Unit - 1

Financial markets

A market as defined by economists refers to an institution or arrangement that facilitates the purchase and sale of goods and services and other things. A financial market is an institution or arrangement that facilitates the exchange of finance instruments including deposits and loan ,corporate stocks and bonds,government bonds ,and more exotic instruments such as options and future contracts .

A market wherein financial instruments such as financial claims, assets and securities are traded is known as the ' financial market.' Financial market transactions take place either at a specific place or location.

Definition:

According to Brigham, Eugene F, "The place or people in the organisation wanting to borrow money are brought together with those having surplus funds is called a financial market".

Role :

One of the important requisites for the accelerated developments of an economy is the existence of a dynamic and a resilient financial market. A financial market is of great use for a country as it helps the economy in the the following manner:

Savings Mobilizing :

Obtaining funds from the savers or 'surplus' units such as households in individuals ,business firms, public sector units ,Central Government ,State Government ,local government ,etc is an important role played by financial markets .

Investment:

Financial markets play a key role in arranging to invest funds collected .

National Growth:

An important role played by the financial market is that they contribute to a nation's growth by ensuring an unfettered flow of surplus funds to deficit units. Flow for productive purposes is also made possible.

Entrepreneurship Growth :

Financial markets contribute to the development of the entrepreneurs class by making available the necessary financial resources, etc.

Industrial development :

The different components of the financial market help an accelerated growth of industrial economic development of a country thus contributing to raising the standard of living and the society's well - being.

Functions:

A financial market renders the following functions:

1. *Transfer of resources .*
2. *Enhanced income*
3. *Productive usage*
4. *Capital formation*
5. *Price determination*
6. *Sale mechanism*
7. *Information*

1.Transfer of resources:

Financial markets facilitate the transfer of real economic resources from lenders to ultimate borrowers.

2. Productive usage:

The assets and earnings of a corporation are called Financial markets allow for the productive use of the funds borrowed , thus enhancing the income and the gross national production .

3. Enhanced income:

Financial markets allow lenders to earn interest on their surplus investible funds , thus contributing to the enhancement of the National income.

4. Capital determination:

Financial markets provide a channel through which new savings flow to aid capital formation of a country.

5. Price determination:

Financial markets allow for the determination of the price of the traded financial assets through the interaction of buyers and sellers . They provide a single allocation for funds in the economy, based on the demand and demand and supply , through a mechanism called the' price discovery process.'

6. Sale mechanism:

Financial markets provide a mechanism for selling of a financial asset by an investor so as to offer the benefits of marketability and liquidity of such assets.

7. Information:

The activities of the participants in the financial market results in the generation and the consequent dissemination of information to the various segments of the market , so as to reduce the cost of transaction of financial assets.

Financial functions:

1. *Providing the borrowers with funds so as to enable them to carry out their investment plans*
2. *Providing the lenders with earnings assets to earn wealth by deploying the assets in productive ventures.*
3. *Providing liquidity in the market so as to facilitate trading of funds.*

Financial instruments:

- **Corporate stock**
- **Corporate bonds**
- **Mortgages**
- **Commercial loans**
- **Municipal bonds**

Corporate stock:

An equity instrument that represents ownership of a share of the assets and earnings of a corporation is called 'corporate equity' . A firm undertakes sale of stock when it wishes to mobilize capital required for taking up new investment projects or for modernization and expansion projects.

Once a new issue is in the hands of individual investors, the stock can be sold and purchased by another investor in secondary stock markets such as the New York stock exchange or the American stock Exchange.

Corporate bonds:

A corporate bond-easily debt instrument issued by a corporate entity contains a promise that the firm will make specific interest payment, and principal amount or the face "value on the " on the maturity of the instrument.

Mortgages:

Cad b instrument is used to finance the purchase of a home or other form of real estate where the underlying real estate serves as collateral for the loan ,is a 'mortgage' . If the lender receives title to the real estate towards payment of the debt. Two types of the instrument are fixed- rate and adjustable- rate mortgages.

Commercial loans:

Commercial loans are loans obtained by individuals for intermediate- term purchases such as the purchase of merchandise etc with credit card. Commercial loans are essentially credit lines issued to businesses . There is a less active secondary market for consumer and commercial loans , marking them the least liquid of all capital market instruments. However , there is a growing movement to securitize .

Municipal bonds:

State and local governments issued municipal bonds to obtain long - term funds for financing such projects as highways and schools . Interest payments these bonds receive are exempt from federal income tax.

