- **Exchange Traded Funds:** Exchange Traded Funds (ETFs) are instruments that track an index, a commodity or a basket of assets as closely as possible, but trade like shares on an exchange. They are backed by physical holdings of the commodity, and invest in stocks of companies, precious metals or currencies. ETFs give you the flexibility to buy and sell units throughout the day, on an exchange.

4 Mutual Fund KYC Guidelines

- What is KYC (Know Your Client)? KYC "Know Your Customer", is a term commonly used for Customer Identification Process. SEBI has prescribed certain requirements relating to KYC norms for Financial Institutions and Financial Intermediaries including Mutual Funds to 'know' their clients. With effect from January1, 2012 all categories of investors irrespective of amount of investments in Mutual Funds are required to comply with KYC for carrying out any transactions in Mutual Funds. This one-time verification is valid for transactions across all mutual funds.

- KYC Registration process: Download the applicable KYC application form from https://www.cvlkra.com/ or any of the KYC Registration Agency (KRA).

- Fill up the form and attach necessary documentation (proof of identity and address)

  - Self attested copy of PAN card

  - Self attested copy of Address proof: Latest Telephone Bill/Landline/Mobile /Latest Electricity Bill /Passport copy /Latest Bank Passbook/Bank Account Statement /Latest Demat Account statement /Driving License. /Ration Card /Rent Agreement

  - Submit application form along with documentation at the nearest KYC Point-of-service (POS).

- KYC status can be checked from any of the below mentioned websites depending on where you have submitted your KYC application form:

  CDSL Ventures Ltd. CVL - https://www.cvlkra.com/

  NSE (DotEx International) - https://www.nsekra.com/

  NSDL Database Management Ltd (NDML) - https://kra.ndml.in/

  CAMS - https://camskra.com/Home.aspx

  Karvy - https://www.karvykra.com/

5 Commission Disclosure

As per SEBI circular: SEBI/IMD/CIR No.4/168230/09, following are the details of the comparative commission earned from various fund-houses (AMCs) , whose products are being distributed by Aditya Birla Money Mart Limited (ARN 0003) and / or by Aditya Birla Money Limited (ARN 5957) (hereinafter mentioned as “Aditya Birla Money”).

- Click here for "SEBI mandated MF fees disclosure"
- Download Forms
- Registration Form
- SIP Mandate Form
- Multiple Bank Account Registration Form
- Service Request Forms
- Change of Bank Mandate
- Change of Nomination
- Change of Address

- Transfer-in Form

Depository

1 What is a Depository?

A Depository is a Company where the shares of an individual are held in the electronic form, at the request of the shareholder.This eliminates the physical form of holding. The National Securities Depository Limited (NSDL) was promoted by IDBI, UTI, SBI and NSE. The Central Securities Depository Limited (CDSL) was promoted by BSE .

2 What is the Depository System?

Your money may be held in the form of liquid cash at your home or may be deposited in a bank. The bank holds your funds in the electronic form and subsequently debits or credits the account. Depending on your issuance of cheques or deposit of cheques. The advantages of safety and convenience of dealing with a Bank overweigh the reasons for holding liquid cash in your home.Your financial assets such as Equity Shares may be compared to the above example.You may hold physical share certificates in your home and be exposed to the various risks of lack of safety, mutilation, loss etc.Alternatively, you may deposit your shares in an organization called a Depository, which holds your shares in the electronic form. The advantages of the Depository System can be further compared with physical shares as below :
The risk of loss, mutilation is common for physical certificates and completely removed in electronic shares. Handling of a large number of physical certificates is ended in the Depository mode. In the electronic segment, there are no bad delivers as in physical segment. There is no stamp duty payable in electronic shares compared to the duty of 0.50% in the physical segment while transferring ownership. In loans against shares, banks usually charge a lower interest rate and margin money than in the physical share certificates. Settlements in the Stock Exchanges has commenced in the electronic segment and has proven to be far more efficient and convenient compared to physical shares.

3 How can I Deal with the Depository directly?

You cannot deal with the Depository directly. However, if you have any unresolved grievances against your DP, you can make a complaint to the Depository at the below mentioned address.

