



Pillar#1C: SEBI-Share Market

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15 PILLAR#1C: SEBI-SHARE MARKET

MCQs from SEBI/ Share market /Financial Market / Companies Act Topic in UPSC Prelims

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
MCQs	1 MCQ	0	2	0	1	1	3	1	2

These Qs mostly tested very basic foundation level understanding of share market. So, we are not here to become Investment Bankers / Mutual Fund managers # थोड़ा-पढ़ो-आगे-बढ़ो

15.1 SECURITIES (प्रतिभूति)

A ‘Security’ means a certificate/document indicating that its holder is eligible to receive a certain amount of money at a particular time. This could be a...

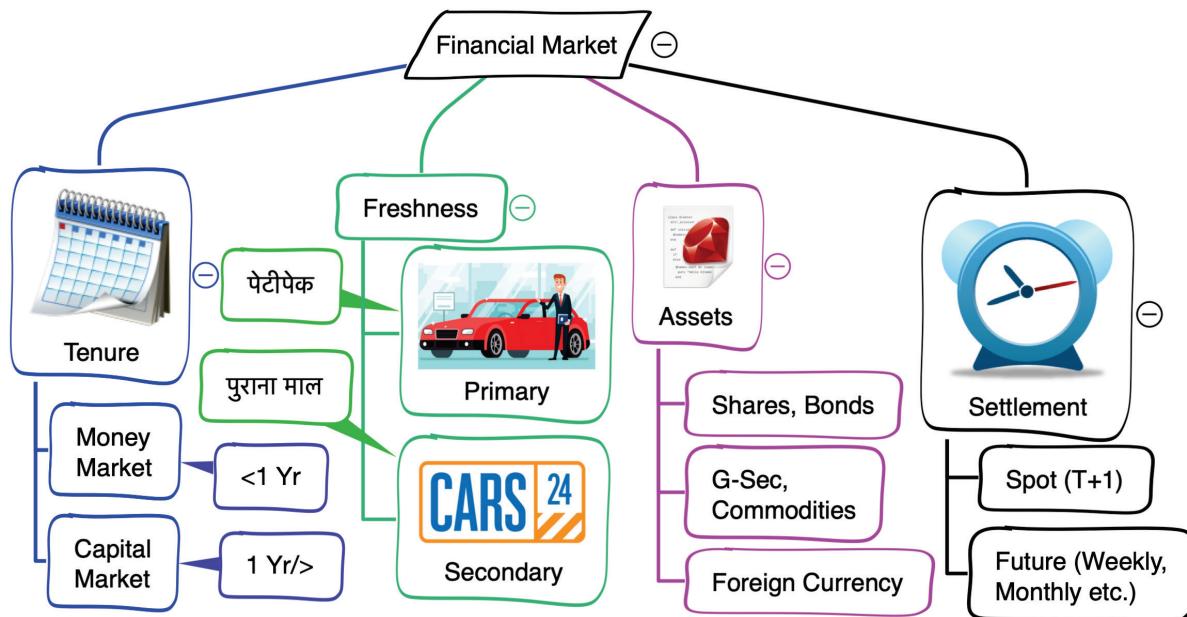
Equity: Share certificate	Debt (ऋण): Bond / Debenture
Holder gets dividend from the profits of the company. If no profit, then no dividend.	Holder gets interest & principal irrespective of whether company makes profit or not.
Company's owners, proprietors (मालिक)	creditors of the company (लेनदार).
Have last claim during liquidation	first claim. नीलामी से मिलने वाली रकम पर पहला हक इनका
Attractive in boom period, since companies more likely to make profit so more chances of good dividend. Although during corona, many investors tried to buy shares cheap from secondary market, with hopes of getting profit after corona-recovery.	Attractive in slowdown period, since bonds provides fixed interest to the investor irrespective of profit of the company. निवेशकों को मंदी के दौरान ज्यादा अच्छे लगते हैं, क्योंकि जोखिम कम

🚩 FAQ: Bond and Debenture are not same. They're having internal technical differences.

Ans. UPSC not asking b.Com/M.Com pedantry here. Then why burden brain's memory card?

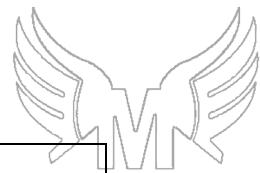


15.2 📈 💼 FINANCIAL / SECURITIES MARKET: MEANING AND TYPES

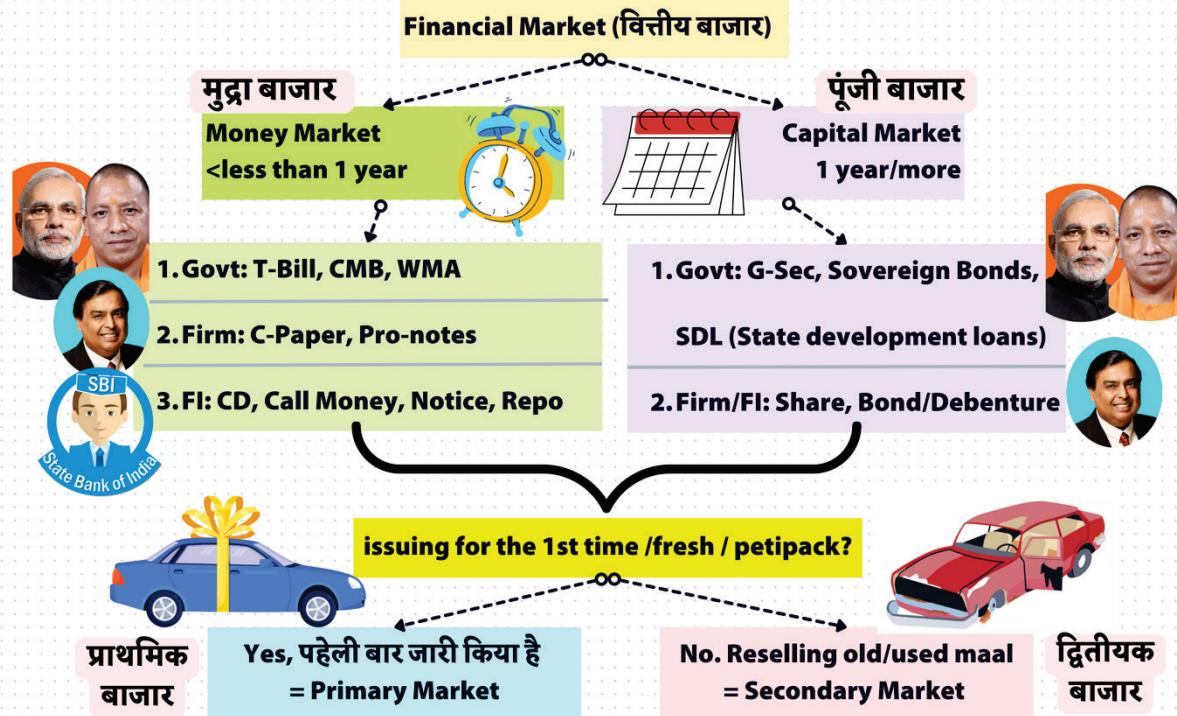


Financial Market is the place where buying and selling of securities takes place. Doesn't require physical location. Can be done online / telephone as well.

Classifi.	Market Subtypes
Tenure: (अवधि)	<ol style="list-style-type: none"> ⌚ Money Market (<1 year maturity) मुद्रा बाजार 💻 Capital Market (1 year/> maturity) पूँजी बाजार
Freshness प्राथमिक एवं द्वितीयक बाजार	<ol style="list-style-type: none"> Primary Market (where new securities are issued for the first time). Helps a company /govt to connect with the investor. It has no separate physical existence but classified like this, for economic analysis. (इस बाजार का अलग से भौतिक स्थान नहीं होता किंतु आर्थिक आकलन के लिए आंकड़ों में अलग से दिखाया जाता है) Secondary Market (where the old securities are resold). It has physical existence such as Bombay Stock Exchange (BSE) at Dalal Street, Mumbai. It provides liquidity & confidence to investors to buy new securities in Primary Market. (<i>compared to a scenario if there was no market to resale used cars- तो कम लोग नई कार खरीदने जाएंगे.</i>)
Settlement (निपटान)	<ol style="list-style-type: none"> Future Market: Where parties write contract today to buy/sell something at specific price on a future date. भविष्य की किसी तारीख को खरीद/बिक्री के लिए वर्तमान में सौदा/समझौता किया जाए Spot Market: if bought & sold for immediate delivery.
Asset (परिसंपत्ति)	<ul style="list-style-type: none"> - Depending on what asset is traded, market can be divided into Bond (Debt) market, Share (Equity) market, Gilt-Edged Securities Market, Foreign Currency Market, Commodity Market etc.



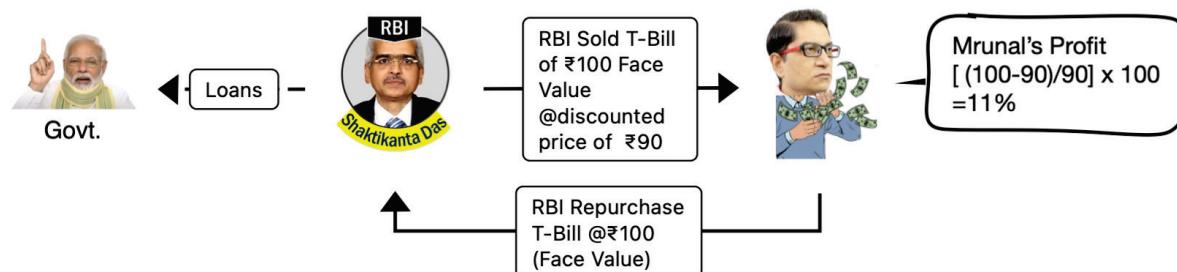
Classifi.	Market Subtypes
	- if there was a supermall where all these products were available in one place it will be called “Universal Exchange”. SEBI permitted BSE & NSE to launch such thing (2018).



15.3 DEBT INSTRUMENTS (ऋण उपकरण)

Bond holders are creditors to company. First claim during liquidation. Assured interest irrespective of profit of company. These debt instruments can be classified into short-term vs long term.

15.3.1 Short term debt instruments (लघु अवधि ऋण उपकरण)



- Tenure = less than 1 year. Usually ‘unsecured’ because not backed by any asset.
- Usually sold at discount and re-purchased at Face Value or Par Value. The difference between these two prices is the interest earned by investor. सस्ते में बेचकर मूल भाव पर खरीदा जाता है
- Another synonym for this process: “**rediscount the bills.**”
- They’re traded at **Money Market** and are (usually) ‘negotiable & transferable’ in nature i.e. lender can sell to 3rd party → 3rd party can demand money from borrower. (परक्रान्त और हस्तांतरणीय)
- They’re also called **Near Money** = Asset that is highly liquid = can be readily converted into cash.



15.3.2 : Short term debt instruments → by Government

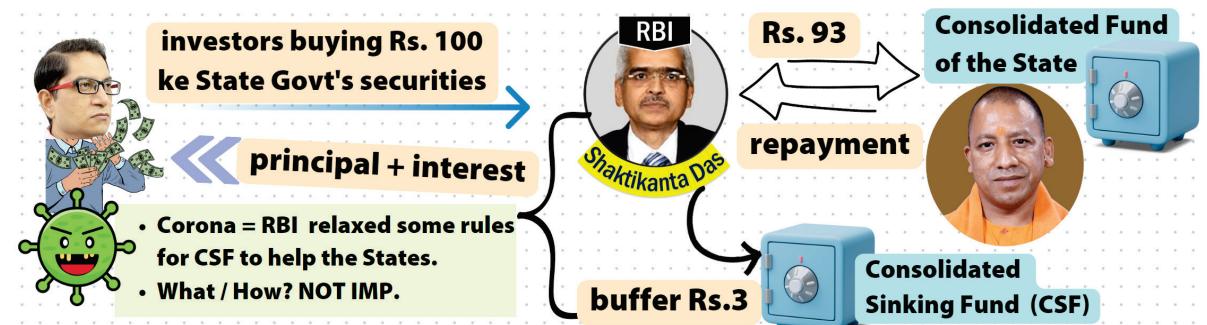
1. State govt's treasury bills (T-bill). But stopped since 2001.
 2. Union govt's treasury bills (T-bill: 14, 91, 182 and 364 days) & Cash Management bills (CMB: upto 90 days, started in 2009).
 3. WMA (ways and means advances): given below

15.3.3 : Short term debt instruments → by Govt → WMA

- ⇒ When Govt faces short term mismatch in receipt (income) and payment (Expenditure)
 - ⇒ RBI Lends money on short term (3 months). Not counted in fiscal deficit figure. (More in  Pillar2D: FRBM)
 - ⇒ Corona-crisis:  mismatch in cashflow because सरकार की आमदनी और खर्च में अंतर बढ़ गया क्योंकि
 -  Govt Income: Sales  GST, Govt gave extension in tax payment deadlines
 -  Expenses: free LPG, food, mask etc.
 - ⇒ So, ATMANIRBHAR Bharat → RBI  WMA limits by 60% than before to help the Union (1.20lcr) and State Governments (₹51,560cr collectively).
 - ⇒ If upto above amount of ₹ borrowed = its WMA: loan interest = repo%
 - ⇒ If beyond above amount borrowed then called 'Overdraft': loan interest repo+2%

  ^ above % or quantity or figures not imp for scope of exam

15.3.4 Consolidated Sinking Fund (CSF) for State Govts' repayment



15.3.5 Short term debt: Certificate of Deposit (CD-instrument by Bankers)

- ⇒ Certificates of deposit (CDs) are unsecured, short-term, negotiable debt instruments issued by commercial banks in the money market.
 - ⇒ 2023 sudden jump in the CD issued by bank.
 - ⇒ Reason: Bankers received many loan applications, but don't have enough money to loan because
 - A) enough quantity of deposit is not coming and
 - B) repo loans becoming very expensive.
 - ⇒ So bankers borrowing money by issuing CDs in money market.

Word	Meaning
NEGOTIABLE INSTRUMENTS	a signed document that promises money to a specified person at a specified time (एक दस्तखत/हस्ताक्षर किया हुआ दस्तावेज जिसमें किसी व्यक्ति को किसी दिन पैसा देने की कसम/प्रतिज्ञा की गई है)



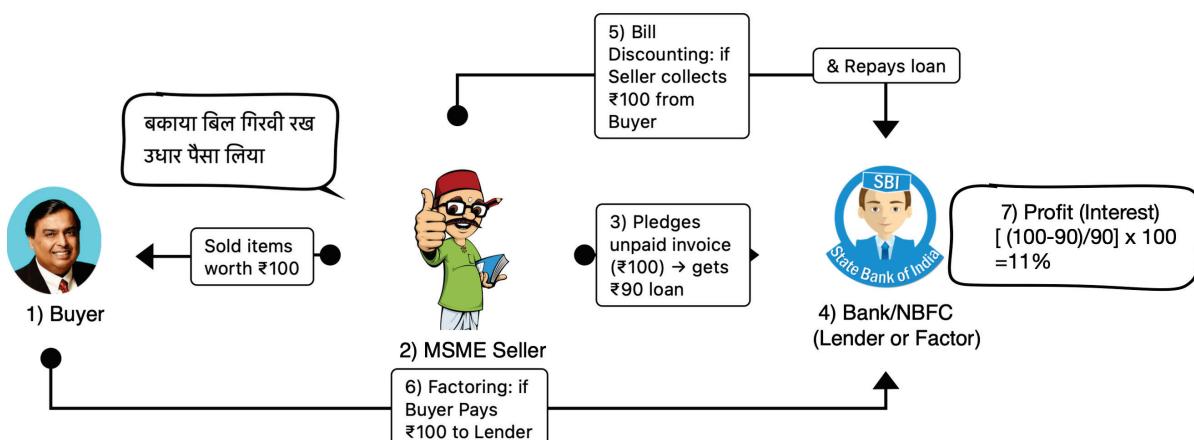
Word	Meaning
UNSECURED INSTRUMENTS	no collaterals/assets are pledged. (कुछ गिरवी नहीं रखा गया)
SHORT-TERM INSTRUMENTS	less than 1 year

15.3.6 Short term debt instruments → more types

Table 1: how does this work in real life? Ans. not important just remember 1-Word Association

Borrower	Short term debt instrument (लघु अवधि केऋण पत्र)
Company	<ul style="list-style-type: none"> - Bill of Exchange, Hundi, Commercial Papers, Promissory Notes. - note: Currency Note is a 'Promissory Note' issued by RBI Governor however, he's not bound to pay any interest. He just promises to exchange it with other currency notes & coins of equal face value.(More in Pillar#1A1)
Merchant borrowing from bank/NBFC	Commercial Bill.
Call Money	It's the interest rate when Financial Intermediaries (Banks/NonBanks) borrow for ONE DAY among themselves.
Notice Money	Same as above but for 2 to 14 days .
CBLO	Collateralized Borrowing and Lending Obligation. Clearing Corporation of India Ltd (CCIL) helps Financial Intermediaries (FI) to get short term loans through this instrument.
Repo	Repo and Reverse Repo= Ref: Pillar#1A2: Monetary Policy handout.

15.4 DEBT → SHORT TERM → FACTORING & TREDS



- ⇒ Suppose an MSME seller has sold cardboard boxes for jiophones to Mukesh Ambani but Mukesh Ambani says he will pay the bill next month. Presently this is an unpaid invoices.
- ⇒ MSME seller can pledge this invoice to a factor (bank/NBFC) to avail loans. (छोटी कंपनियां बड़ी कंपनियों को सामान और सेवा बेचती है उसका जो बकाया पैसा है उसके बिल को गिरवी रख के लघु अवधि का कर्ज ले आये)



Bill Discounting	Factoring
MSME seller collects the money from Buyer (Ambani) & delivers ₹ ₹ to the Factor (bank/NBFC).	Factor (lender: bank/NBFC) directly collects the ₹ ₹ from unpaid invoices from Buyer (Ambani).