Constituent:

Financial markets comprises the following constituent:

1. *Primary market*
2. *Secondary market*
3. *Money market*
4. *Capital Market*

Debt market

5. *Eurobond market*
6. *Equity market*
7. *Financial services market*
8. *Depository market*
9. *Non- depository market*

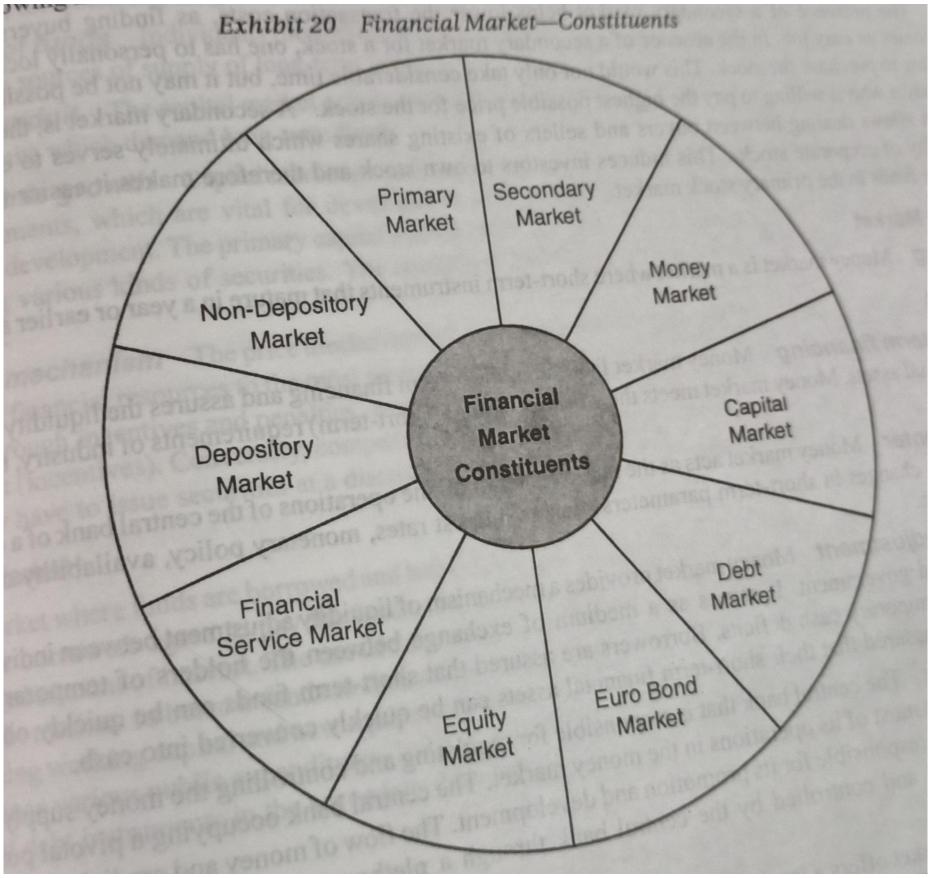


Exhibit 20 Financial Market—Constituents

Indian financial market:

You are fully aware that business units have to raise short-term as well as long-term funds to meet their working and fixed capital requirements from time to time. This necessitates not only the ready availability of such funds but also a transmission mechanism with the help of which the providers of funds (investors/ lenders) can interact with the borrowers/ users (business units) and transfer the funds to them as and when required. This aspect is taken care of by the financial markets which provide a place where or a system through which, the transfer of funds by investors/lenders to the business units is adequately facilitated.

OBJECTIVES:

After studying this lesson, you will be able to:

- *explain the concept and functions of financial markets;*
- *state the nature and importance of money market;*
- *state the nature and types of capital market;*
- *distinguish between capital market and money market;*
- *explain the nature and functions of a stock exchange;*

• state the advantages of stock exchanges from the points of view of companies, investors and society as a whole;
• state the limitations of stock exchanges;
• explain the concept of speculation and distinguish it from investment;
• outline the stock exchanges in India; and
• describe the nature of regulation of stock exchanges in India and the role of SEBI.

Let us now see the main functions of the financial markets

(a) It provides facilities for interaction between the investors and the borrowers.
(b) It provides pricing information resulting from the interaction between buyers and sellers in the market when they trade the financial assets.
(c) It provides security to dealings in financial assets
d) It ensures liquidity by providing a mechanism for an investor to sell the financial assets.
(e) It ensures low cost of transactions and information.

18.2 TYPES OF FINANCIAL MARKETS

A *financial market consists of two major segments: (a) Money Market; and (b) Capital Market. While the money market deals in short-term credit, the capital market handles the medium term and long-term credit.*
Let us discuss these two types of markets in detail.

Global financial market:

Meaning:

Financial markets that are interested and operated worldwide by using uniform trading practices are known as the 'global financial market' under the global financial market dispensation. It is possible for firms to fund in international arenas.

Factors:

The factors responsible causing the emergence of global financial market:

1. **Deregulation:**
   Deregulation or Liberalization of markets and the activities of market participants in the financial centre of the world.