4 What are the obligations of a Depository?

The Depository is obligated to maintain the Client Holdings, enable demat and remat of eligible securities, disbursement of corporate benefits,effect settlement of securities traded on the exchanges as well as Off-market trades through book entry transfers, provide for Pledging/Hypothecation of eligible securities.

5 What is NSDL?

National Securities Depositories Limited is a Depository promoted by UTI, IDBI, SBI & NSE who hold the securities in electronic form on behalf of the beneficiary holder.

6 **Tell me about the Insurance Policy by NSDL?**

Shares in the electronic segment are 100 percent secure. The agreement between you and the DP indemnifies you against misuse of your electronic holdings by any party, in any manner whatsoever. You may legally invoke such indemnity and be 100 percent compensated.A comprehensive Insurance Policy has been taken by NSDL which covers your DP account so as to protect you against any losses, breach of security etc.

7 **What is CDSL?**

Central Depositories Securities Limited is a Depository promoted by BSE.

8 **How does the Depository curtail Forgeries / Fakes in Duplicate Distinctive Numbers?**

Physical share certificates with duplicate distinctive numbers are essentially forged certificates. The R&T would identify and reject the certificates.The concerned Stock Exchanges are informed of the details.

Depository Participant

1 **Who is a Depository Participant?**

Depository Participant (DP) is an organisation that acts as an Agent of the Depository and interacts with the investor.A DP is responsible for maintaining your securities account and operating it only under your written instructions. The Depositories Acts mandates that investors can use Depository facilities only through DP's. The distribution channel and geographical spread of the DP's offices allows you to access the Depository at a low cost.

2 **What is a DP ID No?**

It is an identification number given to a DP similar to a client ID.

Account Opening

1 **Why is it necessary to open a Depository Account?**

A Depository Account should be opened with a DP if you intend to hold your securities in the electronic form and also if you intend to trade in the electronic form.

2 **Where do I open the Depository Account?**

The Depository Account must be opened by you with a Depository Participant. A list of names and addresses of all Authorized DP's is available with the NSDL and CDSL and you may meet any of these DP's place and make a choice at your based on your comfort and convenience.

3 **What are the formalities that are required to be completed to open a Depository Account?**

To open a Depository Account, you have to submit the duly filled in Account Opening form along with the relevant documents.

4 **Are applications for account opening to be collected at NSDL?**

No. The Account Opening form must be collected only from a DP.The Account Opening form can be collected from any of the Aditya Birla Money Offices.The forms may be submitted and you may collect the acknowledgement across the table.

5 **How do I open an Account with Aditya Birla Money DP?**

The account opening form may be collected from Aditya Birla Money or downloaded from the Internet.If your shares are in joint name, open your account in the same order of the names.For combination of joint names, you must open separate accounts for each combination.You can open multiple accounts with the same DP.Submit photographs of the account holders along with their bank accounts nos.Sign the agreement with Aditya Birla Money DP.For NRI's, RBI Reference Number and Approval Date must be provided.Submit your physical shares for demat and await credit to your DP account.

6 **Can my account with my DP be viewed by any other Depository Participant?**

No. Your DP can only access their own clients' information. They cannot access the client information of any other DP.

7 **How many holders are possible?**

The maximum number of holders possible are 3.

8 **What are the maximum number of Accounts that I can open?**

You may open more than one account with the same DP.

9 **Can I open a Second Account with a second Depository Participant?**

Yes. You have the choice of opening accounts with more than one DP.

10 **How confidential is the information in my account?**

The information of your holdings in the account is completely confidential. This is similar to your account balance in a bank.

11 **How do I avail Nomination Facility?**

Fill in the relevant columns in the application.

12 **Do Depository Accounts have Nominee Facility?**

No. NSDL allows the DP and the investor to capture details of the Nominee.

13 **How is account confidentiality maintained?**

Your account confidentiality is maintained, since only your DP has access to the information in your account.

14 **What are the types of Accounts that can be opened by a client?**

Individual accounts can be opened by Ordinary Resident, HUF, NRI ~ Repatriable and NRI Non-Repatriable. Corporate Accounts can be opened by Body Corporate, Banks, Trusts, Financial Institutions, Foreign Institutional Investors, Overseas Commercial Banks etc.