15.4.1 Factoring Regulation (Amendment) Act, 2021

to amend the Factoring Regulation Act, 2011

Before	After
Banks and only “Factoring Companies (NBFC)” allowed to give loans under this system. There were only seven NBFCs registered as Factoring Companies.	Banks and all types of NBFCs allowed (After registering with RBI). → So now more than 9000 NBFCs in India can give loans → this will increase the availability of loans for the MSME.
-- earlier it was less.	RBI given more powers to regulate this business.
-- earlier it was less.	More legal clarity about TReDS system.
Earlier this was not clear and so MSME could commit fraud of “dual financing” i.e. Pledging the same and per invoice as collateral in multiple Bank/NBFCs.	Need to register the invoice-pledge-factoring-loan transaction on A central registry set up under the SARFAESI Act. This will prevent the dual financing frauds.

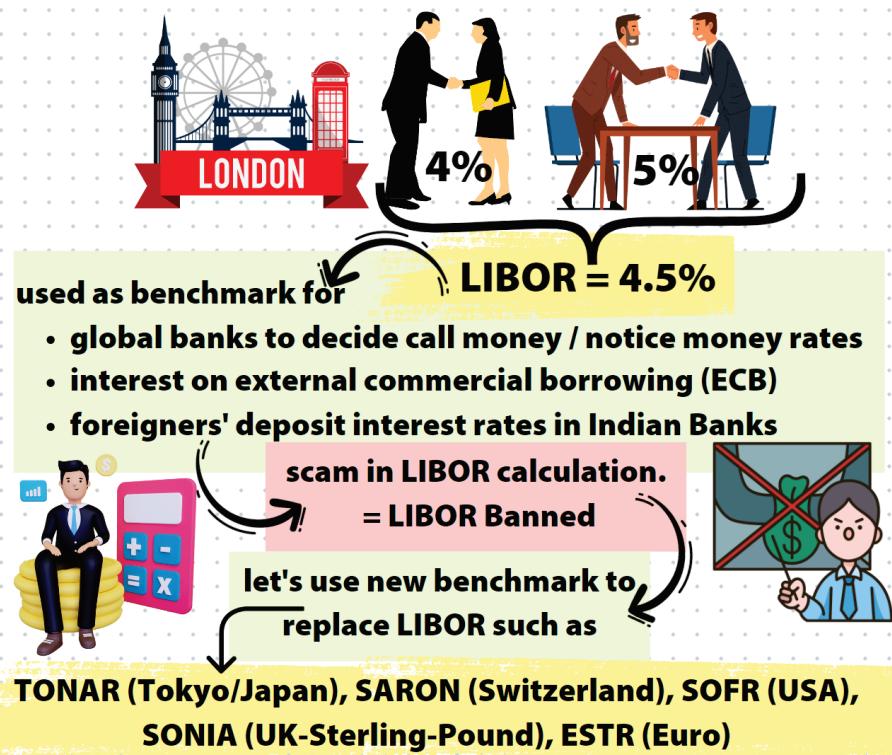
15.4.2 : TReDS platform to connect factoring-players.

- ⇒ Just like quickr/olx connect buyers with sellers, the Trade Receivables Electronic Discounting System (TReDS) online-platform Connect the factors (bank/NBFC) with the borrowers (MSME).
- ⇒ Examples of 3 TReDS platforms: M1xchange, RXIL, and A.TReDS. Have to register with RBI.
- ⇒ Most famous is RXIL - Owned by the Small Industries Development Bank of India (SIDBI) and the National Stock Exchange of India Limited (NSE), State Bank, ICICI and Yes Bank .

15.5 DEBT → INTEREST RATE BENCHMARKS: LIBOR, MIBOR,

London Inter-bank Offered Rate (LIBOR) is the average interest rate at which banks in London give short term loans to each other.

MIBOR	In LIBOR definition, replace the word “London” → “Mumbai” and “Global” → “Indian”, and you’ll know what MIBOR is!
MIFOR	<ul style="list-style-type: none"> ⇒ Mumbai Interbank Forward Outright Rate (MIFOR) ⇒ Faded topic so deleting from handout.



Q ? Find Correct statements (Asked in UPSC-Pre-2018)

1. The RBI manages and services Govt of India Securities, but not any State Govt Securities.
2. Treasury bills are issued by Govt of India and there are no treasury bills issued by State Govts.
3. Treasury bills offer are issued at a discount from the par value.

Ans Codes: (a) 1 and 2 only (b) 3 only (c) 2 and 3 only (d) 1, 2 and 3

Q ? Which of the following is /are example (s) of 'Near Money'? [UPSC-CDS-2016-I]

1. Treasury Bill
2. Credit Card
3. Saving accounts
4. Money Market Instruments

Answer codes: (a) 1 only (b) 2 only (c) 1, 2 and 3 (d) 1, 3 and 4

Q ? In Indian economy, non-financial debt includes ___? (Prelims-2020 SetB- Q84)

- 1) Housing loans owed by households
- 2) Amounts outstanding on credit cards
- 3) Treasury bills

Codes: [a] 1 only [b] 1 and 2 only [c] 3 only [d] 1, 2 and 3

Q ? Which of the following phrases defines the nature of the 'Hundi' generally referred to in the sources of the post-Harsha period? (UPSC-Prelims-2020)

- a) An advisory issued by the king to his subordinates
- b) A diary to be maintained for daily accounts
- c) A bill of exchange
- d) An order from the feudal lord to his subordinates

Q ? Find correct statement(s) (UPSC-Prelims-2020)

- 1) 'Commercial Paper' is a short-term unsecured promissory note.
- 2) 'Certificate of Deposit' is a long-term instrument issued by the Reserve Bank of India to a corporation.
- 3) 'Call Money' is a short-term finance used for interbank transactions.



- 4) 'Zero-Coupon Bonds' are the interest bearing short-term bonds issued by the Scheduled Commercial Banks to corporations.
 Codes: [a] 1 and 2 only [b] 4 only [c] 1 and 3 only [d] 2, 3 and 4 only

15.6 LONG TERM DEBT INSTRUMENTS (दीर्घ-अवधि ऋण- उपकरण)

Tenure = 1 year/>. Further sub-division based on who is the Borrower?

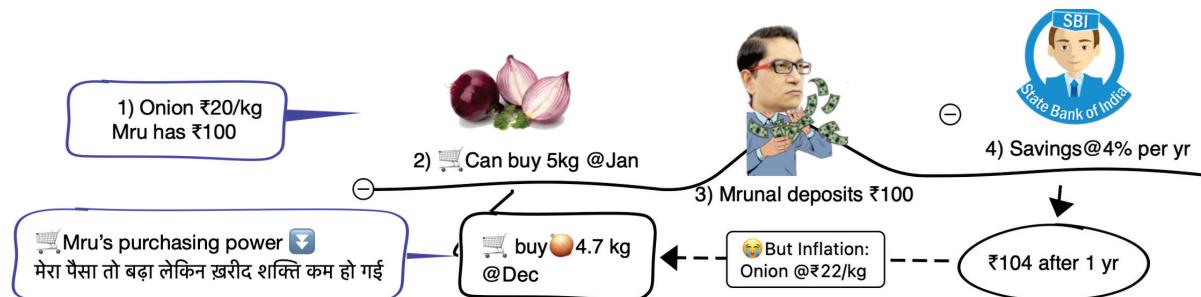
15.6.1 Colonial era Govt. to borrow money

- Coupon Bonds:** Contain detachable coupons. Coupons are presented to the issuer to claim the interest. Therefore, bond interest rate is also called 'coupon rate'.
- Zero Coupon Bonds:** Are sold on discount and repurchased at face value, do not have any coupons. (separate topic: Zero-Coupon, Zero-Principal Bonds- check 'social stock exchange' in this handout)
- Bearer Bonds:** Not linked to a PAN card, Aadhar card or passport, voter card or social security number. Anyone who presents it to the issuer, will get interest and principal. Usually issued during the war time.

15.6.2 Modern day Government to borrow money

- ⇒ Government securities, Dated securities, Sovereign bonds (संप्रभु बांड), Kisan Vikas Patra etc. (more in Pillar 1D: Financial inclusion lecture)
- ⇒ Also called Gilt Edged securities (उच्च / अग्रिम दर्जे की प्रतिभूतिया) because repayment is assured by Government. (But then, they give lower interest rate because of low risk to the investor).
- ⇒ Global Credit Rating Agencies gives 'rating' to sovereign bonds. "AAA" is the best and highest given to US Treasury Bonds. India's rating is ~"BAA" = moderate risk of default .
- ⇒ World's top three credit rating agencies- Fitch, Moody's and Standard & Poor have pro-US/EU allegiance. Critics allege these 3 agencies do not give adequate upgradation to the Govt bonds of India, China, Russia despite the economic growth. भारत में अच्छी-खासी आर्थिक वृद्धि के बावजूद भी यह पक्षपाती विदेशी संस्थान भारत को खराब रेटिंग देते हैं

15.6.3 Bonds by Modern day Govt. to curb Gold Consumption

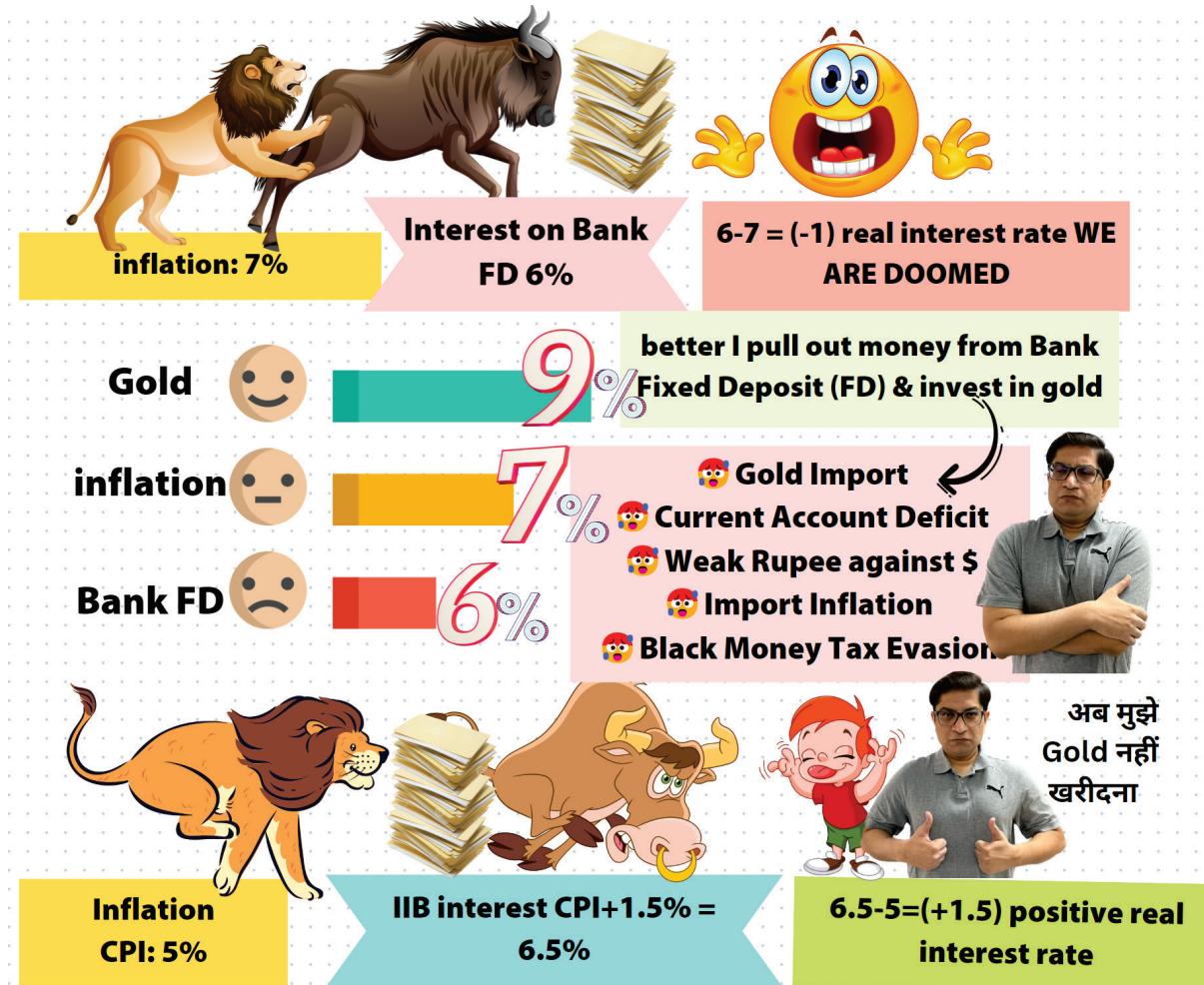


- ⇒ Real Interest Rate (वास्तविक व्याज दर) = Nominal (नामित) Interest minus Inflation.
- ⇒ When Real Interest is negative, purchasing power despite in money quantity in bank account. Then people prefer to park money in gold/real estate- which is not very beneficial to



economy. So..RBI launched inflation indexed bonds <see the NEXT section>

15.6.3.1 📈 💵 💼 💰 Inflation Indexed Bonds (IIB-मुद्रास्फीति सूचकांकित बांड)



RBI launched IIB in 1997, 2013, 2018 to provide positive Real interest rate to household

Q ? MCQ. Find correct about “Inflation-Indexed Bonds (IIBs)” in India (Prelims-2022)

1. Government can reduce the coupon rates on its borrowing by way of IIBs.
 2. IIBs provide protection to the investors from uncertainty regarding inflation.
 3. The interest received as well as capital gains on IIBs are not taxable.
- Codes: (a) 1 and 2 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3

Q ? MCQ. Find correct statements about Convertible Bonds (Prelims-2022)

1. As there is an option to exchange bond for equity, Convertible Bonds pay a lower rate of interest.
 2. The option to convert to equity affords the bondholder a degree of indexation to rising consumer prices.
- Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

15.6.3.2 📈 💵 💼 💰 Sovereign Gold Bond (2015: संप्रभु स्वर्ण बांड)

RBI issues them on behalf of govt. Denomination: gold grams. But, RBI/Govt doesn't 'promise' to give you gold. They only promise to give you ₹₹ equivalent of latest gold price on maturity. इस बांड का मूल्य सोने के वजन के चिह्नित होगा. किन्तु परिपक्वता समय पर आपको सोना नहीं, उस सोने के वजन के हिसाब से मूल्य जितना रुपया देंगे।



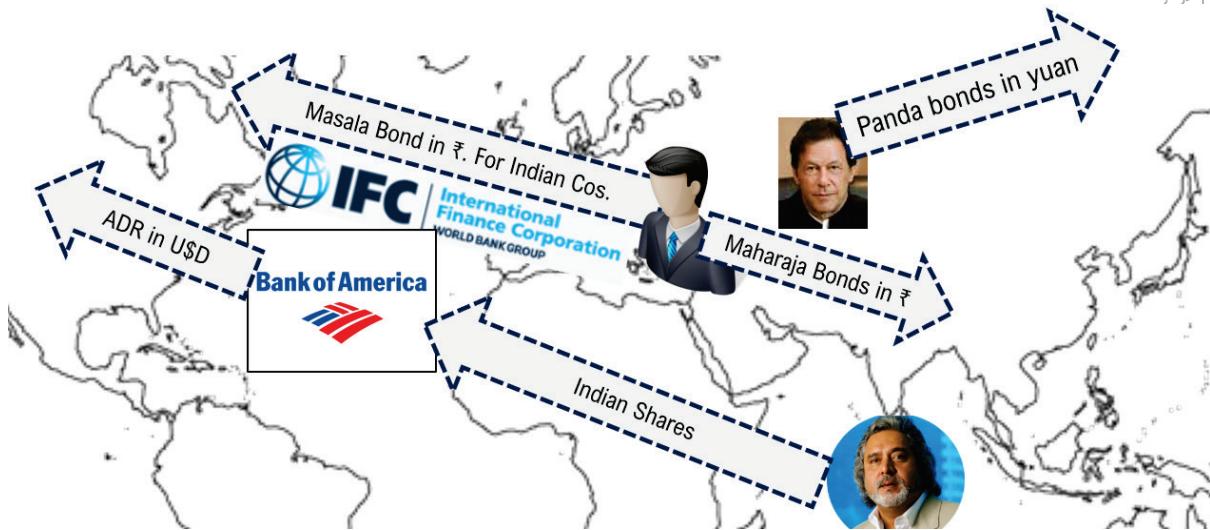
- Annual interest 2.5-2.75% (depending on which year's 'batch' you bought.)
- Tenure: after 8 years you get the amount equivalent to prevailing gold prices at that time. हर साल नियत व्याज, परिपक्वता समय पर बाजार में यदि सोने का दाम बढ़ा होगा तो आपको मूलधन से भी ज्यादा ₹ ₹ वापस दिए जाएंगे.
- **Eligible investor categories:** Indian resident individuals, Hindu Undivided Families (HUFs), trusts, universities and charitable institutions. सिर्फ यह लोग या संस्थान हीं खरीद सकते हैं
- **How much can you buy?** Minimum 1 gm to max upto 20kg depending on investor's category.
- **From where to buy?** While RBI 'sells' it but customers buy it via following outlets: banks (only selected types of banks), post offices, selected stock exchanges (NSE and BSE) and a few other institutions.
- **⊕ Benefit ?** reduce the import-demand for physical gold and shift a part of the domestic savings -- used for the purchase of gold -- into financial savings. (More in Pillar#3A along with Gold Monetization Scheme.)

15.6.4 Long term debt instruments by Companies

- 1) **Bonds** (British Term), **Debentures** (American Term): Internal difference not important.
- 2) If the company has high risk of default on repayment, the Credit Rating Agencies will mark it as **Junk Bonds** ("BB to D" Grade) e.g. IL&FS. Such company will have to offer a very high interest rate when issuing bonds next time. ज्यादा जोखिम पूर्ण कंपनी ने निवेशक को लुभाने के लिए ज्यादा व्याज देना होगा
- 3) **Redeemable Bonds** (मोच्च): will repay regular interest and will return principal on maturity.
- 4) **Irredeemable Bonds** (अमोच्च): will pay only interest but no principal returned. Sometimes issued by PSB to meet BASEL-capital requirements. Although in reality they offer 'redemption' after 5-10 years when holder has 'option' to redeem principal & exit. (Ref: Pillar1B2= AT1 Bonds)
- 5) **Non-convertible Bond/Debenture** = can't be converted into shares.
- 6) **Hybrid instruments:** Issued as "Bond" but can be converted into Share. E.g. Optionally Fully Convertible Debentures (OFCD).