2. **Science and technology:**
   Technological advances for monitoring the world market, executing orders, and analysing financial opportunities.

3. **Institutionalization:**
   Shift from retailing to increased institutionalization of investors in financial markets.

4. **Competition :**
   Global competition which forced the government to deregulate various aspects of their financial market.

5. **Information flow:**
   Free and unrestricted flow of market information around the world owing to advancement.

Capital Market :

MEANING

A capital market is a market for medium and long term funds. It includes all organisations, institutions and instruments that provide long term and medium term funds. It does not include the instruments or institutions which provides finance for short period (upto one year). The common instrument used in capital market are shares, debentures ,bonds, funds, public deposits etc.

DEFINITION

According to V.K. Bhalla "Capital market can be defined as the mechanism which channelizes savings into investment or productive use . Capital market allocate the resources amongst alternative uses. It intermediates flow of savings of those who save a part of their income from those who want to invest it in productive assets".

OBJECTIVES AND IMPORTANCE

Ensures best possible coordination and balance between the flow of savings on the one hand and the flow of investment leading to capital formation on the other;
Direct the flow of saving into most profitable channels and thereby ensure optimum utilisation of financial resources.
The mobilisation or concentration of national savings for economic development.
The mobilisation and import of foreign capital and investment to augment the deficit in the required financial resources so as maintain the expected rate of economic growth.

NATURE OR FEATURES OF CAPITAL MARKET

1. Link between savers and investment opportunities.
2. Deals in long term investment.

3. Utilisés intermédiaires.
4. Determinant of capital formation.
5. Government rules and regulations.

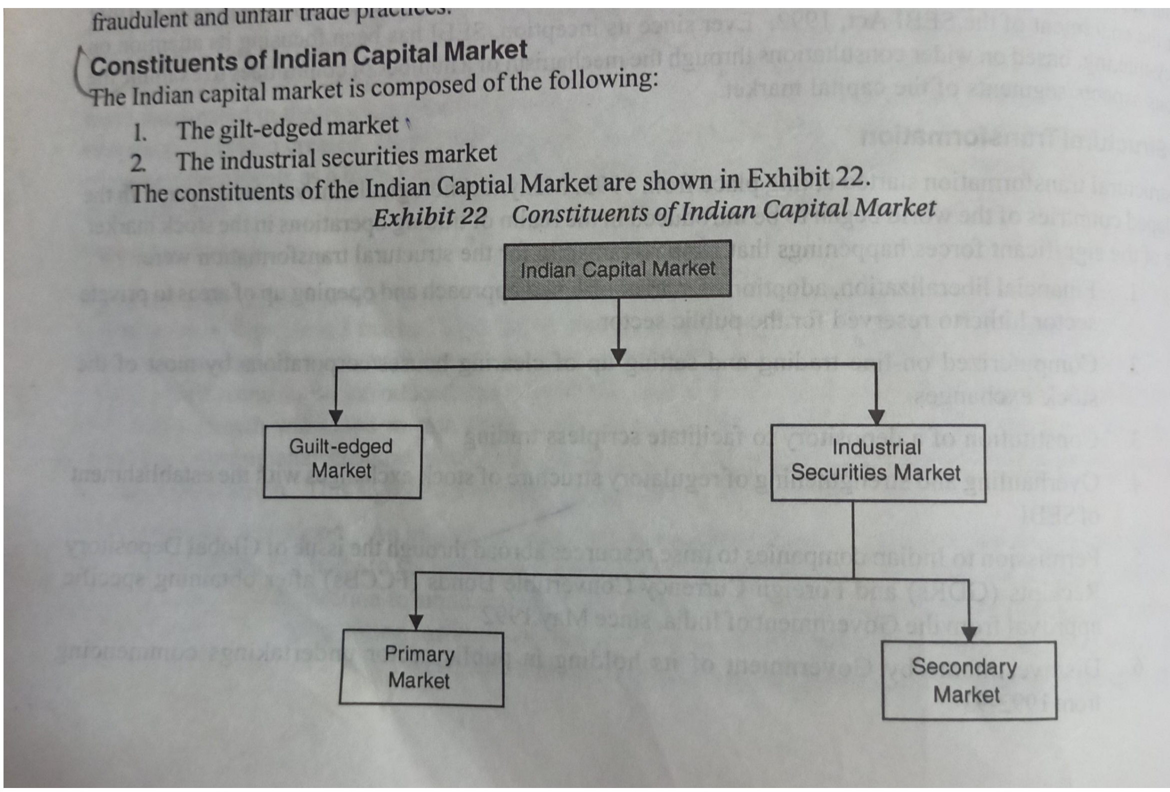
FUNCTIONS OF CAPITAL MARKET

1. Mobilisation of financial resources on a nation-wide scale.
2. Securing the foreign capital.
3. Effective allocation of the mobilised financial resources.