15 **What are the RBI Approvals for NRI's?**

If you are an NRI, the RBI permission is required for NRI's depending on the category as given below :

S.No	Category of your Account	Sale or Purchase	Remarks
1	Primary Market ~ Allotment	Purchase	No RBI permission is required for allotment on repatriable basis.
2	Primary Market	Sale	On repatriable basis RBI permission is required.
3	Secondary Market	Sale or Purchase	Repatriable or Non-repatriable basis.RBI permission is required and is valid for 5 years.

16 **How do I open an Account of a Partnership Firm?**

An account cannot be opened in the name of the firm. It has to be opened in the name of any of the Partner as an Individual account only.

17 **What are the formalities that are required to be completed to open a Corporate Account?**

The procedure to be followed in order to open a Corporate account is quite similar to the opening of an account by an individual, but in addition to that you also have to submit the Memorandum of Association (MOA) as well as the Board Resolution for authorized signatories in case of a limited and private limited firms.

18 **What are the formalities that are required to be completed to open a Corporate Account?**

The procedure to be followed in order to open a Corporate account is quite similar to the opening of an account by an individual, but in addition to that you also have to submit the Memorandum of Association (MOA) as well as the Board Resolution for authorized signatories in case of a limited and private limited firms.

19 **What is the Participant-Client Agreement?**

The Participant ~ Client Agreement is a bipartite one to be signed by each joint holder and the DP at the time of account opening on a non-judicial stamp paper of Rs.10/-. A Beneficiary Account No. is generated by the DP and given to you for all future reference.

20 **What is a Beneficiary ~ Non House?**

A beneficiary having an account with a Depository Participant other than the Depository Participant himself.

21 **What is a Beneficiary ID No?**

Each beneficiary is allotted an ID No. generated by DP by which a beneficiary is identified. This is similar to your Bank A/c No. or the Folio No.

22 **What are the details relating to Joint Holders?**

The DP will open the account only in the ORDER OF THE JOINT HOLDERS.

23 **How do I open an account for Holdings in different Combinations?**

For shares held by Joint Holders(different combinations), a separate account must be opened for each such combination. This is so since ownership was originally vested in that particular unique combination.

24 **Must I have to open an account with my Broker's Depository Participant ?**

No. There is absolutely no compulsion for you to open an account with the same DP as that of your Broker.There is no loss in operational efficiency, as claimed by some Brokers.However, some DPs offer concessions in fees if the Broker as well as his Clients are dealing through him.

25 **Why does a Broker have only one Clearing Member Pool Account?**

The Clearing House deals with ONLY ONE designated account for pay-in and pay-out with the Broker.This single account allows you to know to which account securities must be delivered and received from.One Clearing Member Pool Account is opened per card / Stock Exchange to settle trades in the Dematerialised form.

26 **How do we open a Clearing Member Account?**

An application has to be made to the Depository with a request to the Depository directly also.

27 **What is a CMBP ID?**

A CMBP ID is a Clearing Member Broker Pool Account. The broker opens this account in order to use this account as a clearing house for all the clients for whom he is the broker and the unique identification number given to this account is known as the CMBP ID.

28 **Can a Broker hold his personal shares in his Clearing Member Pool Account?**

No. The CMPA is to be used only for clearing purposes, as this is a temporary and in transition Account.Securities in this account are not eligible for corporate actions, Bonus, Dividends, Rights etc.Thus, the Broker must open a separate account for his own investments.

29 **How do I operate my Account?**

In the operation of your account, your DP can act on your written instructions only. Make sure always that pre-signed instructions are not given by you to anyone. This is like a pre-signed and blank cheque.

30 **What is a standing instruction?**

A standing instruction is an instruction given by the client, in order to receive credit into his account.

31 **When does my account get credited?**

Your account would be credited with shares that you have freshly dematerialised or have purchased recently.The credit will be confirmed to you in the fortnightly Statement of Transactions sent by your DP

Dematerialisation

1 **What is meant by Dematerialisation?**

Dematerialisation is a process in which you can convert physical share certificates into electronic shares.Shares should have been transferred in your name / joint names before sending it for dematerialisation.

2 **Why should I buy shares in the demat form?**

The single biggest reason over buying shares in the physical form is that demat shares credited to your account within 2 to 3 days after the end of the settlement.