15.6.5 Long Term Debt Instruments: Other issuers

Issuer	Objective? उद्देश्य?
ULB	<ul style="list-style-type: none"> ⇒ Urban Local Bodies Issue Municipal bonds to borrow money from public. ⇒ Ahmedabad was 1st to launch Municipal bonds (1998). 2020-Lucknow 9th city in India & 1st in North India.
BRICS Bond	<ul style="list-style-type: none"> - 2014- BRICS Nations had setup the New Development Bank (NDB, HQ: Shanghai, China). Later it launched BRICS Bonds to mobilize money for its infrastructure loans. Denomination: US Dollars
World Bank	<ul style="list-style-type: none"> - 2018: launched world's first Blockchain Offered New Debt Instrument called Bond-i. Sold in Australia using Ethereum blockchain technology. Tenure: 2 years @~2% interest. Denomination: Australian Dollars, hence also called "Kangaroo Bond".
Evergrande Crisis	<ul style="list-style-type: none"> - Evergrande is a Chinese real estate developer company. Facing trouble repaying its bonds. Foreign investors panicked, resulting in crisis in Chinese and global financial markets. HOW?NOTIMP.



15.6.6 Long Term Debt Instruments: Masala, Maharaja, Panda Bond

Masala Bonds: These rupee denominated bonds issued outside India, to borrow money for Indian companies. World Bank's sister agency International Financial Corporation (IFC) launched 'Masala Bonds' to help Indian public sector and pvt sector companies.

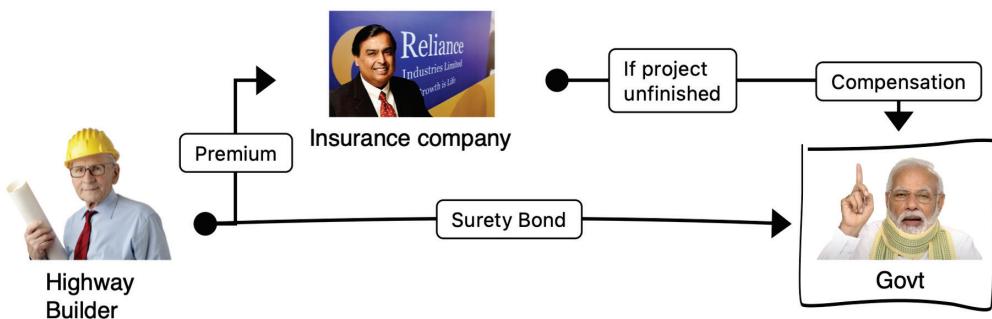
- ⇒ 2015: RBI allowed Indian entities to launch such Masala Bonds.
- ⇒ 2017: National Highways Authority of India (NHAI) also issued Masala Bonds in London Stock Exchange to mobilize money for Indian Highway projects.
- ⇒ 2019: Kerala became the first State of India to issue Masala Bonds. Its Kerala Infrastructure Investment Fund Board (KIIFB) issued Masala Bond at the London Stock Exchange. Denomination: ₹ ₹ Total Size: ₹ 21.5 billion. Tenure: 5 years. Masala Bonds are usually issued by institutions with AAA rating. Since KIIFB has BB rating, hence offered higher interest rate: ~9.7% (वरना कोई खरीदता नहीं)

Table 2: rapid revision table for Bond types based on currency

Issuer →	Borrowing from →	In currency →	Is called
Non-Chinese →	China →	Renminbi (=yuan)	Panda Bonds
Non-Australian	Australia	Australian dollar	Kangaroo Bonds
Non-Indian	India	Rupee	Maharaja Bonds
(Indian or a non-Indian on behalf of Indians)	Outside India	Rupee	Masala Bonds
Non-Taiwanese entity	Taiwan	OTHER than Taiwan dollar (इसके अलावावाली मुद्रा)	Formosa Bond



15.6.7 Long Term Debt Instruments: Special purpose: Surety Bonds



⇒ What does above chart mean? Ans. Refer to Video lecture

⇒ Budget-2022 said we'll allow Surety Bonds. IRDAI will regulate this.

15.6.8 Long Term Debt Instruments: Special purpose Bonds- Sovereign green bonds



⇒ RBI sells them via E-Kuber platform to investors.

⇒ Money will go to Government's Consolidated fund of India-CFI (what is it? Ans. Ref Pillar2A)

⇒ From CFI → borrowed money will be used in following purposes

Money will be used	Will not be used (यहां इस्तेमाल नहीं होगा)
Subsidies, Grants, Tax-Cuts For: ⇒ Renewable energy- solar, wind etc ⇒ Energy efficiency e.g. LED bulbs ⇒ Clean transportation e.g. Electric Vehicles ⇒ Water and waste management ⇒ Pollution control ⇒ Green buildings	⇒ Nuclear power generation, landfill projects, alcohol/weapons/tobacco/gaming/palm oil industries ⇒ hydropower plants larger than 25 MW
Equity (share) investment in metro projects	N/A

Above investment projects will be reviewed by Finance Ministry → Green Finance Working

Committee (GFWC) headed by the Chief Economic Advisor (CEA) (इनके द्वारा समीक्षा होगी).



15.6.9 📈 💼 Long Term Debt Instruments: Special purpose Bonds- Misc.

🌿 Green bonds (हरित बांड) पर्यावरण संरक्षण और स्वच्छ ऊर्जा संबंधी	<p>For renewable energy, pollution control, environment friendly projects.</p> <ul style="list-style-type: none"> - World's first Green Bond launched by World Bank (2007) - India's first Green Bond launched by Yes Bank (2015) - BRICS-New Development Bank issued Yuan- green Bonds (2016) - Indian Renewable Energy Development Agency (IREDA) launched India's first Masala Green Bond at London Stock Exchange (2018). <p>⇒ 2021: Ghaziabad Municipal Corporation (Uttar Pradesh), issued first-ever Green Municipal bond in India. (भारत का सर्वप्रथम हरित नगर निगम बॉन्ड)</p> <p>⇒ 2021: India's first ever euro currency- denominated green bonds by Power Finance Corporation (PFC, an NBFC company under Power Ministry)</p> <p>⇒ 2022: Sovereign green bonds. Explained in previous section</p>
💧 Blue Bond (नील बांड)	<p>A sub-type of green bond, where money borrowed for climate resilient water / marine / fisheries projects. E.g. 2018- Seychelles issued world's first 'Blue Bond,' to expand its marine protected areas and fisheries sector. (समुद्री संरक्षित क्षेत्र और मत्स्य क्षेत्र)</p>
ESG Bonds	<p>Money is invested in bonds of companies having good track record of Environment, Social and Governance (ESG) बॉन्ड निवेश उन कंपनियों में जो पर्यावरण, समाज और शासन की मैं अच्छा काम कर रहे हैं</p>
✖️ Catastrophe Bond (आपदा)	<p>⇒ Govt / Insurance company issues such bond. Investor is promised with high annual interest rate. But, if a natural disaster happens, his principal will not be returned.</p> <p>⇒ If disaster doesn't happen then principal will be returned.</p> <p>अच्छा ब्याज देंगे किंतु आपदा हुई तो मूलधन वापस नहीं करेंगे क्योंकि वह सारा मूलधन आपदा प्रबंधन में इस्तेमाल करेंगे</p>
Oil Bonds	<p>Explained in 📝 Pillar#2- along with taxes on petrol and diesel.</p>
🎭 ✍️ 📅 ⌚ (proposed) Consol Bonds for Corona- revival	<p>⇒ US Govt (1870s) and British Govt (1917) had issued Consol bond.</p> <p>⇒ Consol is short form for 'consolidated annuities'.</p> <p>⇒ Consol bonds have no maturity date. They are perpetual bonds that paid 4-5% interest rate, for an infinite time period. In theory they don't repay the principal amount back to investor. Thus, they're Irredeemable Bonds (अमोच्य).</p> <p>⇒ However, in reality, the Govt may redeem(/buyback) the bonds after certain years, by paying principal to the investor. कुछ वर्षों बाद सरकार पुनः खरीद लेगी</p> <p>⇒ Some economists suggesting Indian govt should issue Consol Bonds for Post-corona economic revival. (अर्थव्यवस्था को पुनर्जीवित करने के लिए)</p>
🐘 (Proposed) Elephant Bonds for black money	<p>⇒ 2019-May: Commerce ministry's Dr. Surjit S. Bhalla Committee 'to improve India's share in global trade' suggested 'Elephant Bonds'. Tenure: 25-years.</p> <p>⇒ People declaring Black Money will be required to invest x%. → ₹ ₹ to be used only for infrastructure projects. जिनके पास काला धन किन्तु सजा से बचना है तो वे इसमें निवेश करें और पैसा बुनियादी अवसंरचना निर्माण में उपयोग होगा</p>



<p> Social Impact Bonds (सामाजिक प्रभाव बॉन्ड)</p>	<p>2019: SIDBI issued ₹ 300 cr. worth Women's Livelihood Bonds (महिला आजीविका बॉन्ड) with the help of World Bank, UN Women org etc.</p> <p>⇒ These bonds will be offered to High Net worth Individuals (HNI), Impact Investors (rich people interested in 'indirect' social service) etc. They'll earn 3% annual interest rate for tenure of 5 years.</p> <p>⇒ Money collected → SIDBI → Micro Finance Institutes (MFI) → loaned to individual women entrepreneurs in food processing, agriculture, services etc.</p> <p>2021: Skill Impact Bond: By National Skill Development Corporation (NSDC) with help of global partners from UK, Dubai etc.</p> <p>\$14.4 million for skilling 50,000 Indian youth job.</p>
<p> Zero coupon zero principal instrument</p>	 <p>issued by Not for Profit Organization (NPO), Non-governmental organization (NGO) for social service. They repay NEITHER principal NOR interest.</p> <p>►  FAQ: Then why don't they simply accept it as 'donation'? Ans. May be PR / media exercise. May be there is tax-saving in it. Newspaper didn't bother to explain so I didn't bother to google. #થોડો-પઢો-આગે-કઢો</p>
<p> Sukuk Bond/Islamic Bond</p>	<p>It is a sharia-compliant bond instruments used in Islamic finance. Was in News because Pakistan Govt issued such bonds. How it works? In which currency is it issued? How it's different than ordinary bonds?</p> <p> NOTIMP4Exam after looking at old papers.</p>

 ? Find correct statement about 'IFC Masala Bonds' (UPSC-Pre-2016)

1. The International Finance Corporation, which issues them, is an arm of the World Bank.
2. They are rupee-denominated bonds and are a source of debt financing for public & private sector.

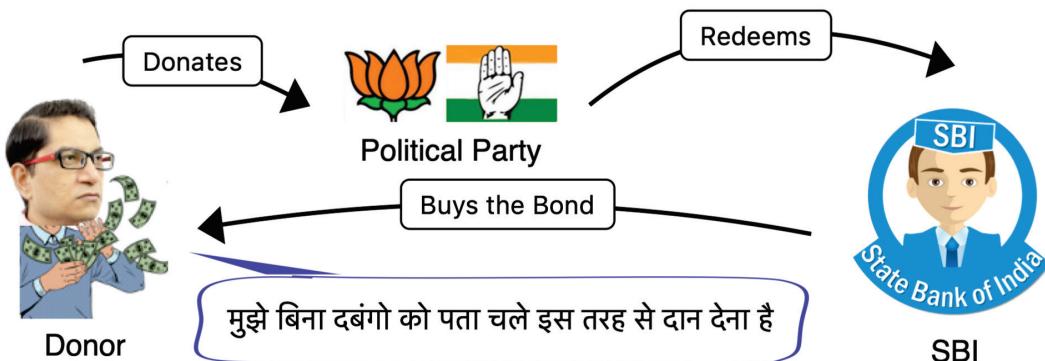
Answer Code: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2

 ? Which one of the following is a viable alternative to term-loans for raising debt finance by large publicly traded firms? (UPSC-IEnggS-2018)

- (a) Shares (b) Debentures (c) Asset loans (d) Gold loans



15.6.10 📈 (₹ ₹) ✎ Electoral bonds (चुनावी बांड, 2017)



- ⇒ Announce in Budget 2017 → Notified by Dept. of Economic Affairs, Finance Ministry (आर्थिक मामलों का विभाग). Only SBI can issue at present, and in multiples of Rs.1,000, Rs.10,000, Rs.1,00,000, Rs.10,00,000 and Rs.1,00,00,000.
- ⇒ Controversy about the SBI's commission, printing cost and GST on sale of electoral bonds. But not much imp for exam. Enough to know Government pays [Commission + GST] to SBI for selling these bonds.
- ⇒ **When to buy?** For ten days at the start of each quarter. (January, April, July and October). However, during Lok Sabha election year, can sell for another 30 days.
- ⇒ **Who can buy?** Only an Indian Citizen or Company registered in India → deposit money in their bank account → use that ₹₹ to buy Electoral Bond, after giving certain KYC-documents. So, Electoral Bond can't be bought **anonymously** or directly with **cash**.
- ⇒ Electoral Bonds can be donated only to a political party registered under **Representation of the People Act 1951** (RPA: लोक-प्रतिनिधित्व अधिनियम) and which has secured 1% /> votes polled in last Lok Sabha or Vidhan Sabha elections.
- ⇒ **Validity** (वैधता अवधि)? Only 15 days from date of purchase. Within that time, buyer must donate, and political party must deposit in its SBI (current) bank account. No interest payable.
- ⇒ **Characteristics of electoral bonds?** (विशेषताएँ)
 - Paper / Physical format (not DEMAT / electronic format).
 - **Bearer** instrument (Donor or Recipient's name not mentioned),
 - **Promissory Note** (promises to transfer money in bank account)
 - **Interest Free** banking instrument (zero interest payable to anyone).
 - Can't sell it to third party, can't pledge it for loans. (गिरवी नहीं रख सकते)
- ⇒ **Benefits of electoral bonds?**
 - Transparency in political funding. (राजनीतिक चंदे में पारदर्शिता)
 - Reducing influence of cash and black money in election, (काले धन का प्रभाव)



- Confidentiality to donor- he can give to any political party without his wife, staff, CA, Lawyers, journalists, local goons etc. knowing the name of recipient political party. (दाता को गोपनीयता)

15.6.11 Bond Yield, Yield Inversion, Negative Yield

Bond Yield	(Finished in Pillar#1A2: Operation Twist)
Yield Inversion	Not important but u can do PHD from this video: youtube.com/watch?v=BDACRJAo-48
Negative Yield	Not Important/outdated

15.7 EQUITY INSTRUMENTS (इक्विटी)

- ⇒ Equity holders are called owners / proprietors of the company.
⇒ If company makes profit → they get dividend. They've last claim during liquidation.

Keywords	Features
Ordinary shares साधारण शेयर:	have voting power in the meetings of shareholders. Last claim during liquidation.
Preferential Shares अधिमान्य शेयर:	During liquidation, these investors will be given money before the ordinary shareholders. Further subtypes: (i) with voting power (ii) without voting power.
Sweet Equity इसका कुछ काम नहीं परीक्षा में	Shares sold @discount to directors & employees for their value addition to company [Amount is regulated under Companies Act] <ul style="list-style-type: none"> - 1)What is this? NOT IMPORTANT. - 2) How different from Sweet Equity? NOT IMPORTANT. - 3) Repeating for third time for Babu-Shonas= NOT IMPORTANT. <p>► FAQ: I'm a commerce graduate / hot-shot MBA-walla and I've 500 jaat ke Counter arguments. Ans. Good. Plz Keep it with yourself. This course for teaching some basic one liners for seeking MCQ. UPSC not asking b.Com/M.Com PHD stuff from here. Then why burden brain's memory card with extra info ?</p>
ESOP कंपनी के कर्मचारी को तनस्वाह के अलावा शेयर्स भी दिए जाएं	Employee Stock Option Plan: Shares may be given free to employees to increase their loyalty/motivation for company. Ref: (More in Pillar#1B2-PSB reforms) <p>PS: ES-2020 used the term Employee Stock Option Plan. So, I've written. Some website mention Employee Stock Ownership Plan- how these two (ownership/option) are similar or different? ANS NOT IMP.</p>
Penny stocks फालतू कंपनी का	Shares whose market price remain excessively low compared to its face value. Such pathetic companies give zero or little dividend. <p>► FAQ: I'm a commerce graduate / sharemarket ka hot-shot trader and I've 500 jaat ke Counter arguments. Ans. Good. Plz Keep it with yourself. This course for teaching some basic one liners for seeking MCQ. बाकी आप अपना</p>

	देख लो। UPSC not asking b.Com/M.Com PHD stuff from here. Then why burden brain's memory card with extra info?
Blue Chip stocks दमदार कंपनी का	Shares of a nationally recognized, well-established and financially sound company with a history of generating good dividend.
Venture Capital Funds	VCF are professional firms helping startup companies with seed capital. (could be debt / equity / hybrid) (स्टार्टअप कंपनियों को शुरूआती पूँजी दिलवाते हैं)
Angel Investors ऐंजल निवेशक	Rich person helping startup companies out of his hobby, passion, profit motive or time pass. e.g Ratan Tata in Urban Ladder app. (could be debt / equity / hybrid). <i>Related topic:</i> Pillar#2: Angel Tax in Budget/blackmoney
Corporate Strategic Investor	Invests in startup company with goal of acquiring the company or its technology at later date. स्टार्टअप कंपनी में निवेश करता है ताकि भविष्य में उसकी टेक्नोलॉजी पर कब्जा कर सके
RGESS Started in 2012	Rajiv Gandhi Equity Savings Scheme= Govt gives income tax benefit to people who invest in the share market for the first time. Discontinued by Budget-2017 मध्यमवर्ग का नया निवेशक पहली बार शेयर बाजार में निवेश करें तो आयकर में राहत
Share Pledging	When promoter of a company e.g. Mukesh A. of Reliance or Subhash Chandra of Zeegroup pledges his shares as collateral to borrow loans from a bank / NBFC. जब कंपनी का संस्थापक अपने शेयर गिरवी रखे पैसा उधार लेता है

15.7.1 Shareholding: Open Offer



? What does 'Venture Capital' mean? (Asked in UPSC-Pre-2014)