Evolution and growth:

Standing the test of time, the Indian capital market has undergone phenomenal changes. Since the mid - eighties, a metamorphic transformation involving multidimensional growth has taken place in an otherwise dormant Indian financial system . The magnitude of growth could be gauged in terms of massive jumps in funds mobilization , the turnover on the stock exchanges, the amount of market capitalization , and the expansion of investors population.

Capital Market constituents:


fraudulent and unfair trade practices.

Constituents of Indian Capital Market

The Indian capital market is composed of the following:

1. The gilt-edged market
2. The industrial securities market

The constituents of the Indian Captial Market are shown in Exhibit 22.

Exhibit 22 Constituents of Indian Capital Market

Gilt - edged Market:

Gilt-edged market – is the market for government securities or securities guaranteed by the government including treasury bills and bonds.

1. *Guaranteed return on investment*
2. *No speculation in securities*
3. *Institutional based inverters which are compelled by law to invest a portion of their funds in their securities.*
4. *Predominated by such institutions as LIC, GIC, the provident funds and the commercial banks*
5. *Heavy volume of transaction necessitating negotiable of each transaction.*

Industrial securities market.

The market for individual securities is known as the 'industrial securities market' ; it offers an ideal market for corporate securities such as bonds and equities .

1. *Primary market*
2. *Secondary market*

PRIMARY MARKET:

Primary market is also known as new issue market. As in this market securities are sold for the first time i.e. new securities are issued from the company. Primary market companies goes directly to investor and utilises these funds for investment in building, plants and machinery etc.
The primary market does not includes finance in the form of loan from financial institution because when loan is issued from financial institutions it implies converting private capital into public capital and this process is called as going public

Methods of floatation of securities in primary market

1. Public issue through prospectus : Under this method company issue a prospectus to inform and attract general public
2. Offer for sale: Under this method new securities are offered to general public but not directly by the company but by an intermediary who buys whole lot of securities from the company.
3. Private placement: Under this method the securities are sold by the company to an intermediary at fixed price and in second step intermediaries sell these securities not to the general public but selected clients at a higher price.
4. Right issue (for existing companies): This is the issue of new shares to existing shareholders. It is called right issue because it is the pre- emptive right of shareholder that company must offer them the new issue before subscribing to outsiders.
5. e- IPO (electronic initial public offer) : it is the new method of issuing securities through the online system of the stock exchange . in this company has to appoint registered brokers for the purpose of accepting applications and placing orders.

SECONDARY MARKET (STOCK EXCHANGE)

The secondary market is the market for the sale and purchase of previously issued or second hand securities. In secondary market securities are not directly issued by the company to investors. The securities are sold by existing investors to other investors. In secondary market companies get on additional capital as securities are bought and sold between investors only so directly there is no capital formation but secondary market indirectly contributes to capital formation by providing liquidity to securities of the company.

Capital Market Instrument
The corporate securities that are dealt in primary market can classified under two categories:
1. Ownership securities or capital stock.
2. Creditorship securities or debt capital

Classification of corporate securities
OWNERSHIP SECURITIES
CREDITORSHIP SECURITIES
DEBENTURES
ORDINARY OR EQUITY
SHARES
PREFERENCE SHARES NO PAR STOCK DEFERRED SHARES

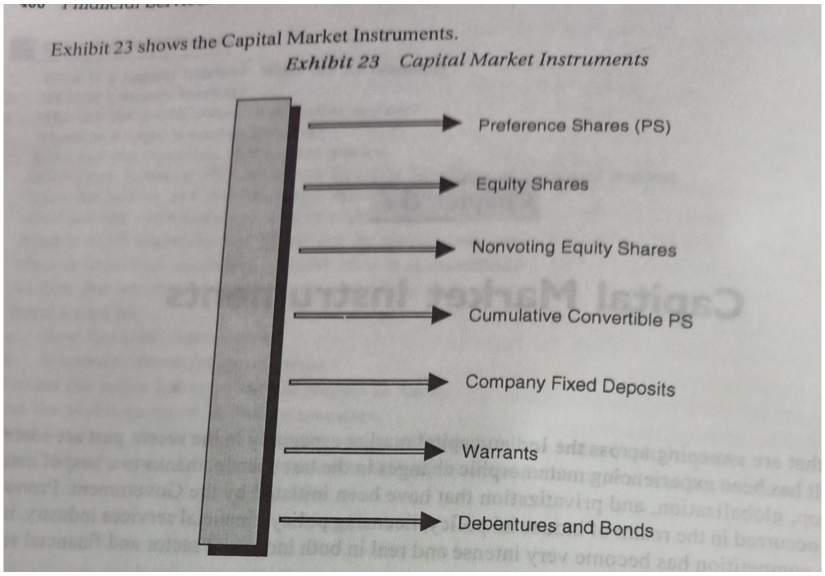
A. OWNERSHIP SECURITIES

Ownership securities, also known as capital stock or shares, are the most common methods used by corporates, government, and other big companies to raise funds to help finance their operations.
“section 2(46) of the companies act 1956 defines it is a “a share in the share capital of a company ,and including stock except where a distinction between stock and shares is expressed or implied .