This is unlike the average 30 to 40 days taken in receiving back physical shares from the R&T Agent and sometimes with objections.Further, possibility of loss or theft of the certificates is eliminated.This is in addition to the 0.50% stamp duty savings, which works out to Rs.50 for transfer of shares worth of Rs.10,000

3 **How do I benefit by selling demat shares?**

Brokers have no fear of bad delivery while selling demat shares. Due to this, they offer lower brokerage to you.As bad deliveries are eliminated shares are not returned due to objections, resulting in saving of costs and follow up.

4 **What is meant by Companies in compulsory Demat?**

Only share certificates in these companies can be dematerialized by the investor.Shares must be registered in your name to allow for dematerialisation.Shares delivered by your Broker on Purchase (known as street name deliveries) cannot be dematerialized.

5 **Which are the Companies in Compulsory Demat?**

List Attached.

6 **What if I hold shares of Companies not in Demat?**

You may approach the company and request them to sign up with NSDL Vigorously follow up as Demat is in your favour.

7 **Is it true that Demat is not compulsory?**

Yes. You have the option to hold shares either in the physical OR in the dematerialized form.This is as per the Depositories Act, 1996.However, when you buy shares you may receive delivery in the demat form as per the option of the seller.

8 **Can physical AND Demat shares be held for a company ?**

Yes. You may dematerialize only a part of your holdings.

9 **In Demat do I need a Transfer Deed?**

No, there is no need for a Transfer deed in order to get your share certificates dematerialised.

10 **How do I Demat my Shares?**

In order to demat your shares/certificates, you have to fill in a Dematerialisation Request Form in triplicate alongwith the relevant details and submit the same to your DP alongwith the certificates to be dematerialised. The combination of names in the shares must be same as that in the account.

11 **What is a DRF?**

In order to get your shares converted from the physical to the electronic form, you have to submit your certificates alongwith a request form asking for the conversion. This request form is called a DRF or a Demat Request Form.

12 **What is Defacing of Shares?**

When the certificates are surrendered for demat they are to be canceled at the face of the certificate by putting a stamp " Surrendered for Demat " so that the certificate cannot be traded. This process of affixing the "Surrendered for Demat" stamp on the shares is known as defacing of shares.

13 **How long would it take my account to be credited when I submit my shares for dematerialisation?**

Your account will be credited typically in 15 days.

14 **Are there Distinctive Numbers & Certificate Nos. in Demat Shares?**

No. Dematerialized shares do not have any distinctive or certificate numbers. The shares are in FUNGIBLE ~ 100 shares of a company are the same as any other 100 in that company.

15 **Why dematerializing, can a sole holder add a Joint Holder?**

No. At this point, ownership cannot be transferred from an individual name to a joint name. To do this, you should first open a Depository Account as the sole holder and dematerialize the shares. You should open another Depository Account in the joint names (AB). Now make an off-market transaction from account A to account AB. The DP will charge a nominal amount for this transaction. As an alternate, the certificate can be sent for transfer in the joint names AB and then surrendered for demat with the DP.

16 **What are the various reasons for Rejections in Demat?**

Fake Certificate, Signature difference, Third Party Claim, Court Cases are the reasons as to why a demat request is rejected by R&T Agent.

Rematerialisation

1 **What is meant by rematerialisation?**

Rematerialisation is a process in which you can convert your electronic holding into physical share certificates

2 **Does the NSDL issue fresh certificates in Remat?**

In the rematerialisation process, a request goes from the DP to the R&T Agent through the NSDL for the remat. The R&T Agent will process the request, print and then dispatch the new share certificates directly to you. Thus, the NSDL does not issue or handle share certificates.

3 **What are the rules for Odd lot Rematerialisation?**

There is no concept, any longer, of a market lot in the electronic segment. Thus, you may remat your odd lot shares at any time. This would be done in exactly the manner as you would remat you market lot shares.

4 **What are the rules for stamp duty in Remat?**

The Depository is the registered holder in the Company's records. In a remat, transfer from the Depository to you will NOT be liable to a levy of Stamp Duty. This is as per the Depositories Act. However, the Depository will charge nominal charges for this process.

5 **How to remat my securities?**

For Remat of Securities, you have to submit a Remat Request Form (RRF)to the DP mentioning the relevant details for the rematerialization process to take place.

