



BNY MELLON

EQUITY

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COURSE OBJECTIVE

- ☐ Learn About Capital : Meaning, Significance and Types
- ☐ Source of capital and Capital Structure
- ☐ Capital Markets : Primary & Secondary Market
- ☐ Equity and Types
- ☐ IPO
- ☐ Global Capital

CAPITAL

As for every country capital city is the heart of the country like wise Capital is the heart of every business organization. Thus it is of the highest significance.

DEFINITION IN ECONOMIC TERMS: A factor of production that is not wanted for itself but for its ability to help in producing other goods.

DEFINITION IN BUSINESS TERMS: Cash which can help in putting up manufacturing plants, Retail Stores, buy goods or services which can help business to deliver to its agenda.



TYPES OF CAPITAL & SOURCE OF CAPITAL

Cash Capital and Non Cash Capital are two major categories of capital deployed for business

Cash Capital	Non Cash Capital
Equity	Human Capital
Debt	Intellectual Capital

BASICS : CAPITAL MARKET



A market in which individuals and institutions trade financial securities. Organizations/institutions in the public and private sectors also often sell securities on the capital markets in order to raise funds. Thus, this type of market is composed of both the primary and secondary markets.

Both the stock and bond markets are parts of the capital markets.

PRIMARY MARKET : New stock or bond issues are sold to investors by companies.

SECONDARY MARKET : Existing securities are sold and bought among investors or traders

SOURCE OF CAPITAL

THE TWO MAJOR AND MOST PREFERRED SOURCES OF FUNDS FOR ANY CORPORATION ARE

☐ Debt

☐ Equity

☐ **DEBT** – The corporation borrows the required amount of funds and repays it at a later date along with interest. More like a loan taken by the corporation.

SOURCE: Banks, Govt. Financial Institutions, Financial Institutions (Domestic/Global) etc;

☐ **EQUITY** – The corporation issues shares to the public and raises money. The ownership of the corporation is diluted.

SOURCE: Individuals, Institutions Investors(Domestic/Global), Public, Venture Capitalists etc;

Equities

Definition

An equity is evidence of ownership in a company and is commonly referred to as “stock.”

Issuance

- Corporations issue stock to raise capital.
- Publicly issued stock is registered with the government of the country the stock is issued, and listed and traded on a stock exchange.
- Stock is issued in certificate or book entry form.
- Stock is issued and sold as shares.



Equities

- Equity securities may have a unique security identifier.
- Investors can find information on equity securities online or in the newspaper.
 - This slide illustrates online quotes. Quotes provide information to the public to help evaluate the performance of the security.

Name	Symbol	Listing	Last Trade	Date/Time	Volume	Change	% Change
United States							
B							
The Bank of New York Mellon Corporation	BK	NYSE	\$ 28.21	23Oct08 00:00 ET	10,418,808	\$ 3.15	10.04 ▼
Bank One Capital VI	ONEPRW	NYSE	\$ 20.50	23Oct08 00:00 ET	38,750	\$ 0.00	0.00
BankAtlantic Bancorp, Inc.	BBX	NYSE					1.70 ▲
Barnes & Noble Inc	BKS	NYSE					6.83 ▼
Barnes Group Inc	B	NYSE	\$ 28.21	28.21		-3.15 (-10.04%)	7.83 ▼
Barr Pharmaceuticals, Inc.	BRL	NYSE					2.93 ▼
Basic Energy Services, Inc.	BAS	NYSE					12.70 ▼
Baxter International Inc	BAX	NYSE					3.94 ▼
BB&T Capital Trust V	BBTPRA	NYSE					1.30 ▲
BB&T Corporation	BBT	NYSE					5.10 ▼
Bear Market Strategic Accelerated Redemption Securities Linked to the Dow Jones US Real Estate Index	RET	NYSE AR					0.10 ▼
BearingPoint, Inc.	BE	NYSE					0.00
BearLinx Alerian MLP Select Index ETN	BSR	NYSE AR					2.20 ▼
Bears Stearns Capital Trust III	BSCPRX	NYSE					0.22 ▼
Bears Stearns Depositor Inc.	TZF	NYSE					0.47 ▲
Bears Stearns Depositor Inc.	TZK	NYSE					4.35 ▼
Beazer Homes USA, Inc.	BZH	NYSE					6.87 ▼
Beckman Coulter, Inc.	BEC	NYSE					6.67 ▼
Becton, Dickinson and Company	BDX	NYSE					1.94 ▼
Belden Inc.	BDC	NYSE					13.78 ▼