- A. A short-term capital provided to industries
- B. A long-term start-up capital provided to new entrepreneurs
- C. Funds provided to industries at times of incurring losses
- D. Funds provided for replacement and renovation of industries

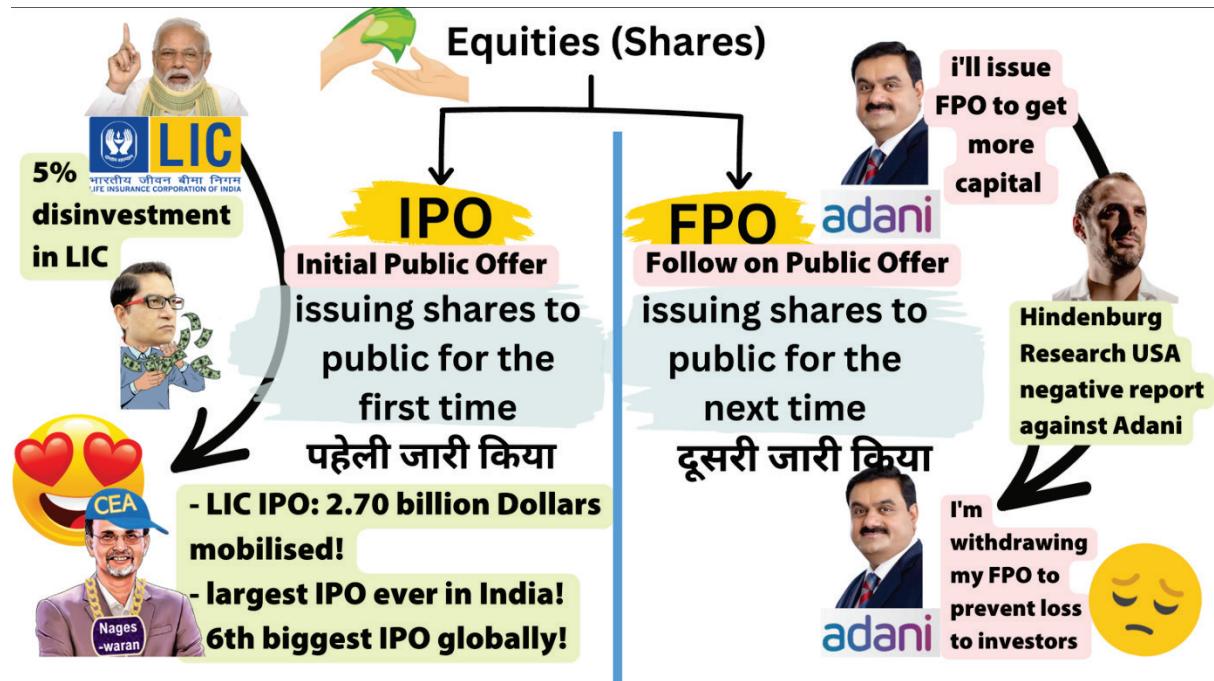
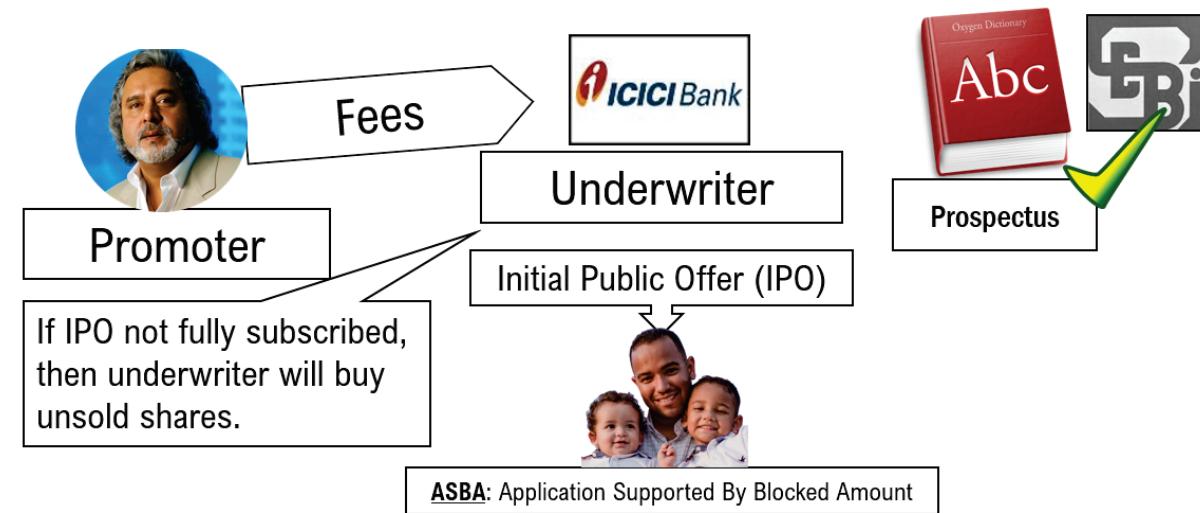
? An individual investor who invests in the e-project usually during an early stage is (UPSC-IES-2020) A) corporate strategic investor B) founder capital C) angel investor D) venture capital



15.8 METHODS OF ISSUING SHARES

Share have printed price on the certificate called Face Value or Par Value (सममूल्य). If they're sold at higher price than face value, it's called "Premium Value" - that usually happens when investor is confident of getting high dividend/return on his investment.

Related keyword: Price Earnings Ratio (P/E Ratio) - what it means NOTIMP.



IPO and FPO	⇒ Explained in video using above chart.
Rights issue (अधिकार निर्गम):	Company issues additional shares (FPO) but gives first right to existing shareholders to buy them, if they refuse then offered to outsiders.
Other methods / terms	Offer for sale / Private placement / Qualified institutional placement (QIP) Issuing bonus shares / share splitting / share swap / share buyback / PE Ratio etc. = NOT IMP. / poor Cost Benefit for exam.



15.8.1 🏛️ 📈 🚪 IPO → Special Purpose Acquisition Company (SPAC)

Faded topic. Removing from handout.

15.8.2 🏛️ 📈 🌎 ADR/GDR: Shares in *Videshi locker*



Figure 1: बिना अमरीकी SEBI मे पंजीकरण किए, उनके शेयरबाजार से पैसा उठाऊँ, तो कैसे?

- A non-American company wants to mobilize money from American share market but does not want to go through the lengthy & complex process of registration with the American sharemarket regulator.
- Then such non-American company gives its shares to an American bank.
- Based on those (non-American) shares, the American bank will issue American Depository Receipts (ADR: अमरीकी निपेक्षागार रसीद) & sell them to American investors. **Denomination:** USD.
- **Global Depository Receipt (GDR):** Same as above, but when single bank issues receipts for investors in multiple countries. **Denomination:** usually USD or Euro.

Share issuing company →	Deposits his company's shares in a bank of →	That bank issues -- in local market in – currency
Non-American company →	American Bank →	Issues ADR (in \$) in American Sharemarket
Non-Indian company →	Indian Bank →	Issues Bharat / Indian depository receipt (IDR) (in ₹) in Indian Sharemarket

15.8.3 🏛️ 🌎 ATMANIRBHAR reforms in ADR/GDR/BharatDR

Too technical / getting outdated so DELETED from latest Handout.

15.8.4 💰 💸 Initial Coin Offering (ICO)



Figure 2: Cryptocurrency मे पागल हुई पब्लिक को फिरसे बेवकूफ बनाऊ, तो कैसे?

- ⇒ Company wants investors' money for launching new cryptocurrency, or service/app related to an existing cryptocurrency.
- ⇒ Then, it'll issue Initial Coin Offering (ICO) → Investor subscribes to it, and receives 'tokens' (and not SHARES). Investors can use the 'tokens' to buy companies coins/services or may sell it



to a third party.

- ⇒ RBI has cautioned Indians not to invest in such instruments, because of the dangers which we already learned in the Handout Pillar#1A-1: Bitcoins.

15.9 STOCK EXCHANGES / SECONDARY MARKET: MEANING & EXAMPLES



Shares are issued through IPO @Primary market. Then, they can be resold at secondary market, commonly known as *Share market or Stock Exchange or Bourses*.

- ⇒ **World's Oldest:** Amsterdam Stock exchange, Netherlands (1602)
- ⇒ **Asia's Oldest:** Bombay Stock Exchange (BSE: 1875)
- ⇒ India's stock exchanges chronology: BSE → A'bad → Kolkata → NSE (early 90s)
- ⇒ Just like Banks have Core Banking Solutions for e-banking, Stock exchanges have their electronic platforms for trading. E.g. **BOLT** (BSE's On-line Trading System), **NEAT** (National Exchange for Automated Trading). They communicate using **VSAT** (Very Small Aperture Terminal) Satellite.

15.9.1 Social Stock Exchange

- ⇒ It is a market for buying/selling shares/bonds/mutual fund for projects/organizations related to hunger/malnutrition, poverty, gender equality, LGBT welfare, rural sports, Slum Area Development, affordable housing. Etc.
- ⇒ **Budget-2019:** we'll set up a **Social Stock Exchange** under SEBI's regulation. It'll help social enterprises and voluntary organizations to raise capital as share/bond/mutual funds for eradicating hunger, malnutrition, poverty, gender equality, LGBTQIA+ communities, rural sports, slum area development, affordable housing
- ⇒ Then SEBI setup **Ishaat Hussain panel** to study it. Then SEBI setup **Harsh Bhanwala panel** to study it further. They've given recommendations but NOTIMP

15.9.2 Social Stock Exchange: zero-coupon, zero-principal instrument

- ⇒ Refer to "debt instrument" section of the handout.

15.9.3 Secondary Market: Significance? (द्वितीयक बाजार का महत्व)

- ⇒ Cost of Transactions . You don't have to search around for buyers/sellers manually. सब लोग एक जगह पे मिल जाते हैं। एक दूसरे को ढूँढ़ने मेरिकशा का खर्च/लागत बच जाता है।
- ⇒ Providing Liquidity to Financial Assets. तरलता बढ़ती है क्योंकि खरीदार मिल जाता है।
- ⇒ Facilitating Price Discovery of shares / bonds. औकात पता चल जाती है कंपनी की।

- ⇒ Investor sells securities in secondary market → ₹₹ could be re-invested to a new company's IPO in primary market → Contributes to Economic Growth. (पुरानी घटिया कंपनी में से निवेश की रकम निकाल कर नई और बढ़तेर कंपनी में निवेश हो सकता है)

15.9.4 DEMAT Account



Figure 3: कागजी शेयर्स को चोरी/आग से बचाऊँ, तो कैसे?

- ⇒ If shares and bonds are traded in paper-form, then transactions are slow & prone to the risk of theft, forgery and fire. कागजी स्वरूप में शेर से रखे जाएं तो चोरी होने का जालसाजी का आग लगाने का डर 😠
- ⇒ Depository is an organization that holds the securities (like shares/bonds etc.) in electronic (=DEMATERIALIZED) form. Then facilitates its trading online.
- ⇒ Upon client's request, Depository can 'rematerialize' it as well (i.e. giving physical/hard copy of share/bond etc) to client.
- ⇒ Customer must open a "Demat" account in a depository-partner (DP) which can be a bank or an NBFC.
- ⇒ SEBI regulates them under the Depositories Act 1996. Notable examples:
 - Central Depository services Limited (CDSL: owned by BSE, HDFC, Canara Bank etc.)
 - National Securities Depository Limited (NSDL: owned by SBI, IDBI, UTI, NSE etc.)
 NSDL also has RBI license to operate Payment Bank



Time	New DEMAT Accounts created (in lakhs)
2021: April-Nov	220.7
2022: April-Nov	171.5

15.9.5 DEMAT → ASBA Reforms

- ⇒ Scamster Rupal Panchal (2005) opened multiple fake DEMAT accounts to increase the chances of getting share allocations in IPO. Then she'd sell such shares in stock-exchange for higher prices.
- ⇒ Subsequently, SEBI made PAN Card (issued by Income Tax Dept) compulsory for opening DEMAT Accounts. SEBI also introduced ASBA (Application Supported by Blocked Amount)- it allows the underwriter to block the amount in IPO-investor-applicant's bank account, but only IF shares allotted to the applicant, his bank money will be deducted. ASBA-Benefits:
 - only serious investors with sufficient bank balance can apply.

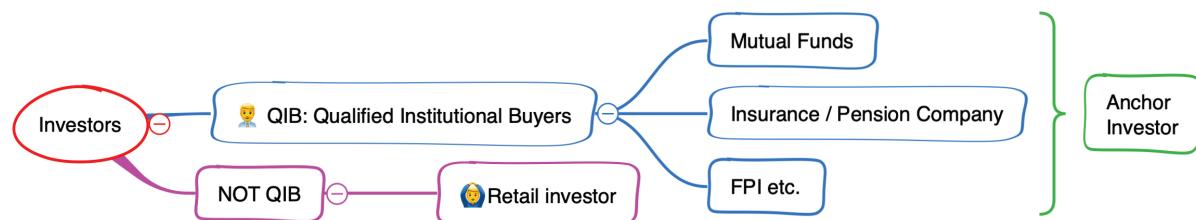


- investor continues to earn bank interest on his blocked amount until the process of IPO-share allotment is over.

15.9.5.1 📈 ISIN Number

- ⇒ International Securities Identification Number (ISIN) is a Unique 12 characters, consisting of both letters and numbers. प्रतिभूतियों का अंतरराष्ट्रीय पहचान संख्यांक
- ⇒ It's a serial code to identify securities e.g. Reliance Industries Limited Shares ISIN: INE002A01018; Infosys Shares: INE009A01021.

15.9.6 💳 Types of Investors: Depending on Buying Capacity



1. ⚖️ **Qualified Institutional Buyers (QIB)** (अर्हता प्राप्त संस्थागत निवेशक): Investors with expertise and financial muscle to make large investments in capital markets. E.g. Mutual Funds, Insurance Company, Foreign Venture Capital Funds etc. SEBI has separate registration norms for them.
 - a. **Anchor investors:** They're sub-type of QIBs who are offered shares before IPO-launch. This gives confidence to other investors to subscribe the given IPO.
2. 💳 **Retail investor:** An individual investor who is not a QIB. (आम/खुदरा निवेशक)
Underwriter will keep quota for each category of investors, as per SEBI norms.

15.9.7 💳 Types of Investors: Depending on Buying Behaviour



1. **Jobbers (आढ़ती):** Full time engaged in buying / selling securities using money from their own pockets. (Whereas brokers / commission agents buy/sell using money/shares of their clients).
2. **STAG (Male Deer):** He buys newly issued securities **from primary market** & sells them in secondary market for quick profit. प्राथमिक बाजार से खरीद के द्वितीयक बाजार में मोटे मुनाफे पर बेचने की इच्छा रखता
3. 💳 **Bull (तेज़दिया):** Optimistic speculator who hopes share prices will rise 🔺, so purchases (to sell them later at much higher price). Just like a bull tends to throw his victim up in the air, the bull speculator stimulates the price to rise.



4. **Bear (मंदांडिया)** – A pessimistic speculator who fears prices will fall so, he sells. A bear usually presses its victim down to ground. Similarly, bear speculator tends to force down the prices of securities.
5. **Day trading / Intra-day trading:** Individuals buy and sell shares over the Internet over a period of a single day's trading, with the speculative intention of profiting from small price fluctuations.

Further subtypes with various animal / bird names can be found on Investopedia but with poor cost : benefit in exam. # थोड़ा-पढ़ो-आगे-बढ़ो

15.10 SENSEX & OTHER NOTABLE INDICES (उल्लेखनीय संकेतक/ सूचकांक)

- ⇒ **SENSEX?**: Sensitive Index/ संवेदी सूचकांक. It's the weighted average of Free Float Market Capitalization (FFMC) of 30 companies, selected by Bombay Stock Exchange (BSE)'s officials
- ⇒ **NIFTY?** National Stock Exchange (NSE)'s index of 50 companies.
- ⇒ **Nikkei?** Tokyo Stock Exchange index of 225 companies.

SENSEX – when does it go up	Goes down when
RBI's soft /easy monetary policy → cheap loan & credit cards → consumers to spend more → more profit to company → more dividend : investor thinks “ <i>better I buy more shares to get more dividend</i> ”: Bullish	Tight monetary policy (More in Pillar#1A2) संकुचन वादी मौद्रिक नीति के दौरान सेंसेक्स नीचे गिरेगा
Peace, Economic boom / prosperity, Political Stability (शांति, आर्थिक समृद्धि, राजनीतिक स्थिरता)	War, recession, political instability → Bearish market. (युद्ध, मंदी, राजनीतिक अस्थिरता)
When govt. hikes foreign direct investment limits	When govt reduces FDI limit
Merger-Acquisition, New product launched, Environmental clearance given to factory	CEO/MD arrest/FIR, Courts slapping fine, media exposing scandal... (कोई कांड हो जाए)
If bond yield goes down in a manner where bond investor thinks it's better to pullout money from bonds to buy shares. What is Bond Yield? Ans. Ref Pillar#1A2	If bond yield goes up in a manner where share investor thinks it's better to pullout money from Sharemarket & shift to bonds. What is Bond Yield? Ans. Ref Pillar#1A2

15.10.1 MSCI Emerging Market (EM) index

Faded topic. Deleting from handout.



15.10.2 📈 🚫 : 🛡️ 🏴 Force Majeure (अभेद्य शक्ति)



Figure 4: Corona के चलते बिजेस प्रोजेक्ट पूरा नहीं किया, तो क्या जेल में भेज दोगे, या फांसी पे लटका दोगे? कुछ नहीं उखाड़ सकते मेरा!

- ⇒ French word for ‘superior force’. It refers to unexpected external circumstances (अप्रत्याशित बाहरी परिस्थितियाँ) that prevent a party to a contract from meeting their obligations. e.g. *Acts of God* (*natural disasters, epidemics, war, terror attacks*).
- ⇒ In such cases, courts may not punish party for dishonoring contract. (करारनामे के दायत्वि को न निभाना)
- ⇒ E.g. **Corona (COVID-19) Virus** → Singapore Govt put restrictions on entry of Chinese → Singapore construction firms facing labour crunch (श्रमिकों की कमी) → invoked ‘Force Majeure’ to clients, “we can’t finish building your homes/offices in time.” Coronavirus: >55million people infected across the world (as of 2020-Oct).