Trading and Settlement

1 **What is a market/Off market transaction?**

A market transaction is a sale or purchase in which a broker is involved and an off market transaction is a sale or purchase in between two clients and in which a broker is not involved.

2 **What are Transaction Slips?**

A transaction slip is a debit or credit instruction slip endorsed by you submitted to your DP for execution.

3 **What is Electronic Credit?**

Electronic Credit is the process of crediting of your account through demat or if you purchase some shares in the electronic form.

4 **What is RECEIPT IN instruction?**

When you purchase shares in the electronic segment, the payment will be made to your Broker and to now receive the credit of the purchased shares in your DP account, you must give instructions to your Broker as well as your DP by way of a RECEIPT IN instruction. This instruction effectively credits the purchased electronic shares in your DP account.

5 **What is Electronic Debit?**

Electronic Debit is the process of debiting of your DP account through remat or if you sell some shares in the electronic form.

6 **What is a Delivery Instruction Slip?**

A Delivery Instruction Slip (DIS) is an instruction given by the client to the DP to debit the holdings of the client.

7 **Can dematerialized shares be traded in all Stock Exchanges?**

No. These can be traded only at those Exchanges that have connectivity with NSDL and only Exchanges which have a SEBI approved settlement guarantee system are connected to NSDL.Presently, only NSE, BSE and CSE have this facility.

8 **Can I go to my DP to Trade in Securities?**

No. The DP is only an agent of the depository to facilitate settlements in trades. You must approach a registered member of a stock exchange to buy and sell shares. How can I purchase or sell dematerialised shares You must instruct your Broker to complete the purchase transaction in the dematerialised form and confirm to you. You must then ensure that your Broker sends a matching instruction to your DP to transfer the purchased shares to your account. This is the same procedure for Sale of shares.

Rematerialisation

9 **What are the rules relating to The Benami Transaction (Prohibition) Act, 1989?**

The rightful and registered owner of your dematted shares is the Depository. Purchase / Sale or Trading in these shares would be considered as Benami transactions. However, the Benami Transactions (Prohibition) Act, 1989 have been modified to exclude Securities held by :~ A Depository as a Registered owner ~ A DP as an Agent of the Depository.

10 **How do I transfer shares from one account to another?**

In order to transfer the holding in your account, you need to submit a delivery instruction slip in case of a pattern differentiation, and you need to close an account and transfer the shares in case there is no pattern differentiation of the holders name of the debiting and crediting accounts.

11 **What if wrong Debit-Credits take place in my account?**

If wrong debit-credits takes place in your account, you can inform your DP and your DP will inform the relevant DP or the client who has also been wrongly debited or credited and if it receives confirmation from that particular DP or the client, it will reverse the transaction, and if your DP does not receive any confirmation it will then inform NSDL of the same.

12 **Can I square off in dematerialized Trading?**

Yes. Trades can be squared off within the weekly settlement cycle of a Stock Exchange, in the physical segment. Trades can be squared off within the same day, in the exclusive Demat segment.

13 **What is an auction?**

An auction is a public sale of your shares to the highest bidder.

14 **When is the Occurrence of Auction?**

Subsequent to a sale trade made by your broker, the scrip number traded are required to be delivered to the exchange, through your broker pool account. Failure to deliver the shares before the deadline time period will result in default and your shares will be auctioned.

15 **What is a Settlement?**

A settlement period is the period, when the business is done in an exchange. There are different types of settlement with different exchanges

16 **What is a Settlement number?**

The settlement number is a unique number given to each settlement period of a particular exchange in order to differentiate that settlement from all the other settlements of that particular exchange.

17 **How many types of settlement are there?**

The following are the types of settlements

- Rolling odd lot
- Company objection
- Physical
- Auction rolling
- Rolling market lot
- Bad delivery
- Auction physical

- 3D market
- Institutional
- Inactive

18 **What is Rolling settlement?**

Rolling settlement is a type of settlement in which the settlement date for that particular exchange is not taken into account for settlement, but the shares should be delivered to the stock exchange within a fixed time after the trade has been executed. For e.g.: a T+5 type of settlement would indicate that the shares should be submitted to the stock exchange within 5 bussiness working days after the trade has been executed

19 **What is T + 5 in Settlement?**

T + 5 in settlement means that the delivery of shares to the stock exchange should take place within 5 business working days after the trade has been executed

20 **What is Settlement deadline?**

The settlement deadline is the time by which the trades for that particular settlement should be executed.