Types of shares:

1. *Equity shares*
2. *Preference share*

Capital Market Instruments.



Preference shares:

Meaning.

Shares that carry preferential rights in comparison with ordinary shares are called 'preference shares.' The preferential rights are the rights regarding payment of dividend and the distribution of the assets of the company in the event of its winding up, in preference to equity shares.

Types:

1. **Cumulative preference shares:** *shares where the arrears of dividends in time of no and / or lean profits can be accumulated and paid in the year in which the company earns good profits.*
2. **Noncommercial preference shares:** *shares where the carry forward of the arrears of dividends is not possible.*
3. **Participating preference shares:** *shares that enjoy the right to participate in surplus profits or surplus assets on the liquidation of a company or in both, if the Articles of Association provides for it.*
4. **Redeemable preference shares:** *shares that are to be repaid at the end of the term of issue, the maximum period of a redemption being 20year with effect from 1.3.1997 under the companies Amendment Act , 1996 .since they are similar to debentures. Only fully paid shares are redeemed.*
5. **Fully convertible cumu preference shares:** *shares comprises two parts, viz. Part A and B . Part A is convertible into equity shares automatically and compulsorily on the date of allocation . Part B will be redeemed at par/ converted into equity shares after a lock - in period at the option of the investors , conversion into equity shares taking place after the lock - in period, at a price, which would be 30 percent lower than the average*

market price. The average market price shall be the average of the monthly high and low price of the shares in a stock exchange over a period of 6 months including the month in which the conversion takes place.

6. **Preference shares with warrant attached:** *The attached warrant entitles the holder to apply for equity shares for cash, at a 'premium' at any time , in one or more stages between the third and fifth year from the date of allotment. If the warrant holder fails to exercise his options , the unsubscribed portion will lapse .*

Equity shares:

Meaning:

Equity shares, also known as 'ordinary shares' are the shares held by the owners of a corporation entity.

Features:

Since equity shareholders face greater risks and have no specific preferential rights, they are given larger share in profits through higher dividends than those given to preference shareholders, provided the company 's performance is excellent.

Directors declare no dividends in case there are no profits or the profits do not justify dividend for previous years even when the company makes substantial profits in subsequent years.

A strikingly noteworthy feature of equity shares is that holders. Of these shares enjoy substantial right in the corporate democracy , namely the rights to approve the company 's annual accounts, declaration of dividend, enhancement of managerial remuneration in excess of specific limited and fixing the terms of appointment and election of directors, appointment of auditors and fixing of their remuneration , amendment to the Articles and Memorandum of Association , increase of shares capital and issue of further shares in the open market.

Equity shareholders represent proportionate ownership in a company . They have residual claims on the assets and profits of the comparison to the owners of debentures and preference shares who enjoy just a fixed assured return in the owners of debenture.

Shares certificates either in physical form or in the demat system in form are issued as a proof of ownership of the shares in a company.

Types of Equity Share

Authorized Share Capital*- This amount is the highest amount an organization can issue. This amount can be changed time as per the companies recommendation and with the help of few formalities.*

Issued Share Capital*- This is the approved capital which an organization gives to the investors.*

Subscribed Share Capital*- This is a portion of the issued capital which an investor accepts and agrees upon.*

Paid Up Capital*- This is a section of the subscribed capital that the investors give. Paid-up capital is the money that an organization really invests in the company's operation.*

Right Share*- These are those type of share that an organization issues to their existing stockholders. This type of share is issued by the company to preserve the proprietary rights of old investors.*

Bonus Share*- When a business splits the stock to its stockholders in the dividend form, we call it a bonus share.*

Sweat Equity Share*- This type of share is allocated only to the outstanding workers or executives of an organization for their excellent work on providing intellectual property rights to an organization.*

Merits of Equity Shares Capital

ES (equity shares) does not create a sense of obligation and accountability to pay a rate of dividend that is fixed.
ES can be circulated even without establishing any extra charges over the assets of an enterprise.
It is a perpetual source of funding, and the enterprise has to pay back; exceptional case – under liquidation
Equity shareholders are the authentic owners of the enterprise who possess the voting rights.