15.11 📈 📈 🐻 SHAREMARKET: 2020- IMPACT OF CORONA

2020- Initial months of lockdown, 🚫 🚫 due panic among investors, Force Majure but then

⬆️ ⬆️ because (शुरू-शुरू के महीनों में गिरावट किंतु बाद में बहुत तेजी आई क्योंकि...)

1. Cheap Loans / Expansionary Monetary Policy → Some of that money may have entered the share market through to large investors. (विस्तार वादी मौद्रिक नीति)
2. 'work from home' + RBI loan Moratorium- may have encouraged many service sector employees to invest ₹ in the sharemarket. (तालाबंदी के दौरान लोन की किस्त नहीं चुकानी थी तो कुछ ने वह रकम शेयर बाजार में निवेश की होगी)
3. Unprecedented demand and profit for IT and Pharma sector- Encouraged the investors to park their money in such shares at very high price. (तालाबंदी के दौरान सूचना प्रौद्योगिकी और औषधीय कंपनियों में अप्रत्याशित तेजी)
4. Youtubers/Reddit/Social media influencers giving online share trading Tips.

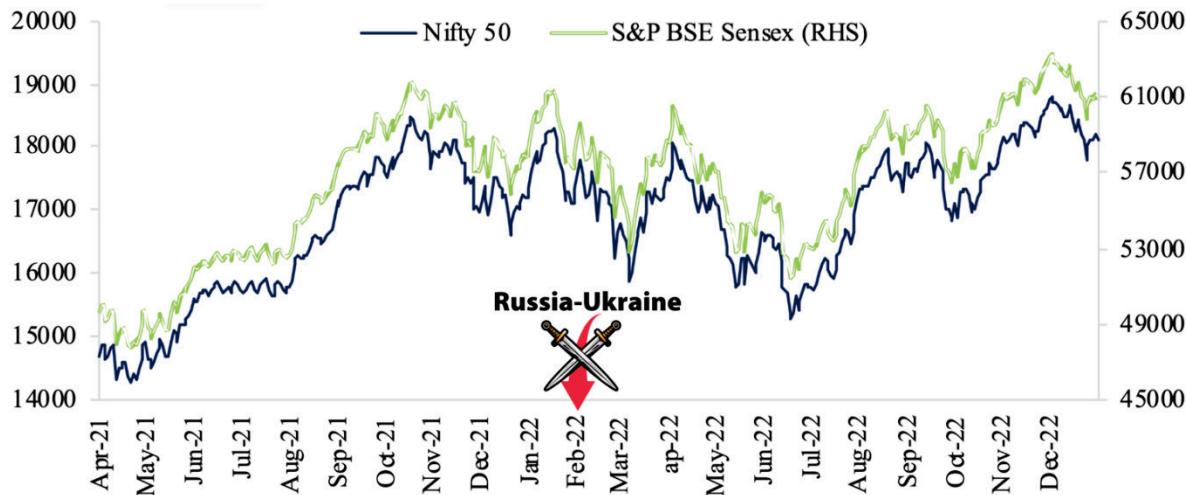
15.11.1 📈 📈 🐻 Sharemarket- 2022: IPO Bubble Burst: Case of Paytm (फूट गया गुब्बारा)

Shifted to Mains.

15.11.2 🐻 📈 🐻 Sharemarket: 2021-22 observation by 📈 ES23

Indian share market fell / remained volatile 2022-23 due to

- ⇒ Exit of the foreign portfolio investors because of the USA fed-tapering. (More ref: [Pillar1A2: monetary policy lecture](#).)
- ⇒ Russia-Ukraine war → 1) imported inflation 2) weakening of Indian and global economy.
- ⇒ But the fall/shock in the Indian sharemarket was less compared to China, Japan, South Korea etc.
- ⇒ 2023-Feb: Market fell because of Adani – Hindenburg controversy. (Explained in other section)



विदेशी निवेशक अमेरिकी फेड ट्रेपरिंग के चलते भारत से भाग रहे हैं। तथा रूस-यूक्रेन युद्ध के चलते महंगाई में बढ़ोतरी और वैश्विक अर्थव्यवस्था में मंदी की स्थिति। इन सबके बीच भारत का शेयर बाजार गिर रहा है। किंतु हमारे शेयर बाजार में गिरावट, चीन जापान दक्षिण कोरिया इत्यादि के शेयर बाजारों मुकाबले कम रही है। इसा आर्थिक सर्वेक्षण ने पाया।

15.11.3 Proportion of money invested by retailers is falling- says ES23

Time	Retail Investor's investment (A: आम / खुदरा निवेशक)	Institutional Investors** (B: संस्थागत निवेशक)	Total investment = A+B
2021:Apr-Nov	42%	58%	100%
2022:Apr-Nov	37%	63%	100%

** institutional investor means: pension companies, insurance companies, mutual fund et cetera.

15.11.4 Retail investors have decreased participation in the share market due to

- ⇒ flop/loss-making IPOs in primary market e.g. PayTM (issued @₹2150-> fell @606 in Feb'23)
- ⇒ increased volatility (ups and downs) in the secondary market due to Fed Tapering , Foreign investors' exit etc. (शेयर बाजार में अस्थिरता)
- ⇒ global uncertainties due to Russia Ukraine war. (युद्ध के बाद कि वैश्विक अस्थिरता)
- ⇒ Loss of income due to job-layoffs in IT/Startup sector. (नौकरियों से निकाले जाने पर आमदनी नहीं बची)

 ? MCQ. In the parlance of financial investment, 'Bear' denotes [UPSC-CDS-2012]

- an investor, who feels that the price of a particular security is going to fall.
- an investor, who expects the price of a particular share to rise.
- a shareholder, who has an interest in a company, financially or otherwise.
- any lender, whether by making a loan or buying a bond.

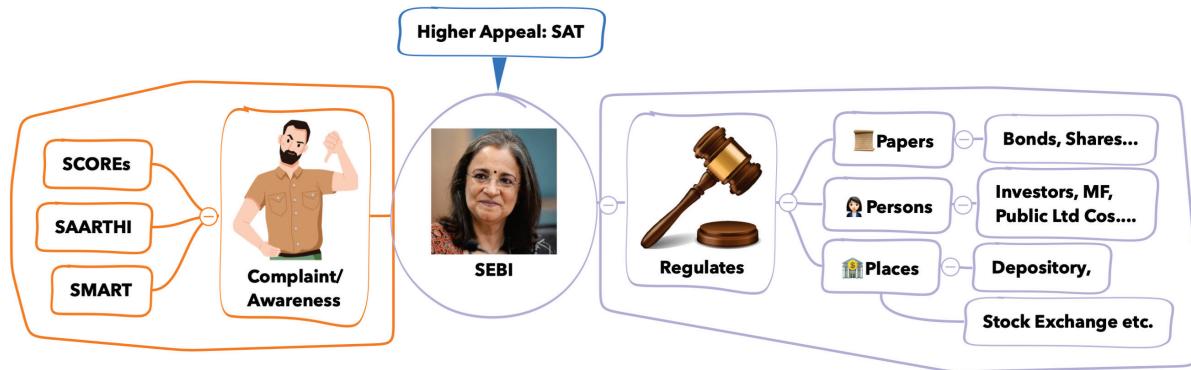
 ? MCQ. Which of the following statements is/ are correct? [UPSC-CDS-2012-I]

- NIFTY is based upon 50 firms in India.
- NIFTY is governed and regulated by the Reserve Bank of India.
- NIFTY is the stock index of Bombay Stock Exchange.

Answer Codes: (a) Only 1 (b) Only 2 (c) Only 3 (d) 1 and 3



15.12 📁 📈 SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)



- ⇒ HQ- Mumbai भारतीय प्रतिभूति और विनियम बोर्ड,
- ⇒ (1988) Formed by an executive order → (1992) Became Statutory Body → powers increased through amendments in 1999 & 2014. Now it can order search and seizure, attachment of properties, arrest and detention. (खोज अभियहण, संपत्तियों की जब्ती/कुर्की, गिरफ्तारी और निरोध)
- ⇒ **SEBI Board Composition:** Chairman + 1 officer from RBI + 2 officers from Union Government + 5 members appointed by Union Government.
- ⇒ **Chairman:** upto 5 years / 65 age. Reappointment possible.
- ⇒ 2022: Madhabi Puri Buch-first woman chairperson in history of SEBI. She replaced Ajay Tyagi (Ex-IAS). Selection was done by Financial Sector Regulatory Appointments Search Committee (FSRASC) headed by the Cabinet Secretary (IAS).
- ⇒ Regulates **Process** of issuing securities (Bonds, Shares, IPO, ETF, ReIT, INVITS, etc.) using the Securities Contracts Regulation Act, 1956 [SCRA: प्रतिभूति संविदा विनियमन]
- ⇒ Regulates **Places** (Depositories, Stock exchanges, Commodity Exchanges etc.)
- ⇒ Regulates **Persons** (Investors, Brokers, Fund Managers, Public Limited companies etc.)
- ⇒ Regulates any Collective Investment Scheme (CIS) of ₹100 cr/> [In the aftermath of SAHARA scam & Chit Fund scams. सामूहिक निवेश योजनाएँ]
- ⇒ **Further appeal:** Securities Appellate Tribunal (SAT) → Supreme Court.
 - Same SAT also hears appeals against the orders passed by Insurance Regulatory Development Authority of India (IRDAI) and Pension Fund Regulatory and Development Authority (PFRDA). (More in 📈 Pillar#1D)
- ⇒ SEBI has “**SCORES**” online portal for **complaint**. (निवेशक इधर ऑनलाइन फरियाद करे)
- ⇒ SEBI has **Securities Market Trainers (SMARTs)** Program for investor education (निवेशक प्रशिक्षण)
- ⇒ Saarthi app: Sebi’s app for investor awareness. (निवेशकों में जागृति के लिए सेबी का नया एप)

15.12.1 📁 🏛️ 📈 Securities Market Code

- ⇒ 📁 Budget-2021: we'll create a single new law named "Securities Markets Code" by merging older acts 1) SEBI Act, 1992, 2) Depositories Act, 1996, 3) Securities Contracts (Regulation) Act, 1956 4) Government Securities Act, 2007. (पुराने विभिन्न कानूनों का एकीकरण विलीनीकरण करके "प्रतिभूति बाजार संहिता" नामक नया कानून बनेगा)



⇒ Benefits? Same as the bullet points written in conclusion of "SEBI Investor Charter."

15.13 📁 SEBI INVESTOR CHARTER (निवेशक अधिकार पत्र)

- ⇒ (Definition) A citizens' charter (नागरिक अधिकारपत्र) is a document of commitments made by a government agency to the citizens in respect of the services being provided to them. e.g. if "X" problem is not solved in "Y" days then complain to "Z" officer on ABC Phone number / email address etc.
- ⇒ (Origin) 📜 Budget-2021: we'll create an "investor charter" (निवेशक अधिकार पत्र) for financial investors across all financial products (Share, Bond, derivatives, Commodities market etc).
- ⇒ SEBI notified this in 2021-November.
 - This charter applies on Entities/actors e.g. investors, mutual funds, stock brokers, stock exchanges, depositories, underwriters, real estate investment trusts (REITs), infrastructure investment trusts (InvITS), & other collective investment schemes,
 - This charter applies on Events e.g. initial public offerings (IPO), FPO, etc.
- ⇒ More details shifted to Mains-Handout. #RAFTAAR.

15.13.1 📁 🐱: 🚶 SEBI: why protect investors & 🏛️ investors participation?



Figure 5: पूँजी बाजार की जड़ों को गहरा करना है तो सिर्फ अमीरों का नहीं, गरीबों की बचत का पैसा भी जाना चाहिए!

- ⇒ Share market scams erode publics' hard-earned savings → alcoholism, depression, suicide and other social ills. (जनता की बचत का पैसा घपले में बर्बाद तो जनता में शराब, अवसाद, आत्महत्या और अन्य सामाजिक बुराई)
- ⇒ Duped investors will shy away from share market & they may invest in gold / real estate = not very beneficial to economy as it our import-bill, creates black money opportunities.
- ⇒ If households don't participate in capital market → companies will have to approach the banks to get more loans. But banks' lending capacity is limited by CRR, SLR, PSL, NPA, PCA.(REF in 📁 Pillar#1B2)
- ⇒ If more retail investors participate in capital market = "Deepening of the capital market" → factory expansion, job creation, and economic growth. (खुदरा निवेशक की मदद से पूँजी बाजार की जड़ों की ओर गहरा करना- ताकि रोजगार सृजन और आर्थिक वृद्धि में मदद मिले)

15.13.2 📁 🚶: measures to 🏛️ retail investors participation- 25% public holding in Govt Companies

- ⇒ Budget 2019: For all the listed government companies, we will strive for minimum 25% public shareholding. (आम जनता को भी सरकारी कंपनियों के शेयर खरीदने का मौका मिले)
- ⇒ SEBI to raise minimum public shareholding in listed private sector companies to 35%.
- ⇒ 📈 ATMANIRBHAR: minimum shareholding related norms deferred under Corona crisis.



15.13.3 📈CAT: 🚨 SEBI Reforms to boost investors' confidence?



Harshad Mehta



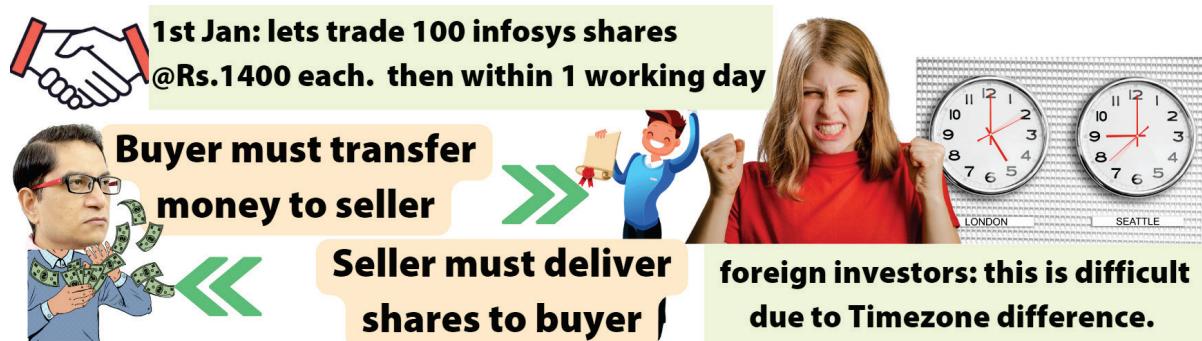
Ketan Parekh



- ⇒ Harshad Mehta (1992), Ketan Parekh (2001) arranged money from banks, used it for rigging the share prices to make windfall gains during Bull-runs by other investors. Once the prices crashed, small investors suffered. बैंकों से गबन बंद करके पैसा लाए जिससे कंपनियों के शेयर जमकर खरीद के उसकी मांग और दामों को बढ़ाया ताकि लालच में अन्य निवेशक भी उन कंपनियों के शेयर ऊँची कीमतों में खरीदने लगे अंत में यह लोग अपने शेयर बेच कर भाग गए
- ⇒ To prevent such scams, SEBI introduced Circuit Breaker System, wherein if fluctuation in the share prices is more than “x%” than previous day, then stock exchange must stop trading for “y” minutes.

15.13.4 💵⌚ T+1 Settlement instead of T+2

- ⇒ Badla System/Carry forward system: Buying of shares using borrowed money & making promises to carry forward the settlement for upto 72 days. scamsters misused (इसकी टोपी उसके सर पे: सौदा आज करते लेकिन पैसों का भुगतान/शेयर की डिलीवरी ७२ दिनों बाद होती- और इस समय के दौरान वही घपलेबाज उही शेयर बेचने की टोपी दूसरों को पहेनाते रहता)
- ⇒ so SEBI discontinued Badla System (in 2001) & introduced (T+2) rolling settlement system i.e. after trade is conducted, the parties must settle it within two working days (= buyer pays money, seller deliver shares/bonds/securities). -> 2022: T+1 settlement started.



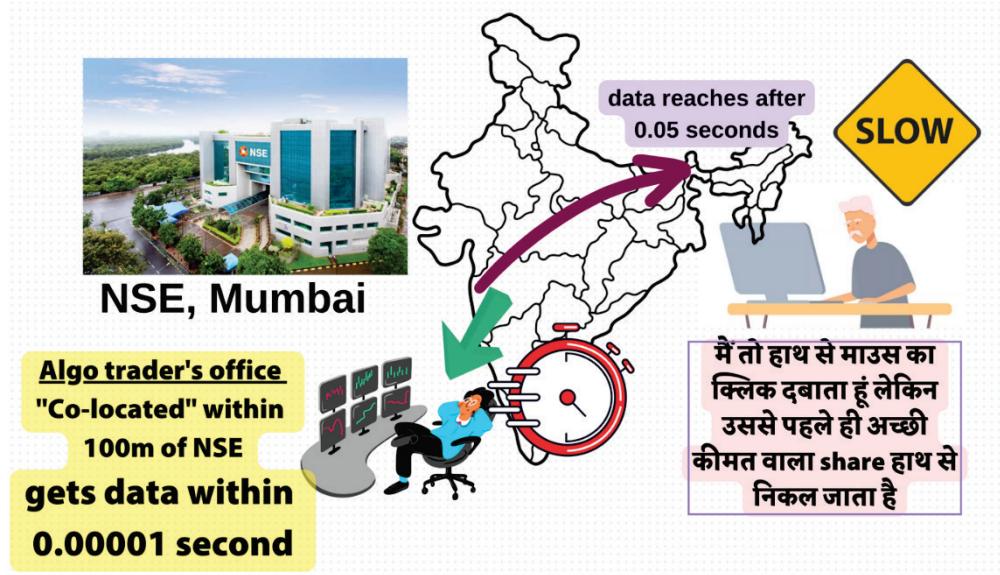
15.13.5 📈💼💡 Dabba-trading, Insider Trading, IPF

- ⇒ Dabba Trading / Bucketing / Box Trading: While share trade occurs at stock exchange linked with DEMAT accounts, the Dabba Trades occur in the unofficial books/ledgers of an unscrupulous broker. He may or may not execute those orders in actual DEMAT account. Investor prone to scam, govt deprived of taxes. So, SEBI declared it illegal.
- ⇒ Insider Trading (भेदिया लेनदेन): Whenever company launches new products, wins unique patents, or undergoes merger/acquisition- its share prices may ↑. If a person associated with company



uses such confidential information for buying/selling shares to make windfall gains. Such insider trading is illegal.