21 **What is Late Window?**

Late window is a concept in which the trades are executed a little later than the settlement time for that exchange, although the DP does charge a late fee for executing the trades in this mode.

22 **What if the execution day given in the instruction is an NSDL Business Holiday?**

In such a case, the next working day is taken to be the execution day.

Pledging

1 **What is a Pledge?**

If you wish to take a loan from a Bank against the security of your physical share, the certificate must be physically lodged with the Bank. This action is called a Pledge. In electronic holding also you can pledge the shares by making a request with your DP in favour of any Bank.

2 **Where can I pledge my shares?**

You can pledge your shares in a bank which is a DP or a client of a DP.

3 **What are the rules for Pledge Of Locked-in Securities?**

Locked-in shares can be pledged with a Lendor (such as a Bank) for a loan.However, the pledge cannot be closed or invoked before the lock-in release date.

4 **How can I Pledge / Hypothecate Shares?**

First of all the Bank granting the loan should be a DP or a Client of a DP.You may submit the written Pledge instruction to your DP.The Pledged quantity is blocked in your DP Account by the Bank electronically.The loan is now available for use by you.

5 **Can I dematerialize shares which are Pledged with a Bank if the Bank is also a DP?**

Yes. You may, with the permission of the Bank.

6 **How to revoke pledged/hypothecated shares?**

To revoke pledged/hypothecate shares, you need to submit a pledge revocation form to the DP asking for the revocation of your pledged securities.

7 **What happens after the closure of my loan with the Bank in case of a Pledge?**

Upon closure of your loan with the Bank, the Pledge is closed in your DP account by the Bank directly.Those released shares in your DP account are once again available to you as free balances.

8 **What is Pledge Invocation?**

When a pledgee does not repay the loan amount the shares pledged with the Bank can be transferred in their favour. This is similar to the physical shares being transferred in the name of the lendor in the event of a default.Who will receive the corporate actions like dividends, bonus etc in Pledged shares . You continue to remain the beneficial holder of pledged shares. You will continue to receive the Dividends, Bonus and all other Corporate actions.

Change/Correction of Account Details

1 **How do I go about Change in Address?**

For changing your address. you have to write to your DP asking for a change of address, mentioning your client ID as well as the address to which you want to change it to and sign the letter.

2 **How do I go about Change in Bank Account?**

For changing your bank details, you have to write to your DP asking for a change in your bank details, mentioning your client ID as well as your changed bank details and sign the letter

3 **How do I go about Change in Nomination?**

For a change of Nomination, you have to submit the duly filled in relevant form to the DP asking for a change in Nominee.

4 **How do I go about Change in Signature?**

For changing your signature, you have to submit an affidavit to the DP asking for a change in signature.

5 **How do I go about Change of Name?**

Once an account is opened , you cannot change the name .However, if you want to have an account in a different combination , you can open another account with your DP.

6 **How do I change my status in the account after opening?**

A change in status is not possible after opening your account. In order to have a different status, you need to open a new account.

7 **What is Transmission?**

Transmission is a process in which the holdings of a client are transferred to the joint holder and the nominee in the event of the client's death or expiry and if the joint holder/nominee is available.

8 **What are the formalities for Transmission?**

In case of death of a holder, the balances can be transferred in favour of the joint holder if available or the nominee in case of no joint holder. The joint holder or the nominee is required to fill in the transfer form and execute an indemnity for the purpose.

9 **Can successors claim the shares upon the Death / Expiry of a Holder?**

A transmission request form is available with the DP.A single form should suffice for transmission of shares of all the companies held by the deceased.The successors must submit the request form with all supporting documents.On confirming validity, the DP will transfer shares of all the companies in a single action to the Depository Account of the Successor.

Electroni IPO

1 **What is an IPO allotment?**

Allotment of shares in a new issue is known as IPO Allotment.

2 **How do I receive electronic credit in an IPO?**

In the IPO application form, fill up the option for electronic allotmentProvide your Client Account No. and DP Identification No.If allotted, shares will be credited to your DP Account.Your fortnightly Statement of Holding sent through post, will indicate the credit

3 **When are allotments credited in an IPO Allotment?**

Allotments in an IPO are credited directly to your account on any day between the allotment date and the date of listing.This is at the discretion of the company.