Symbol	Last Trade	NYSE Only Close	Change	Volume
BK	\$ 28.21	28.21	-3.15 (-10.04%)	10,418,808
Website: http://www.bnymellon.com/				
Industry: Asset Managers				
Issue Type: Common Stock				
Country of Origin: United States				
Listing date: 02 Jul 2007				
Company Description				
The Bank of New York Mellon Corporation (BNY Mellon) is a global financial services company. BNY Mellon's subsidiaries engage in trust and custody activities, investment management services, banking services and various securities-related activities. The Company operates through seven segments: Asset Management; Wealth Management; Asset Servicing; Issuer Services; Clearing and Execution Services; Treasury Services and Other. Bank of New York Mellon was formed in July 2007, through a merger between The Bank of New York Company, Inc. and Mellon Financial Corporation of Pittsburgh. In June 2008, U.S. Bancorp's lead bank, U.S. Bank National Association, acquired Mellon 1st Business Bank in California, a wholly owned subsidiary of the Company. In October 2008, Affiliated Managers Group, Inc. announced the completion of its investment in Gannett Welsh & Kotter, LLC (GW&K). As part of the transaction, the Company purchased the entire ownership interest in GW&K from BNY Mellon.				
Contact Information				
One Wall Street New York, NY 10286 UNITED STATES Phone: (212) 495-1784 Fax: (212) 495-2546				
+ Investor Relations + Corporate History/Profile + Employment Opportunities + Executives + Financial Information + News Releases + Products/Services				

Common Stock

Definition

Common Stock is a type of equity, representing basic ownership in a corporation.

General Characteristics

- Name
- Ticker symbol
- Share Price
 - Based on value of the underlying assets of the company and fluctuates with market conditions, economy and other factors

THE BANK OF NEW YORK MELLON CORPORATION
BK



Common Stock

CAPITAL APPRECIATION

Capital Appreciation is an increase in the value of an asset that gives it a higher worth than the purchase price. A capital gain occurs when an investor can “buy low” and “sell high.” The profit is known as a capital gain. The gain is not realized until the asset is sold. Capital gains may be taxable.

Two types of capital gains:

- Short Term Capital Gain
 - Capital gain from a sale of stock held ≤ 12 months
- Long Term Capital Gain
 - Capital gain from a sale of stock held >12 months

Common Stock

CLASSES OF COMMON STOCK

The majority of corporations issue one type of common stock; however, several classes can be issued. When this occurs, the stock may have different labels and be listed separately on the stock exchange.

Class A/B

The different classes of common stock are identified with the letter A or B and typically one class will have more or less voting rights than the other class.

Example of Class A and Class B:

Berkshire Hathaway Inc. Class A Common Stock (BRK.A)

Berkshire Hathaway Inc. Class B Common Stock (BRK.B)

Preferred Stock

DEFINITION

Preferred stock may also be known as “preferred ownership status.” Like common stock holders, preferred stock holders own a share of the corporation that issued the stock.

GENERAL CHARACTERISTICS

- Usually offers guaranteed dividends at a fixed rate
- Dividends must be paid before common stock dividends
- Senior to common stock in terms of dissolution
- Generally does not have voting rights
- Does not have pre-emptive rights

Preferred Stock

TYPES OF PREFERRED STOCK

Callable	Allows the issuing corporation to buy back and retire its preferred stock at a predetermined price.
Convertible	Preferred stock that may be exchanged for common stock at a predetermined ratio.
Cumulative	Allows shareholders to receive dividends in arrears. These dividends must be paid before common shareholders receive any dividend.
Participating	If a corporation is profitable, it would allow the owners of participating preferred stock to receive a higher dividend than stated at issue.
Protected	Guarantees the holder's dividend even during periods of low or no profits.

CAPITAL STRUCTURE : FEATURES OF CAPITAL

Common Stock

Represents Ownership in the company

- Voting Rights
- Provide Dividends and/or Capital growth
- Last priority in case of liquidation of assets

Preferred Stock

- Higher claim on assets and earnings
- No Voting rights
- Specific dividend paid out before common stockholders
- Less potential for capital gain.