Demerits of Equity Shares Capital

1. *The enterprise cannot take either the credit or an advantage if trading on equity when only equity shares are issued.*

2. *There is a risk, or a liability of overcapitalization as equity capital cannot be reclaimed.*

3. *The management can face hindrances by the equity shareholders by guidance and systematizing themselves*

When the firm earns more profits, then, higher dividends have to be paid which leads to raising in the value of the shares in the marketplace and its edges to speculation as well.

Difference between Equity Shares and Preference Shares

Equity share and Preference share are the two types of share that a company issues. Equity share is an ordinary share. Preference share experience the perquisites of the dividend *distribution first. The equity stockholders get the opportunity to cast their vote in major business decisions.*

The company preference share receives the dividend at a fixed rate. Whenever there is an issue with the company, the preference share gets the right to return of the capital before the equity share.

Non-voting equity shares:

Consequent to the recommendation of the 'Adid Hussain committee' and subsequent to the amendment to the companies act, corporate management are permitted to mobilize additional capital without diluting the interest of existing shareholders with the help of a new instrument called 'non-voting equity shares'. Such shares will be entitled to all the benefits except the right to vote in the general meeting. Such non-voting equity shares are being considered as a possible addition to the two classes of shares capital currently in vogue.

Non-voting equity shares will be entitled to rights and bonus issue and preferential offer of shares on the same lines as that of ordinary shares.

The objective will be to compensate for the sacrifice made for the voting rights. For this purpose, these shares will carry a higher dividend rate than that of voting shares. If a company fails to pay dividend, non-voting shareholders will automatically be entitled to voting rights on a prorata basis until the company resumes paying dividend.

Non-voting shares

Non-voting shares do not give the holder any voting rights in the company. This means that the holder is entitled to a portion of the company's capital, but is not able to take part in its general meetings.

Non-voting shares are mostly issued to employees or to family members of the main shareholders. This class of shares allows the main shareholders to retain control of the company whilst multiplying the number of shareholders.

Company fixed deposits:

Fixed deposits are the attractive source of short- term capital both for the companies and inverters as well.corportes favor fixed deposits as an ideal form of working capital mobilization without going through the process of mortgaging assets and the associated rigmarole of documentation, etc.

Inverters find fixed deposits a simple Avenue for investment in popular companies at attractively reasonable and safe interest rates.

Moreover, inverters are relieved of the problem of the hassles of market value fluctuations to which instruments such as shares and debentures are exposed. There are no transfer formalities either .

In addition,it is quite possible for investors to have the option of premature repayment after 6 months, although such an option entails some interest loss.

Regulations:

Since these instruments are unsecured, there is a lot of uncertainty about the repayment of deposits and regular payment of interest. The issue of fixed deposit is subject to the provisions of the companies act and then companies rules introduced in February 1975. some of the important regulation in this regard as follows:

1. **Advertisement**
2. **Liquid assets**
3. **Disclosure**
4. **Deemed public company**
5. **Default**
6. **CLB**

1 . Advertisement -. *issue of an advertisement (with the prescribed information) approved by the board of Directors in dailies circulating in the state of incorporation.*

2. Liquid assets-. *Maintenance of liquid assets equal to 15 percent (substituted for 10 / percentage by Amendment Rules, 1992) of deposits (maturing during the year ending March 31) in the form of bank deposits, unencumbered securities of stock and central government's or unencumbered approved securities.*

3. Disclosure-. *Disclosure in the newspaper advertisement the quantum of deposits remaining unpaid after maturity. This would help highlight the defaults, if any, the company and company and caution the depositors.*

4. Deemed public company-. *Private company would become a deemed public company (From June 1999, section 43A of the Act) where such a private company, after inverting public deposits through a statutory advertisement, accepts or renews deposits from the public other than its members, directors or their relatives. This provision , to a certain extent, enjoins better accountability on the part of the management and auditors.*

5. Default-. *Penalty under the law for default by companies in repaying deposits as and when they mature for payment where deposits were accepted in accordance with the Reserve Bank directions.*

6. CLB-. *Empowerment to the company law Board to direct companies to reply to deposits, which have not been repaid as per the terms and conditions Governing such deposits, within a time frame and according to the terms and conditions of the order.*

Features of a Fixed Deposit

Assured Returns. The returns of a fixed deposit are guaranteed. ...
Rate of Interest. The interest rate on a fixed deposit varies depending on the term you choose. ...
Offers Flexible Tenures. ...
Return on Investment. ...
Loan against FD.

Features of a Fixed Deposit

To know what a fixed deposit is, you need to know its prime features. Here are the significant ones:

1. Assured Returns

The returns of a fixed deposit are guaranteed. You will get the same return agreed at the time of opening an FD. This is not the case with market-led investments, which offer returns based on the fluctuations of interest rates in the market. You will receive the same interest that was agreed to you, even if the interest rates fall. This makes the fixed deposit more secure than any other investments.