4 **Is it compulsory for companies to make IPO allotments only in the demat form?**

No. It is not.However, the laws are expected to change whereby it would be compulsory for issues more than Rs.10 crores.

5 **Is there any preferences in allotment in an IPO,if I hold shares in the physical or the electronic form?**

No. The basis of allotment in an IPO is independent of the form of the shares in physical or electronic. Thus, no one can receive any preference in allotment.

6 **Will NSDL open my account if I do not have one, for my allotment in an IPO?**

No. In such an instance, physical shares will be issued by default.A Depository account can be opened only by the beneficiary holder or by the Power of Attorney.

Corporate Action

1 **What is a Corporate Action?**

Any action taken by the company for its shareholders is known as a Corporate Action. For e.g. Declaration of Bonus/Rights Issue, Dividend etc

2 **How does Corporate action take place?**

Corporate action takes place when the company issues a dividend or a share.

3 **Why is a Bank Account necessary?**

A Bank Account is necessary if you want to get your bank account credited whenever there is some corporate action like dividends etc.

Bonus

How will I receive Bonus Shares?

Usually Bonus shares will be credited directly to your account by the Depository.You may however exercise your choice and receive the bonus / rights shares in either demat or physical form. Please inform the company of your choice.If you have the existing shares in physical form, the bonus may be issued in the demat form, as per your request to the company.Your statement of transaction, sent every 15 days by the DP, will show the bonus credit in your account by default

How do I receive fractional part of Bonus?

The fractional part of bonus will be paid to you in cash by the Company.The remaining whole part will be credited to your account.

Dividend

How do I receive my Dividend?

The Company / R&T Agent will forward Dividend payment to you through a physical warrant, as in the normal course.NSDL, which has the names of the beneficiary owners as on the Record Date, gives the list to the Company / R&T Agent the list of beneficial owners.NSDL does not handle cash corporate actions such as Dividend and Interest.

RIGHTS ISSUE

How will I know about Book Closure Dates?

The DP will have the book closure dates of all the scripts, so you can contact the DP for the book closure dates.

BOOK CLOSURE DATES

How will I know about Book Closure Dates?

The DP will have the book closure dates of all the scripts, so you can contact the DP for the book closure dates.

ISIN

1 What is ISIN

ISIN stands for International Security Identification Number. The ISIN number and name of the company must be necessarily mentioned in the DRF. This ensures that the security in the DRF is same as the one you want to dematerialise. However, the exact code number of any ISIN is available with Aditya Birla Money DP, and your Dealing Officer at a Aditya Birla Money office would be glad to fill in your DRF.

2 Why are there different ISIN ‘s for different scrips?

There are different ISIN (International Securities Identification number different scripts in order to have a unique method of identifying each script. In order to differentiate each and every script from all the other scripts.

3 **How are Partly-paid and Fully-paid shares to be recognized in the depository?**

In the depository, partly paid shares are given a separate ISIN number and so are the fully paid shares. Thus, they are completely separate entities and are distinguishable as they are traded separately on the Stock Exchanges.When partly paid shares are fully paid up on payment of the Call Monies, the R&T Agent will electronically convert those into fully paid shares. What is a Statement of Holding? A Statement of Holding is a statement, which gives the details of the holding in the clients account i.e. the scripts that are there in your account and the quantity in each script on that particular day.

Statement of Holding/Transaction

1 **What is a Statement of Holding?**

A Statement of Holding is a statement, which gives the details of the holding in the clients account i.e. the scripts that are there in your account and the quantity in each script on that particular day.

2 **When do I get the Statement of Holding?**

The DP shall print and despatch the Account holding statement to the client once in every month.

3 **What is the Transaction Statement?**

The details of the purchase / sale made by you during a period is given in a statement and this statement is called the Transaction Statement.

4 **When do I receive the Transaction Statement?**

The transaction statement is like a Bank Passbook.It shows all transactions done by you within a fortnight.If there are no transactions, the statement is sent to you every quarter giving details of your holding.

5 **How can I use the Internet ~ View Transactions & Statement of Holdings?**

Go to Registration / Transaction.