15.13.6 📈 (💻 ⏱️ :👤) Algo Trading & Co-Location



What does this mean? Explained in the video.

15.13.7 Investor Protection Fund

- ⇒ SEBI requires Stock exchanges (BSE, NSE etc) and commodity exchanges (NSEL, MCX etc) to setup Investor Protection Fund (IPF: निवेशक सुरक्षा कोष).
- ⇒ IPF covers investors' 'non-speculative' type of losses. e.g. if the other party is not delivering shares because of some court case. IPF also promotes investor education and awareness.

15.13.8 🐻 📈 Adani Hindenburg controversy (2023)

- ⇒ Hindenburg Research firm (USA) alleged that Adani was doing stock manipulation, accounting fraud, money laundering, taking too much loans beyond the capacity to repay etc. (HOW exactly? Ans. Notimp after observing PYQ.)
- ⇒ then investors panicked and started exiting Adani shares at loss.
- ⇒ Shareprice fell from ₹3500 (2023-Jan) to ₹1500 (2023-Feb).
- ⇒ Adani's supporters argue that Hindenburg spreading negative news to make the share price fall, to make profit thru short selling of Adani shares. (How? Explained in the next section:)
- ⇒ SC has setup Justice A M Sapre panel to investigate Adani share crash and other regulatory aspects for stock markets.

15.13.9 📈 Short selling (make profit from falling share price)

- ⇒ Short selling occurs when an investor borrows a share (निवेशक शेयर उधार लेता है)
- ⇒ then sells it in the market (फिर बाजार में बेच देता है)
- ⇒ with hope to buy it back later for lesser price. (इस उम्रीद में कि बाद में उसे सस्ते दाम में वापस खरीद लेगा ताकि उसे मुनाफा हो जाए.)



⇒ See the graphics given below. & watch video lecture for better understanding:



15.13.10 📈 Finfluencers: Bollywood star Arshad Warsi banned from Sharemarket

- ⇒ Finfluencer is an influencer, who gives advice on financial investments via social media.
- ⇒ Sometimes they give wrong advice on behest of share market scamsters. SEBI formulating guidelines to regulate this.
- ⇒ 2023: SEBI banned Bollywood actor Arshad Warsi for posting misleading videos on YouTube channels encouraging investors to buy shares in Sadhna Broadcast. Exact scam = NOTIMP.

15.14 📈 (✍️) BOND MARKET REFORMS

15.14.1 📈 G-Sec Trading- Retail investors' RDG @RBI

- ⇒ RBI launched “Retail Direct Scheme” in 2021.
- ⇒ Under this scheme, RBI permits “Retail Direct Gilt (RDG) account” for retail investors on its E-Kuber online platform. (आम निवेशक रिज़र्व बैंक में आरडीजी नामक खाता खोल पाएंगे)
- ⇒ Both Resident Indians & non-resident Indians (NRIs) can open this account. (गैर निवासी भारतीय भी)
- ⇒ Then Retail investors can directly buy Treasury Bills (T-Bill), G-Secs (of Union Government), State Development Loans (SDL are ‘G-secs’ of State Govts) and Sovereign



Gold Bonds, from RBI directly. (आम निवेशक सीधा रिजर्व बैंक से इन प्रतिभूतियों को खरीद सकता है.)

⇒ Application fees to open the account = ₹ ZERO

- **💡 Benefit?** 1) Earlier retail investors bought G-sec “indirectly” through mutual funds wherein mutual fund manager (MF) charged commission/fees. Now retail investor can buy directly so does not have to pay such commission/fees to MF managers. (बिचैलियों को दलाली/कमीशन नहीं देना होगा)
- **💡 2)** Deepening of G-Sec market through **↗️** retail participation (बाजार की जड़ों को गहरा करेगा)

15.14.2 **💡** **₹** (₹ **₹**: **💡** **💡**) G-Sec Trading: RBI's NDS-OM, OTC

⇒ RBI owns and regulates Negotiated Dealing System (NDS) for trading in G-Sec.

⇒ Clearing Corporation of India Limited (CCIL a company founded by SBI, IDBI, ICICI, LIC etc) maintains this system.

⇒ NDS system for recording the transactions of G-Sec buy-sell. NDS has following components:

Telephonic	i.e. buyer/seller call each other on the telephone, make the deal about buying and selling and then inform the reserve bank's NDS system (<i>ke we've done this deal</i>).
Over-The-Counter (OTC)	Buyer physically walks into the seller's office (or vice versa) and conducts the transaction. Later they report transactions to RBI's NDS System (<i>ke we've done this deal</i>). (ऑफिस में रुबरु मिलके खरीद-बिक्री करेंगे, बाद में रिजर्व बैंक को सूचित करेंगे कि हमने ये किया था)
NDS-OM	Negotiated Dealing System-Order Matching system (NDS-OM): electronic, computer screen based, anonymous, order driven trading system for dealing in G-sec's secondary market. Buyer-seller places orders online without knowing names/phone numbers of each other. (खरीददार और विक्रेता एक दूसरे की असली नाम पहचान नहीं जान पाएंगे)

► **💡** FAQ: Then what is E-Kuber?

- ⇒ Ans. E-Kuber is the core banking solution (CBS: REF Pillar1A1) platform of RBI to digitally handle all operations of RBI e.g. NEFT-RTGS, Repo, MSF, CRR, PSLC certificate trading, G-Sec, Sovereign Gold Bond, Retail Direct Scheme (RDG) etc.
- ⇒ You may think of E-kuber as a Windows Operating system, & NDS as a sub-component/excel-software inside of it that handles G-Sec buying-selling database management/account keeping.

💡 ? MCQ. Find correct statement(s): (Asked in Prelims-2021)

1. Retail investors through demat account can invest in ‘Treasury Bills’ and ‘Government of India Debt Bonds’ in primary market. [आम निवेशक डीमैट खाते द्वारा प्राथमिक बाजार में सरकारी प्रतिभूतियों में निवेश कर सकता है]
2. The ‘Negotiated Dealing System-Order Matching’ is a govt securities trading platform of the Reserve Bank of India. [NDS-OM सरकारी प्रतिभूतियों में खरीद बिक्री करने के लिए रिजर्व बैंक द्वारा बनाया गया मंच है]
3. The ‘Central Depository Services Ltd.’ is jointly promoted by the Reserve Bank of India and the Bombay Stock Exchange. [CDSL को रिजर्व बैंक और बॉम्बे स्टॉक एक्सचेंज द्वारा संयुक्त रूप से बनाया गया था]



Codes: a) 1 Only b) 1 and 2 c) 3 Only d) 2 and 3

15.15 ⚒️ 🏢 💳 Commodity Market, FMC, SEBI MERGER

- ⇒ A commodity market / exchange (वस्तु बाजार) is a place where buyers & sellers trade goods in bulk - food grains, cotton, precious metals or energy resources (coal, oil gas)
- ⇒ “Commodity Futures”: Type of contract for future delivery and settlement of commodity e.g. “on 1/5/2021, I shall deliver you 500 quintals of wheat at X price”.
- ⇒ Commodity exchanges were under a statutory regulator Forward Market Commission (FMC) under the Ministry of Consumer Affairs and Public Distribution.
- ⇒ But Jignesh Shah generated fake receipts without any commodities in the warehouses & traded at NSEL-commodity exchange. FMC failed to prevent scam. (एक कांड हो गया था)
- ⇒ So first FMC transferred to Finance Ministry and FMC ultimately merged with SEBI (2015).

15.15.1 ⚒️ 🏢 💳 Commodity Market: Gold exchanges & 📁 Budget-2021

- ⇒ Gold exchange is a special type of commodity market devoted only to Gold trading.
- ⇒ 📁 Budget-2021: We will undertake reforms in the regulation of gold exchange markets in India. 1) SEBI will be the regulator 2) Warehousing Development and Regulatory Authority (WDRA- Statutory body under Dept of Food and Public Distribution) Will be responsible for Warehousing/Vaulting, Assaying, Logistics of gold exchanges. (भंडारण, गुणवत्ता परीक्षण, रसद के मामलों की जिमेदारी)

15.15.2 ⚒️ 🏢 💳 Commodity Market: Electronic Gold Receipts (EGRs)

स्वर्ण कंपनियां “डब्लूडीआरए” नाम की वैधानिक संस्था द्वारा पंजीकृत गोदामों में सोने की ईट/बिस्किट जमा करेंगे, उसकी “इलेक्ट्रॉनिक स्वर्ण रसीदें” सेबी द्वारा पंजीकृत इलेक्ट्रॉनिक गोल्ड एक्सचेंज पर बेची जाएगी। ग्राहक/निवेशक ऑनलाइन तरीके से उसे खरीद पाएगा

- ⇒ **Stage1:** Gold companies deposit their gold in the warehouses authorized by Warehousing Development and Regulatory Authority (WDRA, it is a statutory body under Ministry of Consumer Affairs, Food & Public Distribution.)
- ⇒ **Stage2:** Warehouse manager generates Electronic Gold Receipts (EGRs).
- ⇒ **Stage3:** EGR are listed on the SEBI regulated electronic gold exchanges. → Buyer can buy the gold electronically and be assured of the quality. Later he may even sell this EGR to another investor or he may go to warehouse to collect physical gold.

Benefits: 1) Assured quality. 2) Tax evasion is difficult due to online transactions monitored by SEBI. इसे ग्राहक को स्वर्ण की गुणवत्ता के बारे में सुनिश्चित होगी। कर चोरी मुश्किल होगी क्योंकि ऑनलाइन खातों की निगरानी होगी.

15.15.3 ⚒️ 🏢 💳 Commodity Market: India's first bullion exchange (2022)





India International Bullion Exchange (IIBX) is India's first bullion exchange @ GIFT City, Gujarat.

- ⇒ Bullion refers to physical gold and silver of high purity stored as coins, biscuits or bricks (ingots).
- ⇒ A bullion market/exchange is a place where large quantity of gold and silver is traded for 24/7 basis. (बुलियन मार्केट ऐसा स्थान है जहां बड़ी मात्रा में सोने और चांदी का दिनरात अविरल कारोबार होता है।)

15.16 RELATED BODIES WITH SIMILAR SOUNDING NAMES



Figure 6: अभी भी इतने सारे "कॉड" क्यों हो रहे हैं, गवर्नर साहब? - वित्तमंत्री @FSDC meeting.

FSDC (2010) वित्तीय स्थिरता और विकास परिषद्	<ul style="list-style-type: none"> - Financial Stability & Development Council: Chairman – Finance Minister. Other members – 1. RBI Governor 2. SEBI chief 3. IRDAI chief 4. PFRDA chief 5. IBBI chief & govt officials - Functions? Supervision of the economy & large financial conglomerates, coordination among the financial regulators, financial literacy and financial inclusion. - Secretariat assistance by: FinMin → Dept. of Economic Affairs (आर्थिक मामलों का विभाग)
FSB (2009) HQ: BASEL	<ul style="list-style-type: none"> - Financial Stability Board is a brainchild of G20. (वित्तीय स्थिरता बोर्ड) - Functions? Financial monitoring at global level, Coordination between national financial regulators bodies. (अलग-अलग देशों के वित्तीय नियंत्रक के बीच तालमेल) - India has 3 seats in FSB: 1) Secretary of Department of Economic Affairs (IAS) 2) Dy. Governor of RBI 3) SEBI chairman
FATF (1989) HQ: Paris	<ul style="list-style-type: none"> - Financial Action Task Force (वित्तीय कार्रवाई कार्यदल) is a brainchild of G7. - India member in 2010. Function? Combating Money laundering and terror finance. (More Pill#2) (धन शोधन और आतंकी वित्तपोषण से लड़ना)
IOSCO	<ul style="list-style-type: none"> - International Organization of Securities Commissions (IOSCO) is the international body of world's securities regulators. SEBI is a member. - Famous for its IOSCO Guidelines for Investors Protection & risk prevention

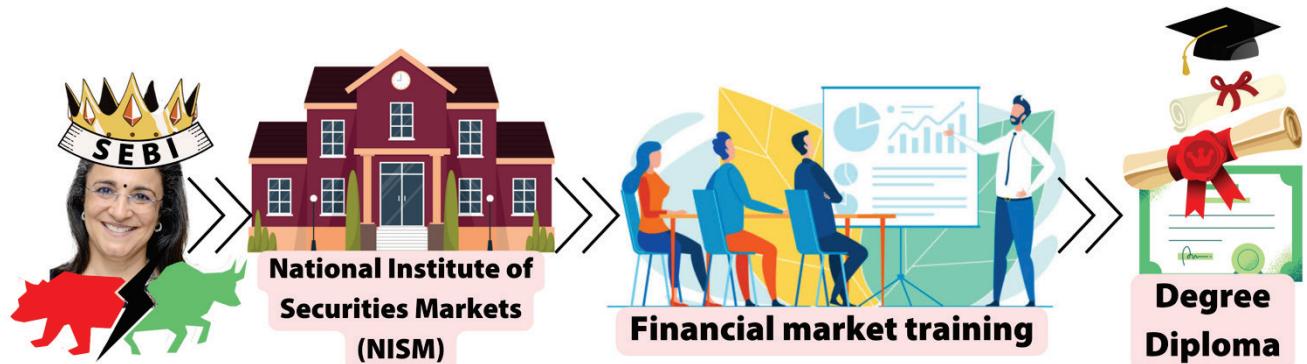
? 'Financial Stability and Development Council': find correct statement(s): (Pre-2016)

1. It is an organ of NITI Aayog.
2. It is headed by the Union Finance Minister
3. It monitors macro-prudential supervision of the economy.

Answer Codes: (a) 1 and 2 only (b) 3 only (c) 2 and 3 only (d) 1, 2 and 3



15.16.1 📚 🎓 NISM- capacity building for financial market professionals - 🗒️ Budget-2023



- ⇒ National Institute of Securities Markets (NISM) is an educational institute set up by SEBI. HQ: Mumbai, Foundation Year-2006
- ⇒ 🍑 Budget-2023: NISM to conduct more training courses for financial Market
- ⇒ NISM will give them degrees, diplomas and certificates for finishing such courses
वित्तीय संस्थानों में कार्यरत पेशेवरों के क्षमता वर्धन के लिए विविध डिग्री और स्नातक, डिप्लोमा और सर्टिफिकेट शिक्षा कार्यक्रम राष्ट्रीय प्रतिभूति बाजार संस्थान (एनआईएसएम) द्वारा चलाए जाएंगे

15.17 📈 🎓 🎓 INVESTMENT FUNDS → MUTUAL FUND (MF) FOR AAM-AADMI



Figure 7: swag से करेंगे 'middle-class' का 'स्वागत' | Observe colors in logo, meant for attracting ordinary crowd

- ⇒ Mutual Fund is an Asset Management Company (AMC-NBFC) that pools savings of (retail) investors and gives them "Units".
- ⇒ MF Manager parks this money in securities & builds his 'portfolio'.
- ⇒ Whatever dividend/ interest is generated from the portfolio, it is distributed among investors in the proportion of their units.
- ⇒ Investor pays **Entry Load** (= fees for joining), **Exit Load** (= fees while quitting). SEBI regulates these fees.
- ⇒ Due to low deposit rates in banks, people invested money in mutual funds however post-IL&FS crisis, corona crisis, charm declining because mutual funds are subject to such market risks.
- ⇒ 🎯 💼 💳 💹 “Side pocketing”: SEBI’s technical guidelines to help MFs to separate their IL&FS type stressed/toxic assets from their standard assets. Helps protecting the investors.
How? NOTIMP.

15.17.1 📈 🎓 🎓 Mutual fund → ESG, Shariya Mutual Funds

- ⇒ **ESG Mutual Funds**= These mutual funds will invest clients' money in companies that have good performance on Environmental, Social, And Governance (ESG) aspects.
- ⇒ **Shariya Mutual Fund**= These mutual funds will invest clients' money in companies that are



compliant with Islamic Shariya law. E.g. They will **not** invest in alcohol, pork, gambling etc related companies.

15.17.2 📈 💳 💼 Mutual fund → SIP, ELSS, ULIP

- ⇒ **Traditional Mutual Fund** = client invests entire amount at once. एक साथ पूरी रकम जमा करानी होती है
- ⇒ **Systematic Investment Plan (SIP)**= Mutual fund wherein client deposits small-small fixed amounts at fixed interval e.g. month basis etc. ग्राहक छोटी-छोटी किस्तों में रकम जमा करवाता है
- ⇒ **Equity Linked Savings Scheme (ELSS)**= It is a sub-type of mutual fund where money is locked in for 3 years and invested in equities (shares). It's eligible for certain benefits in Income Tax.
- ⇒ **Unit linked insurance policy (ULIP)**= client invest money in a scheme wherein → (1) some ₹ goes into Mutual Fund (2) some ₹ goes into insurance policy (↗ Ref: HDT-Pillar#1D)

15.17.3 📈 💳 💼 Mutual fund → 📈 Mutual fund risk-o-meter

- ⇒ SEBI requires mutual fund company to disclose how much risk is present in their scheme, on a monthly basis, thru a digital dashboard called 'risk-o-meter'. (कितने जोखिम पूर्ण तरीके से निवेश कर रहा है)
- ⇒ It shows 6 categories of risk: low, low to moderate, moderate, moderately high, high, (#)very high risk. (#) SEBI added this new category 'very high risk' in 2020-Oct.
- ⇒ This helps the investor to make decision- which Mutual fund he wants to joins depending on his risk appetite. (उस हिसाब से निवेशक तय करें उसे कौन से सलामती पूर्ण या जोखिमपूर्ण म्यूचुअल फंड में जाना है.)

15.17.4 📈 💳 💼 Mutual Fund: Backstop Entity- SEBI proposal for stressed MF

NOT YET formed. And outdated for 2023. So deleting it. #RAFTAAR for Prelims.

15.17.5 🎵 (🖨️: 💼 💼) Bond Buying Institution in 📈 Budget-2021

NOT YET formed. And outdated for 2023. So deleting it. #RAFTAAR for Prelims.