Bonds

- Debt instruments issued by the company and sold to investors
- No voting rights
- Highest claim to the assets during liquidation
- Provide a fixed yield with low risk

REGULATORY BODIES

Securities and Exchange Commission (SEC) www.sec.gov

- Responsible for administering and enforcing the federal securities laws, and regulating brokerage firms, investment companies and advisers
- Ensures orderly market performance and information availability to investors
- Establish accounting norms for securities transactions

National Association of Securities Dealers (NASD) www.nasd.com

- Works to aid and safeguard investors by regulating markets, formulating guidelines, facilitating dispute resolution and monitoring member activity

Securities and Exchange Board of India (SEBI) www.sebi.gov.in

- The basic functions of the Securities and Exchange Board of India is to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto"

STOCK MARKET PLAYERS

BROKER A person or firm that facilitates trades between customers

- Acts only as an intermediary and does not assume risks for the trade
- Charges commissions

DEALER A person or firm that buys and sells from his or her own inventory of securities as well as for others

- Assumes risk for the transactions
- Marks securities up or down to make a profit on their transactions

REGISTERED REPRESENTATIVES An individual who has passed the NASD's registration process and is therefore licensed to work in the securities industry

- Follows NASD rules.
- Usually a brokerage firm employee acting as an account executive for clients
- Sell to the public; they do not work on exchange floors

OTHER IMPORTANT PLAYERS: Lead Managers- Merchant Bankers- Underwriters – Regulators – Custodian- Depository Participants- Clearing agents.

COMMON TERMINOLOGY

- **Authorized Stock** – Maximum number of shares that can be issued
- **Issued Stock** – Shares that have been issued and are held by the stock holders
- **Treasury Stock** – Shares that have been bought back or repurchased by the issuer
- **Outstanding Stock** – Shares that are currently available in the open market