2. Rate of Interest

The interest rate on a fixed deposit varies depending on the term you choose. However, the rate of interest is fixed. If you want to know the current FD interest rates, you can visit the IDFC FIRST Bank website here.

3. Offers Flexible Tenures
You can choose the tenure from 8 days to 10 years for an FD with the IDFC FIRST Bank. If you want to open an FD account, click here.

4. Return on Investment

The interest you earn on the fixed deposit depends on the maturity period or tenure of the FD. With a higher tenure, you earn a higher interest. Moreover, the returns you get on your investment depends on whether you opt for receiving the interest periodically or reinvesting the interest, which is called a cumulative FD. You gain the benefit of compounding with this FD. You can calculate your fixed deposit interest with the IDFC FIRST Bank FD calculator here.

5. Loan against FD

You can avail a loan against your fixed deposit in case you are in urgent need of funds. This saves you from closing your FD prematurely.

To know more about what is FD, and how to open a fixed deposit account with IDFC FIRST Bank, click here.

If you are a new customer and want to create an FD, you can click here to open an FD by opening a new Savings Account.

Warrants:

An option issued by a company whereby the buyer is granted the right to purchase a number of shares (usually one) of its equity shares capital at a given exercise price during a given period is called a 'warrant' . Although trading in warrants has been in vogue in the U.S. stock markets for more than 6 to 7 decades, they are being issued to meet a range of financial requirements by the Indian corporations.

A security issue by a company, granting its holder the right to purchase a specified number of shares, at a specified price , any time prior to an expirable date is known as a 'warrant' . Warrants may be issued with either debentures or equity shares.

The holder of a warrant has the right but not the obligation to convert them into equity shares.

In case the investor benefits by conversion of warrant, then he will convert the warrant , else he may simply let the warrant lapse.

Warrant instruments:

In finance, a warrant is a security that entitles the holder to buy the underlying stock of the issuing company at a fixed price called exercise price until the expiration date. Warrants and options are similar in that the two contractual financial instruments allow the holder special rights to buy securities.

Warrant Types

"Warrant" refers to a specific type of authorization: a writ issued by a competent officer, usually a judge or magistrate, which permits an otherwise illegal act that would violate individual rights and affords the person executing the writ protection from damages if the act is performed.

Warrant for Arrest – *An arrest warrant is issued by a judge or magistrate and must be supported by a signed and sworn affidavit showing probable cause that a specific crime has been committed, and that the person(s) named in the warrant committed said crime. An arrest warrant is a warrant issued by a public officer which authorizes the arrest and detention of an individual. In most jurisdictions, an arrest warrant is required for misdemeanors that do not occur within view of a police officer. However, as long as police have the necessary probable cause, a warrant is usually not needed to arrest someone suspected of a felony.*

The material on this site primarily applies to Arrest Warrants.

Other types of Warrants:

Search Warrant *– A search warrant is a warrant to search a specific premise for evidence of a specific crime. The warrant is issued by the judge if he or she finds probable cause to believe such evidence exists based on information presented by police to the judge in the form of a signed and sworn affidavit. Search warrants are generally not relevant to most of what technologists do in the field of criminal justice.*

In addition to warrants for arrest for committing some specified crime, other warrants can be issued for failure to appear in court (FTA) and failure to follow a court's orders. These warrants may be called by different names in different jurisdictions. Following is a list of some of these types of warrants:

Alias Warrant - *An Alias Warrant is issued when the subject fails to appear in court for a scheduled court date before any plea has been entered or fails to respond to a citation in person or by mail. Failure to appear is an added charge.*

Bench Warrant *-A Bench Warrant is a variant of the arrest warrant. It is usually issued when a subject fails to appear for a required court appearance.*

Capias Warrant/Capias Pro Fine Warrant *– A Capias Warrant is issued when a subject has a guilty judgment either through court appearance, plea, or arraignment in jail, then fails to pay a fine or complete some specified conditions within the required time period. The only way to resolve a Capias Warrant is to pay the fine in full or be released "time served" by remaining in jail until enough jail credit has been earned.*

Civil Capias Warrant *- A civil capias warrant is a special type of apprehension order, issued in civil court cases where the defendant repeatedly fails to comply with the judge's orders. These are also called Body Attachments and Mittimuses, and are slightly different from Criminal*

Warrants. A civil capias warrant is not the same as a criminal arrest warrant. The purpose of the civil capias warrant, in a contempt case, however, is to get a person into court for the hearing.

Fugitive Warrant - *Warrant sent from another state when the suspect is believed to be in local jurisdiction.*

Governor's Warrant - *These warrants come from the Governor's office so the suspect, who has committed a crime in another state, may be arrested and transported back to that state.*

Debentures and bonds:

A document that either creates a debt or acknowledges it is known as a debenture. Accordingly, any document that fulfills either of these conditions is a debenture. A debenture, issued under the common seal of the company, usually takes the form of a certificate that acknowledges indebtedness of the company.