15.18 📈 💳 💼 INVESTMENT FUNDS → HEDGE FUND (हेज फण्ड) FOR RICH-AADMI



Figure 8: Swag से नहीं करेंगे 'middle-class' का 'स्वागत'! Observe 'premium' logo-designs to attract rich people

- ⇒ Special type of Mutual Fund meant for HNI (High Net Worth Individual) who wants high risk high return. SEBI norms: Minimum investment per person is ₹1 crore. (सिर्फ अमीरों के लिए है)
- ⇒ Hedge Fund manager will invest their money in Junk Bonds, Risky assets; he'll do risky trading activities such as Arbitrage, Leverage, Short Selling, Future&Options(F&O) trading, Derivatives Trading etc. to generate maximum return. (How is that done in real life, what do these words mean? = UPSC-CSE not for recruitment of HF managers.)

15.18.1 📈 💳 💼 Investment Funds: “Accredited Investor”

Deleting from handout. I'm not finding it exam-worthy anymore.



15.18.2 🏢 🏠 🏢 🚧 Investment Funds → REITs / InvITs: for rich-aadmi

	REITs: Real Estate Investment Trusts (भू-भवन-संपत्ति निवेश न्यास)	InvITs: Infrastructure Investment Trusts-(अधिसंरचना)
Who can invest?	HNI / institutions: Min. ₹2 lakh ₹50,000 investment	₹10 lakh, ₹1 lakh (SEBI ↘ reduced minimum limits in 2019 to attract more investors)
Manager parks the money in?	in real estate projects that are soon to complete. He'll earn income from rent / sale.	In airport, highway, thermal plants, gas grid etc. He'll earn from toll collection at highways, services fees at airports etc.
Example	Blackstone-Embassy group	IRB, India-grid

Benefits of REITs and InvITs-

- ✓ Stressed developer gets new finance to finish the project while HNI gets new opportunity to invest his money, and he may also sell the units to third party via stock exchange.
- ✓ SEBI permitted these instruments in 2014. Later SEBI relaxed technical norms related to capital, leverage, issue size but they are not important for us. हर तकनीकी नियम अपने लिए काम का नहीं

15.18.3 🏢 🏠 🏢 Investment Funds → Sovereign Wealth Fund (संप्रभु धन कोष)

- ⇒ State owned investment fund, wherein central bank, finance ministry and other public sector financial intermediaries park their surplus fund. →money used for investment.
- ⇒ E.g. 2020-Jun: Abu Dhabi Investment Authority (ADIA) bought 1.16% of Reliance Jio for ₹5600+cr. Singapore's GIC sovereign wealth fund, Qatar Investment Authority (QIA) also active in Indian market.
- ⇒ What is National Investment & Infrastructure Fund (NIIF) Ans. Ref: Pillar#5: Infrastructure

15.19 🏢 💰 INVESTMENT FUNDS → CPSE-EXCHANGE TRADED FUNDS (ETF: ईटीएफ)

- ⇒ **Disinvestment** (विनिवेश): government sells its shares from Central Public Sector Enterprises (CPSE: केंद्रीय सार्वजनिक क्षेत्र के उद्यम) but does not reduce its shareholding below 51%.
- ⇒ If Govt's shareholding reduced below 51%, then it is called **Privatization** (निजीकरण), although NITI prefers the term '**Strategic Disinvestment**'. (More in Pill#2)
- ⇒ 2014: Govt wanted to disinvest 10 CPSE (ONGC, GAIL Ltd etc). If govt tried to sell individual company- shares, it would be more time consuming, and govt may not get good prices for each company.
- ⇒ So, Govt gave CPSE-shares to a fund manager Goldman Sachs - who created new securities out of it, called "Exchange Traded Funds (ETF)", and made a "New Fund Offer (NFO)" to the public to subscribe to these securities at ₹ 10 per unit.



⇒ If an investor holds the ETF → he will get returns from the dividend generated by those CPSE-companies in the backend. He may also sell these ETF to a third party via stock exchange, hence called Exchange Traded Funds.

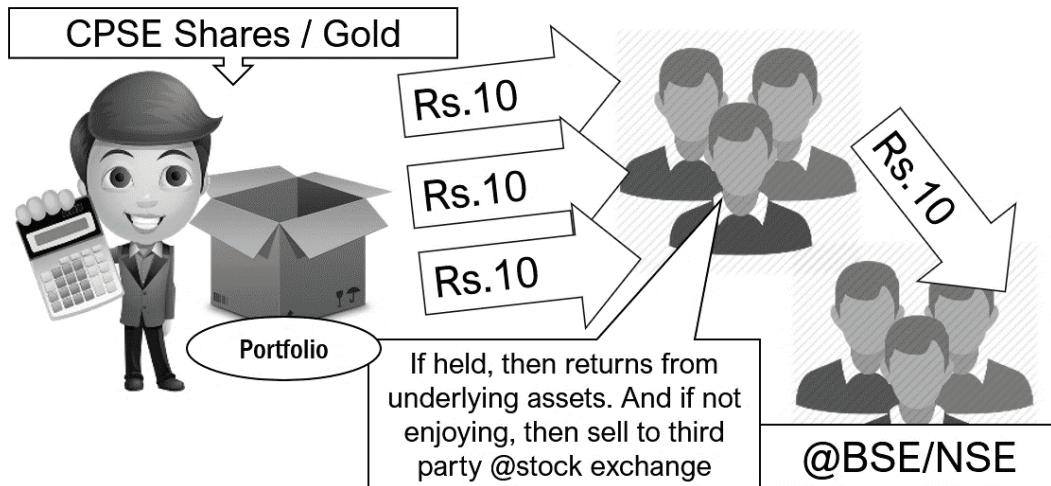


Figure 9: how do exchange traded funds (ETF) work?

- ⇒ **BHARAT-22:** Another CPSE-ETF when Govt wanted to disinvest shares from 22 companies including CPSE, PSBs and UTI using ICICI Prudential as fund manager (2017-18). However, PSB-NPA problem → poor dividends → BHARAT-22 not giving good returns, so, investors response was initially lukewarm.
- ⇒ Later govt announced, “We’ll give the ELSS-walla income tax benefits to CPSE-ETF-investors as well” to attract investors.

15.19.1 (₹) (₹) Bharat Bond (Debt) ETF (2019-Dec)

- ⇒ Fund Manager (Edelweiss Asset Management ltd) → He'll issue Bharat Bond-ETF.
- ⇒ **Maturity:** 3 yrs and 10 years. **Unit Size:** ₹1000 each. So even middle-class investors buy these Bond-ETFs.
- ⇒ Fund managers will invest this ₹₹ into a basket of bonds issued by Central Public Sector Enterprises, Central Public Financial Institutions (CPFIs such as public sector bank and insurance companies) and other Government organizations. ETF will be tradable at the stock exchange.

Bharat bond ETF: Benefits?

- ✓ **For Government companies** = Easier and more efficient to borrow ₹₹ instead of individually launching their bonds in the market. एक एक सरकारी कंपनी अलग से बांड जारी करती तो शायद निवेशक सब को नहीं मिल पाते
- ✓ **For Investors** = Safety, assured return on bonds, irrespective of Government company's profit.
- ✓ retail participation → deepening capital market. (खुदरा निवेशक की मदद से पूँजी बाजार की जड़ों की ओर गहरा करना)
- ✓ **Budget-2020:** given success of Bharat bond ETF, we are planning to launch another debt-ETF containing G-sec. This will help the retail investors to invest in G-sec.



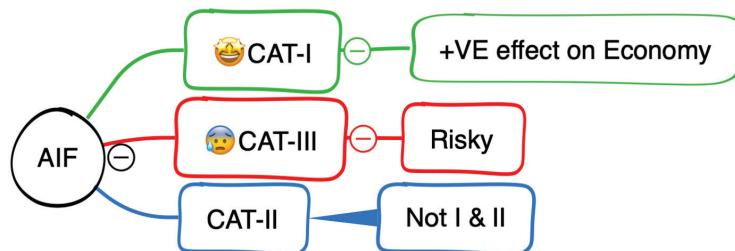
Misc. : Gold-ETF: Investors give money → manager buys gold for safekeeping and trades it depending on price movements → returns are divided among the unit-holders. In between, the investor may sell his Gold-ETF to third party via Stock Exchange therefore they're also Exchange Traded Funds. How/why/NOTIMP

15.19.2 (⊗ 📈 🏦): (厭 悔 🤝) CPSE-ETF vs Mutual Fund

Table 3: Sad that I've to spoonfeed this much

Mutual Fund	CPSE-ETF
Objective = invest clients' money in shares/bonds	Objective different than Mutual Fund (1) help Government for its disinvestment (2) help Government company to borrow money (Bharat-Bond ETF)
fund managers may buy/sell variety of shares and bonds of Government companies and private sector companies for best returns through out the scheme.	He's not doing that. His objective given above.
a fund manager may also change the composition of the portfolio for example if Infosys shares are not performing well → he may sell them and fill up the box with Wipro shares for better dividend.	His portfolio (list of govt companies' shares/bonds) is fixed. It'll not change.

15.20 🏦 INVESTMENT FUNDS → ALTERNATIVE INVESTMENT FUNDS (AIF)



It's a technical classification by SEBI (वैकल्पिक निवेश कोष)

- **AIF Category I:** They generate positive spillover effects on the economy. Example: Venture Capital Funds, Angel investors fund, SME Funds, social venture fund, Infrastructure funds. SEBI keeps relaxed / lighter norms on them. जो कि अर्थतंत्र में सकारात्मक असर उत्पन्न करते हैं
- **AIF Category II:** Neither in Cat-1 nor in Cat-3 E.g. Private Equity or Debt Fund. जो ना तो ऊपर की श्रेणी में है ना नीचे की श्रेणी में है
- **AIF Category III:** They undertake excessive risk to generate high returns in short period of time. E.g. Hedge Funds. SEBI norms are stricter/heavier on them, because otherwise they may destabilize the capital market. जो कि अर्थतंत्र में जोखिम बढ़ाते हैं, नकारात्मक असर उत्पन्न करते हैं

15.20.1 (⊗ 🏦): (🏗️ 🏠) Govt's AIF for Real Estate Sector (2019)

Outdated for 2023 so deleting.



15.21 FORWARD / FUTURE CONTRACTS & CALL / PUT OPTION



Figure 10: भविष्य मे खरीदने का सोदा तो किया, लेकिन दाम गिर जाए, तो खुद को बचाऊं तो कैसे?

- A Forward / Future contract is a customized contract between two parties where settlement takes on a future date at a price/quantity agreed upon today. E.g. *on 1/5/2025 I shall sell you 100 nos. of Infosys shares at ₹1000 each.*
- In such contracts, there is a risk of other party not honoring commitment if he's getting better deal elsewhere in the future. So, for protecting (=hedging) themselves, they (=buyer or seller) may buy "Option" from a third party by paying fees. नुकसानी से बचने के लिए बीमा लिया जाए
- Option is a type of insurance for executing the forward/future contract in a manner beneficial to them e.g. I'll sell you for ₹1000 on X date, & you must buy, but if I'm getting another buyer who is willing to pay ₹1500 then I may not sell you & you can't compel me. Such 'insurance options' are further subdivided into **Call Option** and **Put Option**, their internal difference & real-life mechanism not imp. for UPSC.
- Hedging = Act of purchasing such options/insurance to prevent your losses.

? Which one of the following terms is used in Economics to denote a technique for avoiding a risk by making a counteracting transaction? [UPSC-CDS-2016-I]

- (a) Dumping (b) Hedging (c) Discounting (d) Deflating

15.22 DERIVATIVES & SWAPS (व्युत्पन्न प्रतिभूतियां और अदला-बदली)

- ⇒ A **derivative** is a contract whose value is derived from the value of another underlying asset which could be a share, bond, commodity or currency. इस प्रतिभूति का मूल्य किसी और संपत्ति से उद्भवित होकर आता है
- ⇒ They're usually generated by the process of 'securitization'. E.g. NHB taking loan papers from banks, using them to generate new Mortgage Backed Securities. (प्रतिभूतिकरण की प्रक्रिया से इसे बनाते हैं)
- ⇒ **SWAP:** is derivative instrument to swap one financial asset with another financial asset (usually) to reduce the risk e.g. Currency Swap Agreement between two countries to protect themselves against dollar volatility (more in Pillar#3).
- ⇒ Similarly, there are **Credit Default Swap (CDS) agreement** against the risk of default, **Interest swap agreement** to protect against volatility in interest rates. But their mechanisms NOT IMP.

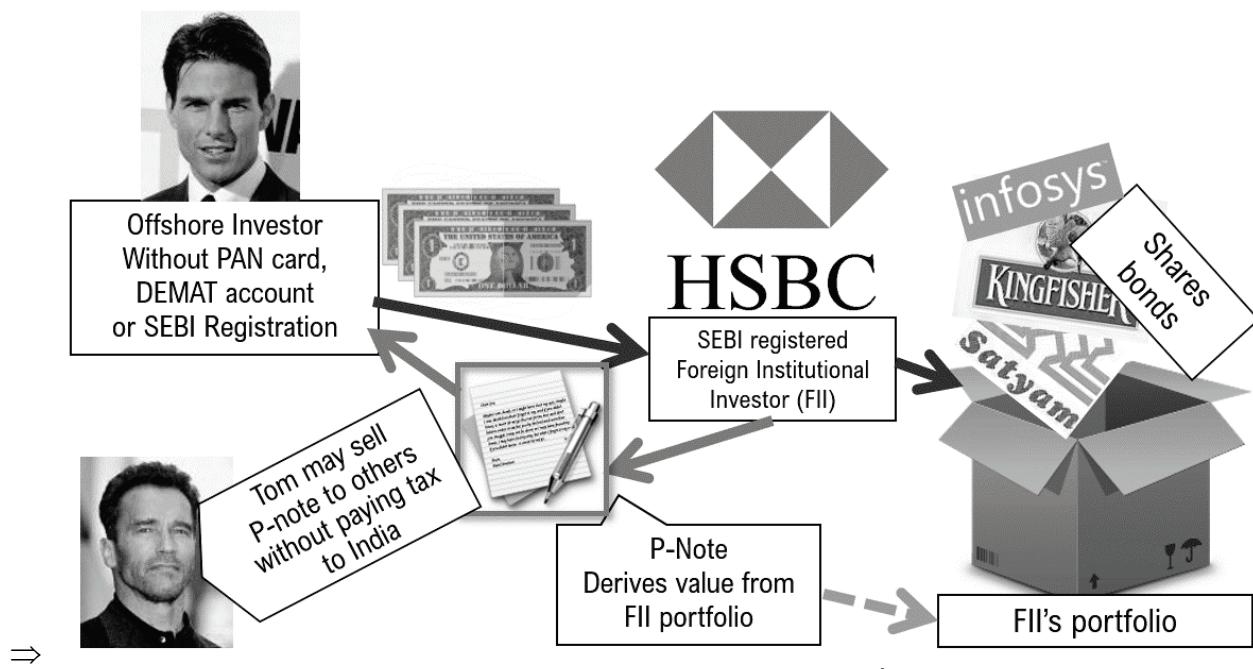
15.22.1 : Bilateral Netting of Qualified Financial Contracts Act 2020

DELETED from 2022 because outdated/faded topic.



15.23 📈 💲 📈 PARTICIPATORY NOTES (P-NOTES: पार्टिसिपेटरी नोट्स)

- ⇒ A foreigner wishes to **invest** his money in India but does not want to go through the hassles of registering with SEBI, getting PAN card number, opening a DEMAT account etc. So, he will approach a SEBI registered foreign institutional investor (FII) / foreign portfolio investor (FPI) such as Morgan Stanley, Citigroup or Goldman Sachs. He'll pay them & instruct them to purchase particular shares and bonds and store them in their Demat account.
- ⇒ Then FII will give him P-Notes, and he'll receive interest and dividend accordingly.
- ⇒ He may also sell those P-notes to a third party. (किसी अन्य व्यक्ति को भी बेच सकता है)
- ⇒ P-Notes are **Offshore Derivative Instruments** that derive the value from the underlying Indian shares and bonds. (अपतटीय व्युत्पन्न उपकरण)



⇒ Figure 11: बिना SEBI पंजीकरण के भारतीय पूँजी बाजार में निवेश करू, तो कैसे?

❷ P-Notes are harmful for Indian economy because:

- ⇒ P-note investors are not directly registered with SEBI. Identity of the actual investor, source of funds remain disguised= chances of Tax evasion, money laundering, terror finance (इसके निवेशक ने स्वयं सेबी में पंजीकरण नहीं करवाया वह पैसा किधर से लेकर आया यह सब जानकारी नहीं मिल पाती, कर चोरी, काले धन को वैध बनाना, आतंकी वित्तपोषण)
- ⇒ If P-Note owner sells his P-Notes to another foreign investor, Government of India may be **deprived of taxes**. (Compared to a scenario where Indian share owner is selling his shares to another Indian investor at profit, then government gets securities transaction tax and capital gains tax on his profit, & he can't dodge it because DEMAT accounts linked with PAN card.
More on PAN card@Pillar#2 → BlackMoney)



Therefore, SEBI tightening the control P-Notes e.g. "X" category of FPIs can't issue P-Notes. "Y" category of FPI can issue P-Notes but every time they issue P-notes-they'll have to deposit \$1,000 to SEBI etc.