General

1 What is BENPOS?

Beneficiary Position giving the details of holding in the Beneficiary Account is downloaded by the Depository to the companies on a periodical basis.

2 What are the formalities for Freezing / Unfreezing of an Account ?

If you are likely to be out of station for a long time, you may instruct Aditya Birla Money DP to freeze your account.This is a method to prevent misuse and tampering.To freeze your account, simply issue a written instruction letter to the effect to your DP.Your account will be unfrozen when you once again issue a written instruction to the DP.

3 What is a Lock in Period?

The shares cannot be transferred from the holders name for a fixed period mentioned on the face of the certificate.

4 How do I calculate Capital gains?

You can Calculate Capital gains by the following method:
For example, you have two scripts, script A and script B : Quantity of script A * Price of script A=X Quantity of script B * Price of script B =Y Then , value of the holding = X+Y Capital Gains =Value of the holding at the end of a period-Value of the holding at the end of the previous period

5 What is Securities Lending?

Securities lending in a concept in which a client can raise a loan for his securities directly from the DP itself and not go to a bank and pledge these securities.

6 How do I pay my bills?

You can pay your bills either by Cheque or DD.

Life Insurance

1 Why Life Insurance?

Human life is subject to various kinds of risks. A life insurance policy insures against risks of death and disability due to natural and accidental causes. Insurance products provides a definite amount of money to the dependants of the insured person in case he dies during his active income earning period or becomes disabled on account of an accident causing reduction or complete loss in his earnings. Thus, buying an insurance policy is a wise move for every individual. Insurance can also be a form of savings in the long run if you choose the option of regular contribution in the policy. One can tie the entire plan with a pension plan or contribute to a pension that is funded by a life insurance company. There are many facets of a life insurance policy; like there are products that offer protection coupled with savings.

2 Why choose Life Insurance?

- Customized solutions to suit your preferences

- Takes care of your family's financial requirements in the event of your unfortunate absence

- Transparency at every transaction, and you are periodically updated on the latest happening

- Flexibility of choices with features like systematic investment and regular withdrawal plans

- Attractive tax advantage through varied scheme options to choose

- Varied well-designed schemes to cater to individual needs

Alternative Investments

1 Most investors prefer to walk the beaten path. So, they choose common investment options

which reduce their earnings and capital growth. The alternate route for investments from the traditional asset class, like the name suggests are Alternative Investments. All investments which are not listed under equities, bonds and stocks are categorized under this asset class. Alternative investments are favored mainly because their returns have a low correlation with those of standard asset classes. The sustained risk adjusted returns of alternative investments have made them a preferential investment platform to provide a well-balanced and diversified portfolio.

2 Why choose Alternative Investments?

- Managed by expert professionals with a keen understanding of market events

- Total Transparency with regular status updates

- Wide choice personlised to suit individual needs

- Easy liquidity

- Wide tenure periods

- Diversity and lower risks

- Great profit generating opportunities

3 **Private Equity**

Private equity consists of equity securities in operating companies that are not publicly traded on a stock exchange. It aids emerging enterprises to wade through business expansions, acquisition financing and buyout transactions easily to become tomorrow's leaders. Specialty of private equity lies in the fact that it provides the companies with funds even under unfavorable market conditions. It also adds to the operational competency of organizations and encourages private investments in business ventures.

4 **Why opt for Private Equity?**

- Taps the growth potential of Indian economy

- Improves the risk and reward characteristics of your portfolio

- Generates higher absolute returns while improving portfolio diversification

- Backs able entrepreneurs, and leads to faster growth of economy

- Picks true stock in a low inflation and low growth environment

Structured Products

Unlike traditional investments, Structured Products generate returns under much wider range of market conditions. This is a pre-packaged investment strategy, which is derivative-based such as a single security, a basket of securities, commodities, debt issuances and foreign currencies. It is highly popular among investors for offering low risk and relatively stable returns. There are various Structured Products in the market, and an investor can choose them on the basis of the market conditions to gain maximum returns.

1 **Why go for Structured Products?**

- Dilute market risk by spreading portfolio across many securities

- Specialized stock or fixed-income securities investment

- Enhanced tax benefits
- Superior investment results
- Lower expense ratios