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| **PT1/FMAK/1222/A 25-APR-2022** | | | | |
| **PERIODIC TEST I (2022-23)**  **(ANSWER KEY)** | | | | |
| **Subject: Financial Markets Management**  **Grade: XII** | | Max. Marks: 35Time: 780 mins | | |
|  | **SECTION A** | | | |
|  | C Primary and secondary market | | 1 | |
| **2.** | C Ministry of External Affairs | | 1 | |
| **3.** | B Trading cum Clearing Member | | 1 | |
| **4.** | B T+2 | | 1 | |
| **5.** | A The suspended trading members can vote at any meeting of the general body of trading members of the relevant segment | | 1 | |
| **SECTION B** | | | | |
| **6.** | a) **Prejudicial business**: When the relevant authority finds that the trading member  conducts business in a manner prejudicial to the Exchange by making purchases or  sales of securities or offers to purchase or sell securities for the purpose of upsetting  equilibrium of the market or bringing about a condition of demoralisation in which  prices will not fairly reflect market values, or  (b) **Unwarrantable business**: When in the opinion of the relevant authority the trading  member engages in unwarrantable business or effects purchases or sales for its  constituent‘s account or for any account in which it is directly or indirectly interested  which purchases or sales are excessive in view of its constituent‘s or its own means and  financial resources or in view of the market for such security, or  (c) **Unsatisfactory financial condition:** When the relevant authority finds that the trading  member is in a bad financial condition and it cannot be permitted to do business with  safety to its creditors or the Exchange. | | | 2 |
| **7.** | On the expiry of period for receipt of investor claims and on receipt of intimation of dues amount, if any, from SEBI, the total amount payable by the member should be appropriated against trading member‘s deposits available with the Exchange / NSCCL and the trading member will be intimated accordingly. In case the amount payable exceeds the deposits, the trading Member would be intimated to bring in the requisite amount within 21 days of intimation. Upon the failure of the member to do so within 21 days of intimation, the case shall be referred to the relevant authority for further action. | | | 2 |
| **8.** | **Networth**: The networth of the member is calculated as  **Net worth=** **Capital + free reserves - non allowable assets.**  (Non-allowable assets include fixed assets, pledged securities, member ‘s card, non-allowable securities (unlisted securities), bad deliveries, doubtful debts and advances, prepaid expenses, intangible assets and 30% of marketable securities.)  **Other Deposit Requirements**:  i) Interest Free Security Deposit **(IFSD):** It is the liquid cash.  ii) Collateral Security Deposit **(CSD**): CSD can be in cash or non-cash form. | | | 2 |
| **9.** | * nation-wide trading facility * transparent securities market * state-of-the-art electronic trading systems * follows strict standards for trading & settlement at par with those available at the top international bourses | | | 2 |
| **10.** | Creation of Market Regulator: Securities and Exchange Board of India (SEBI), the securities market regulator in India, was established under SEBI Act 1992, with the main objective and responsibility for (i) protecting the interests of investors in securities, (ii) promoting the development of the securities market, and (iii) regulating the securities market. | | | 2 |
| **SECTION C** | | | | |
| **11.** | SEBI checks out if the applicant:  (a) is eligible to be admitted as a member of a stock exchange;  (b) has the necessary infrastructure like adequate office space, equipment and manpower to effectively discharge his activities;  (c) has any past experience in the business of buying, selling or dealing in securities;  (d) is subjected to any disciplinary proceedings under the rules, regulations and bye-laws of a stock exchange with respect to his business as a stock-broker involving either himself or any of his partners, directors or employees | | | 3 |
| **12.** | 1. Index: Stock market indices are meant to capture the overall behaviour of the equity markets. 2. Market Capitalisation: Market capitalisation is defined as value of all listed shares on the country‘s exchanges. 3. Market Capitalisation Ratio: It compares the stock market's valuation to the size of the economy. 4. Turnover: The traded value of all the companies traded on the Exchange is added to calculate the turnover for an exchange. 5. Turnover Ratio: Turnover at Exchange / Market Capitalisation at Exchange. | | | 3 |
| **13.** | **Misconduct**: A trading member is deemed guilty of misconduct for any of the following  or similar acts or omissions namely:  (a) Fraud or fraudulent act or if he is convicted of a criminal offence  (b) Improper conduct.  (c) Failure to submit to or abide by arbitration.  (d) Failure to testify or give information sought by the Exchange or any committee or any other person authorized on that behalf.  (g) Failure to submit audited accounts. | | | 3 |
| **14.** | A trading member may be declared a defaulter by direction /circular/notification of the relevant  authority of the trading segment if:  (a) he is unable to fulfill his obligations; or  (b) he admits or discloses his inability to fulfill or discharge his duties, obligations and  liabilities; or  (c) he fails or is unable to pay within the specified time the damages and the money  difference due on a closing-out effected against him under the bye laws, rules and  regulations; or  (d) he fails to pay any sum due to the Exchange or to submit or deliver to the Exchange  on the due date, delivery and receive orders, statement of differences and securities,  balance sheet and such other clearing forms and other statements as the relevant  authority may from time to time prescribe; | | | 3 |
| **15.** | 1. **Unlisted corporate trading member-** If a person holds **51% of shares** in the trading member corporate on his own or together with  * his relatives as defined under Companies Act 2013 * person(s) falling within the definition of control‘3 (which is related to shareholders having 5% or more control) under the SEBI Regulations, 1997. * the support of strategic investors in such corporate trading member. Strategic investors would be important investors. | | | 3 |
| **SECTION D** | | | | |
| **16.** | **1)An examination of module of NCFM**- The applicant must ensure that at least the sole proprietor/ one of the designated partner/one of the designated director/compliance officer has a **valid certificate of Securities Market (Basic) Module** or **Compliance Officers** (Brokers) Module or the relevant module (given below) pertaining to the segments wherein membership of the Exchange has been sought.   * Capital Market (Dealers) Module * Derivatives Market (Dealers) Module * National Institute of Securities Markets (NISM) Series I – Currency Derivatives Certification Examination   2) A**n interview with the Membership Recommendation Committee is followed.**  3) On getting approval from **Membership Selection Committee** MSC (NSEIL/NSCCL), an **admission on a provisional basis** is provided to the **applicant subject to certain conditions** like registration with SEBI, submission of relevant fees/ deposits and documents. The documents of the member are then forwarded to SEBI for registration.  4) After **satisfying itself as to compliance** with respect to all the prescribed norms, SEBI grants a Registration Certificate in the name of the applicant.  5) After obtaining SEBI Registration, the trading member has to satisfy the Exchange and NSCCL regarding **all the formalities and requirements such as payment of fees/deposits and submission** of relevant documents, for enablement.  6) The dealers are **required clear their respective exams** in order to get their license to trade. This is a pre-requisite without which user-ids are not issued.  After ensuring that all the formalities and requirements with regard to the Exchange and NSCCL are complied, the Trading Member **is enabled** to trade on the NEAT system. | | | 5 |

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