A document that shows on the face of it that a company has borrowed a sum of money from the holder thereof upon certain terms and conditions is called a debenture.

Features:

1. **Issue**
2. **Negotiability**
3. **Security**
4. **Duration**
5. **Convertibility**

1 . Issue - *In India , debentures of various kinds are issued by the corporate bodies, Government and others as per the provisions of the Companies Act, 1956 and under the regulations of the SEBI. Section 117 of the companies Act prohibits issue of debentures with voting rights.*

2.Negotibility-. *In the case of bearer debentures the terminal value is payable to its bearer. Such instruments are negotiable and are transferable by delivery. Registered debentures are payable to the registered holder; the whole name appears both on the debenture and in the register of debentures holders maintained by the company.*

3.security -. *Debentures, which could be redeemed after a certain period of time are called redeemable debentures . There are debentures that are not to be returned except at the time of winding up of the company.such debentures are called irredeemable debentures.*

5.convertibility-. *Where the debenture issue gives the option of conversion into equity shares after the expiry of a certain period of time, such debentures are called convertible*

Debentures. Non-convertible Debentures, on the other hand , do not have such an exchange facility.

Types of Debentures:

A company can issue different types of debentures based on their objectives and requirements. And, the debenture categorization depends on redemption mode, tenure, convertibility, security, tenure, coupon rate, etc. Let us look at some of the most common types of debentures issued by companies.

Convertible debenture:
These are a type of debentures where the investors have the right to convert their debenture holdings into equity shares of the company. Generally, the rights of the debenture holders, the conversion rate, and the trigger date for conversion are defined at the time of issuing the debentures.

Non-convertible debenture:
The debentures which do not have the option to be converted into equity shares are non-convertible debentures.

Registered debenture:
In the case of registered debenture, the company that issues the debenture enters the holding details, including the number of debentures issued, name and address of the investor, in the register of debentures. In such cases, if the debenture holder transfers their holdings to other investors, the details are recorded in the register of debenture holders and the register of transfer.

Unregistered debenture:
The unregistered debentures are also commonly referred to as bearer debentures. In these cases, the company does not maintain any records. The company pays the principal amount and the interest to the bearer of the instrument irrespective of whose name is written on it. Another significant feature of this type of debenture is that it is easily transferable in the market.

Redeemable debenture:
These are a type of debentures where the redemption date is explicitly mentioned on the company's debenture certificate. On the redemption date, the company is legally obliged to return the principal amount to the debenture holder.

Irredeemable debenture:
Unlike the redeemable debenture, which has a specific redemption date, these debentures continue for infinity, and there is no fixed date when the company needs to pay the debenture holder. It is redeemable only when the company goes into liquidation.

Characteristics of a Bond

A bond is generally a form of debt which the investors pay to the issuers for a defined time frame. In a layman's language, bond holders offer credit to the company issuing the bond. Bonds generally have a fixed maturity date.
All bonds repay the principal amount after the maturity date; however some bonds do pay the interest along with the principal to the bond holders.

Types of Bonds
Following are the types of bonds:

1. ***Fixed Rate Bonds***

In Fixed Rate Bonds, the interest remains fixed throughout the tenure of the bond. Owing to a constant interest rate, fixed rate bonds are resistant to changes and fluctuations in the market.

2.Floating Rate Bonds

Floating rate bonds have a fluctuating interest rate (coupons) as per the current market reference rate.

3. Zero Interest Rate Bonds

Zero Interest Rate Bonds do not pay any regular interest to the investors. In such types of bonds, issuers only pay the principal amount to the bond holders.

4. Inflation Linked Bonds

Bonds linked to inflation are called inflation linked bonds. The interest rate of Inflation linked bonds is generally lower than fixed rate bonds.

5. Perpetual Bonds

Bonds with no maturity dates are called perpetual bonds. Holders of perpetual bonds enjoy interest throughout.

6. Subordinated Bonds

Bonds which are given less priority as compared to other bonds of the company in cases of a close down are called subordinated bonds. In cases of liquidation, subordinated bonds are given less importance as compared to senior bonds which are paid first.

7.Bearer Bonds

Bearer Bonds do not carry the name of the bond holder and anyone who possesses the bond certificate can claim the amount. If the bond certificate gets stolen or misplaced by the bondholder, anyone else with the paper can claim the bond amount.

8.War Bonds

War Bonds are issued by any government to raise funds in cases of war.

9.Serial Bonds

Bonds maturing over a period of time in installments are called serial bonds.

10.Climate Bonds

Climate Bonds are issued by any government to raise funds when the country concerned faces any adverse changes in climatic conditions.