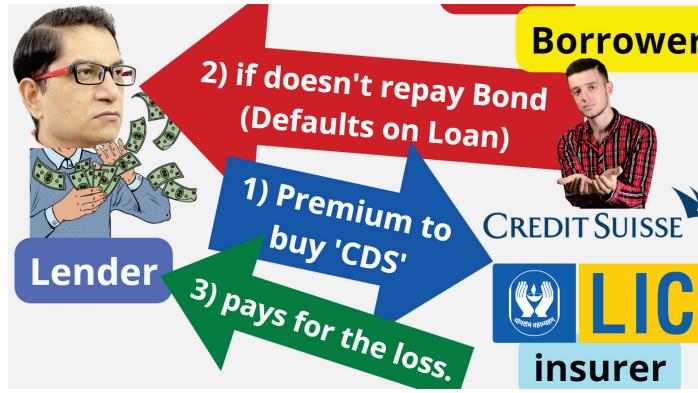
Table 4: Sad that even for such simple things I've to create such spoonfeeding-tables just to prevent FAQs from weak students

P-Notes	Foreign investor wants to invest in Indian share/bond market without registering with SEBI. He wants to buy Indian companies' shares/bonds in India. फिरंगी आदमी भारत की कंपनी में निवेश करना चाहता है लेकिन सेबी से पंजीकरण नहीं करवाना चाहता
Bharat-DR	Foreign Company wants to Indian to invest in its foreign/firangi-shares, without registering with SEBI. फिरंगी कंपनी अपनी कंपनी के शेयर्स भारतीयों को बेचना चाहती है लेकिन सेबी से पंजीकरण नहीं करवाना चाहती
ADR/GDR	Non-American Company wants to American people to invest in its shares without registering with American SEBI. गैर-अमेरिकी कंपनी अपनी कंपनी के शेयर अमरीकी जनता को बेचना चाहती है लेकिन अमेरिका के शेयरबाजार नियंत्रक से पंजीकरण नहीं करवाना चाहती. GDR- similar concept, refer to respective segment.
Masala/Panda/ Kangaroo Bonds etc	Foreign company/org wants to borrow money, in a particular currency from a particular country. Refer to respective segment

Q ? _____ is issued by registered foreign portfolio investors to overseas investors who want to be part of the Indian stock market without registering themselves directly? (Pre-2019)

- (a) Certificate of Deposit (b) Commercial Paper (c) Promissory Note (d) Participatory Note

15.23.1 () Credit Default Swap (CDS)

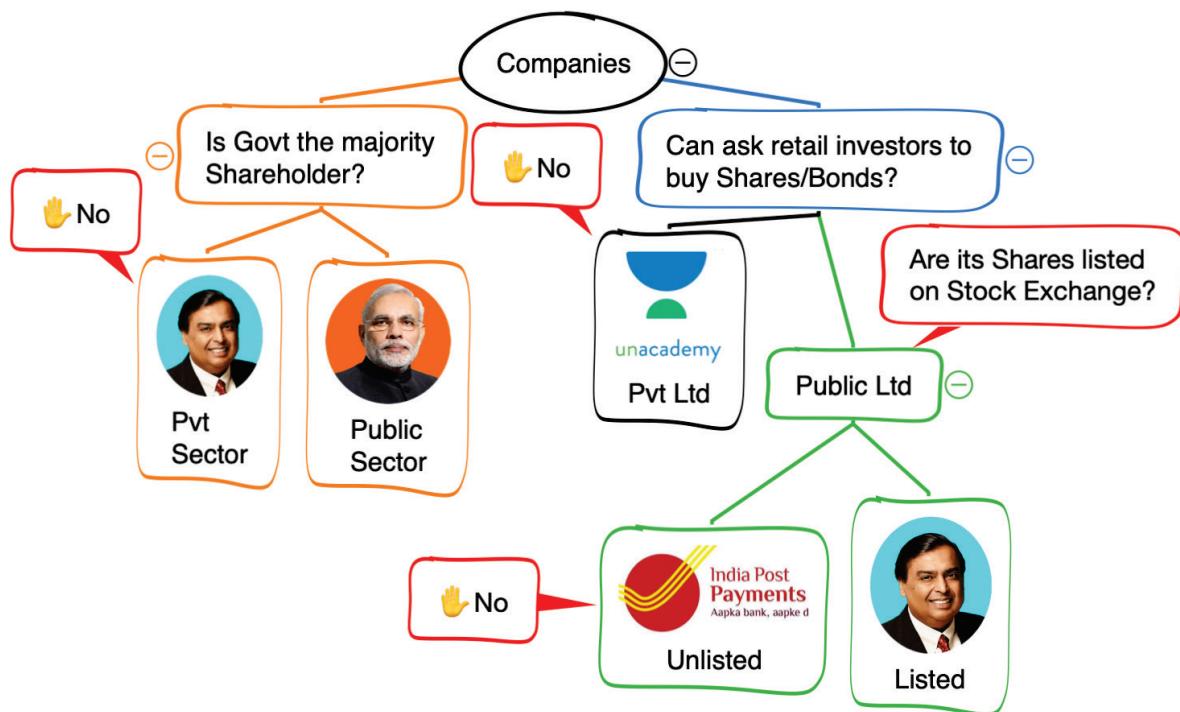


- ⇒ CDS is an instrument to protect the lender/bond investors from the loan default by the borrower
 ⇒ PS: LIC is not 'insurer' in this case. Its logo used only for easier visualisation.
 ⇒ Topic was in news, due to some scam involving a Swiss Bank "Credit Suisse"



Pillar 1C2: Corporate Governance

15.24 📈 💼 COMPANY TYPES

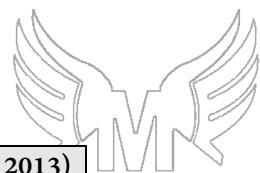


15.24.1 💼 Company types based on incorporation

👑 Chartered Companies	Setup by a charter given by a king / queen. E.g. East India Company in 1600. (चार्टर्ड कंपनिया)
⚖️ Statutory Companies	Setup by special acts of Parliament or State legislature. E.g. RBI, LIC, SBI. (वैधानिक कंपनिया)
📝 Registered Companies	Registered under the Companies Act, 1956 (and later 2013) e.g. Tata Motors, Infosys. (पंजीकृत कंपनिया)

15.24.2 📈 💼 Company types based on number of members

	Private Ltd.	Public Limited Company (Companies Act 2013)
Members	Min. 2 to Max. 200	Min. 7 to Max. unlimited number (depending on how many shares issued & purchased by the people)



	Private Ltd.	Public Limited Company (Companies Act 2013)
can they invite public at large, to buy shares /bonds ? क्या सामान्य जनता को विज्ञापन देकर अपने शेयर-बांड बेच सकते हैं?	Can't	<p>⇒ A public ltd. company can invite public at large, to subscribe to its shares and bonds.</p> <p>⇒ If their shares are listed on a stock exchange (BSE, NSE etc), it's a 'Listed Public Limited Company' (e.g. Reliance), else it's an 'Unlisted Public Limited Company' (e.g. India Post Payment Bank : IPPB)</p>
Directors (Min-Max)	2-15	<p>⇒ Min 3 to Max 15. out of them one must be Indian Resident, 1 must be Woman and 1/3rd of the directors must be independent directors.</p> <p>⇒ Independent directors are persons without any pecuniary interest in company, they are supposed to protect minority shareholders' interests. (अल्पसंख्यक शेयरधारकों के हितों की रक्षा करने के लिए स्वतंत्र डायरेक्टर)</p>
Term limit	N/A	Their directors have age limit, term limit.
Corporate Governance Norms	Norms either not applicable or relaxed. UPSC- CSE≠CA	<p>Companies Act requires them</p> <p>⇒ to hold specific number of annual meetings of board of directors, norms for quorum, mechanism for e-voting,</p> <p>⇒ have to appoint Company Secretary,</p> <p>⇒ Implement mechanism for protecting whistleblowers</p> <p>And so on...</p>

FAQ: How can pvt limited company have shareholding?

- ⇒ Ans. They can ask friends and family, venture capital funds, angel investors and other type of investors to invest in the company. They cannot put an advertisement in the newspaper that we are inviting the public at large to buy our shares. IF they want to invite public at large, → they need to convert registration from private limited company to public limited company.
- ⇒ Companies usually start as originally as private limited companies. e.g. Infosys (private ltd) in early 80s → when their business grows and they want more capital they will convert into public limited companies. → they will issue shares for the first time for the public at large → so we call it Initial Public Offer (IPO) e.g. same infosys (public ltd) in early 90s launched IPO..
- ⇒ In future same public ltd. company may also require more capital so again they will issue more shares for the second time, third time etc. → then we call it Follow on Public Offer (FPO)

15.24.3 🏛️ 🏢 Company types based on Ownership

🏛️ Government / Public Sector / सार्वजनिक क्षेत्र	👤 Private Sector / निजी क्षेत्र की
When Government owns 51%/> shares. Examples: Steel Authority of India (SAIL),	When private parties own 51%>. E.g. Reliance, Tata, Adani



Government / Public Sector / सार्वजनिक क्षेत्र	Private Sector / निजी क्षेत्र की
India Post Payment Bank (IPPB)	
Holding Company / नियंत्रक कंपनी A company that owns majority shares in another company. E.g. Tata Sons ltd. holds majority shares of Tata Consultancy Services (TSC), Tata Steel, Tata Sky etc.	Subsidiary Company / नियंत्रित कंपनी A company that is controlled by a parent holding company. E.g TCS, Tata Steel, Tata Sky are subsidiary co of Tata Sons.

15.24.4 Company Types: Misc.

Under Companies Act	<ul style="list-style-type: none"> ⇒ One Person Company: special type of private ltd company having only one member. Budget-2021: One Person Companies (OPCs)- Legal reforms in Companies Act to [1] allow NRIs to easily register OPC in India [2] OPC can be converted to other types of companies any time ⇒ Not for Profit Company: e.g. GSTN, NPCi etc. their profit is re-invested in business expansion. They get certain tax benefits & relief in how frequently they've to submit data to MCA. (लाभ-रहित कंपनी, जो कंपनी मुनाफे के लिए नहीं बनाई गई) ⇒ Dormant Companies: A) setup to start business in future B) setup to store intellectual property C) not filled annual returns for two consecutive years. (निष्क्रिय/सूप्त कंपनी)
Under LLP Act 2008 <small>सीमित देयता भागीदारी अधिनियम</small>	<ul style="list-style-type: none"> ⇒ Limited Liability Partnership (LLP) Company is formed by minimum 2 or more partners. ⇒ Individual partners are shielded from joint liability created by another partner's wrongful business decisions or misconduct. E.g. Vajiram and Ravi IAS Study Centre LLP ⇒ LLP's registration fees, auditing/reporting norms, tax liabilities, winding up process etc. are more flexible than a (public or pvt) ltd. company registered under Companies Act. उनके लिए नियमों में रियायत/आसानी होती है।
Under Indian Partnership Act 1932	<ul style="list-style-type: none"> ⇒ A Partnership firm is formed by minimum 2 or more partners. ⇒ Each partner is liable jointly with all the other partners for losses, wrongful biz. decisions and misconduct.

15.24.5 Corporate Governance → Small Companies given compliance relief

- ⇒ Budget-2021: Companies with paid up capital not more than ₹2cr & annual turnover not more than ₹20cr = treated as 'Small Companies'.
- ⇒ They'll be given relief in Companies Act related compliance e.g. how frequently they've to submit accounts and ownership related documents to the Ministry of Corporate Affairs etc.

15.24.6 Commercial Organizations: Other Types

PSU, CPSE	Ref: Pillar2: Disinvestment
MSME	Ref: Pillar1D: financial inclusion, Pillar4B
Startups	Ref: Pillar4B



15.24.7 📊 💼 💬 Corporate Governance → LLP settlement Scheme 2020

Faded topic. Deleting from handout

15.25 🔐 STATUTORY BODIES IN MINISTRY OF CORPORATE AFFAIRS (MCA)

15.25.1 🔐 🕵️ Competition Commission of India (भारतीय प्रतिस्पर्धा आयोग)

- ⇒ Competition among companies= consumer gets goods and services at the most competitive / affordable prices. कंपनियों के बीच स्पर्धा होगी तभी तो ग्राहक को अच्छी सेवा और किफायती दाम में चीजें मिलेंगी
- ⇒ Therefore, government must prevent cartelization (price fixing or production fixing by a group of Companies), prevent monopoly (single company commanding the production / supply), protect consumers' interests and ensure freedom of trade.
- ⇒ 1970: Monopolies and Restrictive Trade Practices (MRTP) Act.
- ⇒ Later MRTP Act replaced with Competition Act, 2002- which has a statutory regulator Competition Commission of India (CCI: 1 Chairman + 6 Members)
- ⇒ In past, CCI has imposed penalties on cement companies, real estate companies. It is also investigating Airtel, and other telecom companies for alleged cartelization.
- ⇒ Competition (Amendment) Bill, 2022 to increase CCI's powers further. But, it's not yet passed so we'll not prepare more details for the time being. #RAFTAAR

15.25.2 🔐 🕵️ Insolvency and Bankruptcy Board of India (IBBI)

This too is a statutory body under the Ministry of Corporate Affairs (MCA). Read Pillar#1B-2: NPA

Table 5: Bodies under Companies Act 2013

Features	National Company Law Tribunal (NCLT)	National Financial Reporting Authority (NFRA)	Investor Education & Protection Fund	Serious Fraud Investigation Office (SFIO)
	राष्ट्रीय कम्पनी विधि अधिकरण	राष्ट्रीय वित्तीय प्रतिवेदन प्राधिकरण	निवेशक एवं शिक्षा रक्षण कोष	गंभीर धोखाधड़ी अन्वेषण कार्यालय
Members	Judicial + technical. They've benches @Delhi, Kolkata, Jaipur etc.	Chairman + members	Boss: Corp. Affairs Secretary (IAS). Plus, members from RBI, SEBI, financial experts	Civil servants & financial experts
Appeal	NCLAT (Appellate tribunal)	NFRAA (Appellate Authority)	Regular Courts	Regular Courts
Cases	Hear the cases related to Companies Act, Board room battles, Merger-Acquisition,	Sets standards for Auditors & (CA), in listed companies and large unlisted companies. If	They use unclaimed money from shares/bonds for financial	Investigate white-collar (financial) frauds. Powers to search, seize, arrest.



Features	National Company Law Tribunal (NCLT)	National Financial Reporting Authority (NFRA)	Investor Education & Protection Fund	Serious Fraud Investigation Office (SFIO)
	Corporate Insolvency & Bankruptcy (I&B)	malpractices-> investigate and debar them, Powers of civil court.	literacy and awareness	Once SFIO gets case, other agencies (like CBI) can't proceed.

15.25.3 Unclaimed shares and dividends of IEPF & Budget-2023



Figure 12: Image source: Agnipath (2012)

Investor Education & Protection Fund Authority (IEPF) is a statutory body in Companies Act, 2013.

- ⇒ Secretary (IAS) of Ministry of Corporate Affairs is the ex-officio chairman of this IEPF body.
- ⇒ IEPF looks after the unclaimed shares, bonds, dividends, interest etc.
- ⇒ IEPF uses such money for investor awareness.
- ⇒ Budget-2023: if a person wants to 'reclaim' the unclaimed shares and unpaid dividends from IEPF → we'll setup an IT portal to help him file such application.

लावारिस शेयरों और लाभांश निवेशक शिक्षा और संरक्षण निधि प्राधिकरण (आईईपीएफ) नामक वैधानिक संस्था में रखे जाते हैं। यदि इन लावारिस शेयर/डिविडेंड की पुनःप्राप्ति के लिए कोई व्यक्ति अर्जी करना चाहता है, तो एक ऑनलाइन पोर्टल बनाया जाएगा।

15.25.4 Ministry of Corporate Affairs also associated with:

Chartered Accountants Act 1949	Regulates the CA profession through a Statutory body: Institute of Chartered Accountants of India (ICAI). ICAI also has IPA status under I&B Code.
Company Secretaries Act, 1980	Statutory Body: Institute of Company Secretaries of India (ICSI). Also has IPA status. REF (More in Pillar#1B2)
Cost and Works Accountants Act, 1959	Statutory Body: Institute of Cost Accountants of India (ICAI). Also has IPA status. What does it mean? REF (More in Pillar#1B2)
Legislative Responsibilities of MCA	<ul style="list-style-type: none"> ⇒ 1860: Societies Registration Act- for registration of literary, scientific and charitable societies. E.g. Sahitya Akademi, National School of Drama etc. जो मुनाफे के लिए नहीं लेकिन कला साहित्य विज्ञान के प्रसार के लिए बने ⇒ 1932: Partnership Act ⇒ Companies Act 1956 → 2013. ⇒ 2008: Limited Liability Partnership Act



E-governance initiatives of MCA	⇒ INC-29 online form to registration of new company. Later it was replaced with Simplified Proforma for Incorporating Companies (SPICe) online form. ⇒ MCA-21 portal, where companies can file online documents related to Companies Act compliance. MCA21 Version 3.0= this latest Version 3.0 portal will have additional modules for e-scrutiny, e-Adjudication, e-Consultation and Compliance Management.
Officers	Indian Corporate Law service (ICLS) via UPSC CSE-exam

15.25.5 Companies Act: EoD- Central Data Processing Centre in 📈 Budget-2023

- ⇒ In the past, Ministry of corporate affairs had launched many E-governance initiatives that helps the company to register and upload documents. Example MCA21, SPICe, SPICe+ etc. How do they work? What exactly do they do? NOT.IMP
- ⇒ 🍑 Budget-2023: well - setup Central Data Processing Centre for faster processing of various forms filled by Companies under the Companies Act. How Exactly? Not.IMP
- ⇒ 😊 Benefit? Ease of doing business for the companies.
कंपनी कानून के तहत कंपनियों ने कॉर्पोरेट मामलों के मंत्रालय में पंजीकरण तथा विविध दस्तावेज जमा करने होते हैं। इस प्रक्रिया को ज्यादा तेजी से निपटाने के लिए एक केंद्रीय डाटा प्रोसेसिंग केंद्र की स्थापना की जाएगी

15.25.6 🕵️‍♂️ 🕵️‍♀️ Corporate Governance (कॉर्पोरेट शासन)



Figure 13: तुम मेरे पापा के दोस्त हो? - Cyrus Mistry

Shifted to Mains-QEP. Basically deals with how to ensure that company is run without any scams/scandals.

- ⇒ Companies Act has various provisions for it. E.g.
- ⇒ Term limits on board of directors, provision for independent directors,
- ⇒ Reservation for women directors.
- ⇒ How many companies can one Chartered Accountant audit?
- ⇒ Protection for whistleblower, company secretary etc.
- ⇒ SEBI can also issue some directives. E.g. splitting CMD post.
- ⇒ Notable committee for improving corporate governance in India: Uday Kotak (2017).

What does above things mean? Ans. Watch video lecture.

Further, analytical part shifted to Mains Handout.

15.25.7 🖌️ Mock Questions for Mains

Mostly around measures for deepening the capital market, corporate governance, sovereign gold bond etc instruments, investor's charter etc. This handout deals with ONLY Prelims #RAFTAAR.

Next Handout: 1D: Insurance, Pension, Financial Inclusion