OUTSTANDING STOCK = ISSUED STOCK – TREASURY STOCK

AUTHORIZED STOCK = ISSUED STOCK + STOCK NOT ISSUED



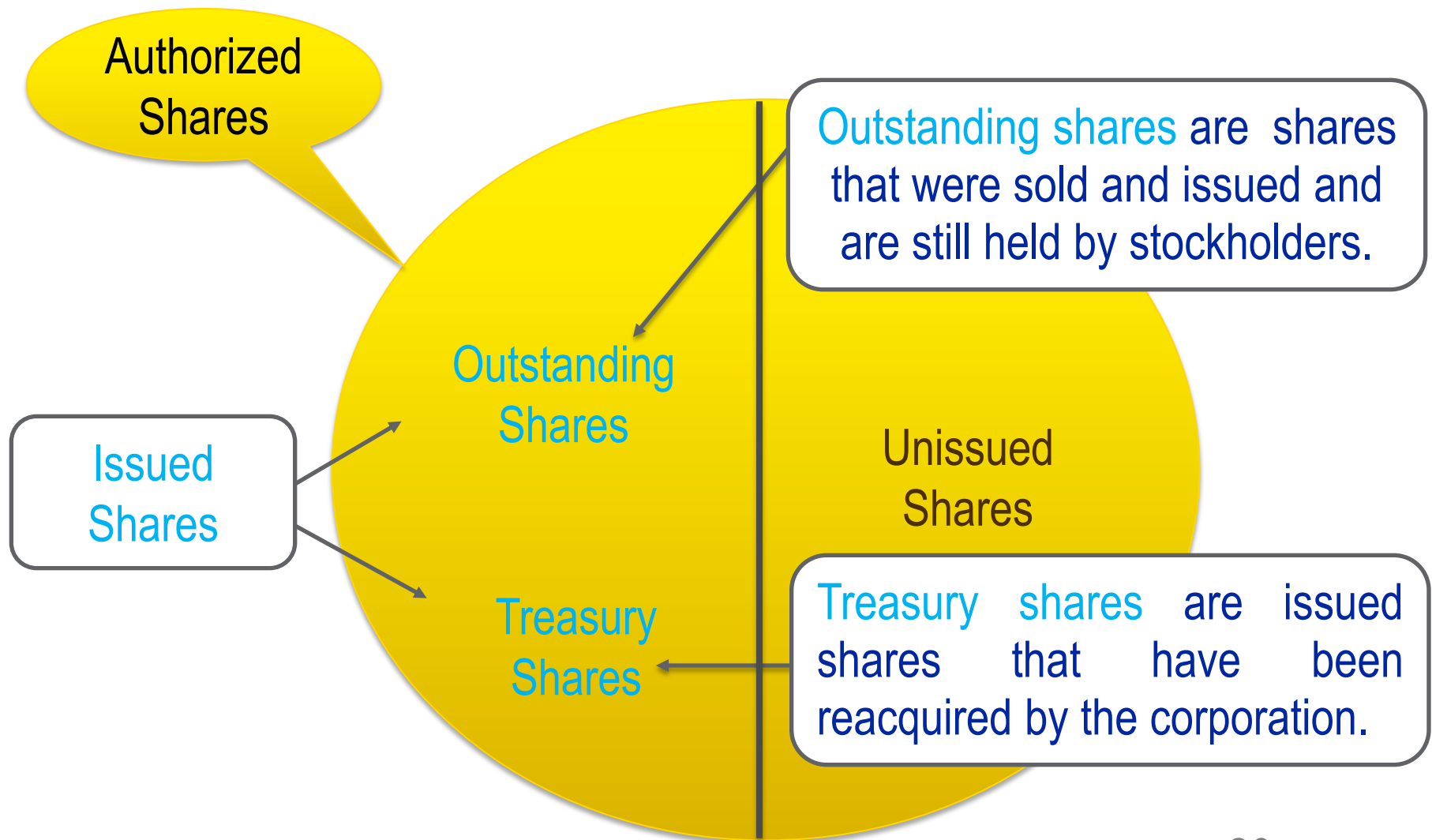
Authorized
Shares

The maximum number of
shares the
corporation may
issue as designated in its charter is
the **authorized** number of shares.

Authorized
Shares

Issued shares are authorized shares of stock that have been sold.

Unissued shares are authorized shares of stock that have never been sold.



COMMON TERMINOLOGY CONTD..

FACE VALUE OR PAR VALUE

- The nominal value of a share as stated by the issuer
- No relation to the Market value of the share.

BOOK VALUE

- The value of an asset as carried on a balance sheet.
- In general, book value of an asset equals its acquisition cost minus the depreciation

MARKET VALUE OR MARKET PRICE

- The price at which a share is currently sold or bought in the market

MARKET CAPITALIZATION

- The total value of the tradable shares of a corporation
- Equals market price times the number of shares outstanding

RETURNS FROM EQUITY

Equity Returns = Capital Appreciation + Dividends

- Capital Appreciation: Growth in value of the stock; depends entirely on the market conditions and expectations
 - **Example:** Suppose an investor buys 100 shares of Reliance for Rs 70,000 at a market price of Rs 700/share. After a few days the market price of Reliance goes up to Rs 720/share. Also the board of directors at Reliance declare a dividend of Rs 10/share.
- Now the returns for the investor would be a capital appreciation of Rs 20/share in addition to the dividend of Rs 10/share. In total the investor would enjoy a return of Rs 30/share or Rs 3000 on his investments.

STOCK IPO

SALE OF STOCK TO PUBLIC FOR THE FIRST TIME INVOLVES...



- Registration statement filed with Regulator (SEC in US and SEBI in India)
- Underwriting - The investment banker functions as an intermediary (Underwriter) between the issuing corporation and the investors
- Underwriter offers stocks to the general public and institutions for sale through selling group members
- Prospectus Issue - Legal documents explaining the financial facts important to an offering; must precede or accompany sale of primary offering
- Issue subscribed to by investors

THE GLOBALIZATION OF CAPITAL MARKETS

- Capital Limitation Issuers cannot find enough capital domestically (e.g. Nokia, Ericsson)
- Cost of Capital- Interest rate differentials-issuer/investor
- Investors looking to diversify- Correlation of markets
- Currency Issues- Instability, relative valuation, scarcity, repatriation
- Government Policy -Tax and/or other incentives/disincentives

ACCESSING INTERNATIONAL CAPITAL

Benefits

- ❑ Lower Cost of Funds
- ❑ Expanded Shareholder Base
- ❑ Greater Liquidity
- ❑ Political Considerations-
Japan in U.S. Auto Industry,
Bilateral Trade Agreement

Costs

- ❑ Listing Fees
- ❑ Accounting Issues
- ❑ Legal Considerations
- ❑ Regulatory Costs
- ❑ Taxation
- ❑ Back Office Difficulties

Questions



Thank You